



inspur 浪潮

浪潮國際有限公司*

INSPUR INTERNATIONAL LIMITED

(於開曼群島註冊成立的有限公司 Incorporated in the Cayman Islands with limited liability)
(股份代號 Stock Code : 8141)

ANNUAL REPORT

2006

年度報告

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

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

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

The principal means of information dissemination on GEM is publication on the internet website operated by the Stock Exchange. Listed companies on GEM are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website in order to obtain up-to-date information on GEM-listed issuers.

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

This annual report, for which the directors of Inspur International Limited (formerly known as Lang Chao International Limited) (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the “GEM Listing Rules”) for the purpose of giving information with regard to Inspur International Limited. The directors of the Company, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this annual report is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this annual report misleading; and (3) all opinions expressed in this annual report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

香港聯合交易所有限公司 (「聯交所」) 創業板 (「創業板」) 的特色

創業板乃為帶有高投資風險的公司提供一個上市的市場。尤其在創業板上市的公司無須有過往溢利記錄，亦毋須預測未來溢利。此外，在創業板上市的公司可因其新興性質及該等公司經營業務的行業或國家而帶有風險。有意投資的人士應了解投資於該等公司的潛在風險，並應經過審慎周詳的考慮後方作出投資決定。創業板的較高風險及其他特色表示創業板較適合專業及其他資深的投資者。

由於創業板上市公司新興的性質所然，在創業板買賣的證券可能會較於主板買賣的證券承受較大的市場波動風險，同時無法保證在創業板買賣的證券會有高流通量的市場。

創業板所發佈的資料的主要方法為在聯交所就創業板而設的互聯網網頁刊登。上市公司毋須在憲報指定報章刊登付款公佈披露資料。因此，有意投資的人士應注意彼等能閱覽創業板網頁，以便取得創業板上市發行人的最新資料。

聯交所對本年報的內容概不負責，對其準確性或完整性亦不發表任何聲明，並明確表示概不就因本年報全部或任何部份內容而產生或因依賴該等內容而引致的任何損失承擔任何責任。

本年報(浪潮國際有限公司(「本公司」)董事共同及個別承擔全部責任)乃遵照香港聯合交易所有限公司創業板證券上市規則(「創業板上市規則」)而提供關於浪潮國際有限公司的資料。董事在作出一切合理查詢後確認，就其所知及所信：(1) 本年報所載資料在各重要方面為真確及完整；(2) 本年報並無遺漏任何其他事實，致本年報內容含有誤導成份；及(3) 本年報所表達的意見乃經審慎周詳考慮後，根據公平合理的基準及假設而作出。

CONTENTS 目錄

Corporate Information	2
公司資料	
Financial Summary	4
財務概要	
Chairman's Statement	6
主席報告	
Management Discussion and Analysis	8
管理層討論及分析	
Directors and Senior Management Profile	12
董事及高級管理層簡歷	
Comparison of Business Progress and Use of Proceeds	18
業務進程與所得款項用途之比較	
Corporate Governance Report	22
企業管治報告	
Report of the Directors	29
董事會報告	
Independent Auditors' Report	46
獨立核數師報告	
Consolidated Income Statement	48
綜合收益表	
Consolidated Balance Sheet	49
綜合資產負債表	
Consolidated Statement of Changes in Equity	50
綜合權益變動報表	
Consolidated Cash Flow Statement	51
綜合現金流量報表	
Notes to the Consolidated Financial Statements	53
財務報表附註	

Corporation Information

公司資料

EXECUTIVE DIRECTORS

Mr. Sun Pishu
Mr. Zhang Lei
Mr. Wang Miao
Mr. Leung Chi Ho

NON-EXECUTIVE DIRECTORS

Mr. Xin Wei Hua
Mr. Wang Hung, Alex
Mr. Marc Evan Brown
Mr. William James Fass

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Meng Xiang Xu
Mr. Liu Ping Yuan
Mr. Wong Lit Chor, Alexis

COMPANY SECRETARY AND QUALIFIED ACCOUNTANT

Ms. Ng Mei Lin

COMPLIANCE OFFICER

Mr. Wang Miao

AUDIT COMMITTEE

Mr. Meng Xiang Xu
Mr. Liu Ping Yuan
Mr. Wong Lit Chor, Alexis

AUTHORIZED REPRESENTATIVES

Mr. Wang Miao
Ms. Ng Mei Lin

SPONSOR

Guotai Junan Capital Limited

AUDITORS

Deloitte Touche Tohmatsu

PRINCIPAL BANKERS

The Hong Kong and Shanghai Banking Corporation Limited
Bank of China (Hong Kong) Limited

執行董事

孫丕恕先生
張磊先生
王渺先生
梁智豪先生

非執行董事

辛衛華先生
王衡先生
Marc Evan Brown先生
William James Fass先生

獨立非執行董事

孟祥旭先生
劉平源先生
黃烈初先生

公司秘書及合資格會計師

伍美蓮女士

監察主任

王渺先生

審核委員會

孟祥旭先生
劉平源先生
黃烈初先生

授權代表

王渺先生
伍美蓮女士

保薦人

國泰君安融資有限公司

核數師

德勤 • 關黃陳方會計師行

主要往來銀行

香港上海滙豐銀行有限公司
中國銀行(香港)有限公司

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Butterfield Bank (Cayman) Limited
Butterfield House
68 Fort Street
P.O. Box 705
George Town
Grand Cayman
Cayman Islands
British West Indies

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
Rooms 1712-1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Hong Kong

REGISTERED OFFICE

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 726
Nan Fung Commercial Centre
19 Lam Lok Street
Kowloon Bay
Kowloon
Hong Kong

GEM STOCK CODE

8141

主要股份過戶及登記處

Butterfield Bank (Cayman) Limited
Butterfield House
68 Fort Street
P.O. Box 705
George Town
Grand Cayman
Cayman Islands
British West Indies

香港股份過戶登記分處

香港中央證券登記有限公司
香港
皇后大道東183號
合和中心
17樓1712-1716室

註冊辦事處

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

香港主要營業地點

香港
九龍
九龍灣
臨樂街19號
南豐商業中心
726室

創業板股份代號

8141

Financial Summary

財務概要

截至十二月三十一日止年度
For the year ended 31 December

		2002	2003	2004	2005	2006
		二零零二年	二零零三年	二零零四年	二零零五年	二零零六年
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
		千港元	千港元	千港元	千港元	千港元
RESULTS	財務業績					
Turnover	營業額	390,232	548,087	635,827	729,561	870,619
Profit before taxation	除稅前純利	2,528	22,331	22,330	29,158	27,917
Taxation	稅項	—	(3,962)	(4,668)	(4,943)	(2,770)
Profit for the year	年度純利	2,528	18,369	17,662	24,215	25,147
ASSETS AND LIABILITIES	資產及負債					
Total assets	資產總值	48,321	72,498	106,422	288,939	433,346
Total liabilities	負債總值	(48,401)	(54,109)	(40,831)	(167,234)	(268,501)
		(80)	18,389	65,591	121,705	164,845
TOTAL EQUITY	權益總額					
Equity attributable to equity holders of the parent	母公司股權持有人應佔股權	(80)	18,389	65,591	121,705	158,127
Minority interests	少數股東權益	—	—	—	—	6,718
		(80)	18,389	65,591	121,705	164,845

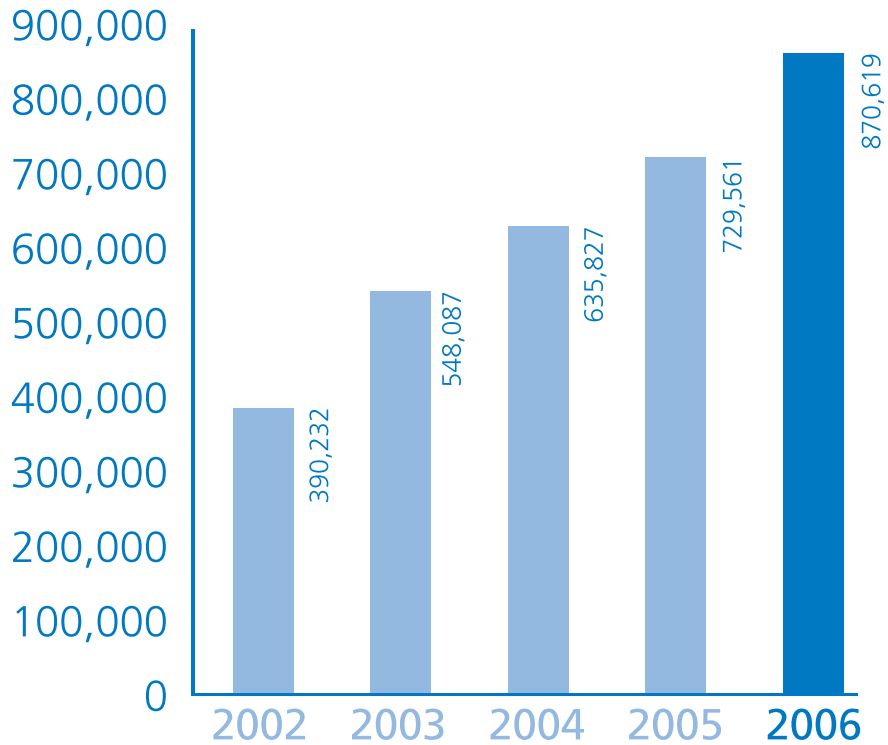
Notes:

- The Company was incorporated in Cayman Islands on 29 January 2003 and became the holding company of the Group with effect from 20 February 2003 as a result of the group reorganisation, details of which are set out in the Company's prospectus dated 20 April 2004.
- The results of the Group for the year ended 31 December 2002 have been prepared on a combined basis as if the group structure resulting from the group reorganisation had been in existence throughout the years concerned and have been extracted from the Company's prospectus dated 20 April 2004.

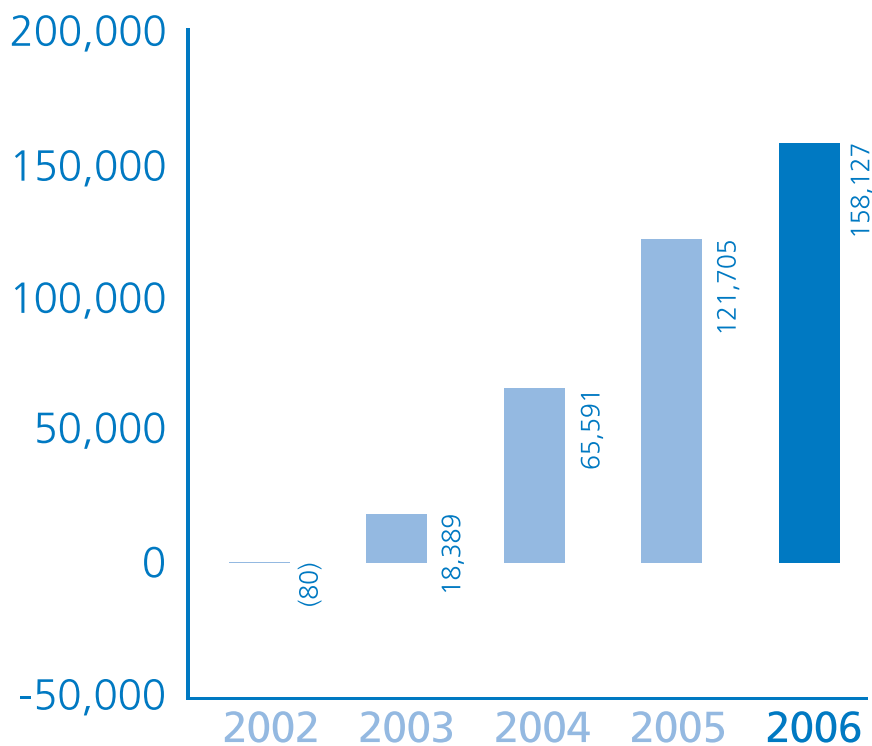
附註：

- 本公司於二零零三年一月二十九日在開曼群島註冊成立，其後因重組而於二零零三年二月二十日成為本集團的控股公司。重組的詳情載於二零零四年四月二十日本公司之招股章程。
- 本集團截至二零零二年十二月三十一日止之業績乃按合併基準並假設現有集團架構於有關年度一直存在而編製及摘自本公司於二零零四年四月二十日刊發之招股章程。

Turnover
營業額



Equity attributable to equity holders of the parent
母公司股權持有人應佔股權



Chairman's Statement

主席報告

On behalf of the Board of Directors of Inspur International Limited (the "Company"), I am pleased to announce the financial report of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2006.

FINANCIAL HIGHLIGHTS

During the year under review, the Group recorded a turnover of approximately HK\$870,619,000, an increase of 19.33% when compared with last year's HK\$729,561,000. Profit attributable to equity holders of the parent rose from HK\$24,215,000 to HK\$25,160,000, an increase of 3.9%. Earnings per share decreased by 7.12%, from HK5.34 cents to HK4.96 cents. The Board of Directors recommended the payment of a final dividend of HK1.5 cents per ordinary share (2005: HK3.0 cents) for the year ended 31 December 2006. The final dividends will be payable on 23 May 2007 to those shareholders whose names appear on the register of members of the Company at 26 April 2007, subject to shareholders' approval of payment of the final dividends at the forthcoming annual general meeting.

BUSINESS REVIEW

During the year under review, the Group maintained the steady growth momentum of last year, recording continuous growth of turnover and net profit. Thanks largely to the robust development in the domestic information technology ("IT") industry, the Group achieved satisfactory results during the year, with further increase in market shares of the hardware products in the PRC market. Moreover, the Group managed to improve its overall profitability by providing customers with quality value-added services.

Apart from the Hong Kong head office, the Group had established sales centre and liaison points in Jinan, PRC in order to tie up with customers. This allows the Group to stay closer to its end-users, thus enabling it to react rapidly to market needs and respond to the fast-changing IT market and product development trend.

As Microsoft Corporation ("Microsoft") is one of the largest software developers in the world, the introduction of Microsoft as a substantial shareholder will enhance future cooperation between the Group and Microsoft, resulting in common synergies and benefit for both the Group and Microsoft.

本人謹代表浪潮國際有限公司（「本公司」）董事會，欣然提呈本公司及其附屬公司（統稱「本集團」）截至二零零六年十二月三十一日止年度之業績報告。

財務摘要

於回顧年度，本集團錄得營業額約870,619,000港元，較上年度之729,561,000港元增加19.33%。母公司股權持有人應佔溢利由24,215,000港元上升至25,160,000港元，升幅為3.9%。每股盈利由5.34港仙減少7.12%至4.96港仙。董事會建議就截至二零零六年十二月三十一日止年度派發末期股息每股普通股1.5港仙（二零零五年：3.0港仙）。待股東在將於應屆股東週年大會上批准派發末期股息後，末期股息將於二零零七年五月二十三日派發予於二零零七年四月二十六日名列本公司股東登記冊之有關股東。

業務回顧

本集團於回顧年內繼續承接去年度業績的穩定增長趨勢，在營業額及純利方面均錄得持續增長。本集團年內業績理想，主要受惠於中國資訊科技業蓬勃發展，而硬體產品在國內市場的佔有率亦進一步提升。

除香港總公司外，本集團已在中國濟南設立營銷中心，務求與中國之客戶連成一線，使本集團能夠更貼近最終用戶，迅速回應市場的需要，以迎合瞬息萬變的資訊科技業市況及日新月異的產品發展趨勢。

微軟公司（「微軟」）為全球最大之軟件開發商之一，引入微軟為主要股東將提升日後本集團與微軟之間之合作關係，為本集團及微軟創造共同之協同效益及利益。

As mentioned in the Circular dated 8 March 2006, the Group had extended into the market of management software and the market of e-government business through investment in Inspur Group Shandong Genersoft Limited ("Inspur Genersoft") and Shandong Inspur E-Government Software Limited ("Inspur E-Government") respectively and thereby diversify its revenue sources and build up its reputation in the software industry. In view of the customer profile of Inspur Genersoft and the future prospect of the e-government business and thereby the potential of Inspur E-Government, the Directors consider that the transactions will enhance the Group's overall business performance, strengthen its revenue base and diversify its business risk by enlarging its product and service base.

Going forward, the Group will continue to develop and introduce various products and to seek for new investment opportunities in order to generate better returns for its shareholders.

APPRECIATION

We would not have achieved such encouraging performance without the support of our business partners, staff, the management and shareholders. On behalf of the Board of Directors, I would like to take this opportunity to express my deepest gratitude to our shareholders for their continuous support, and our staff for their valuable contributions in the past.

Sun Pishu

Chairman

Hong Kong, 23 March 2007

誠如於二零零六年三月八日通函所披露，本集團透過分別投資於浪潮集團山東通用軟件有限公司（「浪潮通用軟件」）及山東浪潮電子政務軟件有限公司（「浪潮電子政務」），已拓展至管理軟件市場及電子政務市場，從而分散其收入來源及建立其於軟件行業的聲譽。鑒於通用軟件之顧客概況及電子政務業務之未來前景，加上浪潮電子政務之潛力，董事認為，該等交易將透過擴大本集團之產品及服務基礎，提升其整體業務表現、鞏固其收入基礎，以及分散其業務風險。

展望未來，本集團將繼續研發新產品以及會繼續尋求新的商機，期望為本公司及本公司股東帶來理想回報。

致謝

本集團擁有今天的成績，全賴各業務夥伴、員工、管理層及股東的支持。本人謹代表董事會向全體股東致以衷心的謝意，感謝他們一直以來對集團的鼎力支持，並對全體員工於過去一年為集團所作出的寶貴貢獻致意。

孫丕恕

主席

香港，二零零七年三月二十三日

FINANCIAL REVIEW

The Group's turnover increased by approximately HK\$141,058,000 to HK\$870,619,000 during the year under review, representing 19.33% increase as compared with last corresponding period. Such increase was mainly attributable to the increase in sales of computer products and software project income.

The Group recorded a gross profit of approximately HK\$49,915,000 with the gross profit margin of approximately 5.73%, an increase of approximately 54.06% as compared with gross profit of last corresponding period approximately HK\$32,400,000. This increase was due to the gross profit margin of computer product is greater than computer components.

The administrative expenses for the year ended 31 December 2006 increased by approximately HK\$7,755,000 or 87.34% as compared to last corresponding period. This increase was due to the increasing the operating expenses of subsidiaries in PRC.

The net profit attributable to equity holders of the parent for the year ended 31 December 2006 was approximately HK\$25,160,000, a 3.9% increase when compared to net profit approximately HK\$24,215,000 for the year 2005. Such increase was mainly from increasing the revenue from computer products and software project income.

Capital structure

The Group intends to principally finance its operation with its internal resources and net proceeds from fund raising activities. On 12 April 2006, 9,200,000 and 10,800,000 new ordinary shares were issued upon the exercise of pre-IPO share options and share options at the price of HK\$0.324 and HK\$0.280 per share respectively for net proceeds of approximately HK\$6,005,000 of the shares of the Company. On 1 June 2006, 3,200,000 new ordinary shares were issued upon the exercise of share options at the price of HK\$0.280 per share for net proceeds of HK\$896,000 of the shares of the Company.

On 21 April 2006, the Company issued 101,315,217, 6% redeemable convertible preferred shares to Microsoft at HK\$0.920 per share for net proceeds of approximately HK\$93,210,000.

財務回顧

於回顧年度內，本集團之營業額增加約141,058,000港元至870,619,000元，較去年同期比較增加19.33%。該項增加主要由於電腦產品銷售量及軟件項目收入增加所致。

本集團錄得約49,915,000港元的毛利，毛利率約5.73%，已較上年度同期之毛利約32,400,000港元增加約54.06%。該項增加是由於電腦產品之毛利率較電腦部件為高所致。

截至二零零六年十二月三十一日止年度之行政費用，與去年同期比較增加約7,755,000港元或87.34%。主要是中國附屬公司之營運費用增加所致。

母公司股權持有人截至二零零六年十二月三十一日止年度之應佔純利約25,160,000港元，較二零零五年度純利約24,215,000港元增加3.9%。該項增加主要原因是電腦產品及軟件項目收入的收益增加所致。

資本架構

本集團以內部資源及集資所得款項淨額作為其經營業務的資金。於二零零六年四月十二日，9,200,000及10,800,000股首次公開招股前購股權及購股權獲行使時分別按每股0.324港元及0.280港元之價格發行，本公司股份之所得款項淨額約為6,005,000港元。於二零零六年六月一日，3,200,000股新普通股已因購股權獲行使時按每股0.280港元之價格發行，本公司之股份之所得款項淨額為896,000港元。

於二零零六年四月二十一日，本公司以每股0.920港元發行101,315,217股6%可贖回可換股優先股予微軟，所得款項淨額約為93,210,000港元。

Liquidity and financial resources

The Group generally finances its operation with cash flow generated from sales and remaining portion of the net proceeds from fund raising activities. As at 31 December 2006, Equity attributable to equity holders of the parent amounted to approximately HK\$158,127,000 (31 December 2005: HK\$121,705,000). Current assets amount to approximately HK\$373,072,000 of which approximately HK\$148,158,000 were cash and bank balances. Current liabilities of approximately HK\$89,227,000 mainly comprised accounts payable, tax payable and other payables and accrued expenses. The Group's current assets are approximately 4.18 times (31 December 2005: 3.70 times) over its current liabilities. The gearing ratio of the Group, defined as a ratio between total debts and shareholder's equity is 1.63 (31 December 2005: 1.37). As at 31 December 2006, the Group had no bank borrowings (31 December 2005: Nil).

The Directors believe that the Group has a healthy financial position and has sufficient resources to satisfy its capital expenditure and working capital requirement.

Foreign exchange exposure

The Group does not have any material foreign exchange exposure.

Employee information

As at 31 December 2006, the Group had 273 employees (2005: 22 employees). The increase in staff was mainly from the PRC operations. The total of employee remuneration, including that of the Directors and mandatory provident funds contributions, for the year under review amounted to approximately HK\$8,131,000 (2005: approximately HK\$3,774,000).

Employees are remunerated according to their performance and work experience. On top of basic salaries, discretionary bonus and share option may be granted to eligible staff by reference to the Group's performance as well as individual's performance. In addition, the Group also provides mandatory provident fund scheme, medical insurance scheme for its employees.

流動資金及財務資源

本集團一般以銷售產生的現金流量及集資活動所得款項淨額餘款作為其經營資金。二零零六年十二月三十一日，本集團母公司股權持有人應佔股權約為158,127,000港元(二零零五年十二月三十一日：121,705,000港元)。流動資產約為373,072,000港元，其中約148,158,000港元為現金及銀行結餘。流動負債約為89,227,000港元，主要包括應付賬款、應付稅款及其他應付賬款及應計開支。本集團的流動資產約為其流動負債的4.18倍(二零零五年十二月三十一日：3.70倍)。本集團之權益負債比率(總負債與股東權益之比率)為1.63(二零零五年十二月三十一日：1.37)。於二零零六年十二月三十一日，本集團並無銀行借款(二零零五年十二月三十一日：零)。

董事相信，本集團的財務狀況穩健，並有足夠資金應付其資本開支及營運資金需求。

外匯風險

本集團並無任何重大外匯風險。

僱員資料

於二零零六年十二月三十一日，本集團有273名僱員(二零零五年：22名僱員)。員工增加主要來自中國之業務。於回顧年內，僱員薪酬總額(包括董事及強制性公積金供款)約為8,131,000港元(二零零五年：約3,774,000港元)。

本集團根據僱員之表現及工作經驗釐定僱員薪酬。本集團可參考其業績及個別員工之表現向合資格員工授予基本薪金以外之酌情花紅及購股權。此外，本集團亦向員工提供強制性公積金計劃及醫療保障計劃。

Management Discussion and Analysis

管理層討論及分析

Charges on assets

During the year under review, no assets of the Group were pledged (the year ended 31 December 2005: Nil).

Material acquisition, disposals and significant investment

The Group had further invested US\$9,000,000 to a wholly owned subsidiary Inspur (Jinan) Electronic Information Limited (formerly known as Lang Chao (Jinan) Electronic Information Limited) to acquire the registered capital of Inspur Group Shandong Gensoft Limited (formerly known as Lang Chao Group Shandong Gensoft Limited) (“Inspur Gensoft”) and Shandong Inspur E-Government Software Limited (formerly known as Shandong Lang Chao E-Government Software Limited) (“Inspur E-Government”). In December 2006, Inspur (Jinan) Electronic Information Limited had merger to Inspur (Shandong) Electronics Information Company Limited (formerly known as “Lang Chao (Shandong) Electronics Information Company Limited”).

The Group subscribed for approximately 30.05% of the enlarged registered capital of Inspur Gensoft at a consideration of RMB40,200,000 in cash and subscribed for approximately 53.3% of the enlarged registered capital of Inspur E-Government at a consideration of RMB8,000,000 in cash. Further details regarding the subscription are set out in the Company’s circular dated 8 March 2006.

Inspur (Shandong) Electronics Information Company Limited, an indirect wholly-owned subsidiary of the Company, entered into the Agreement with Jinan Peng Zhi Technology Development Company Limited (“Jinan Peng Zhi”) pursuant to which Jinan Peng Zhi agreed to acquire 49% of the equity interest in Shandong Chaoyue Digital Electronics Company Limited, at a cash consideration of RMB7,122,150. Further details regarding the disposal is set out in the Company’s circular dated 8 September 2006.

Save as disclosed above, the Group has not held any significant investment for the year ended 31 December 2006 and made no material acquisitions or disposals during the current period. As 31 December 2006, the Group had no material capital commitments and no future plans for material investments or capital assets.

資產抵押

於回顧年內，本集團之資產並無被質押（截至二零零五年十二月三十一日止年度：無）。

重大收購、出售及重大投資

本集團向全資附屬公司浪潮（濟南）信息技術有限公司，進一步增加投資9,000,000美元，以收購浪潮集團山東通用軟件有限公司（「浪潮通用軟件」）及山東浪潮電子政務軟件有限公司（「浪潮電子政務」）的註冊資本。於二零零六年十二月，浪潮（濟南）信息技術有限公司已合併為浪潮（山東）電子信息有限公司。

本集團認購浪潮通用軟件經擴大註冊股本約30.05%，認購之代價為人民幣40,200,000元及認購浪潮電子政務經擴大註冊股本約53.3%，認購之代價為現金人民幣8,000,000元。有關認購其他詳情已刊載於本公司於二零零六年三月八日刊發之通函。

本公司之間接全資附屬公司浪潮（山東）電子信息有限公司與濟南鵬志科技發展有限公司（「濟南鵬志」）訂立協議，據此，濟南鵬志同意以現金代價人民幣7,122,150元收購山東超越數控電子有限公司49%之股權。有關出售之其他詳情已刊載於本公司於二零零六年九月八日刊發之通函。

除上文所披露外，本集團於截至二零零六年十二月三十一日止年度並無持有任何重大投資，於本年度亦無作出任何重大收購或出售。於二零零六年十二月三十一日，本集團並無任何重大資本承擔，亦無重大投資或資本資產之未來計劃。

Contingent liabilities

As at 31 December 2006, the Group had no material contingent liabilities.

BUSINESS REVIEW AND PROSPECTS

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

The Company further issued preferred share to Microsoft. As Microsoft is one of the largest software developers in the world, the introduction of Microsoft as a substantial Shareholder will enhance future cooperation between the Group and Microsoft, resulting in common synergies and benefit for both the Group and Microsoft. The Group will also continue to look for opportunities to cooperate with new technology partners who can complement its own products and business. Relying on its sound financial position and the team spirit of the management and staff, I believe the Group's business will continue to prosper. The Group is also looking to opportunities in Greater China and will utilise the expertise and connections with its reseller network to accelerate entry to this market.

或然負債

於二零零六年十二月三十一日，本集團並無重大或然負債。

業務回顧及前景

本集團之資訊科技業務將繼續致力緊貼市場發展及產品趨勢，務求進一步取得其現有及其他資訊科技產品。本集團將拓展至管理軟件市場及電子政務市場，從而分散其收入來源及於軟件行業的聲譽。董事認為，該等投資將透過擴大本集團之產品及服務基礎，改善整體業績、鞏固其收入基礎，以及分散其業務風險。

本公司進一步發行優先股予微軟。微軟為全球最大軟件開發商之一，引入微軟作為主要股東將提升日後本集團與微軟之間之合作關係，為本集團及微軟創造共同之協同效益及利益。本集團亦將繼續物色與新技術夥伴合作之機會，以便可與本集團在本身產品與業務之上互補不足。本集團憑著本集團穩健之財務狀況及其管理層和員工之團隊精神，本人相信本集團之業務將繼續欣欣向榮。本集團亦密切留意大中華區的商機，並會利用本身的專材和與分銷商網絡之連繫加快進軍該市場。

Directors and Senior Management Profile

董事及高級管理層簡歷

DIRECTORS

Mr. Sun Pishu (孫丕恕), aged 44, is the chairman of the Board. He joined the Group in August 1998. Mr. Sun is currently a delegate of the People's Congress of the PRC. He graduated from Shandong University with a Bachelor of Science degree in wireless electronics in 1983 and Armstrong University in California, US with a Master of Business Administration degree in 2002. He has attained over 15 years' experience in the IT industry particularly with its service in the Inspur Group. He was a member of the State 863 Planning Expert Committee (國家 863 計劃專家委員會) and was awarded the title of Key Award Technological Personnel (重獎科技人員) by the Shandong provincial government. He was also awarded as The 13th Top Ten Outstanding Youth Award in the PRC in 2002. He is a director of a number of members of the Inspur Corporation and its subsidiaries ("Inspur Group") as well as Inspur Group Limited ("Inspur Corporation") and is the chairman of Inspur Corporation and Inspur Electronic Information Industry Co., Ltd., a company listed on the Shenzhen Stock Exchange. Mr. Sun is responsible for and devotes a substantial part of his time and effort for the overall planning and development of the Group.

Mr. Zhang Lei (張磊), aged 43, is the general manager of the Group. He has overall responsibility and devotes a substantial part of his time and effort for the finance, general administration and technology departments. He joined the Group in February 2003. Mr. Zhang graduated from Shandong University with a Bachelor of Science degree in Wireless Electronics and a Master degree in Economics in 1983 and 1992 respectively. Mr. Zhang has over 15 years' experience in financial and corporate management. Mr. Zhang was responsible for the Business Department in Shenyang People's Bank Shenyang Securities Exchange (瀋陽市人民銀行瀋陽證券交易中心). Before joining the Inspur Group in 2000, Mr. Zhang was the vice-president of Shenyang Wanzhong Group (瀋陽萬眾集團). He is a director of a number of subsidiaries of the Inspur Group but has not undertaken any active role in the day-to-day management of such companies.

董事

孫丕恕先生，44歲，董事會主席。孫先生於一九九八年八月加入本集團，孫先生目前為中國人大代表。他於一九八三年畢業於山東大學，持有無線電理學士及二零零二年取得美國加州Armstrong University工商管理碩士學位。他於IT業（特別是於浪潮集團服務）擁有超過15年經驗，為國家863計劃專家委員會成員，更獲山東省政府授予重獎科技人員。孫先生於二零零二年亦獲頒發中國第十三屆十大傑出青年。他亦為浪潮公司及其附屬公司（「浪潮集團」）多間成員公司及浪潮集團有限公司（「浪潮公司」）的董事、浪潮公司及浪潮電子信息產業股份有限公司（一間於深圳證券交易所上市的公司）的主席。孫先生投入其大部分時間並負責本集團整體規劃及發展。

張磊先生，43歲，本集團總經理。張先生全權負責，並投入其大部分時間及精力於財務及一般行政及技術支援部。張先生於二零零三年二月加入本集團。張先生畢業於山東大學，分別於一九八三年及一九九二年取得無線電理學士學位及經濟碩士學位，擁有超過15年財務及企業管理經驗。張先生掌管瀋陽市人民銀行瀋陽證券交易中心商務部，在二零零零年加入浪潮集團前，張先生為瀋陽萬眾集團副總裁。張先生為浪潮集團多間附屬公司的董事，但並無於該等公司的日常管理方面扮演任何積極角色。

Directors and Senior Management Profile

董事及高級管理層簡歷

Mr. Wang Miao (王渺), aged 44, is the deputy general manager and compliance officer of the Group, an executive director and an Initial Management Shareholder. He has overall responsibility for the overall management planning, business development, sales and marketing and purchasing. Mr. Wang graduated from Shandong University in July 1984 with a Bachelor degree in Computer Science. Mr. Wang is one of the founders of the Group. Before joining the Group in August 1998, Mr. Wang worked in the Inspur Group since 1991 and assumed a senior management role in the business of the Inspur Group. Through its services in the Inspur Group and the Group, Mr. Wang has accumulated over 10 years of experience in trading and management in IT industry.

Mr. Leung Chi Ho (梁智豪), aged 47, is the chief technology officer of the Group responsible for the overall planning and development of IT advisory services. Mr. Leung graduated from the University of Hong Kong with a degree in Bachelor of Science (Engineering) majoring in electrical engineering in 1982. Before joining the Group in September 2002, Mr. Leung has worked for a number of companies in Hong Kong engaged in IT industry, focusing on the research and development of computer products and assuming senior engineer role, through which he has accumulated over 20 years of experience in IT industry.

Mr. Xin Wei Hua (辛衛華), aged 51, is a non-executive director. He joined the Group in September 1999. Mr. Xin graduated from Shandong University with an Adult Higher Education Professional Certificate in Micro-computer Applications in 1990. Mr. Xin has assumed research supervisor and manager roles in the Inspur Group during its service in the Inspur Group since 1989, through which he has accumulated over 15 years experience in management and research and development for electronics and computer products. Mr. Xin has engaged extensively in technological research in Hong Kong and Singapore, and has been granted the First Grade Advancement Award of provincial level (省級科技進步一等獎). He is a director of a number of companies of the Inspur Group. He is also the general manager of Inspur Electronic Information Industry Co., Ltd., a company listed on the Shenzhen Stock Exchange and a member of the Inspur Group.

王渺先生，44歲，本集團副總經理及監察主任、執行董事及上市時管理層股東。王先生全權負責管理規劃、業務發展、銷售與市場推廣及採購。王先生於一九八四年七月畢業於山東大學，持有電腦科學學士學位。王先生為本集團其中一名創辦人。在本集團於一九九八年八月加入本集團前，王先生自一九九一年以來於浪潮集團工作，於浪潮集團的業務上擔任高級管理層的角色。透過其於浪潮集團及本集團工作，王先生於IT行業的買賣及管理方面累積了超過十年經驗。

梁智豪先生，47歲，本集團技術總監，負責IT顧問服務的整體規劃及開發工作。梁先生於一九八二年畢業於香港大學，持有理學士(工程)學位，主修電子工程。於二零零二年九月加入本集團前，梁先生曾任職香港多間從事IT行業的公司，致力研究及開發電腦產品，並擔任高級工程師，梁先生於IT行業累積超過20年經驗。

辛衛華先生，51歲，非執行董事。辛先生於一九九九年九月加入本集團。辛先生於一九九零畢業於山東大學，取得微電腦應用程式成人高級教育專業證書。辛先生自一九八九年起於浪潮集團服務，擔任浪潮集團的研發部主任及經理的職位，辛先生於電子及電腦產品的管理及研發方面擁有超過15年經驗。辛先生在香港及新加坡廣泛從事技術研究，獲授省級科技進步一等獎。辛先生為浪潮集團多間公司的董事，亦為浪潮電子信息產業股份有限公司的總經理，該公司於深圳證券交易所上市，並為浪潮集團的成員公司。

Directors and Senior Management Profile

董事及高級管理層簡歷

Mr. Wang Hung, Alex (王衡), aged 44, is a non-executive director and an initial management shareholder. He joined the Group in August 1998. Mr. Wang graduated in 1991 from Louisiana Tech University in the US with a Master of Science degree in Electrical Engineering and has over 15 years experience in the IT industry. Before joining the Group in August 1998, Mr. Wang has been a design expert and an experienced engineer in Synchronous Group Inc., deputy general manager of the engineering department of Pacific Information Inc., technical deputy general manager of Mighty Micro Inc. and general manager of Pacific Information Inc.. He is the technical controller of Inspur Electronic Information Industry Co., Ltd., a company listed on the Shenzhen Stock Exchange and a member of the Inspur Group.

Mr. Marc Evan Brown, aged 42, is a non-executive director and joined the Group in June 2006. Mr. Brown is a Managing Director in the Corporate Development Group at Microsoft Corporation where he has been employed since January 2000. From May 1998 to December 1999, he was an Associate in the Private Equity and Emerging Companies Group of the law firm of Goodwin, Procter & Hoar LLP. Prior to that Mr. Brown was an Associate in the Mergers and Acquisition and Merchant Banking Groups at the Union Bank of Switzerland from 1987 to 1991. Mr. Brown holds a Doctor of Jurisprudence from Georgetown University Law School; a Master of Business Administration in Finance from New York University; and a Bachelor of Arts in Economics from Colgate University.

王衡先生，44歲，非執行董事及上市時管理層股東。王先生於一九九八年八月加入本集團，王先生於一九九一年畢業於美國Louisiana Tech University，取得電機工程理碩士學位，並於IT業擁有超過15年經驗。王先生於一九九八年八月加入本集團前，是一名設計專家及Synchronous Group Inc.富經驗的工程師、Pacific Information Inc.工程部副總經理、Mighty Micro Inc.技術副總經理及Pacific Information Inc.總經理。王先生為浪潮電子信息產業股份有限公司的技術總監，該公司於深圳證券交易所上市，並為浪潮集團的成員公司。

Marc Evan Brown先生，42歲，非執行董事，於二零零六年六月加入本集團。Brown先生為微軟企業發展集團董事總經理，彼自二零零零年一月起獲聘。由一九九八年五月至一九九九年十二月，彼為律師行Goodwin, Procter & Hoar LLP Private Equity and Emerging Companies Group之聯席律師。在此之前，由一九八七年至一九九一年，Brown先生為瑞士聯合銀行Mergers and Acquisition and Merchant Banking Groups之合夥人。Brown先生持有喬治敦大學法學院法律博士學位、紐約大學工商管理碩士學位及Colgate University經濟文學士學位。

Directors and Senior Management Profile

董事及高級管理層簡歷

Mr. William James Fass, aged 52, is a non-executive director and joined the Group in June 2006. Mr. Fass is the director of Global Partners of Microsoft with focus on partners that deliver services through the offshore business model. Mr. Fass is also part of the Enterprise and Partner Group (“EPG”) based in Redmond, Washington. Prior to taking on this role, Mr. Fass spent the past three years managing the Accenture and Avanade Global Alliance. Mr. Fass joined Microsoft in 1994 as the worldwide Group Marketing and Strategy Manager for Product Support and Services. In this role he strengthened the enterprise value proposition of Premier and introduced Global Premier to the market. In 1996 Mr. Fass moved to Microsoft Germany taking on the role of sales director, EPG for Microsoft’s Eastern European region with responsibility for Enterprise Sales, Technology Specialist community, Product Support and Services, and Microsoft Consulting Services. Mr. Fass returned to Microsoft US in 1999 to take on the role of Director, Carpoint International Business Development where he established Carpoint franchises in Canada and UK and laid the foundation for European expansion. Prior to joining Microsoft, Mr. Fass has sixteen year’s of experience with IBM in a variety of large account and enterprise marketing, sales, sales management and strategic planning positions. Mr. Fass holds a Bachelor of Science degree from the University of California at Davis in Economics and Business Management.

Mr. Meng Xiang Xu, aged 44, is an independent non-executive director and joined the Group in March 2003. Mr. Meng graduated from Calculator Institute of Academy of Science (中國科學院計算所), majoring in computer application, and has obtained a Doctorate degree in 1998. He currently holds a senior position in a number of universities and committees including the dean of Computer Science and Technology College of Shandong University (山東大學計算機科學與技術學院), dean, professor and PhD tutor of Shandong University Qilu Software College (山東大學齊魯軟件學院), head of the expert group for the digitalisation of Shandong province (山東省信息化工作領導小組專家組) and supervisor of Shandong Province Manufacturing Information Technical Engineering Technology Research Center (山東省製造業信息化工工程技術研究中心). He is mainly engaged in the research and development of computer-aided design and graphics, and human interaction with computers.

William James Fass先生，52歲，非執行董事，於二零零六年六月加入本集團。Fass先生為微軟全球合夥人董事，專注於透過離岸業務模式提供服務的合夥人。Fass先生亦參與華盛頓雷德蒙Enterprise and Partner Group(「EPG」)之業務。在擔任此職務前，Fass先生於過去三年負責管理 Accenture and Avanade Global Alliance。Fass先生於一九九四年加盟微軟，擔任產品支援及服務之環球集團市場推廣及策略部經理，期間彼提升 Premier之企業價值觀念並於市場上推介 Global Premier。於一九九六年，Fass先生調任微軟德國，擔任微軟東歐地區之EPG銷售部董事，負責企業銷售、技術專區、產品支援及服務以及微軟顧問服務。Fass先生於一九九九年返回微軟美國，擔任Carpoint國際業務發展部董事，期間彼於加拿大及英國建立Carpoint特許經營，並奠下擴充歐洲業務之基礎。在加盟微軟前，Fass先生於IBM工作十六年，曾擔任會計及企業市場推廣、銷售、銷售管理及策略籌劃等職務。Fass先生持有戴維斯加州大學之經濟及商業管理理學士學位。

孟祥旭先生，44歲，獨立非執行董事，於二零零三年三月加入本集團，於一九九八年畢業於中國科學院計算所，主修電腦應用並取得博士學位，目前擔任多間大學及委員會的高級職位，包括山東大學計算機科學與技術學院院長、山東大學齊魯軟件學院院長、教授及博士生導師、山東省信息化工作領導小組專家組組長及山東省製造業信息化工工程技術研究中心主任。孟先生主要從事電腦輔助設計、圖形學及電腦人機交互研發。

Directors and Senior Management Profile

董事及高級管理層簡歷

Mr. Liu Ping Yuan, aged 71, is an independent non-executive director and joined the Group in March 2003. Mr. Liu has been in the IT related industry for over 40 years detailed as follows. He has undertaken a number of important positions in the PRC (中華人民共和國郵電部), deputy chairman and secretary general of the Chinese Committee of the 22nd Meeting of the International Postal Association (萬國郵政聯盟大會中國組委會) and member of the Ninth National Political Consultative Committee (中華人民共和國政治協商會議). He is currently chairman of Chinese Postal Association (中華全國集郵聯合會).

Mr. Wong Lit Chor, Alexis, aged 48, is an independent non-executive director and joined the Group in March 2003. Mr. Wong graduated from University of Toronto, Canada with a bachelor degree in arts (economics and commerce) and has obtained a master of business administration degree from the Chinese University of Hong Kong. He has over 20 years of banking, investment, corporate finance and securities dealing experience gained by working as a senior executive in a number of listed local and PRC financial services companies. He is currently a director of Quam Capital Holdings Limited, a subsidiary of Quam Limited which in turn is a company listed on the Main Board of the Stock Exchange providing comprehensive financial services. Mr. Wong is also an independent non-executive director of Wing Hing International (Holdings) Limited, Fortune Telecom Holdings Limited and Argos Enterprises Holdings Limited, which are companies listed on the Stock Exchange.

SENIOR MANAGEMENT

Ms. Ng Mei Lin (伍美蓮), aged 46, is the Company Secretary and Qualified Accountant of the Company. Ms. Ng joined the Company in August 2003. She is responsible for the daily accounts and financial management related operation. Ms. Ng is a member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants. She has extensive experience in finance and accounting.

Mr. Dong Hailong (董海龍), aged 29, is the manager of the purchasing department responsible for maintaining and improving the relationship between the Group and its suppliers. Mr. Dong was graduated from Southwest Jiaotong University with a Bachelor degree in Telecommunication Engineering in 1999. Mr. Dong joined the Group in 2002.

劉平源先生，71歲，獨立非執行董事，於二零零三年三月加入本集團，於IT相關行業擁有超過40年經驗。劉先生曾擔任多個中國政府主要職位，包括中華人民共和國郵電部副部長、第二十二屆萬國郵政聯盟大會中國組委會副主席及秘書長，及第九屆中華人民共和國政治協商會議委員。彼現時為中華全國集郵聯合會會長。

黃烈初先生，48歲，獨立非執行董事，於二零零三年三月加入本集團，畢業於加拿大多倫多大學，取得文學(經濟及商業)學士學位，並取得香港中文大學工商管理碩士學位。黃先生曾於數家香港及中國的上市金融公司出任高層行政人員，於銀行業務、投資、企業融資及證券交易等方面擁有逾二十年經驗。彼現為華富國際控股有限公司(從事金融服務之聯交所主板上市公司)下屬全資公司華富嘉洛控股有限公司之董事，亦為於聯交所上市之永興國際(控股)有限公司、長遠電訊網絡集團有限公司及雅高企業(集團)有限公司之獨立非執行董事。

高級管理層

伍美蓮，46歲，為本公司之公司秘書、合資格會計師。伍小姐於二零零三年八月份加入本公司，負責公司日常會計及財務管理。伍小姐為香港會計師公會及英國特許會計師公會會員。她在財政及會計各方面均具豐富經驗。

董海龍先生，29歲，採購部經理，負責維持及改善本集團與其供應商的關係。董先生於一九九九年畢業於西南交通大學，持有電訊工程學士學位。董先生於二零零二年加入本集團。

Directors and Senior Management Profile

董事及高級管理層簡歷

Mr. Zoubo, aged 28, is the manager of marketing department responsible for sales and marketing activities of the Group, in particular in maintaining relationship with existing customers, and identifying and soliciting new customers. He has extensive experience in business operation, Mr. Zou was graduated from Huazhong University of Science and technology with a bachelor degree in management and law in 2001. Mr Zou joined the Group in 2006.

鄒波先生，28歲，市場推廣部經理，負責本集團的銷售及市場推廣活動，特別是維持客戶關係，以及物色及招徠新客戶，他在業務經營方面有豐富經驗。鄒先生於二零零一年畢業於華中科技大學，持有管理學和法學學士學位。鄒先生於二零零六年加入本集團。

Comparison of Business Progress and Use of Proceeds

業務進程與所得款項用途之比較

COMPARISON OF THE BUSINESS OBJECTIVES WITH THE ACTUAL BUSINESS PROGRESS FOR THE YEAR UNDER REVIEW

Business objectives as stated in the Prospectus

於招股章程內之業務目標

Revenue

收益

- To continue generating revenue from its sourcing and distribution business in the PRC, Hong Kong and other overseas markets
- 繼續從其中國、香港及其他海外市場的採購及分銷業務取得收益
- To generate revenue from the distribution of Inspur Group's products
- 從分銷浪潮集團產品取得收益
- To generate revenue from IT advisory services
- 從IT顧問服務取得收益
- To generate revenue from the distribution of computer components sourced from new suppliers
- 從分銷向新供應商採購的電腦元作取得的收益

Business development

業務發展

- To establish a sales centre in Shanghai
- 於上海成立營銷中心
- To procure no less than 6 new and independent customers in Hong Kong and the PRC
- 於為香港及中國招徠不少於六名新及獨立客戶
- To expand the use of the supply chain management system to provide logistic and delivery services to customers in Shanghai, Shenzhen and nearby areas
- 擴大利用供應鏈管理制度，為其於上海、深圳及鄰近地區的客户提供物流及付運服務

本年度實施計劃與實質進展比較

Actual business progress

實際業務進度

Revenue

收益

- The revenue had recorded approximately HK\$870.6 million
- 錄得營業額約為870.6百萬港元
- Negotiation with potential customers on sales and distribution of Inspur Group's products in overseas market is in progress
- 已與潛在客戶進行協商於香港及海外市場分銷浪潮集團產品
- The revenue had recorded approximately HK\$1 million
- 錄得營業額約為1百萬港元
- Identified supplier to source of computer component
- 已物色供應商進行協商採購的電腦元

Business development

業務發展

- Conducted a feasibility study to establish a sales centre in Shanghai
- 現正研究在上海成立營銷中心之可行性
- Identified 5 new customers including in PRC, Hong Kong and USA
- 物色及招徠5名新客户包括中國、香港及美國
- Conducted a feasibility study the supply chain management system
- 供應鏈管理制度進行可行性仍在研究中

Comparison of Business Progress and Use of Proceeds

業務進程與所得款項用途之比較

- To establish a logistic centre in Beijing with its own warehousing and logistic facilities
- 於北京成立附設其本身的貨倉及物流設施的物流中心
- To continue with the strengthening of the Group's IT advisory services with the establishment of advisory service teams in Shanghai and Shenzhen
- 隨着於上海及深圳建立顧問服務隊伍，繼續加強本集團的IT採購顧問服務

Suppliers and product range

供應商及產品系列

- To continue with the diversification of the Group's range of products including but not limited to Inspur Group's products
- 繼續將本集團的產品系列多元化(包括但不限於浪潮集團的產品)
- To continue exploring opportunities for new suppliers and the sourcing and distribution of new computer components and IT products
- 繼續為新供應商開拓機會，並採購已分銷新電腦元件及IT產品
- To secure no less than 3 new suppliers to diversify the Group's product portfolio
- 取得不少於三名新供應商，使本集團的產品組合更多元化

Sales and marketing

銷售及市場推廣

- To continue to develop and enhance further content, including the provision of technical support, credit and settlement details and inventory status information, on the website
- 繼續開發及進一步改良網站的內容，包括提供技術支援、賒賬及還款詳情及存貨狀況資料

- Conducted a feasibility study to establish a logistic centre in Beijing
- 於北京成立物流中心可行性仍在研究中
- Conducted a feasibility study to establish of advisory service teams in Shanghai and Shenzhen
- 於上海及深圳建立顧問服務隊伍可行性仍在研究中

Suppliers and product range

供應商及產品系列

- Started selling new products including Pentium Dual Core 2.80GHz, Pentium Mobile 1.73 GHz, Celeron D 3.06GHz and computer product to our customers
- 推銷新產品給客戶包括奔騰雙核中央處理器，速度高達2.80GHz、奔騰筆記本中央處理器，速度高達1.73GHz、賽揚中央處理器，速度高達3.06GHz及電腦產品
- Negotiation with potential supplier to source of new computer components
- 已與潛在供應商進行協商採購新電腦元件
- Negotiation with potential supplier to diversify of product portfolio
- 已與潛在供應商進行協商，使本集團的產品更多元化

Sales and marketing

銷售及市場推廣

- The corporate website have been postponed due to the design and contents have not finalized
- 由於設計及內容未能落實，本集團已推遲公司網站的計劃

Comparison of Business Progress and Use of Proceeds

業務進程與所得款項用途之比較

- To continue marketing and promotion campaigns for the sales and distribution of Inspur Group's products
- 繼續銷售及分銷浪潮集團產品的市場推廣及宣傳活動
- To promote the Group's products and services through participation in industry and information technology seminars, trade exhibitions and advertisements in industry journals and publications in Hong Kong and the PRC
- 透過參與行業及資訊科技研討會、貿易展覽會及於香港及中國的行業月刊及刊物刊登廣告，以宣傳本集團的產品及服務
- To host seminars to promote Linux based operating system and applications
- 舉辦宣傳使用Linux的作業系統及應用程式的研討會
- To continue to identify and solicit potential customers, primarily manufacturers and end users in the PRC, through the Group's sales and marketing team in Hong Kong and the newly established sales centres in the PRC
- 透過本集團的香港銷售及市場推廣隊伍及於中國新成立的營銷中心持續物色及招徠準客戶(主要為中國製造商及最終用戶)
- Negotiation with potential customer to market and promote of Inspur Group's products
- 已與潛在客戶進行市場推廣及宣傳浪潮集團產品
- Participated the Sixth China Electronic Tax Return Exhibition (中國第六屆稅收電子化展覽會)
- 參加中國第六屆稅收電子化展覽會
- The seminar has been delayed because to conduct a feasibility study the acceptability of Linux based operating system and applications in the market
- 研討會已推遲因現正研究Linux的作業系統及應用程式的市場上可接受性程度
- Negotiation with potential customer to distribute the product
- 已與潛在客戶協商市場推廣及宣傳產品

Human resources and operations

人力資源及營運

- To maintain staff level at approximately 39 employees for the Group's overall business operations
- 將本集團的整體業務營運的僱員增長水平維持於至少39名的穩定水平
- The group had 273 employees to facilitate the Groups' business development and management
- 僱員數目為273名，以促進本集團的業務發展及管理

Human resources and operations

人力資源及營運

Comparison of Business Progress and Use of Proceeds

業務進程與所得款項用途之比較

- To conduct regular reviews and efficient allocation of resources in the different business operations, and sales and administrative offices and service teams of the Group
- 進行定期檢討及有效分配不同業務營運，以及本集團的銷售及行政辦事處及服務隊伍的資源
- The group had reviewed the operation regularly
- 已進行定期檢討集團營運

USE OF PROCEEDS FROM ISSUANCE OF NEW SHARES FOR THE PERIOD FROM 29 APRIL 2004 TO 31 DECEMBER 2006

自發行新股二零零四年四月二十九日至二零零六年十二月三十一日所得款項之使用

			Proposed fund required during the period 建議 於該期間的 資金運用情況 HK\$'000 千港元	Actual fund spent during the period 實際 於該期間的 資金運用情況 HK\$'000 千港元
Establishing sales centres	成立營銷中心	1	4,000	1,700
Developing supply chain management system	發展供應鏈 管理制度	2	2,000	—
Establishing IT advisory service teams	建立 IT 採購顧問 服務隊伍		2,000	2,000
Expanding product scope and sourcing with products	擴展產品範圍及 採購產品		10,000	10,000
Establishing distribution network for Inspur Group's products	建立浪潮集團產品 的分銷網絡		2,000	—
General sales and marketing purpose	一般銷售及市場 推廣用途		2,000	2,000
Total	總計		<u>22,000</u>	<u>15,700</u>

Notes:

- The Group has postponed to establish a sales centre in Shenzhen and Shanghai.
- The Group has postponed the development of supply chain management system because the result of first feasibility study was not satisfactory.
- The Group is still in negotiation with the potential customers and distributor for Inspur Group's product. Therefore the Group has postponed to establish the distribution network.

附註：

- 本集團已推遲在深圳及上海成立營銷中心。
- 本集團已推遲發展供應鏈管理制度，因初步研究不太滿意。
- 本集團正與潛在客戶及分銷商協商中，故建立分銷網絡計劃已推遲。

Corporate Governance Report

企業管治報告

The Company has always recognized the importance of the shareholders' transparency and accountability. It is the belief of the Board of Directors that shareholders can maximize their benefits from good corporate governance.

The Company has adopted the code provisions set out in the Code of Corporate Governance Practices (the "CG Code") contained in Appendix 15 of the Rules Governing the Listing of Securities on the GEM of the Stock Exchange.

THE BOARD

The Board is responsible for the leadership and control of the Company and oversees the Group's businesses, strategic decisions and performances. The Management was delegated the authority and responsibility by the Board for the management of the Group. In addition, the Board has also delegated various responsibilities to the Board Committees. Further details of these committees are set out in this report.

The Board has four regular meetings a year at quarterly interval and meets as and when required. During the financial year ended 31 December 2006, the Board held sixteen meetings. The attendance of the directors at the board meetings are as follows:

Directors' attendance at Board meetings

Directors	Number of attendance
Mr. Sun Pishu	11/16
Mr. Zhang Lei	12/16
Mr. Wang Miao	14/16
Mr. Leung Chi Ho	15/16
Mr. Xin Wei Hua	13/16
Mr. Wang Hung, Alex	12/16
Mr. Marc Evan Brown*	4/5
Mr. William James Fass*	4/5
Mr. Meng Xiang Xu	13/16
Mr. Liu Ping Yuan	10/16
Mr. Wong Lit Chor, Alexis	11/16

* Mr. Marc Evan Brown and Mr. William James Fass were appointed on 22 June 2006. Eleven board meetings of the Company were held before his appointment.

本公司一向重視股東透明度及問責之重要性。董事會相信股東可從良好之企業管治中獲得最大利益。

本公司已採用香港聯合交易所有限公司證券上市規則（「上市規則」）附錄15所載企業管治守則所列之守則條文，作為本公司之企業管治常規守則。

董事會

董事會負責領導及監控本公司，並負責監管本集團之業務、策略方針及表現。董事會亦轉授權力及責任予管理層，以管理本集團。此外，董事會亦已將各種職責分派至董事會各附屬委員會。該等委員會之詳情載於本報告內。

董事會每年定期召開四次會議，亦會在有需要時召開會議。於截至二零零六年十二月三十一日止財政年度內，董事會共召開十六次會議。董事出席董事會會議之情況如下：

董事出席董事會會議之情況

董事	出席次數
孫丕恕先生	11/16
張磊先生	12/16
王渺先生	14/16
梁智豪先生	15/16
辛衛華先生	13/16
王衡先生	12/16
Marc Evan Brown先生*	4/5
William James Fass先生*	4/5
孟祥旭先生	13/16
劉平源先生	10/16
黃烈初先生	11/16

* Marc Evan Brown先生及William James Fass先生於二零零六年六月二十二日獲委任，於其委任前，本公司曾舉行十一次董事會會議。

Board Minutes are kept by the Company Secretary of the Company and are sent to the Directors for records and are open for inspection by the Directors.

The directors enable, upon the reasonable request, to seek independent professional advice in appropriate circumstances, at the Company's expenses. The Board shall resolve to provide separate appropriate independent professional advice to the directors to assist the relevant directors to discharge their duties.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER ("CEO")

In the Board, the Chairman and CEO are separate persons in order to preserve independence and have a balanced judgement of views. The Board has appointed a Chairman, Mr. Sun Pishu, who has executive responsibilities and provides leadership to the Board so that the Board works effectively and discharges its responsibilities and that all key and appropriate issues are discussed by the Board in a timely manner. The CEO, Mr. Zhang Lei is an executive director has executive responsibilities over the business directions and operational decisions of the management and performance of the Group. The Board also comprises independent non-executive directors who bring strong independent judgement, knowledge and experience to the Board. As noted below, all the Audit Committee members are independent non-executive directors. This structure is to ensure a sufficient balance of power and authority in place within the Group.

BOARD COMPOSITION

The Board comprises four executive directors, being Mr. Sun Pishu, Zhang Lei, Wang Miao and Mr. Leung Chi Ho, four non-executive director, being Mr. Xin Wei Hua, Mr. Wang Hung, Alex, Mr. Marc Evan Brown and Mr. William James Fass and three independent non-executive directors, being Mr. Meng Xiang Xu, Mr. Liu Ping Yuan and Mr. Wong Lit Chor, Alexis.

The Board members have no financial, business, family or other material/relevant relationships with each other. Such balanced board composition is formed to ensure strong independence exists across the Board. The biographies of the Directors are set out in Directors and Senior Management Profile section to the annual report, which demonstrates a diversity of skills, expertise, experience and qualifications.

董事會會議記錄乃由公司秘書保存，並會送呈各董事作為記錄及會公開讓董事查閱。

董事應合理要求，可在適當情況下尋求獨立專業意見，有關費用由本公司支付。董事會須致力向董事提供不同及適當之獨立專業意見，以協助有關董事履行彼等之職責。

主席及首席執行官

董事會主席及首席執行官由不同人士擔任，可維持獨立性及有均衡之判斷觀點。董事會已委任主席，即孫丕恕先生，彼負有執行責任及領導董事會，使董事會有效運作及履行其職責，並使董事會及時處理所有重要及適當之問題。首席執行官張磊先生乃執行董事，對本集團之業務方向及管理營運決策負有執行責任。此外，董事會設有獨立非執行董事職位，可向董事會提供明智之獨立判斷及豐富之知識及經驗。誠如下文所述，全體審核委員會成員均為獨立非執行董事。此架構可確保本集團內部權力及授權維持充分平衡。

董事會之組成

董事會由四名執行董事(孫丕恕先生、張磊先生、王渺先生及梁智豪先生)、四名非執行董事(辛衛華先生、王衡先生、Marc Evan Brown先生及William James Fass先生)及三名獨立非執行董事(孟祥旭先生、劉平源先生及黃烈初先生)組成。

董事會成員間並無任何財務、業務、家族或其他重大／相關關係。董事會以如此均衡之架構組成，目的在確保整個董事會擁有穩固之獨立性。各董事履歷載於年報的董事及高級管理層簡歷內，當中載列各董事之多樣化技能、專業知識、經驗及資格。

Corporate Governance Report

企業管治報告

The Company has received annual confirmation of independence from the three Independent Non-Executive Directors in accordance with Rule 5.09 of the GEM Listing Rules. The Board has assessed their independence and concluded that all the independent non-executive directors are independent within the definition of the Listing Rules.

APPOINTMENTS, RE-ELECTION AND REMOVAL

The Board has established a Nomination Committee (the "NC") in August 2005. The committee consists of one non-executive director, Mr. Xin Wei Hua, with two independent non-executive directors, Mr. Meng Xiang Xu and Mr. Wong Lit Chor, Alexis. The primary purpose of the NC is to review the structure, size and composition (including the skills, knowledge and experiences) of the Board on a regular basis and make recommendations to the Board regarding any proposed changes. The Committee identified suitable individual qualified to become board members and makes recommendation to the Board on relevant matters relating to the appointment or reappointment of directors if necessary, in particular, candidates who can add value to the management through their contributions in the relevant strategic business areas and which appointments will result on the constitution of strong and diverse Board.

The meetings of the NC shall be held when necessary.

RESPONSIBILITIES OF DIRECTORS

Every newly appointed director is ensured to have a proper understanding of the operations and business of the Group and that he is fully aware of his responsibilities under statute and common law, the GEM Listing Rules, applicable legal requirements and other regulatory requirements and the business and governance policies of the issuer. The Directors are continually updated with legal and regulatory developments, business and market changes and the strategic development of the Group to facilitate the discharge of their responsibilities.

The independent non-executive directors take an active role in board meetings, contribute to the development of strategies and policies and make sound judgement on issues of strategy, policy, performance, accountability, resources, key appointments and standard of conduct. They will take lead where potential conflicts of interests arise. They are also members of various board committees and scrutinize the overall performance of the Group in achieving agreed corporate goals and objectives, and monitoring the reporting of performance.

本公司已接獲該三名獨立非執行董事根據創業板上市規則第5.09條發出之年度獨立性確認書。董事會已評估彼等之獨立性，並確定全體獨立非執行董事均屬上市規則所界定之獨立人士。

委任、重選及罷免

董事會已於二零零五年八月成立提名委員會，該委員會成員為一名非執行董事辛衛華先生和兩名獨立非執行董事孟祥旭先生及黃烈初先生先生。提名委員會之主要目的為定期檢討董事會之架構、人數及組成（包括技術、知識及經驗），並就任何擬作出之變動向董事會提出建議。該委員會物色合資格成為董事會成員之適當人選，並會就委任或重新委任董事之有關事宜向董事會提出推薦建議（如必要），尤其是通過在有關策略性業務領域之貢獻為本集團管理增值之候選人，且彼等之委任將可產生一個強大及多元化之董事會。

提名委員會會議有需要時召開。

董事之責任

須確保每位新受聘董事對本集團之營運及業務有適當理解，以及完全知悉彼在法規及普通法、創業板上市規則、適用之法律規定及其他監管規定以及發行人之業務及管治政策下之職責。董事緊跟法律及規管變更、業務及市場變動以及本集團之策略發展，獲持續更新有關知識，以便履行彼等之職責。

獨立非執行董事在董事會會議上擔當活躍角色，可為制訂策略及政策作出貢獻，並就策略、政策、表現、問責、資源、重大委任及行為準則事宜作出可靠之判斷。彼等會於潛在利益衝突出現時發揮牽頭引導作用。彼等亦出任多個董事委員會之成員，監察本集團在實現議定企業目標及指標時之整體表現，並監督表現之呈報。

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct rules (the "Model Code") regarding securities transactions by Directors on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Rules 5.48 to 5.67 of the GEM Listing Rules, and that having made specific enquiry of all Directors, the Company confirms that all the Directors have complied with the Model Code.

SUPPLY OF AND ACCESS TO INFORMATION

In respect of regular board meetings, an agenda and the accompanying board papers are sent in full to all directors at least 3 days before the intended date of a meeting. Board papers are circulated to the Directors to ensure they have adequate information before the meeting for the ad hoc projects.

The Management has the obligation to supply the Board and its committees with adequate information in a timely manner to enable it to make informed decisions. Where any director requires more information than is volunteered by the Management, each director has separate and independent access to the issuer's senior management to make further enquires if necessary.

All directors are entitled to have unlimited access to the board papers and relevant materials. Such information is prepared to enable the Board to make an informed decision on matters placed before it.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

The Company established a remuneration committee in August 2005. Its terms of reference are summarized as follows:

- i) To make recommendations with respect to the remuneration of the executive directors and the senior management of the Company for approval by the Board;
- ii) To review the remuneration package and recommend salaries, bonuses, including the incentive awards for directors and the senior management; and
- iii) To administer and make determinations with regard to the Company's share option scheme.

董事進行之證券交易

本公司已就董事進行之證券交易採用一套行為規範守則（「標準守則」），其條款之嚴格程度並不遜於創業板上市規則第5.48條至5.67條所載之上市發行人董事進行證券交易之標準守則所規定之標準，並向全體董事作出具體查詢後，確認全體董事已遵守標準守則。

資料之提供及獲取

就董事會常規會議而言，議程及相關會議文件會在擬定召開會議日期前至少三天呈交全體董事。董事會文件供董事傳閱，以保證彼等於召開特別事項會議之前獲得充足資料。

管理層有責任向董事會及其附屬委員會及時提供充足之資料，以供董事會作出知情決定。倘有任何董事要求獲得除管理層自願提供之資料以外之其他資料，董事可透過不同及獨立途徑接觸高級管理層，以作出進一步諮詢（如必要）。

全體董事均有權無限制地取得董事會會議文件及有關材料。編製該等資料旨在使董事會可對提呈事項作出知情決定。

董事及高級管理層酬金

本公司於二零零五年八月設立薪酬委員會。其職權範圍概述如下：

- i) 就本公司執行董事及高級管理人員之薪酬提供推薦意見，以尋求董事會批准；
- ii) 審議董事及高級管理人員之薪酬組合，並就薪資、花紅包括獎勵提出建議；及
- iii) 管理及釐定本公司之購股權計劃。

Corporate Governance Report

企業管治報告

The committee consists of one non-executive director, Mr. Xin Wei Hua, with two independent non-executive directors, Mr. Meng Xiang Xu and Mr. Wong Lit Chor, Alexis. The attendance of each member is set out as follows:

Directors	Number of attendance
Mr. Xin Wei Hua	1/1
Mr. Meng Xiang Xu	1/1
Mr. Wong Lit Chor, Alexis	1/1

The remuneration committee is to consider and approve the remuneration plans and policies for all executive directors of the Company and senior management of the Group by reference to the prevailing rate with companies listed on the GEM of the Stock Exchange in Hong Kong.

In order to attract, retain, and motivate executives and key employees serving for the Group, the Company has adopted a share option scheme in 2004. Such incentive schemes enable the eligible persons to obtain an ownership interest in the Company and thus to rewards to the participants who contribute to the success of the Group's operations.

ACCOUNTABILITY AND AUDIT

The Management provides such explanation and information to the Board so as to enable the Board to make an informed assessment of the financial and other information put before the approval by the Board.

The directors acknowledge their responsibility to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Group and in presenting the quarterly results, interim and annual financial statements, and announcements to shareholders. The directors aim to present a balanced and understandable assessment of the Group's, position and prospects. The Board is not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Group's ability to continue as a going concern, the Board therefore continues to adopt the going concern approach in preparing the accounts.

The Board acknowledges its responsibility to present a balanced, clear and understandable assessment in the Company's annual and interim reports, other price-sensitive announcement and other financial disclosures required under the GEM Listing Rules, and reports to the regulators.

薪酬委員會成員為一名非執行董事辛衛華先生和兩名獨立非執行董事孟祥旭先生及黃烈初先生。各成員之出席情況載列如下：

董事	出席次數
辛衛華先生	1/1
孟祥旭先生	1/1
黃烈初先生	1/1

薪酬委員會參考香港聯交所創業板上市公司之現行薪酬基準，考慮及批准本公司所有執行董事及本集團高級管理人員之薪酬計劃及政策。

為招攬、挽留及激勵在本集團供職之行政人員及主要僱員，本公司於二零零四年採納購股權計劃。該等激勵計劃使合資格人員可獲得本公司之所有權權益，從而對為本集團業務成功作出貢獻之參與者提供獎勵。

問責及審核

管理層向董事會提供有關解釋及資料，令董事會可對提呈董事會批准之財務及其他資料作出知情評估。

董事確認須負責為每一財政年度編製能真實及公平地反映本集團業務狀況之財務報告，向股東提呈季度業績、中期及年度財務報表及公佈時，董事須努力提呈一項平衡及容易理解之本集團現況及前景之評估。董事會並不知悉任何與一些事件或情況有關之重大不確定因素，而該等事件或情況會對本集團的持續經營能力投下重大疑惑，因此，董事會仍然採用持續經營基準編製賬目。

董事會確認，其有責任在本公司年報及中期報告、其他價格敏感公佈及創業板上市規則規定之其他財務披露中，提供平衡、清晰及易於理解之評估，並向監管機構申報。

AUDIT COMMITTEE

The Audit Committee currently comprises all three independent non-executive directors of the Company, Mr. Meng Xiang Xu, Mr. Liu Ping Yuan and Mr. Wong Lit Chor, Alexis as the members, who among themselves possess a wealth of management experience in the accounting profession, commercial sectors.

Directors' attendance at Audit Committee meetings

Directors	Number of attendance
Mr. Wong Lit Chor, Alexis (Chairman of the Audit Committee)	4/4
Mr. Meng Xiang Xu	4/4
Mr. Liu Ping Yuan	3/4

The Audit Committee meets the external auditors at least once a year to discuss any areas of concerns during the audits without the presence of the management. The Audit Committee reviews the quarterly results, interim and annual reports before submission to the Board. The Committee focuses not only on the impact of the changes in accounting policies and practices but also on the compliance with accounting standards, the GEM Listing Rules and the legal requirements in the review of the Company's quarterly results, interim and annual reports.

AUDITORS' REMUNERATION

During the year under review, the remuneration paid to the Company's auditors, Messrs Deloitte Touche Tohmatsu, is set out as follows:

Services rendered	Fee paid/payable HK\$'000
Audit services	1,109

COMMUNICATIONS WITH SHAREHOLDERS

The Company's annual general meeting provides a good opportunity for communication between the Board and the Company's shareholders. Chairman of the Board and Committees are normally present to answer queries raised by shareholders. External auditors also attend the annual general meeting every year. Notice of the annual general meeting and related papers are sent to shareholders at least 21 calendar days before the meeting.

審核委員會

審核委員會目前由本公司全部三名獨立非執行董事組成，黃烈初先生出任主席，孟祥旭先生及劉平源先生為委員會成員，彼等於會計專業及商業具有豐富之管理經驗。

董事出席審核委員會會議之情況：

董事	出席次數
黃烈初先生 (審核委員會主席)	4/4
孟祥旭先生	4/4
劉平源先生	3/4

審核委員會每年最少一次與外聘核數師舉行會議，討論審核過程中之任何問題，管理層不得與會。審核委員會於遞交業績予董事會前先行審閱季度業績、中期及全年報告。該委員會於審閱本公司之季度業績、中期及全年報告時，不僅注意會計政策及慣例變動之影響，亦兼顧須遵守會計政策、創業板上市規則及法律之規定。

核數師酬金

年內，向本公司核數師德勤·關黃陳方會計師行支付之酬金載列如下：

已提供服務	已付／應付費用 千港元
審計服務	1,109

與股東進行溝通

本公司之股東週年大會為董事會與本公司之股東提供溝通良機。董事會及各委員會之主席一般均出席以解答股東提出之問題，而外聘核數師每年均會出席股東週年大會。股東週年通告及有關文件於大會舉行日期前最少二十一日寄予股東。

VOTING BY POLL

The Company informs the shareholders (in its circulars convening a general meeting) the procedures for voting by poll and the rights of shareholders to demand a poll to ensure compliance with the requirements on the poll voting procedures. In accordance to articles of association of the Company, a resolution put to the vote of a general meeting shall be decided on a show of hands unless (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) a poll is demanded:

- i) by the chairman of such meeting; or
- ii) by at least three Shareholders present in person or in the case of a Shareholder being a corporation by its duly authorised representative or by proxy for the time being entitled to vote at the meeting; or
- iii) by a Shareholder or Shareholders present in person or in the case of a Shareholder being a corporation by its duly authorised representative or by proxy and representing not less than one-tenth of the total voting rights of all Shareholders having the right to vote at the meeting; or
- iv) by a Shareholder or Shareholders present in person or in the case of a Shareholder being a corporation by its duly authorised representative or by proxy and holding shares in the Company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

The Company should count all proxy votes, and except where a poll is required, the chairman of a meeting should indicate to the meeting the level of proxies lodged on each resolution, and the balance for and against the resolution, after it has been dealt with on a show of hands. The Company should ensure that votes cast are properly counted and recorded.

The chairman of a meeting should at the commencement of the meeting ensure that an explanation is provided of:

- i) the procedure for demanding a poll by shareholders before putting a resolution to the vote on a show of hands; and
- ii) the detailed procedures for conducting a poll and then answer any questions from shareholders whenever voting by way of a poll is required.

以投票方式表決

於其召開股東大會之通函內，本公司告知股東以投票方式表決之程序以及股東要求以投票方式表決之權利，從而確保遵守投票表決程序之規定。根據本公司之公司章程細則，於股東大會中進行表決之決議案將以舉手形式決定，除非（於公佈舉手結果之前或之際或其他進行投票表決之要求已被撤銷）由以下人士要求進行：

- i) 該大會主席；或
- ii) 至少三名親身出席之股東，或倘為一名公司股東，則為於當時有權在大會投票獲公司正式授權之代表或委任代表；或
- iii) 任何一名或多名親身出席之股東，或倘為一名公司股東，則為獲公司正式授權之代表或委任代表，彼或彼等須代表可於大會投票之所有股東之總投票權不少於十分之一；或
- iv) 任何一名或多名親身出席之股東，或倘為一名公司股東，則為獲公司正式授權之代表或委任代表，並持有附帶權利可於大會投票之已繳股款股份，有關股數須可代表相等於附帶該項權利之所有已繳股款股份之十分之一或以上。

本公司須計算所有委任代表之投票，及倘在以舉手方式表決後要求投票表決，則大會主席須向大會就每項決議案指明委任代表數目及該決議案之贊成及反對票數。本公司確保正確計算及記錄票數。

大會主席應於大會開始前就下列提供解釋：

- i) 股東於以舉手表決方式投票前要求以投票方式進行表決之程序；及
- ii) 進行投票之詳細程序並答覆要求以投票方式進行表決時股東所詢問之任何問題。

The directors have pleasure in presenting their annual report and the audited consolidated financial statements for the year ended 31 December 2006.

CHANGE OF NAME

Pursuant to a special resolution passed at an extraordinary general meeting held on 26 June 2006, the English name of the Company was changed from Lang Chao International Limited to Inspur International Limited.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activities of the Group are trading in computer components, manufacture and trading of computer products and development and sales of software and computer peripherals.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2006, the five largest customers accounted for approximately 62.77% of the Group's total turnover. The five largest suppliers accounted for approximately 74.8% of the Group's total purchases. In addition, the largest customer accounted for approximately 16.58% of the Group's total turnover while the largest supplier accounted for approximately 61.4% of the Group's total purchases.

Except for Inspur Group Limited (formerly known as Lang Chao Group Limited) ("Inspur Corporation"), the controlling shareholders of the Company, and its subsidiaries (together referred to as "the Inspur Group"), none of the directors, their associates or any shareholders (which, to the knowledge of the directors, own more than 5% of the Company's issued share capital) had any interest in the Group's five largest customers and suppliers. Sales to and purchase from the Inspur Group amounted to approximately 31.5% and 2.8% respectively of the total sales and total purchase of the Group for the year ended 31 December 2006.

SHARE CAPITAL

Details of movement during the year of the Company's share capital are set out in note 19 to the consolidated financial statements.

董事欣然提呈本公司及本集團截至二零零六年十二月三十一日止年度的年報連同經審核綜合財務報表。

更改名稱

根據於二零零六年六月二十六日舉行的特別股東大會上所通過的特別決議，本公司的英文原名由 Lang Chao International Limited 改為 Inspur International Limited。

主要業務

本公司為投資控股公司。其集團的主要業務為分銷電腦元件、製造及分銷電腦產品、以及開發及銷售電腦軟件及電腦週邊設備。

主要客戶及供應商

截至二零零六年十二月三十一日止年度，本集團五大客戶佔本集團營業總額約62.77%，而本集團五大供應商佔本集團購貨總額約74.8%。此外，本集團最大客戶佔本集團營業總額約16.58%，而本集團最大供應商佔本集團購貨總額約61.4%。

除浪潮集團有限公司、本公司控股股東及其附屬公司（總稱「浪潮集團」）以外，就董事所知，擁有本公司已發行股本5%以上的董事、彼等的聯繫人或任何股東概無擁有本集團五大客戶及五大供應商的任何權益。浪潮集團的營業額及採購額分別佔本集團截至二零零六年十二月三十一日止年度的總營業額及總採購額約為31.5%及2.8%。

股本

年內，本公司股本的變動詳情已載於隨附的綜合財務報表附註19內。

Report of the Directors

董事會報告

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2006 are set out in the consolidated income statement on page 48.

The directors recommended the payment of a final dividend of HK1.5 cents per share for the year ended 31 December 2006, subject to the shareholders' approval of payment of the final dividends at the forthcoming annual general meeting.

PURCHASE, SALES OR REDEMPTION OF LISTED SECURITIES

During the year ended 31 December 2006, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed shares.

PRE-EMPTIVE RIGHTS

There are no provision for pre-emptive rights under the Company's Memorandum and Articles of Association, or the laws of the Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

RETIREMENT BENEFIT SCHEME

Details of the Group's retirement benefit scheme are set out in note 24 to the consolidated financial statements.

SUBSIDIARIES

Particulars of the Company's subsidiaries are set out in note 26 to the consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of movements during the year in the property, plant and equipment of the Group are set out in note 14 to the consolidated financial statements.

業績及分配

本集團截至二零零六年十二月三十一日止年度的業績詳情已載於本年報第48頁的綜合損益表內。

董事會建議就截至二零零六年十二月三十一日止年度派發末期股息每股1.5港仙。待股東在股東週年大會批准後。

購買、出售或贖回股份

截至二零零六年十二月三十一日止年度，概無購買、出售或贖回本公司任何股份。

優先購買權

根據本公司的公司組織章程以及開曼群島法例並無任何提供優先購買權，以讓本公司有權按現有股權之比例發行新股。

退休金計劃

本集團的退休金計劃詳情已載於隨附的綜合財務報表附註24內。

附屬公司

本公司附屬公司的詳情已載於隨附的綜合財務報表附註26內。

租賃物業及物業、廠房及設備

年內，本集團的物業、廠房及設備和變動已分別載於隨附的綜合財務報表附註14內。

CONNECTED TRANSACTIONS

Particulars of the Group's related party transactions are set out in note 25 to the consolidated financial statements, certain of which also constitute connected transactions under Chapter 20 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited (the "GEM Listing Rules"). The connected transactions are as follows:

1. On 8 April 2004, the Company and the Inspur Group entered into a trademark licence agreement (the "Trademark Licence Agreement") which allowed the Group to use the trademark "Lang Chao" in Hong Kong, Taiwan and the People's Republic of China free of charge.

Further details of such continuing connected transaction was disclosed in the Company's prospectus dated 20 April 2004 (the "Prospectus").

The independent non-executive directors have reviewed the above connected transaction and confirmed that the above transaction was in accordance with the relevant agreement governing the terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole. Such transaction was exempted from the reporting, announcement and shareholders' approval requirement pursuant to Rule 20.33(3) of the GEM Listing Rules.

關連交易

於綜合財務報表附註25披露與有關連人士進行之交易。當中若干與有關連人士進行之交易根據香港聯合交易所有限公司創業板證券上市規則（「創業板上市規則」）第20章，均構成關連交易。關連交易如下：

1. 於二零零四年四月八日，本公司與浪潮集團已訂立商標特許協議（「商標特許協議」），以免專利權費的方式給予本集團於香港、台灣及中國使用多個「浪潮」商標的非獨家特許權。

上述持續關連交易之詳情載於本公司在二零零四年四月二十日之招股章程內披露（「招股章程」）。

上述關連交易已經獨立非執行董事審閱，並就此確認上述交易按照相關協議條款進行，而該等條款公平合理且對本公司股東整體有利。該項交易根據創業板上市規則第20.33(3)條獲豁免遵守申報、作出公佈及股東批准之規定。

Report of the Directors

董事會報告

2. On 1 April 2004, the Group entered into a distributorship agreement (the "Distributorship Agreement") with Inspur Corporation pursuant to which the Group became the exclusive distributor of the products of the Inspur Group, including personal computer and servers, in Hong Kong and overseas markets such as Japan and United States of America for a period of three years commencing 1 April 2004. The Group will receive a commission of 5% of the total value of the sales of the products of the Inspur Group as procured by the Group.

Further details of such continuing connected transaction was disclosed in the Prospectus.

During the year, the Group did not procure any products from the Inspur Group under the Distributorship Agreement and has not received any commission from the Inspur Group.

3. On 1 April 2004, the Group and Inspur Corporation entered into a sourcing agent agreement that Inspur Corporation appointed the Group as the exclusive agent for the Inspur Group for the overseas sourcing of computer components for a period of two years and nine months from 1 April 2004 to 31 December 2006 (the "Sourcing Agent Agreement"). The Inspur Group will, with reference to the then market prices, pay a premium of not less than 1.5% above the purchase price paid by the Group, without taking into account of rebates received from suppliers, for all computer components sourced overseas by the Group on their behalf. The Company and Inspur Corporation agreed that the maximum annual caps of the sales of goods by the Group to the Inspur Group pursuant to the Sourcing Agent Agreement ("the Sales") will not exceed HK\$110 million, HK\$130 million and HK\$150 million for each of the financial year ended 31 December 2004, 2005 and 2006 respectively.

Further details of such continuing connected transaction was disclosed in the Prospectus.

The Sales for the year ended 31 December 2006 amounted to HK\$127,942,000.

2. 於二零零四年四月一日，本集團已與浪潮公司訂立分銷權協議（「分銷權協議」），本集團由二零零四年四月一日起成為浪潮集團產品（包括PC及伺服器）在香港及如日本及美國等的海外市場的獨家分銷商，為期三年。本集團則將會收取本集團促使的浪潮集團產品銷售總值5%的佣金。

上述持續關連交易之詳情載於招股章程內披露。

年度內，本集團於分銷權協議下並沒有促使浪潮集團任何的產品，亦並沒有收取浪潮集團任何的佣金。

3. 於二零零四年四月一日，本集團已與浪潮公司訂立採購代理協議（「採購代理協議」），浪潮公司委任本集團為浪潮集團海外採購電腦元件的獨家代理，由二零零四年四月一日至二零零六年十二月三十一日，為期兩年零九個月。浪潮集團將參考當時的市價，但並無考慮從供應商獲得的回扣，支付本集團就代表他們從海外採購的所有電腦元件已支付的購買價不少於1.5%以上的溢價。本公司及浪潮公司同意，該項交易於截至二零零四年、二零零五年及二零零六年十二月三十一日止各財政年度的最高每年上限分別將不超過110,000,000港元、130,000,000港元及150,000,000港元。

上述持續關連交易之詳情載於本招股章程內披露。

截至二零零六年十二月三十一日止年度，銷售總值為127,942,000港元。

It is determined by the management of the Group that the Group will continue the overseas sourcing of computer components on a recurring basis after the expiration of the Sourcing Agent Agreement. On 29 August 2006, a new sourcing agent agreement was entered into between the Group and Inspur Corporation which extended the period from 1 January 2007 to 31 December 2009 (the "New Sourcing Agent Agreement"). The pricing terms of the New Sourcing Agent Agreement are the same as the Sourcing Agent Agreement. The Sales as per the New Sourcing Agent Agreement will not exceed HK\$180 million, HK\$200 million and HK\$300 million for each of the financial year ended 31 December 2007, 2008 and 2009 respectively.

The independent non-executive directors have reviewed the Sales for the year ended 31 December 2006 and confirmed that the Sales were (i) in the ordinary course and usual course of the Group's business; (ii) on terms no less favourable to the Group than terms available from independent third parties who are not connected persons of the Group as defined in the GEM listing rules; and (iii) in accordance with the relevant agreement governing the Sales on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

4. On 29 August 2006, the Company entered into a master supply agreement (the "Master Supply Agreement") with Inspur Corporation pursuant to which the Group will supply the computer products to the Inspur Group for the purpose of overseas export for a period until 31 December 2008. The Group and the Inspur Corporation agreed that maximum annual caps of the supply of the computer products by the Group to the Inspur Group pursuant to the Master Supply Agreement ("the Supplies") will not exceed HK\$198 million, HK\$296 million and HK\$394 million for the period from 9 October 2006 (date of Independent Shareholders' approval) to 31 December 2006 and each of the financial year ended 31 December 2007 and 2008. The price per unit for the computer products to be supplied by the Group will be set with reference to the then prevailing market rates of such computer products at the relevant time.

本集團之管理層決定於採購代理協議期滿後，將會延續其海外採購電腦元件。於二零零六年八月二十九日，本集團已與浪潮公司訂立新採購代理協議（「新採購代理協議」），為期由二零零七年一月一日至二零零九年十二月三十一日。新採購代理協議將繼續採納採購代理協議的價格條款。新採購代理協議的銷售額於截至二零零七年、二零零八年及二零零九年十二月三十一日止各財政年度將分別不超過180,000,000港元、200,000,000港元及300,000,000港元。

獨立非執行董事已審閱截至二零零六年十二月三十一日止年度之產品銷售，並確認所訂立之銷售乃(i)在本集團日常一般業務中進行；(ii)按不遜於本集團與獨立第三者（並非創業板上市規則所指之本集團關連人士）交易之條款進行；及(iii)按照銷售之相關協議條款進行，而該等條款公平合理且對本公司股東整體有利。

4. 於二零零六年八月二十九日，本公司已與浪潮公司訂立一份供應總協議（「供應總協議」）。根據協議，本集團須向浪潮集團供應電腦產品作海外出口，為期至二零零八年十二月三十一日。根據供應總協議，本集團與浪潮公司同意，本集團供應予浪潮集團的電腦產品的最高每年上限（「供應」）於二零零六年十月九日（獨立股東批准之日期）至二零零六年十二月三十一日期間，以及於截至二零零七年及二零零八年十二月三十一日止各財政年度將分別不超過198,000,000港元、296,000,000港元及394,000,000港元。本集團所供應的電腦產品之每個單位價格，將參考當時該類電腦產品之市場價格而適時釐訂。

Report of the Directors

董事會報告

Further details of such continuing connected transaction was disclosed in the Company's circular dated 22 September 2006 (the "Circular").

The Supplies for the period from 9 October 2006 to 31 December 2006 amounted to HK\$146,712,000.

The independent non-executive directors have reviewed the above connected transactions for the period from 9 October 2006 to 31 December 2006 and confirmed that the Supplies were (i) in the ordinary course and usual course of the Group's business; (ii) on terms no less favourable to the Group than terms available to independent third parties who are not connected persons of the Group as defined in the GEM Listing Rules; and (iii) in accordance with the relevant agreement governing the Supplies on terms that are fair and reasonable and in the interests of the shareholder's of the Group as a whole.

5. On 29 August 2006, the Company entered into a master services agreement (the "Master Services Agreement") with Inspur Corporation pursuant to which the Group will provide the IT services to the Inspur Group for a period until 31 December 2008. The Group and Inspur Corporation agreed that the maximum annual caps of the provision of the IT services by the Group to the Inspur Group pursuant to the Master Services Agreement ("the IT Services") will not exceed HK\$2 million, HK\$4 million and HK\$6 million for the period from 9 October 2006 (date of Independent Shareholders' approval) to 31 December 2006 and each of the financial year ended 31 December 2007 and 2008. The service fee for the IT services to be provided by the Group will be set with reference to the then prevailing market rates of the IT Services at the relevant time.

Further details of such continuing connected transaction was disclosed in the Circular.

上述持續關連交易之詳情載於本公司於二零零六年九月二十二日之通函(「通函」)內披露。

於二零零六年十月九日至二零零六年十二月三十一日期間，供應總值為146,712,000港元。

獨立非執行董事已審閱於二零零六年十月九日至二零零六年十二月三十一日期間的上述關連交易，並確認所協訂的供應乃(i)在本集團日常一般業務中進行；(ii)按不遜於本集團與獨立第三者(並非創業者上市規則所指之本集團關連人士)交易之條款進行；及(iii)根據有關協議所訂的供應條款均公平合理且對本集團股東整體有利。

5. 於二零零六年八月二十九日，本公司已與浪潮公司訂立一份服務總協議(「服務總協議」)。根據協議，本集團須向浪潮集團提供資訊科技服務，為期至二零零八年十二月三十一日。根據服務總協議，本集團與浪潮公司同意，本集團提供予浪潮集團的資訊科技服務的最高每年上限(「資訊科技服務」)於二零零六年十月九日(獨立股東批准之日期)至二零零六年十二月三十一日期間，以及於截至二零零七年及二零零八年十二月三十一日止各財政年度將分別不超過2,000,000港元、4,000,000港元及6,000,000港元。本集團所提供的資訊科技服務之服務費，將參考當時的資訊科技服務之市場價格而適時釐訂。

上述持續關連交易之詳情均於通函內披露。

The IT Services for the period from 9 October 2006 to 31 December 2006 amounted to HK\$1,143,000.

The independent non-executive directors have reviewed the above connected transactions for the period from 9 October 2006 to 31 December 2006 and confirmed that the IT Services were (i) in the ordinary course and usual course of the Group's business; (ii) on terms no less favourable to the Group than terms available to independent third parties who are not connected persons of the Group as defined in the GEM Listing Rules; and (iii) in accordance with the relevant agreement governing the IT Services on terms that are fair and reasonable and in the interests of the shareholder's of the Group as a whole.

- On 29 August 2006, the Company entered into a master purchase agreement (the "Master Purchase Agreement") with Inspur Corporation pursuant to which the Group will purchase the computer hardware and software products from Inspur Group for a period until 31 December 2008. The Group and Inspur Corporation agreed that the maximum annual caps of the purchase of the computer hardware and software products by the Group from the Inspur Group pursuant to the Master Purchases Agreement ("the Purchases") will not exceed HK\$40 million, HK\$60 million and HK\$100 million for the period from 9 October 2006 (date of Independent Shareholders' approval) to 31 December 2006 and each of the financial year ended 31 December 2007 and 2008. The price per unit of the computer hardware and software products purchased from the Inspur Group will be set with reference to the then prevailing market rates of such computer hardware and software products at the relevant time.

Further details of such continuing connected transaction was disclosed in the Circular.

The Purchases for the period from 9 October 2006 to 31 December 2006 amounted to HK\$22,333,000.

於二零零六年十月九日至二零零六年十二月三十一日期間，本集團根據此協議的資訊科技服務總值為1,143,000港元。

獨立非執行董事已審閱於二零零六年十月九日至二零零六年十二月三十一日期間的上述關連交易，並確認所協訂的資訊科技服務乃(i)在本集團日常一般業務中進行；(ii)按不遜於本集團與獨立第三者(並非創業板上市規則所指之本集團關連人士)交易之條款進行；及(iii)根據有關協議所訂的資訊科技服務條款均公平合理且對本集團股東整體有利。

- 於二零零六年八月二十九日，本公司與浪潮公司訂立採購總協議(「採購總協議」)，據此，本集團將向浪潮集團購買電腦硬件及軟件產品，為期至二零零八年十二月三十一日。本集團與浪潮公司同意，於二零零六年十月九日(獨立股東批准之日期)起至二零零六年十二月三十一日止期間以及截至二零零七年及二零零八年十二月三十一日止各財政年度，本集團根據採購總協議向浪潮集團購買電腦硬件及軟件產品(「採購」)之最高年度上限，將分別不超過40,000,000港元、60,000,000港元及100,000,000港元。向浪潮集團購買電腦硬件及軟件產品之每個單位價格將參考於有關時間該等電腦硬件及軟件產品之當時現行市場價格釐定。

上述持續關連交易之其他詳情於通函內披露。

於二零零六年十月九日起至二零零六年十二月三十一日止期間，採購金額為22,333,000港元。

Report of the Directors

董事會報告

The independent non-executive directors have reviewed the above connected transactions for the period from 9 October 2006 to 31 December 2006 and confirmed that the Purchases were (i) in the ordinary course and usual course of the Group's business; (ii) on terms no less favourable to the Group than terms available from independent third parties who are not connected persons of the Group as defined in the GEM Listing Rules; and (iii) in accordance with the relevant agreement governing the Purchases on terms that are fair and reasonable and in the interests of the shareholder's of the Group as a whole.

7. On 29 August 2006, the Company entered into a selling agency agreement (the "Selling Agency Agreement") with Inspur Corporation pursuant to which the Group appoints the Inspur Group to act as selling agent in the sale of the products and services of the Group. In return, the Inspur Group will receive a commission of 1% of the total sales value of the products and services. The expected maximum amounts of commission to be paid by the Group to the Inspur Group pursuant to the Selling Agency Agreement ("the Commission") will not exceed HK\$300,000, HK\$600,000 and HK\$900,000 for the period from 9 October 2006 (date of Independent Shareholders' approval) to 31 December 2006 and each of the financial year ended 31 December 2007 and 2008.

Further details of such continuing connected transaction was disclosed in the Circular.

The Commission paid to the Inspur Group for the period from 9 October 2006 to 31 December 2006 amounted to HK\$12,000.

The independent non-executive directors have reviewed the above connected transactions for the period from 9 October 2006 to 31 December 2006 and confirmed that the Commission were (i) in the ordinary course and usual course of the Group's business; (ii) on terms no less favourable to the Group than terms available from independent third parties who are not connected persons of the Group as defined in the GEM Listing Rules; and (iii) in accordance with the relevant agreement governing the Commission on terms that are fair and reasonable and in the interests of the shareholder's of the Group as a whole.

獨立非執行董事已審閱上述於二零零六年十月九日起至二零零六年十二月三十一日止期間之關連交易，並確認採購乃(i)在本集團日常一般業務中進行；(ii)按不遜於本集團與獨立第三者(並非創業板上市規則所指之本集團關連人士)交易之條款進行；及(iii)按照監管採購之相關協議條款進行，而該等條款為公平合理且符合本集團股東之整體利益。

7. 於二零零六年八月二十九日，本公司與浪潮公司訂立銷售代理協議(「銷售代理協議」)，據此，本集團委任浪潮集團擔任銷售及服務本集團產品之銷售代理。就此，浪潮集團將收取產品銷售及服務總值之1%佣金作為回報。於二零零六年十月九日(獨立股東批准之日期)起至二零零六年十二月三十一日止期間以及截至二零零七年及二零零八年十二月三十一日止各財政年度，本集團根據銷售代理協議將支付浪潮集團(「佣金」)之預期最高佣金金額，將分別不超過300,000港元、600,000港元及900,000港元。

上述持續關連交易之其他詳情於通函內披露。

於二零零六年十月九日起至二零零六年十二月三十一日止期間，已付浪潮集團之佣金金額為12,000港元。

獨立非執行董事已審閱上述於二零零六年十月九日起至二零零六年十二月三十一日止期間之關連交易，並確認佣金乃(i)在本集團日常一般業務中進行；(ii)按不遜於本集團與獨立第三者(並非創業板上市規則所指之本集團關連人士)交易之條款進行；及(iii)按照監管佣金之相關協議條款進行，而該等條款為公平合理且符合本集團股東之整體利益。

8. On 17 February 2006, the Company entered into the subscription agreements with Langchao Group ShanDong Genersoft Incorporation (“Inspur Genersoft”) and Shandong Lang Chao E-Government Software Limited (“Inspur E-Government”) to subscribe 30.05% and 53.3% of the enlarged registered capital of Inspur Genersoft and Inspur E-Government at a consideration of RMB40,200,000 and RMB8,000,000 respectively. Shandong Langchao Cheeloosoft Company Limited, the subsidiary of Inspur Corporation, held a 69.6% equity interest of Inspur Genersoft and 100% equity interest in Inspur E-Government before the transactions. Further details regarding the subscriptions were disclosed in the Company’s circular dated 8 March 2006.

The independent non-executive directors have reviewed the transactions and confirmed that the transactions on terms are fair and reasonable and in the interests of the shareholders of the Company as a whole.

DISTRIBUTABLE RESERVES OF THE COMPANY

As at 31 December 2006, the Company’s reserves available for distribution are set out as below:

Special reserve	特殊儲備
Share premium	股份溢價
Preferred shares equity reserve	優先股股本儲備
Retained losses	留存虧損

Under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, the share premium of the Company may be distributed subject to the provision of the Company’s Memorandum and Articles of Association and provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as and when they fall due in the ordinary course of business. This share premium account may also be distributed in the form of fully paid bonus shares.

8. 於二零零六年二月十七日，本公司與浪潮集團山東通用軟件有限公司（「浪潮通用軟件」）及山東浪潮電子政務軟件有限公司（「浪潮電子政務」）訂立認購協議，分別以代價人民幣 40,200,000元及人民幣 8,000,000元認購浪潮通用軟件及浪潮電子政務經擴大註冊股本之 30.05%及 53.3%。浪潮公司之附屬公司山東浪潮齊魯軟件產業股份有限公司在交易前持有浪潮通用軟件之 69.6%權益及浪潮電子政務之 100%權益。有關認購事項之其他詳情於本公司於二零零六年三月八日刊發之通函內披露。

獨立非執行董事已審閱該等交易並確認交易之條款為公平合理且符合本公司股東之整體利益。

本公司可分派儲備

於二零零六年十二月三十一日，本公司可供分派儲備計算如下：

2006	2005
HK\$'000	HK\$'000
千港元	千港元
571	571
73,531	66,862
17,438	6,387
(135)	(5,548)
91,405	68,272

根據開曼群島法例第22章公司法（經綜合及修訂的一九六一年法例3）及本公司組織章程，股份溢價可分派。如緊隨建議分派股息日期後，本公司可在日常業務過程中，在債務到期之時予以清償之情況下，股份溢價可用以向本公司股東作出分派。股份溢價賬亦可以繳足紅股方式派付。

Report of the Directors

董事會報告

DIRECTORS

The directors of the Company during the year and up to the date of this report were:

Executive directors:

Mr. Sun Pishu
Mr. Zhang Lei
Mr. Wang Miao
Mr. Leung Chi Ho

Non-executive directors:

Mr. Wang Hung, Alex
Mr. Xin Wei Hua
Mr. William James Fass (appointed on 22 June 2006)

Mr. Marc Evan Brown (appointed on 22 June 2006)

Independent non-executive directors:

Mr. Meng Xiang Xu
Mr. Liu Ping Yuan
Mr. Wong Lit Chor, Alexis

In accordance with the Company's Articles of Association, Messrs. Sun Pishu, Meng Xiang Xu, William James Fass and Marc Evan Brown will retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

DIRECTORS' SERVICE CONTRACTS

None of the directors has a service contract with the Company which is not determinable by the Group within one year without payment of a compensation, other than the statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No contract of significance to which the Company, and of its holding companies, fellow subsidiaries or subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

董事

本年內及截至本報告日期為止，本公司在任的董事如下：

執行董事

孫丕恕先生
張磊先生
王渺先生
梁智豪先生

非執行董事

王衡先生
辛衛華先生
William James Fass 先生 (於二零零六年六月二十二日獲委任)
Marc Evan Brown 先生 (於二零零六年六月二十二日獲委任)

獨立非執行董事

孟祥旭先生
劉平源先生
黃烈初先生

根據公司組織章程，孫丕恕先生、孟祥旭先生、William James Fass 先生及 Marc Evan Brown 先生將於應屆股東週年大會上告退，惟願意膺選連任。

董事服務合約

概無與本公司訂立於一年內不作補償(法定補償除外)而可予以終止之服務合約。

董事於合約中之權益

本公司及其控股公司、同集團附屬公司或附屬公司於本年度結束時或本年度內任何時間並無就本集團之業務訂立與本公司董事直接及間接擁有重大權益的重大合約。

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

As at 31 December 2006, the interests and short positions of the directors and the chief executive and their associates in the shares and underlying shares of the Company or any of its associated corporations, as recorded in the register required to be kept by the Company pursuant to Section 352 of the Securities and Futures Ordinance (the "SFO"), or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to the Rules 5.46 to 5.68 of the GEM Listing Rules were as follows:

(a) Long positions in the shares of the Company

Name of Director 董事姓名

Capacity 身份

Wang Miao
王渺

Beneficial owner
實益擁有人

Wang Hung, Alex
王衡

Beneficial owner
實益擁有人

董事及最高行政人員於股份、相關股份之權益及淡倉

於二零零六年十二月三十一日，各董事及最高行政人員於本公司及其任何相聯法團（定義見證券及期貨條例第XV部）之股本、相關股份中擁有根據證券及期貨條例第352條須記錄於該條所指登記冊之權益及淡倉，或根據創業板上市規則第5.46條至5.68條有關董事進行證券交易的規定而知會本公司及聯交所，董事及監事及彼等各自聯繫人於本公司及其相關法團的股份或債券權益（如有）如下：

(a) 本公司股份的長倉

	Number of issued ordinary shares held 持有普通股 之數目	Percentage of the issued share capital of the Company 佔已發行普通股 之百分比
--	--	---

15,000,000 2.92%

15,000,000 2.92%

Report of the Directors

董事會報告

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

(b) 本公司股本衍生工具的相關股份的長倉

Options in the Company

(Unlisted and physically settled equity derivatives)

本公司之購股權(非上市及實物交收之股本衍生工具)

Name of Director 董事姓名	Capacity 身份	Description of equity derivatives 股本衍生工具的詳情 (Note) (附註)	Number of underlying shares 相關股份的數目	Subscription price per share 每股行使價 HK\$ 港元
Sun Pishu 孫丕恕	Beneficial owner 實益擁有人	Share option 購股權	4,000,000	0.324
Zhang Lei 張磊	Beneficial owner 實益擁有人	Share option 購股權	4,000,000	0.324
Leung Chi Ho 梁智豪	Beneficial owner 實益擁有人	Share option 購股權	4,000,000	0.324
Wang Miao 王渺	Beneficial owner 實益擁有人	Share option 購股權	4,000,000	0.324
Wang Hung, Alex 王衡	Beneficial owner 實益擁有人	Share option 購股權	4,000,000	0.324
Xin Wei Hua 辛衛華	Beneficial owner 實益擁有人	Share option 購股權	4,000,000	0.324

Note: The share options were granted under the Pre-IPO Share Option Scheme as disclosed in the Prospectus. These options will expire ten years from the date of grant.

附註：購股權是根據刊於招股章程之首次公開招股前購股權計劃授出。該等購股權由授出日期起計十年後到期。

Save as disclosed above, as at 31 December 2006, none of the directors or the chief executive nor their associates had any interests or short positions in any shares or underlying shares of equity derivatives of the Company or any of its associated corporations.

除上述披露外，於二零零六年十二月三十一日，概無董事於本公司股份或股本衍生工具相關股份持有任何淡倉。

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

As at 31 December 2006, the following persons or companies (other than the directors or chief executive of the Company) had an interest or short position in the shares or underlying shares of the Company as recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO, and were directly or indirectly, interest in 5% or more of the nominal value of any class of share capital carrying rights to vote on all circumstances as general meeting of any other members of the Group were as follows:

(a) Long positions in shares of the Company

Name of shareholder 股東姓名	Capacity 身份
Inspur Corporation 浪潮公司	Corporate (Note) 公司（附註）
Inspur Electronics (HK) Limited 浪潮電子（香港）有限公司	Beneficial owner 實益持有人

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

主要股東及其他人士於股份及相關股份之權益及淡倉

於二零零六年十二月三十一日，按本公司根據證券及期貨條例第336條備存之權益登記冊所記錄，下列人士或公司（本公司董事或最高行政人員除外）於本公司股份及相關股份擁有權益或淡倉，或直接或間接擁有任何附帶權利可於任何情況下在本集團任何成員公司股東大會投票之類別股本面值5%或以上權益：

(a) 本公司股份的長倉

Number of issued ordinary shares held 持有已發行普通股數目	Percentage of the issued share capital of the Company 佔已發行普通股之百分比
---	--

270,000,000	52.5%
270,000,000	52.5%

附註：由於浪潮集團有限公司擁有浪潮電子（香港）有限公司已發行股本的100%股權，故此，浪潮集團有限公司被視為於270,000,000股股份中擁有權益。

Report of the Directors

董事會報告

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

Name of shareholder 股東姓名	Capacity 身份	Number of securities 證券數目	Approximate percentage of interests 概約權益百分比
Microsoft Corporation 微軟公司	Beneficial owner 實益擁有人	234,279,559	100%

As at 31 December 2006, no persons have any other relevant interests or short positions in shares or underlying shares of equity derivatives of the Company.

(b) 系列甲高級可贖回可換股附帶投票權優先股股份之好倉

於二零零六年十二月三十一日，並無人士於本公司股份或股本衍生工具相關股份中擁有任何其他相關權益或淡倉。

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

管理合約

本年度內，並無訂立有關本公司業務之全部或任何重要部分之管理及行政之合約。

SHARE OPTIONS

Details of the Company's share option schemes are set out in note 20 to the consolidated financial statements.

購股權計劃

本公司購股權計劃的詳情載於綜合財務報表附註20。

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Other than the option holdings disclosed above, at no time during the year was the Company, its holding company, or any of its subsidiaries or fellow subsidiaries, a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

購買股份或債券之安排

除上述所披露有關股權持有外，於本年度期間任何時間，本公司、其控股公司、或任何其他附屬公司或同集團附屬公司概無參與任何安排，致令本公司董事可藉購入本公司或任何其他法人團體之股份或債券而獲益。

COMPETING INTEREST

During the year ended 31 December 2006, none of the directors, chief executive, initial management shareholders nor substantial shareholders of the Company or their respective associates (as defined in the GEM Listing Rules) had any interests in a business which competes with or may compete with the business of the Group.

競爭性權益

於截至二零零六年十二月三十一日止年度，概無本公司董事、行政總裁、管理層股東或主要股東或彼等各自之聯繫人（定義見創業板上市規則）於與本集團之業務競爭或可能會競爭之業務中擁有任何權益。

COMPLIANCE ADVISER'S INTEREST

The Company has been notified by Guotai Junan Capital Limited (the "Compliance Adviser") that as at 31 December 2006, neither the Compliance Adviser nor any of their respective directors, employees or associates had any interests in the Company's share capital as at 31 December 2006.

Pursuant to the agreement dated 31 August 2005 entered into between the Company and the Compliance Adviser, the Compliance Adviser will receive a fee for acting as the Company's retained sponsor for the period from 1 September 2005 to 31 December 2006.

AUDIT COMMITTEE

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

Up to the date of approval of these consolidated financial statements, the audit committee has held four meetings and has reviewed the Company's draft annual, interim and quarterly financial reports and consolidated financial statements prior to recommending such reports and consolidated financial statements to the Board for approval.

The Group's audited results for the year ended 31 December 2006 have been reviewed by the audit committee, which was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosures have been made.

CORPORATE GOVERNANCE

The Company applied the principles and complied with all the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 15 of the GEM Listing Rules throughout the year ended 31 December 2006.

合規顧問之權益

於二零零六年十二月三十一日，國泰君安融資有限公司（「合規顧問」）已知會本公司，合規顧問及其任何董事、僱員或聯繫人士概無於本公司股本中擁有任何權益。

根據本公司及合規顧問於二零零五年八月三十一日訂立之協議，合規顧問因於二零零五年九月一日至二零零六年十二月三十一日止期間作為本公司延聘之合規顧問而將收取費用。

審核委員會

於二零零四年四月八日，本公司已依照創業板上市規則第5.28及5.33條之書面職責範圍成立審核委員會。該審核委員會主要負責審閱及監督本集團之財務申報程式及內部監控制度。此委員會由三名非執行董事孟祥旭先生、劉平源先生及黃烈初先生組成。黃烈初先生為審核委員會之主席。

直至批准該等綜合財務報表之日為止，審核委員會已舉行四次會議，並已於建議董事會批准該等報告及綜合財務報表前審閱本公司草擬之全年、中期及季度財務報告及綜合財務報表。

審核委員會已審閱本集團截至二零零六年十二月三十一日止年度之經審核業績，彼等認為該等業績乃按照適用之會計原則編製。

企業管治常規守則

本公司於二零零六年十二月三十一日止年度已應用及遵守列載於創業板上市規則附錄十五企業管治常規守則內的原則及所有守則條文。

Report of the Directors

董事會報告

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company confirmed that annual confirmations of independence were received from each of the Company's independent non-executive directors pursuant to Rules 5.09 of the GEM Listing Rules and all independent non-executive directors are considered to be independent.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

During the financial year ended 31 December 2006, the Company had adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. The Company also had made specific enquiry of all directors and the Company was not aware of any non-compliance with the required standard of dealings and its code of conduct regarding securities transactions by the directors.

EMOLUMENT POLICY

The emolument policy of the employees of the Group is set up by the Remuneration Committee on the basis of their merit, qualifications and competence.

The emoluments of the directors of the Company are decided by the Remuneration Committee, having regard to the Company's operating results, individual performance and comparable market statistics.

The Company has adopted a share option scheme as an incentive to directors and eligible employees, details of the scheme are set out in note 20 to the consolidated financial statements.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members will be closed from 23 April 2007 to 26 April 2007, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the final dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch registrar, Computershare Hong Kong Investor Services Limited, 46th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 pm on 20 April 2007.

獨立非執行董事之獨立性

本公司確認，已根據創業板上市規則第5.09條向本公司各獨立非執行董事收取獨立地位確認書，而全體獨立非執行董事均被認為屬獨立。

董事進行證券交易之標準守則

截至二零零六年十二月三十一日止年度，本公司經已採納不遜於規定交易準則第5.48條至5.67條之董事進行證券交易之操守守則。本公司經向所有董事明確查詢後，並不知悉任何董事並不遵守交易規定標準及董事進行證券交易之操守守則。

薪酬政策

本集團僱員之薪酬政策乃由薪酬委員會根據彼等之績效、資格和能力制訂。

本公司董事之酬金乃由薪酬委員會經考慮本公司之經營業績、個人表現及可比較市場統計數字後釐訂。

本公司已採納購股權計劃，作為對董事及合資格僱員之獎勵。有關計劃之詳情載於綜合財務報表附註20。

暫停辦理股份過戶登記

本公司將由二零零七年四月二十三日至二零零七年四月二十六日(包括首尾兩天)暫停辦理股份過戶登記手續。股東如欲獲派末期股息，請於二零零七年四月二十日下午四時三十分將一切過戶文件連同有關之股票送交本公司在香港之股份過戶登記處，香港皇后大道東183號合和中心46樓香港中央證券登記有限公司，辦理過戶登記手續。

POST BALANCE SHEET EVENT

Details of a significant event occurring after the balance sheet date are set out in note 27 to the consolidated financial statements.

AUDITOR

A resolution will be submitted to the annual general meeting to re-appoint Messrs. Deloitte Touche Tohmatsu as auditor of the Company. There has been no change in the auditor of the Company since its incorporation on 29 January 2003.

On behalf of the Board

SUN PISHU
CHAIRMAN

23 March 2007

結算日後事項

有關結算日後之重大事項詳情載於綜合財務報表附註27。

核數師

股東週年大會上將提呈決議案以續聘德勤•關黃陳方會計師行為本公司的核數師。自二零零三年一月二十九日本公司成立日起，並沒有更換核數師。

承董事會命

主席
孫丕恕

香港，二零零七年三月二十三日

Deloitte.

德勤

TO THE MEMBERS OF INSPUR INTERNATIONAL LIMITED

(FORMERLY KNOWN AS LANG CHAO INTERNATIONAL LIMITED)
(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Inspur International Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 48 to 96 which comprise the consolidated balance sheet as at 31 December 2006, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the

致浪潮國際有限公司股東

(於開曼群島註冊成立之有限公司)

本核數師(以下簡稱「我們」)已審核列載於第48頁至96頁浪潮國際有限公司(「本公司」)及其附屬公司(統稱「本集團」)的綜合財務報表，此綜合財務報表包括於二零零六年十二月三十一日之綜合資產負債表與截至該日止年度的綜合損益結算表、綜合已確認收支結算表和綜合現金流量結算表，以及主要會計政策概要及其他附註解釋。

董事就綜合財務報表須承擔的 責任

董事須負責根據香港會計師公會頒佈的香港財務報告準則及香港公司條例的披露規定編製及真實而公平地列報該等綜合財務報表。這責任包括設計、實施及維護與編製及真實而公平地列報綜合財務報表相關的內部監控，以使綜合財務報表不存在由於欺詐或錯誤而導致的重大錯誤陳述；選擇和應用適當的會計政策；及按情況下作出合理的會計估計。

核數師的責任

我們的責任是根據我們的審核工作的結果，對該等綜合財務報表作出獨立意見，僅向整體股東報告。除此以外，我們的報告書不可用作其他用途。我們概不就本報告書的內容，對任何其他人士負責或承擔法律責任。我們已根據香港

Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 December 2006 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong
23 March 2007

會計師公會頒佈的香港審計準則進行審核。這些準則要求我們遵守道德規範，並規劃及執行審核，以合理確定此等綜合財務報表是否不存有任何重大錯誤陳述。

審核涉及執程序以獲取有關綜合財務報表所載金額及披露資料的審核憑證。所選定的程序取決於核數師的判斷，包括評估由於欺詐或錯誤而導致綜合財務報表存有重大錯誤陳述的風險。在評估該等風險時，核數師考慮與該公司編製及真實而公平地列報綜合財務報表相關的內部監控，以設計適當的審核程序，但並非為對公司的內部監控的效能發表意見。審核亦包括評價董事所採用的會計政策的合適性及所作出的會計估計的合理性，以及評價綜合財務報表的整體列報方式。

我們相信，我們所獲得的審核憑證是充足和適當地為我們的審核意見提供基礎。

意見

我們認為，該等綜合財務報表已根據香港財務報告準則真實而公平地反映其集團於二零零六年十二月三十一日的事務狀況及截至該日止年度的溢利及現金流量，並已按照香港公司條例的披露規定適當地編製。

德勤 • 關黃陳方會計師行
執業會計師

香港，二零零七年三月二十三日

Consolidated Income Statement

綜合收益表

For the year ended 31 December 2006
截至二零零六年十二月三十一日止年度

		NOTES 附註	2006 二零零六年 HK\$'000 千港元	2005 二零零五年 HK\$'000 千港元
Revenue	收益	6	870,619	729,561
Cost of sales	銷售成本		(820,704)	(697,161)
Gross profit	毛利		49,915	32,400
Other income	其他收入		3,975	3,626
Administrative expenses	行政開支		(16,634)	(8,879)
Interest expenses	利息支出		(11,984)	(436)
Share of profits of associates	應佔聯營公司純利		2,645	2,447
Profit before taxation	除稅前純利		27,917	29,158
Taxation	稅項	8	(2,770)	(4,943)
Profit for the year	年內純利	9	25,147	24,215
Attributable to:	應佔：			
Equity holders of the parent	母公司股權持有人		25,160	24,215
Minority interests	少數股東權益		(13)	—
			25,147	24,215
Dividend	股息	12	15,333	12,000
Earnings per share	每股盈利	13		
Basic	基本		港仙 HK4.96 cents	港仙 HK5.34 cents
Diluted	攤薄		港仙 HK4.94 cents	港仙 HK4.87 cents

Consolidated Balance Sheet

綜合資產負債表

At 31 December 2006
於二零零六年十二月三十一日

		NOTES 附註	2006 二零零六年 HK\$'000 千港元	2005 二零零五年 HK\$'000 千港元
Non-current assets	非流動資產			
Property, plant and equipment	物業、廠房及設備	14	1,762	603
Interests in associates	聯營公司權益	15	58,512	21,602
			60,274	22,205
Current assets	流動資產			
Inventories	存貨	16	45,297	88,126
Trade receivables	貿易應收賬款	17	13,787	2,966
Prepayments, deposits and other receivables	預付款項、按金及其他應收賬款	17	8,299	35
Amount due from an associate	應收一間聯營公司款額	17	58	—
Amounts due from fellow subsidiaries	應收同集團附屬公司款額	17	15,523	10,200
Amount due from ultimate holding company	應收最終控股公司款額	17	141,053	2
Taxation recoverable	可收回稅項	17	897	—
Bank balances and cash	銀行結餘及現金	17	148,158	165,405
			373,072	266,734
Current liabilities	流動負債			
Trade payables	貿易應付賬款	18	61,264	64,294
Other payables and accrued expenses	其他應付賬款及應計開支	18	20,825	5,349
Amounts due to fellow subsidiaries	應付同集團附屬公司款額	18	7,099	916
Amount due to immediate holding company	應付直接控股公司款額	18	39	—
Taxation payable	應繳稅項		—	1,573
			89,227	72,132
Net current assets	流動資產淨額		283,845	194,602
Total assets less current liabilities	總資產減流動負債		344,119	216,807
Non-current liabilities	非流動負債			
Redeemable convertible preferred shares	可贖回可換股優先股	21	179,274	95,102
			164,845	121,705
Capital and reserves	資本及儲備			
Share capital	股本	19	5,143	4,911
Reserves	儲備		152,984	116,794
Equity attributable to equity holders of the parent	母公司股權持有人應佔股權		158,127	121,705
Minority interests	少數股東權益		6,718	—
Total equity	權益總額		164,845	121,705

The consolidated financial statements on pages 48 to 96 were approved and authorised for issue by the Board of Directors on 23 March 2007 and are signed on its behalf by:

載於第48頁至第96頁的綜合財務報表經由董事會於二零零七年三月二十三日批准及授權刊行，並由下列董事代表董事會簽署：

DIRECTOR
董事

DIRECTOR
董事

Consolidated Statement of Changes in Equity

綜合權益變動報表

For the year ended 31 December 2006
截至二零零六年十二月三十一日止年度

Attributable to equity holders of the parent 母公司股權持有人應佔

		Share capital 股本	Share premium 股份溢價	Special reserve 特殊儲備	Preferred shares equity reserve 優先股股本儲備	Translation reserve 滙兌儲備	Retained profits 留存盈餘	Total 總計	Minority interests 少數股東權益	Total 總計
		HK\$'000 千港元	HK\$'000 千港元	HK\$'000 千港元	HK\$'000 千港元	HK\$'000 千港元	HK\$'000 千港元	HK\$'000 千港元	HK\$'000 千港元	HK\$'000 千港元
At 1 January 2005	於二零零五年一月一日	4,000	30,040	92	—	—	31,459	65,591	—	65,591
Exchange differences arising on translation of foreign operations recognised directly in equity	直接於股本中確認外地營運所產生之滙兌差異	—	—	—	—	(221)	—	(221)	—	(221)
Profit for the year	年內純利	—	—	—	—	—	24,215	24,215	—	24,215
Total recognised (loss) gain for the year	年內已確認之(虧損)利潤	—	—	—	—	(221)	24,215	23,994	—	23,994
Placing of shares	配售股份	520	18,200	—	—	—	—	18,720	—	18,720
Share issue expenses	發行股份費用	—	(146)	—	—	—	—	(146)	—	(146)
Issue of shares for the acquisition of Timeone Technology Limited ("Timeone")	就收購 Timeone Technology Limited ("Timeone") 發行股份	391	18,768	—	—	—	—	19,159	—	19,159
Equity component of the redeemable convertible preferred shares	可贖回可換股優先股之權益部分	—	—	—	6,387	—	—	6,387	—	6,387
Dividend paid	已派股息	—	—	—	—	—	(12,000)	(12,000)	—	(12,000)
At 31 December 2005	於二零零五年十二月三十一日	4,911	66,862	92	6,387	(221)	43,674	121,705	—	121,705
Exchange differences arising on translation of foreign operations recognised directly in equity	直接於股本中確認外地營運所產生之滙兌差異	—	—	—	—	8,643	—	8,643	—	8,643
Profit for the year	年內純利	—	—	—	—	—	25,160	25,160	(13)	25,147
Total recognised gain (loss) for the year	年內已確認之利潤(虧損)	—	—	—	—	8,643	25,160	33,803	(13)	33,790
Minority interest in a subsidiary acquired	所收購附屬公司之少數股東權益	—	—	—	—	—	—	—	6,731	6,731
Exercise of share options	購股權之行使	232	6,669	—	—	—	—	6,901	—	6,901
Equity component of the redeemable convertible preferred shares	可贖回可換股優先股之權益部分	—	—	—	11,051	—	—	11,051	—	11,051
Dividend paid	已派股息	—	—	—	—	—	(15,333)	(15,333)	—	(15,333)
At 31 December 2006	於二零零六年十二月三十一日	5,143	73,531	92	17,438	8,422	53,501	158,127	6,718	164,845

The special reserve of the Group represents the difference between the nominal value of the shares of the subsidiaries and the nominal amount of the Company's shares issued for the acquisition at the time of the reorganisation prior to the listing of the Company's shares.

本集團的特殊儲備指附屬公司股份面值與本公司股份上市前集團重組時就收購而已發行的本公司股份的面值兩者之間的差額。

Consolidated Cash Flow Statement

綜合現金流量報表

For the year ended 31 December 2006
截至二零零六年十二月三十一日止年度

	NOTE 附註	2006 二零零六年 HK\$'000 千港元	2005 二零零五年 HK\$'000 千港元
OPERATING ACTIVITIES	經營業務		
Profit before taxation	除稅前純利	27,917	29,158
Adjustments for:	按下列各項調整：		
Share of profits of associates	應佔聯營公司純利	(2,645)	(2,447)
Interest income	利息收入	(2,718)	(569)
Interest expense	利息支出	11,984	436
Depreciation	折舊	589	439
Gain on disposal of an associate	出售一間聯營公司 之利潤	(384)	—
Net loss on disposal of property, plant and equipment	出售物業、廠房及 設備之淨虧損	2	—
Write-down of inventories	存貨撇減	1,621	2,382
Operating cash flows before movements in working capital	營運資金變動前 經營現金流量	36,366	29,399
Decrease (increase) in inventories	存貨減少 (增加)	41,208	(45,410)
(Increase) decrease in trade receivables	貿易應收賬款 (增加) 減少	(10,821)	15,528
(Increase) decrease in prepayments, deposits and other receivables	預付款項、按金及其他 應收賬款 (增加) 減少	(8,264)	724
Increase in amount due from an associate	收購一間聯營公司 款項增加	(58)	—
Increase in amounts due from fellow subsidiaries	應收同集團附屬公司 款項增加	(5,323)	(2,760)
Increase in amount due from ultimate holding company	應收最終控股公司款項 增加	(141,051)	—
(Decrease) increase in trade payables	貿易應付賬款 (減少) 增加	(3,030)	28,327
Increase in other payables and accrued expenses	其他應付賬款及 應計開支增加	5,505	2,640
Decrease in amount due to ultimate holding company	應付最終控股公司 款項減少	—	(393)
Increase in amount due to immediate holding company	應付直接控股公司款項增加	39	—
Increase in amounts due to fellow subsidiaries	應付一間同集團 附屬公司款項增加	6,183	916
Cash (used in) generated from operations	(動用) 源自營運產生現金	(79,246)	28,971
Income taxes paid	已付所得稅	(5,240)	(5,148)
NET CASH (USED IN) FROM OPERATING ACTIVITIES	(動用) 源自營運業務 產生的現金淨額	(84,486)	23,823
INVESTING ACTIVITIES	投資業務		
Acquisition of an associate	收購一間聯營公司	(39,988)	—
Purchase of property, plant and equipment	購買物業、廠房 及設備	(2,231)	(3)
Proceeds from disposal of an associate	出售一間聯營公司 之所得款項	6,931	—
Acquisition of a subsidiary	收購一間附屬公司	6,731	18
Interest received	已收取利息	2,718	569
Proceeds from disposal of property, plant and equipment	出售物業、廠房及設備 之所得款項	515	—

Consolidated Cash Flow Statement

綜合現金流量報表

For the year ended 31 December 2006
截至二零零六年十二月三十一日止年度

	NOTE 附註	2006 二零零六年 HK\$'000 千港元	2005 二零零五年 HK\$'000 千港元
NET CASH (USED IN) FROM INVESTING ACTIVITIES	(動於) 源自投資業務的 現金淨額	(25,324)	584
FINANCING ACTIVITIES	融資業務		
Proceeds from issuance of redeemable convertible preferred shares	發行可贖回可換股 優先股的所得款	93,210	101,053
Proceeds from exercise of share options	行使購股權之所得款	6,901	—
Dividend paid	股息派發	(15,333)	(12,000)
Proceeds from placement of shares	發行股份的所得款	—	18,720
Share issue expenses	發行股份費用	—	(146)
NET CASH FROM FINANCING ACTIVITIES	源自融資業務的現金淨額	84,778	107,627
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	現金及現金等值物 (減少) 增加淨額	(25,032)	132,034
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	年初現金及 現金等值物	165,405	33,592
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	外匯匯率改變 之影響	7,785	(221)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	年終現金及 現金等值物	148,158	165,405
Bank balances and cash	銀行結餘及現金		

1. GENERAL

The Company is a public listed company and the shares of the Company have been listed on the Growth Enterprise Market (“GEM”) of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) since 29 April 2004. The Company was incorporated in the Cayman Islands on 29 January 2003 as an exempted company with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. Its parent is Inspur Electronics (HK) Limited (formerly known as Lang Chao Electronics (HK) Limited), a company incorporated in Hong Kong and its ultimate holding company is Inspur Group Limited (formerly known as Lang Chao Group Limited) (“Inspur Corporation”), a company established in the People’s Republic of China (“PRC”).

The consolidated financial statements are presented in Hong Kong dollars, which is the same as the functional currency of the Company.

The Company is an investment holding company. The principal activities of the Group are trading of computer components, manufacture and trading of computer products and development and sale of computer software.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

In the current year, the Group has applied, for the first time, a number of new Hong Kong Accounting Standards (“HKAS”), amendments and interpretations (“new HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) that are either effective for accounting periods beginning on or after 1 December 2005 or 1 January 2006. The adoption of the new HKFRSs has had no material effect on how the results and financial position for the current and prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

1. 一般資料

本公司為一家上市公司，其股份於二零零四年四月二十九日在香港聯合交易所有限公司（「聯交所」）創業板（「創業板」）上市。本公司根據開曼群島法例一九六一年法例3（以經綜合及修訂者為準）第22章公司法於二零零三年一月二十九日在開曼群島註冊成立為獲豁免有限公司。其母公司為浪潮電子（香港）有限公司，為一間於香港註冊成立的公司，其最終控股公司為浪潮集團有限公司（「浪潮公司」），為一間於中國成立的公司。

本綜合財務報表以港元列示，港元亦為本公司之功能貨幣。

本公司是一間投資控股公司。本集團主要業務為買賣電腦元件、製造及分銷電腦產品，以及開發及銷售電腦軟件。

2. 採用新訂及經修訂的香港財務報告準則（「香港財務報告準則」）

於本年度，本集團首次採用多項由香港會計師公會（「香港會計師公會」）新頒佈之香港會計準則（「香港會計準則」）、修訂及詮釋（統稱為「新香港財務報告準則」），該等準則適用於二零零五年十二月一日或二零零六年一月一日或以後開始之會計期間。採納新香港財務報告準則對現時及上個會計期間編製及呈列之業績及財務狀況並無重大影響。因此，並不需要作出前期調整。

Notes to the Consolidated Financial Statements

綜合財務報表附註

For the year ended 31 December 2006
截至二零零六年十二月三十一日止年度

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (continued)

The Group has not early applied the following new standards, interpretations (“INTs”) and amendment that have been issued but are not yet effective. The directors of the Company anticipate that the application of these standards, interpretations and amendment will have no material effect on the results of the operations and financial position of the Group.

HKAS 1 (Amendment)	Capital disclosures ¹
HKFRS 7	Financial instruments: Disclosures ¹
HKFRS 8	Operating segments ²
HK(IFRIC) - INT 7	Applying the restatement approach under HKAS 29 Financial Reporting in Hyperinflationary Economies ²
HK(IFRIC) - INT 8	Scope of HKFRS 2 ³
HK(IFRIC) - INT 9	Reassessment of embedded derivatives ⁴
HK(IFRIC) - INT 10	Interim financial reporting and impairment ⁵
HK(IFRIC) - INT 11	HKFRS 2 - Group and Treasury Share Transactions ⁶
HK(IFRIC) - INT 12	Service concession arrangements ⁷

- ¹ Effective for annual periods beginning on or after 1 January 2007.
- ² Effective for annual periods beginning on or after 1 March 2006.
- ³ Effective for annual periods beginning on or after 1 May 2006.
- ⁴ Effective for annual periods beginning on or after 1 June 2006.
- ⁵ Effective for annual periods beginning on or after 1 November 2006.
- ⁶ Effective for annual periods beginning on or after 1 March 2007.
- ⁷ Effective for annual periods beginning on or after 1 January 2008.
- ⁸ Effective for annual periods beginning on or after 1 January 2009.

2. 採用新訂及經修訂的香港財務報告準則（「香港財務報告準則」）（續）

本集團並無提前採納以下已頒佈但仍未生效之新準則及詮釋（「詮釋」）及修訂。本公司董事會預期，應用該等準則、詮釋及修訂將不會為本集團之經營業績及財務狀況帶來重大影響。

香港會計準則 第1號(修訂)	資本披露 ¹
香港財務報告準則 第7號	金融工具：披露 ¹
香港財務報告準則 第8號	營運分類 ²
香港國際財務報告 詮釋委員會－ 詮釋第7號	根據香港會計準則 第29號「惡性通貨 膨脹經濟中的 財務報告」採用重列法 ²
香港(國際財務報告 詮釋委員會) －詮釋第8號	香港財務報告準則 第2號的範圍 ³
香港(國際財務報告 詮釋委員會) －詮釋第9號	重估嵌入式衍生工具 ⁴
香港(國際財務報告 詮釋委員會) －詮釋第10號	中期財務報告及減值 ⁵
香港(國際財務報告 詮釋委員會) －詮釋第11號	香港財務報告準則 第2號－集團及 庫存股份交易 ⁶
香港(國際財務報告 詮釋委員會) －詮釋第12號	服務經營權安排 ⁷

- ¹ 於二零零七年一月一日或之後開始之年度期間生效。
- ² 於二零零六年三月一日或之後開始之年度期間生效。
- ³ 於二零零六年五月一日或之後開始之年度期間生效。
- ⁴ 於二零零六年六月一日或之後開始之年度期間生效。
- ⁵ 於二零零六年十一月一日或之後開始之年度期間生效。
- ⁶ 於二零零七年三月一日或之後開始之年度期間生效。
- ⁷ 於二零零八年一月一日或之後起計年度期間開始生效。
- ⁸ 於二零零九年一月一日或之後起計年度期間開始生效。

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared on the historical cost basis and in accordance with Hong Kong Financial Reporting Standards issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on GEM of the Stock Exchange and by the Hong Kong Companies Ordinance. The accounting policies adopted are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries. Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Minority interests in the net assets of consolidated subsidiaries are presented separately from the Group's equity therein. Minority interests in the net assets consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

3. 主要會計政策

綜合財務報表乃根據歷史成本基準及按照香港會計師公會發出之香港財務報告準則編製。此外，綜合財務報表載列聯交所創業板證券上市規則及香港公司條例規定之適用披露。採納之會計政策載列如下。

綜合賬目之基準

綜合財務報表包括本公司及其附屬公司之財務報表。當本公司有能力監督一間實體公司的財務及經營政策以便從其業務中取得利益，則具有控制權。

年內所收購或出售附屬公司之業績乃自收購生效日期起或截至出售生效日期止（倘適用）計入綜合收益表內。

如有需要，本集團會對附屬公司之財務報表作出調整，使其會計政策與本集團其他成員公司所採用者保持一致。

所有集團內公司間之交易、結餘、收入及開支已於綜合賬目時對銷。

合併附屬公司淨資產之少數股東權益與本集團權益分開呈列。淨資產值之少數股東權益包括於原訂業務合併日期之權益及自合併日期起少數股東應佔權益變動之數額。少數股東應佔虧損高於少數股東所佔附屬公司權益之差額將用作扣除本集團之權益，惟若少數股東有具約束性責任且可作出額外投資以彌補虧損者除外。

Notes to the Consolidated Financial Statements

綜合財務報表附註

For the year ended 31 December 2006
截至二零零六年十二月三十一日止年度

3. SIGNIFICANT ACCOUNTING POLICIES

(continued)

Business combinations

The acquisition of subsidiaries is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under HKFRS 3 "Business Combinations" are recognised at their fair values at the acquisition date.

The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

Investments in associates

An associate is an entity over which the investor has significant influence and that is neither a subsidiary nor an interest in a joint venture.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, investments in associates are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of net assets of the associate, less any identified impairment loss. When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

3. 主要會計政策 (續)

業務合併

收購附屬公司時採用購買會計處理法入賬。收購成本按交換當日所給予之資產、所產生和承擔之負債，以及本集團為換取控制被收購公司而已發行之股本工具之公平值，另加業務合併直接應佔之任何成本計量。符合根據香港財務報告準則第3號「業務合併」確認條件之被收購公司可識別資產、負債及或然負債，均以收購日期之公平值確認。

被收購公司之少數股東權益初步按少數股東於已確認資產、負債及或然負債之公平淨值比例計算。

於聯營公司之投資

聯營公司為投資者對該公司具有重大影響力之實體，且不屬於附屬公司或於合營企業之權益。

聯營公司之業績及資產與負債乃以會計權益法納入於該等綜合財務報表之內。根據權益法，於聯營公司之投資乃按成本於綜合資產負債表中列賬，並就本集團分佔該聯營公司之淨資產之收購後變動作出調整，以及減去任何已識別之減值虧損。當本集團分佔某聯營公司之虧損相等於或超出其於該聯營公司之權益(包括實質上構成本集團於該聯營公司之投資淨額一部份之任何長期權益)，則本集團終止確認其分佔之進一步虧損。本集團就額外分佔之虧損作出撥備，而負債僅以本集團已產生法定或推定責任或代表該聯營公司作出付款者為限被確認。

3. SIGNIFICANT ACCOUNTING POLICIES

(continued)

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment.

Where a group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold and services provided in the normal course of business, net of discounts, returns and allowances.

Sales of goods are recognised when goods are delivered and title has been passed.

Service income is recognised when services are provided.

Interest income from a financial asset is accrued on a time basis by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Property, plant and equipment

Property, plant and equipment are stated at cost less subsequent accumulated depreciation and accumulated impairment loss.

Depreciation is provided to write off the cost of items of property, plant and equipment over their estimated useful lives and after taking into account their estimated residual value, using the straight line method.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the consolidated income statement in the year in which the item is derecognised.

3. 主要會計政策 (續)

凡任何收購成本超逾本集團於收購日期確認聯營公司之已識別資產、負債及或然負債所佔之公平值淨額，均確認為商譽。商譽乃計入投資之賬面值內，並評估減值作為投資之一部分。

倘集團公司與本集團一間聯營公司進行交易，本集團於有關聯營公司之權益之損益將予以撇銷。

收入確認

收入乃按已收或應收代價之公平值計算，相當於日常業務過程中所售貨物及所提供服務經扣除折扣、退貨及折讓後之應收金額。

產品銷售乃於產品付運及其所有權已轉移後予以確認。

服務收入乃於提供服務時予以確認。

來自財務資產之利息收入乃按時間基準，並參照尚未償還本金額及按適用之實際利率應計，此乃透過財務資產之預期可用年期將估計日後現金收據實際折讓至該資產之賬面淨值之比率。

物業、廠房及設備

物業、廠房及設備按成本減其後累計折舊及累計減值虧損後列賬。

物業項目、廠房及設備的折舊以直線法按其估計可使用年期撇銷其成本，並計及這些物業、廠房及設備的估計剩餘價值。

物業、廠房及設備項目於出售時或當繼續使用該資產預期不會產生任何日後經濟利益時取消確認。資產取消確認產生之任何收益或虧損(按該項目之出售所得款項淨額與賬面值之間之差額計算)於該項目取消確認之年度計入綜合收益表。

Notes to the Consolidated Financial Statements

綜合財務報表附註

For the year ended 31 December 2006
截至二零零六年十二月三十一日止年度

3. SIGNIFICANT ACCOUNTING POLICIES

(continued)

Impairment losses

At each balance sheet date, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, such that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the first-in, first-out method.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in its functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are re-translated at the rates prevailing on the balance sheet date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the year in which they arise.

3. 主要會計政策 (續)

減值虧損

於各結算日，本集團均會審閱其資產之賬面值，以確認該等資產是否已出現減值虧損。倘本公司估計某項資產之可回收金額低於其賬面值，則該項資產之賬面值須減低至其可回收金額。減值虧損將即時確認為開支。

倘某項減值虧損其後撥回，則該項資產之賬面值須增至其可回收金額之經修訂估計數額，惟增加後之賬面值不得超過以往年度若資產並無減值虧損確認而釐定之賬面值。減值虧損撥回將即時確認為收益。

存貨

存貨乃按成本及可變現淨值兩者之較低者列賬。成本乃採用先進先出法計算。

外幣

於編製各個別集團實體之財務報表時，以該實體功能貨幣以外之貨幣（外幣）進行之交易均按交易日期之適用匯率換算為功能貨幣（如該實體經營所在主要經濟地區之貨幣）記賬。於各結算日，以外幣為定值之貨幣項目均按結算日之適用匯率重新換算。按外幣過往成本計量之非貨幣項目毋須重新換算。

於結算及換算貨幣項目時產生之匯兌差額均於彼等產生之年度內於損益賬中確認。

3. SIGNIFICANT ACCOUNTING POLICIES

(continued)

Foreign currencies (continued)

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Company (i.e. Hong Kong dollars) at the rate of exchange prevailing at the balance sheet date, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the year, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in translation reserve. Such exchange differences are recognised in profit or loss in the year in which the foreign operation is disposed of.

Borrowing costs

All borrowing costs are recognised as and included in interest expense in the consolidated income statement in the year in which they are incurred.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated income statement because it excludes items of income and expense that are taxable or deductible in other years, and it further excludes items that are never taxable and deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

3. 主要會計政策 (續)

外幣 (續)

就呈列綜合財務報表而言，本集團海外經營業務之資產及負債乃按於結算日之適用匯率換算為本公司之列賬貨幣（即港元），而其他收入及支出乃按該年度之平均匯率進行換算，除非匯率於該期間內出動大幅波動則作別論，於此情況下，則採用於換算當日之適用匯率。所產生之匯兌差額（如有）乃確認於匯兌儲備。該等匯兌差額乃於海外業務被出售之年內於損益賬內確認。

借貸成本

所有借貸成本均於產生年內於綜合收益表中確認，並以利息開支列賬。

稅項

所得稅開支指目前應付稅項及遞延稅項的總和。

目前應付稅項根據本年度的應課稅溢利計算。應課稅溢利有別於綜合收益表內所匯報的利潤，原因是其不包括其他年度的應課稅或可扣稅收入及開支項目，其進一步不包括永不課稅及扣稅的收益表項目。本集團之即期稅項負債乃按結算日已實行或大致上已實行之稅率計算。

Notes to the Consolidated Financial Statements

綜合財務報表附註

For the year ended 31 December 2006
截至二零零六年十二月三十一日止年度

3. SIGNIFICANT ACCOUNTING POLICIES

(continued)

Taxation (continued)

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the year when the liability is settled or the asset realised. Deferred tax is charged or credited in the consolidated income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

3. 主要會計政策 (續)

稅項 (續)

遞延稅項指就綜合財務報表資產及負債賬面值與計算應課稅溢利所用相應稅基間之差額而確認，並以資產負債表負債法處理。遞延稅項負債通常會就所有應課稅臨時差額確認，而遞延稅項資產則於可能出現應課稅溢利以抵銷可扣稅之臨時差額時確認。若於一項交易中，因商譽或因業務合併以外原因開始確認其他資產及負債而引致既不影響稅項溢利亦不影響會計溢利之臨時差額，則不會確認該等資產及負債。

遞延稅項負債乃按因於附屬公司及聯營公司之投資而引致之應課稅臨時差額而確認，惟若本集團可控制撥回臨時差額及臨時差額有可能未必於可見將來撥回之情況除外。

遞延稅項資產之賬面值於每個結算日作檢討，並在沒可能於會有足夠應課稅溢利恢復全部或部份資產時作調減。

遞延稅項乃按預期於負債償還或資產變現年度適用之稅率計算。遞延稅項於綜合收益表中扣除或計入綜合收益表，惟於遞延稅項直接在股本權益中扣除或計入股本權益之情況下，遞延稅項亦會於股本權益中處理。

3. SIGNIFICANT ACCOUNTING POLICIES

(continued)

Financial instruments

Financial assets and financial liabilities are recognised on the consolidated balance sheet when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets comprise loans and receivables and the accounting policies are set out below.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables (including trade receivables, deposits and other receivables and amounts due from an associate, fellow subsidiaries and ultimate holding company and bank balances) are carried at amortised cost using the effective interest method, less any identified impairment losses. An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

3. 主要會計政策 (續)

金融工具

財務資產及財務負債乃當某集團實體成為工具合同條文之訂約方時在綜合資產負債表上確認。財務資產及財務負債按公平值初步確認。收購或發行財務資產及資產負債直接應佔之交易成本(透過損益以公平值列賬之財務資產及財務負債除外)乃於初步確認時加入財務資產或財務負債之公平值或自財務資產或財務負債之公平值內扣除(如合適)。收購透過損益以公平值列賬之財務資產或財務負債直接應佔之交易成本即時於損益賬內確認。

財務資產

本集團之財務資產包括貸款及應收款項，有關會計政策載於下文。

貸款及應收款項

貸款及應收款項乃並非於現行市場所報之固定或可釐定付款之非衍生金融工具。於初步確認後各結算日，貸款及應收款項(包括應收貿易賬款、按金及其他應收賬款及聯營公司、同集團附屬公司及最終控股公司之應收款項，以及銀行結餘)均按採用實際利率法計算之已攤銷成本減任何已識別減值虧損入賬。減值虧損乃當可實質證明資產減值時於損益中確認，並按該資產之賬面值與按原先實際利率折讓之估計未來現金流量之現值間的差額計量。當資產之可收回數額增加乃確實與於確認減值後所引致之事件有關時，則減值虧損會於隨後會計期間予以回撥，惟該資產於減值被回撥之日之賬面值不得超過未確認減值時之已攤銷成本。

Notes to the Consolidated Financial Statements

綜合財務報表附註

For the year ended 31 December 2006
截至二零零六年十二月三十一日止年度

3. SIGNIFICANT ACCOUNTING POLICIES

(continued)

Financial liabilities and equity

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. The accounting policies adopted in respect of other financial liabilities and equity instruments are set out below.

Financial liabilities

Financial liabilities including trade payables, other payables and accrued expenses and amounts due to fellow subsidiaries and immediate holding company are subsequently measured at amortised cost, using the effective interest method.

Redeemable convertible preferred shares ("Preferred Shares")

Preferred Shares issued by the Company that contain both financial liability and equity components are classified separately into respective liability and equity components on initial recognition. On initial recognition, the fair value of the liability component is determined using the prevailing market interest rate of similar non-convertible debts. The difference between the proceeds of the issue of the Preferred Shares and the fair value assigned to the liability component, representing the embedded conversion option for the holder to convert the Preferred Shares into equity, is included in equity (Preferred shares equity reserve).

3. 主要會計政策 (續)

財務負債及股本

集團實體發行之財務負債及股本投資工具乃根據合同安排之性質與財務負債及股本投資工具之定義分類。

股本投資工具乃證明集團於扣減所有負債後之資產中擁有剩餘權益之任何合同。就其他財務負債及股本工具所採納之會計政策乃載於下文。

財務負債

財務負債包括貿易應付賬款、其他應付賬款及應計開支，以及應付同系附屬公司及直接控股公司之款項均其後使用實際利率法按經攤銷成本計算。

可贖回可換股優先股 (「優先股」)

本公司發行之優先股包括金融負債及股本部分，須於初步確認時獨立列為各個負債及股本部分。於初步確認時，負債部分之公平值是根據同類型不可換股債項之現行市場利率釐定。發行優先股之收入與轉讓至負債部分之公平值間之差異是股本部分（優先股本儲備），代表給持有人將優先股轉換為股份之隱含轉換認購期權。

3. SIGNIFICANT ACCOUNTING POLICIES

(continued)

Redeemable convertible preferred shares ("Preferred Shares") (continued)

In subsequent periods, the liability component of the Preferred Shares is carried at amortised cost using the effective interest method. The equity component, represented by the option to convert the liability component into ordinary shares of the Company, will remain in preferred shares equity reserve until the embedded option is exercised in which case the balance stated in preferred shares equity reserve will be transferred to share premium. Where the option remains unexercised at the expiry date, the balance stated in preferred shares equity reserve will remain in the preferred shares equity reserve. No gain or loss is recognised in profit or loss upon conversion or expiration of the option.

Transaction costs that relate to the issue of the Preferred Shares are allocated to the liability and equity components in proportion to the allocation of the proceeds. Transaction costs relating to the equity component are charged directly to equity. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the Preferred Shares using the effective interest method.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised directly in equity is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

3. 主要會計政策 (續)

可贖回可換股優先股 (「優先股」) (續)

於其後期間，優先股之負債部分以實際權益法按攤銷成本列賬，負債部分轉換為本公司普通股份期權之股本部分，將會保留於優先股股本儲備內直至隱含期權行使為止，這樣優先股股本儲備之結餘將會轉撥至股本溢價。倘期權於到期日仍未行使期權，則優先股股本儲備之結餘將會保留在優先股股本儲備。期權轉換或到期時並不會有任何損益確認。

與發行優先股有關之交易成本會按所得款項分配之比例以負債及股本部分來分配。與股本部分有關之交易成本會直接自股本內中扣除。與負債部分有關之交易成本以負債部分之賬面值列賬，並以實際權益法於優先股期間攤銷。

股本工具

本公司發行之股本工具乃按已收所得款項(扣除直接發行成本)記賬。

取消確認

若從資產收取現金流之權利已到期，或財務資產已轉讓及本集團已將其於財務資產擁有權之絕大部份風險及回報轉移，則財務資產將被取消確認。於取消確認財務資產時，資產賬面值與已收及應收代價及已直接於股本權益確認之累計損益之總和之差額，將於損益中確認。

倘於有關合約之特定責任獲解除、取消或到期，財務負債乃取消確認。取消確認之財務負債賬面值與已付及應付代價之差額乃於損益中確認。

Notes to the Consolidated Financial Statements

綜合財務報表附註

For the year ended 31 December 2006
截至二零零六年十二月三十一日止年度

3. SIGNIFICANT ACCOUNTING POLICIES

(continued)

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating lease.

The Group as lessee

Rentals payable under operating leases are charged to the consolidated income statement on a straight line basis over the relevant lease terms. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expenses over the lease term on a straight line basis.

Share-based payment transactions

Equity-settled share-based payment transactions

Share options granted to employees of the Group

The fair value of services received determined by reference to the fair value of share options granted at the grant date is recognised as an expense in full at the grant date when the share options granted vest immediately, with a corresponding increase in equity (share option reserve).

At the time when the share options are exercised, the amount previously recognised in share option reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to retained profits.

In relation to share options granted before 1 January 2005, the Group chooses not to apply HKFRS 2 "Share – based payments" with respect to share options granted after 7 November 2002 and vested before 1 January 2005, no amount has been recognised in the consolidated financial statements in respect of the these equity-settled shared-based payments.

Retirement benefits costs

Payments to the Mandatory Provident Fund Scheme and other schemes managed by the PRC government are charged as expenses when employees have rendered service entitling them to the contributions.

3. 主要會計政策 (續)

租賃

凡租約條款將租賃擁有權之絕大部分風險及回報轉嫁予承租人之租約均分類為財務租約。所有其他租約則分類為經營租約。

本集團作為承租人

根據經營租約的應付租金乃按直線法就其有關租賃年期於綜合收益表中扣除。因訂立一項經營租約作為獎勵之已收及應收福利，及以直線法按租約年期確認作租金支出減少。

以股份為基準之付款交易

股權支付以股份為基準之付款交易

授予本集團僱員之購股權

當已授出之購股權即時歸屬，則經參照授出當日已授出購股權之公平值而釐定已收取服務之公平值，於授出當日全數確認為開支，而股本（購股權儲備賬）則相應增加。

於行使購股權時，先前已在購股權儲備賬中確認之金額將轉撥至股份溢價賬。倘購股權於歸屬日期後被沒收或於到期日尚未獲行使，則先前已在購股權儲備賬中確認之金額將轉撥至保留盈餘。

就於二零零五年一月一日前授出之購股權而言，本集團選擇對於二零零二年十一月七日後授出及於二零零五年一月一日前歸屬之購股權，不應用香港財務報告準則第2號「以股份為基準之支付」，概無就該等股權支付以股份為基準之付款於綜合財務報表內確認任何金額。

退休福利成本

對強制性公積金計劃及中國政府管理之其他計劃支付之供款，乃於僱員提供服務賦予彼等權利獲得供款時列作開支支銷。

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet dates, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Allowances for inventories

The management of the Group reviews an aging analysis at each balance sheet date, and makes allowance for obsolete and slow-moving inventory items identified that are no longer suitable for sales. The management estimates the net realisable value for such inventories based primarily on the latest invoice prices, current market conditions and any anticipated changes in market conditions subsequent to the balance sheet date. The Group carries out an inventory review on a product-by-product basis at each balance sheet date and makes allowance for obsolete and slow moving items.

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial instruments include amounts due from fellow subsidiaries and ultimate holding company, trade receivables, trade payables, other payables, redeemable convertible preferred shares and bank balances and cash. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

4. 估計不確定性之主要來源

涉及日後之主要假設及於結算日估計不明朗因素之其他主要來源(彼等均擁有導致下個財政年度之資產及負債之賬面值出現大幅調整之重大風險)亦討論如下。

存貨撥備

本集團管理層於結算日審核賬齡分析並對被識別作不再適合用於出售之過時及滯銷庫存品進行撥備。管理層估計此等存貨之可變現淨值主要根據最近期之發票價格、目前市況及結算日後市況之任何預計變動而釐定。本集團於各個結算日對每種產品進行盤點，並對過時及滯銷項目作出撥備。

5. 財務風險管理目標及政策

本集團之主要財務工具包括應收同集團附屬公司及最終控股公司之款額、應收貿易款額、應付貿易款額、其他應付款額、可贖回可換股優先股及銀行結餘及現金。該等金融工具詳情於各附註披露。下文載列與該等金融工具有關之風險及如何降低該等風險之政策。管理層管理及監控該等風險，以確保及時和有效地採取適當之措施。

Notes to the Consolidated Financial Statements

綜合財務報表附註

For the year ended 31 December 2006
截至二零零六年十二月三十一日止年度

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk

The Group's maximum exposure to credit risk in the event of the counterparties' failure to perform their obligations as at 31 December 2006 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated balance sheet. In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade receivable, amounts due from fellow subsidiaries and ultimate holding company at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. The Group's trade receivables as at 31 December 2006 are mainly due from a few customers. The management closely monitors the subsequent settlement of the customers and does not grant long credit period to them. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The Group also has concentration of credit risk on trade receivables from ultimate holding company and fellow subsidiaries.

The Group's bank balances are deposited with banks with high credit ratings and the Group has limited exposure to any single financial institution.

Fair value interest rate risk

The Group's fair value interest rate risk relates primarily to redeemable convertible preferred shares.

The Group currently does not have a interest rate hedging policy. However, the management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

5. 財務風險管理目標及政策 (續)

信貸風險

倘對方於二零零六年十二月三十一日未能履行彼等之承擔，則本集團就每類已確認財務資產而須承受之最大信貸風險為已於綜合資產負債表列值之資產之賬面金額。為最大限度降低信貸風險，本集團管理層已委派一組人員負責制訂信貸限額、信貸審批及其他監控措施，以確保採取跟進措施收回逾期未付之債項。此外，於各結算日，本集團評估每項個別貿易應收款、應收同集團附屬公司及最終控股公司款項之可收回金額，以確保就不可收回金額所作出之減值虧損已足夠。本集團於二零零六年十二月三十一日之貿易應收賬款主要為應收數名客戶。管理層已密切注視該等客戶之其後結算，並不再給予該等客戶較長之信貸期。就此而言，本公司董事認為本集團之信貸風險已大幅降低。

本集團在來自最終控股公司及同集團附屬公司之應收貿易款項方面亦出現信貸風險集中情況。

本集團之銀行存款均存放於高信貸評級之銀行，而本集團所承受之任何單一金融機構之風險有限。

利率風險公平值

本集團之公平值利率風險主要與可贖回可換股優先股有關。

本集團現時並無利率對沖政策。然而，管理層監視利率風險，倘需要時將會考慮對沖重大利率風險。

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

6. REVENUE

Revenue represents the net amounts received and receivable for goods sold and services rendered by the Group less discounts, returns and allowances. An analysis of the Group's revenue for the year is as follows:

Sales of computer components	銷售電腦元件
Sales of computer products	銷售電腦產品
Software project income	軟件項目收入

5. 財務風險管理目標及政策 (續)

流動資金風險

就管理流動資金風險方面，本集團監控並維持現金及現金等價物於管理層認為足夠的水平，為本集團營運提供資金及減低現金流量波動的影響。

6. 收益

收益代表本集團售出貨品及提供服務之已收款及應收款項減折扣、退貨及折讓。本集團本年度收益之分析如下：

2006 二零零六年 HK\$'000 千港元	2005 二零零五年 HK\$'000 千港元
684,445	729,561
185,047	—
1,127	—
870,619	729,561

7. SEGMENT INFORMATION

Business segment

In prior years, the Group was principally engaged in trading of computer components. Accordingly, no business segment analysis was presented for the year ended 31 December 2005.

For management purposes, the Group is currently organised into three operating divisions, namely trading of computer components, manufacture and trading of computer products and development and sales of computer software. These divisions are the basis on which the Group reports its primary segment information.

7. 分類資料

業務分類

於往年，本集團主要從事電腦元件買賣。因此，並無呈列截至二零零五年十二月三十一日止年度之業務分類分析。

為方便管理，本集團現時組成三大業務部門，分別為買賣電腦元件、製造及買賣電腦產品，以開發及銷售電腦軟件。本集團按該等部門呈報其主要分類資料。

Notes to the Consolidated Financial Statements

綜合財務報表附註

For the year ended 31 December 2006
截至二零零六年十二月三十一日止年度

7. SEGMENT INFORMATION (continued)

Business segment (continued)

Segment information about these businesses as at 31 December 2006 is presented below:

Income statement for the year ended 31 December 2006

		Trading of computer components 買賣 電腦元件 HK\$'000 千港元	Manufacture and trading of computer products 製造及買賣 電腦產品 HK\$'000 千港元	Development and sales of computer software 發展及銷售 電腦軟件 HK\$'000 千港元	Consolidated 綜合 HK\$'000 千港元
Revenue	收益	684,445	185,047	1,127	870,619
Segment results	分類業績	18,992	20,291	(106)	39,177
Unallocated income	未分配收入				3,005
Unallocated corporate expenses	未分配企業開支				(4,926)
Share of results of associates	應佔聯營公司業績	—	—	2,645	2,645
Interest expenses	利息支出				(11,984)
Profit before taxation	除稅前純利				27,917
Taxation	稅項				(2,770)
Profit for the year	年內純利				25,147

7. 分類資料 (續)

業務分類 (續)

有關該等業務於二零零六年十二月三十一日之分類資料呈列如下：

截至二零零六年十二月三十一日止年度之收益表

Notes to the Consolidated Financial Statements

綜合財務報表附註

For the year ended 31 December 2006
截至二零零六年十二月三十一日止年度

7. SEGMENT INFORMATION (continued)

Business segment (continued)

Balance sheet at 31 December 2006

7. 分類資料 (續)

業務分類 (續)

於二零零六年十二月三十一日之資產負債表

		Trading of computer components 買賣 電腦元件 HK\$'000 千港元	Manufacture and trading of computer products 製造及買賣 電腦產品 HK\$'000 千港元	Development and sales of computer software 發展及銷售 電腦軟件 HK\$'000 千港元	Consolidated 綜合 HK\$'000 千港元
ASSETS	資產				
Segment assets	分類資產	61,810	162,002	1,967	225,779
Interests in associates	聯營公司權益	—	—	58,512	58,512
Unallocated corporate assets	未分配企業資產				149,055
Consolidated total assets	綜合資產總額				433,346
LIABILITIES	負債				
Segment liabilities	分類負債	22,203	55,959	88	78,250
Unallocated corporate liabilities	未分配企業負債				190,251
Consolidated total liabilities	綜合負債總額				268,501

Notes to the Consolidated Financial Statements

綜合財務報表附註

For the year ended 31 December 2006
截至二零零六年十二月三十一日止年度

7. SEGMENT INFORMATION (continued)

Business segment (continued)

Other information for the year ended 31 December 2006

	Trading of computer components 買賣電腦元件 HK\$'000 千港元	Manufacture and trading of computer products 製造及買賣 電腦產品 HK\$'000 千港元	Development and sales of computer software 發展及銷售 電腦軟件 HK\$'000 千港元	Unallocated 未分配 HK\$'000 千港元	Consolidated 綜合 HK\$'000 千港元	
Additions to property, plant and equipment	添置物業、 廠房及設備	—	1,897	326	8	2,231
Depreciation of property, plant and equipment	物業、廠房及 設備折舊	—	126	59	404	589
Write-down of inventories	存貨撇減	1,621	—	—	—	1,621

Geographical segments

In prior years, the Group's operations were principally carried out in Hong Kong and the Group's assets were substantially located in Hong Kong. Accordingly, no analysis of the carrying amount of segment assets and additions to property, plant and equipment by geographical segment was presented.

The Group's operations are currently carried out in Hong Kong and the PRC.

7. 分類資料 (續)

業務分類 (續)

截至二零零六年十二月三十一日止
年度之其他資料

地區分類

於往年，本集團的業務主要於香港進行，而本集團的資產絕大部分位於香港。因此，並無按地區呈列分類資產賬面值、物業、廠房及設備的添置。

本集團之業務現時於香港及中國進行。

Notes to the Consolidated Financial Statements

綜合財務報表附註

For the year ended 31 December 2006
截至二零零六年十二月三十一日止年度

7. SEGMENT INFORMATION (continued)

Business segment (continued)

The following table provides an analysis of the Group's turnover by location of markets for the year ended 31 December 2006, irrespective of the origin of the goods/services:

Hong Kong	香港
The PRC	中國

The following is an analysis of the carrying amount of segment assets, and additions to property, plant and equipment as at 31 December 2006, analysed by the geographical area in which the assets are located:

Hong Kong	香港
The PRC	中國

7. 分類資料 (續)

業務分類 (續)

下表呈列本集團截至二零零六年十二月三十一日止年度按市場所在地(不論貨品/服務之來源地)劃分之營業額分析:

Sales revenue by geographical market

按地區市場劃分之

銷售收益

HK\$'000

千港元

684,445

186,174

870,619

以下為按資產所在地區位置分析，於二零零六年十二月三十一日分類資產之賬面值，以及物業、廠房及設備之添置之分析:

Carrying amount of segment assets and additions to property, plant and equipment

分類資產之賬面值

HK\$'000

千港元

61,810

163,969

225,779

Additions to property, plant and equipment

物業、廠房及設備之添置

HK\$'000

千港元

8

2,223

2,231

Notes to the Consolidated Financial Statements

綜合財務報表附註

For the year ended 31 December 2006
截至二零零六年十二月三十一日止年度

8. TAXATION

Hong Kong Profits Tax	香港利得稅
Provision for the year	本年撥備

Hong Kong Profits Tax is calculated at 17.5% of the estimated assessable profit for both years.

The statutory tax rate for the PRC Enterprise Income Tax is 33%.

Pursuant to the relevant laws and regulations in the PRC, the Group's PRC subsidiary, 浪潮（山東）電子信息有限公司 is exempted from PRC Enterprise Income Tax for two years starting from its first profit-making year, followed by a 50% reduction for the next three years. No provision for PRC Enterprise Income Tax has been made in the consolidated financial statements as all of the PRC subsidiaries either have no assessable profits arising in the PRC or were exempted from PRC Enterprise Income Tax during the year.

8. 稅項

2006 二零零六年 HK\$'000 千港元	2005 二零零五年 HK\$'000 千港元
2,770	4,943

於兩個年度，香港利得稅按本年度的估計應課稅純利的17.5%計算。

中國企業所得稅之法定稅率為33%。

根據中國有關法律及規例，本集團之中國附屬公司浪潮山東（電子）信息有限公司自其首個獲利年度起獲豁免繳納中國企業所得稅兩年，而其後三年所繳納之中國企業所得稅獲豁免減半。由於所有中國附屬公司於年內均無賺取應課稅純利或獲豁免繳納中國企業所得稅，故綜合財務報表並無就中國企業所得稅作出撥備。

Notes to the Consolidated Financial Statements

綜合財務報表附註

For the year ended 31 December 2006
截至二零零六年十二月三十一日止年度

8. TAXATION (continued)

The taxation for the year can be reconciled to the profit before taxation per the consolidated income statement as follows:

8. 稅項 (續)

根據綜合收益賬本年度之稅項與除稅前純利對照如下：

		2006 二零零六年 HK\$'000 千港元	2005 二零零五年 HK\$'000 千港元
Profit before taxation	除稅前純利	<u>27,917</u>	<u>29,158</u>
Tax at the prevailing profits tax rate of 17.5% (2005: 17.5%)	按現行利得稅稅率 17.5% (二零零五年：17.5%) 計算之稅項	4,886	5,103
Tax effect of share of profits of associates	應佔聯營公司之純利之 稅務影響	(463)	(428)
Tax effect of expenses that are not deductible in determining taxable profit	於釐定應課稅純利時 不可扣稅開支之 稅務影響	2,234	922
Tax effect of income not taxable for tax purpose	就稅務目的而言 不可徵稅收入之 稅務影響	(248)	(654)
Effect of tax exemption granted to PRC subsidiary	中國附屬公司 獲豁免稅項之影響	(3,852)	—
Others	其他	213	—
Taxation for the year	本年度稅項	<u>2,770</u>	<u>4,943</u>

No provision for deferred taxation has been recognised in the consolidated financial statements as the amount involved is insignificant.

並無遞延稅項撥備於綜合財務報表中予以確認，此乃由於涉及金額很小。

Notes to the Consolidated Financial Statements

綜合財務報表附註

For the year ended 31 December 2006
截至二零零六年十二月三十一日止年度

9. PROFIT FOR THE YEAR

9. 本年度純利

		2006 二零零六年 HK\$'000 千港元	2005 二零零五年 HK\$'000 千港元
Profit for the year has been arrived at after charging:	本年度純利經扣除下列各項後得出：		
Auditors' remuneration	核數師酬金	1,109	950
Less: Amount reimbursed by the associates	減：聯營公司償還之金額	—	(600)
		<u>1,109</u>	<u>350</u>
Cost of inventories recognised as expenses	確認為開支的存貨成本	819,083	694,779
Depreciation for property, plant and equipment	物業、廠房及設備之折舊	589	439
Directors' remuneration (Note 10)	董事酬金（附註10）		
Fee	袍金	204	188
Other emoluments	其他酬金	2,666	1,866
Other staff costs	其他員工成本		
Salaries and other benefits	薪金及其他福利	4,966	1,702
Retirement benefit scheme contributions	退休福利計劃供款	295	18
		<u>8,131</u>	<u>3,774</u>
Interest expense on redeemable convertible preferred shares wholly repayable after five years	須於五年後悉數償還可贖回可換股優先股的利息開支	11,984	436
Net loss on disposal of property, plant and equipment	出售物業、廠房及設備之虧損淨額	2	—
Operating lease rentals in respect of office premises and staff quarters	辦公室及員工宿舍之經營租賃租金	484	270
Share of tax of associates (included in share of profits of associates)	應佔聯營公司稅項（包括應佔聯營公司溢利）	619	347
Write-down of inventories	存貨撇減	1,621	2,382
and after crediting:	及經扣除：		
Interest income	利息收入	2,718	569
Gain on disposal of an associate	出售一間聯營公司之收益	384	—
Net foreign exchange gain	外匯收益淨額	286	257
Net consultancy service income (net of expenses of approximately HK\$2,473,000, including a director's emolument of approximately HK\$762,000 in 2005)	諮詢服務收入淨額（扣除於二零零五年開支約2,473,000港元，包括一名董事酬金約762,000港元）	—	327
		<u>—</u>	<u>327</u>

Operating lease rentals in respect of a director's accommodation amounting to HK\$15,000 (2005: HK\$60,000) for the year are included under directors' other emoluments.

年內向一名董事提供住宿之經營租賃租金達15,000港元（二零零五年：60,000港元），包括在董事其他酬金之內。

Notes to the Consolidated Financial Statements

綜合財務報表附註

For the year ended 31 December 2006
截至二零零六年十二月三十一日止年度

10. DIRECTORS' EMOLUMENTS

The emoluments paid or payable to each of the eleven (2005: nine) directors were as follows:

10. 董事酬金

向十一名(二零零五年:九名)董事支付/應付之酬金詳情如下:

		Executive director 執行董事				Non-executive director 非執行董事				Independent non-executive director 獨立非執行董事			
		Leung Chi Ho 梁智豪	Sun Pishu 孫丕恕	Wang Miao 王渺	Zhang Lei 張磊	Wang Hung, Alex 王衡	Xin Wei 辛衛華	Marc Evan Brown	William James Fass	Liu Ping 劉平源	Meng Xiang Xu 孟祥旭	Wong Lit Chor, Alexis 黃烈初	
		HK\$'000 千港元	HK\$'000 千港元	HK\$'000 千港元	HK\$'000 千港元	HK\$'000 千港元	HK\$'000 千港元	HK\$'000 千港元	HK\$'000 千港元	HK\$'000 千港元	HK\$'000 千港元	HK\$'000 千港元	
Fees	袍金	—	—	—	—	—	—	—	—	60	60	84	204
Other emoluments	其他酬金												
Salaries and other benefits	薪金及其他福利	884	450	1,040	280	—	—	—	—	—	—	—	2,654
Contributions to retirement benefits scheme	退休福利計劃供款	12	—	—	—	—	—	—	—	—	—	—	12
Total emoluments	合計酬金	896	450	1,040	280	—	—	—	—	60	60	84	2,870

		Executive director 執行董事				Non-executive director 非執行董事		Independent non-executive director 獨立非執行董事			
		Leung Chi Ho 梁智豪	Sun Pishu 孫丕恕	Wang Miao 王渺	Zhang Lei 張磊	Wang Hung, Alex 王衡	Xin Wei 辛衛華	Liu Ping 劉平源	Meng Xiang Xu 孟祥旭	Wong Lit Chor, Alexis 黃烈初	
		HK\$'000 千港元	HK\$'000 千港元	HK\$'000 千港元	HK\$'000 千港元	HK\$'000 千港元	HK\$'000 千港元	HK\$'000 千港元	HK\$'000 千港元	HK\$'000 千港元	HK\$'000 千港元
Fees	袍金	—	—	—	—	—	—	60	60	68	188
Other emoluments	其他酬金										
Salaries and other benefits	薪金及其他福利	884	450	240	280	—	—	—	—	—	1,854
Contributions to retirement benefits scheme	退休福利計劃供款	12	—	—	—	—	—	—	—	—	12
Total emoluments	合計酬金	896	450	240	280	—	—	60	60	68	2,054

No directors of the Company waived any remuneration during both years.

於兩年度內，並無本公司董事放棄收取任何酬金。

Notes to the Consolidated Financial Statements

綜合財務報表附註

For the year ended 31 December 2006
截至二零零六年十二月三十一日止年度

11. EMPLOYEES' REMUNERATION

Of the five individuals with the highest emoluments in the Group, four (2005: four) were directors of the Company whose emoluments are set out in note 10 above. The emoluments of the remaining one (2005: one) highest paid individuals were as follows:

Salaries and other benefits	薪金及其他福利
Retirement benefit scheme contributions	退休福利計劃供款

11. 僱員酬金

於年度，在本集團五位最高薪酬人士中，包括四名（二零零五年：四名）之董事。詳情載於上文附註10。其餘一名（二零零五年：一名）最高薪酬人士的酬金詳情如下：

2006 二零零六年 HK\$'000 千港元	2005 二零零五年 HK\$'000 千港元
449	364
12	12
<u>461</u>	<u>376</u>

12. DIVIDEND

Dividends recognised as distribution during the year:	年內已認可分配之股息：
Final dividend for 2005, paid - HK3 cents (for 2004: HK3 cents) per share	已派二零零五年末期股息每股3港仙（二零零四年：3港仙）
Additional final dividend paid for 2005 shares issued under share option scheme	已派就購股權計劃於二零零五年所發行股份之額外末期股息

12. 股息

2006 二零零六年 HK\$'000 千港元	2005 二零零五年 HK\$'000 千港元
14,733	12,000
600	—
<u>15,333</u>	<u>12,000</u>

The final dividend of HK1.5 cents (2005: HK3 cents) per share has been proposed by the directors and is subject to approval by the shareholders in general meeting.

董事建議派發末期股息每股1.5港仙（二零零五年：3港仙），惟須待股東於股東大會上批准，方可作實。

Notes to the Consolidated Financial Statements

綜合財務報表附註

For the year ended 31 December 2006
截至二零零六年十二月三十一日止年度

13. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to the ordinary equity holders of the parent is based on the following data:

13. 每股盈利

母公司普通股持有人應佔每股基本及攤薄盈利乃根據下列數據計算：

	2006 二零零六年 HK\$'000 千港元	2005 二零零五年 HK\$'000 千港元
Earnings		
Earnings for the purposes of basic earnings per share (Profit for the year attributable to equity holders of the parent)	25,160	24,215
Interest on redeemable convertible preferred shares	11,984	436
Earnings for the purposes of diluted earnings per share	<u>37,144</u>	<u>24,651</u>
	'000 千股	'000 千股
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	507,451	453,519
Effect of dilutive potential ordinary shares:		
– share options	41,288	44,168
– redeemable convertible preferred shares	203,746	8,743
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>752,485</u>	<u>506,430</u>

Notes to the Consolidated Financial Statements

綜合財務報表附註

For the year ended 31 December 2006
截至二零零六年十二月三十一日止年度

14. PROPERTY, PLANT AND EQUIPMENT

14. 物業、廠房及設備

		Leasehold improvements 租賃裝修 HK\$'000 千港元	Machinery 機器 HK\$'000 千港元	Furniture, fixtures and office equipment 傢俬及裝置 HK\$'000 千港元	Motor vehicles 車輛 HK\$'000 千港元	Total 合共 HK\$'000 千港元
COST	成本					
At 1 January 2005	於二零零五年一月一日	70	—	1,413	—	1,483
Additions	增添	—	—	3	—	3
Write-off	撇銷	(70)	—	(11)	—	(81)
At 31 December 2005	於二零零五年 十二月三十一日	—	—	1,405	—	1,405
Exchange adjustments	匯兌調整	—	21	12	4	37
Additions	增添	—	960	545	726	2,231
Disposals	出售	—	(30)	(45)	(508)	(583)
At 31 December 2006	於二零零六年 十二月三十一日	—	951	1,917	222	3,090
DEPRECIATION	折舊					
At 1 January 2005	於二零零五年一月一日	47	—	397	—	444
Charge for the year	本年撥備	23	—	416	—	439
Eliminated as write-off	撇除為撇銷	(70)	—	(11)	—	(81)
At 31 December 2005	為二零零五年 十二月三十一日	—	—	802	—	802
Exchange adjustments	匯兌調整	—	2	1	—	3
Charge for the year	本年撥備	—	89	468	32	589
Eliminated on disposals	出售時撇銷	—	(13)	(31)	(22)	(66)
At 31 December 2006	於二零零六年 十二月三十一日	—	78	1,240	10	1,328
CARRYING VALUES	賬面值					
At 31 December 2006	於二零零六年 十二月三十一日	—	873	677	212	1,762
At 31 December 2005	於二零零五年 十二月三十一日	—	—	603	—	603

Notes to the Consolidated Financial Statements

綜合財務報表附註

For the year ended 31 December 2006
截至二零零六年十二月三十一日止年度

14. PROPERTY, PLANT AND EQUIPMENT

(continued)

The above items of property, plant and equipment are depreciated on a straight line basis at the following rates per annum:

Leasehold improvements	over the lease term
Machinery	10% - 20%
Furniture, fixtures and office equipment	10% - 33⅓%
Motor vehicles	10% - 20%

15. INTERESTS IN ASSOCIATES

Cost of investment in associates -unlisted	於聯營公司之投資成本 —非上市
Share of post-acquisition profits	所佔收購後盈利份額

As at 31 December 2006, the Group had interests in the following associates:

Name of entity 實體名稱	Form of business structure 商業結構形式	Country of registration and operation 註冊及營運國家	Proportion of nominal value of registered capital held by the Group 由本集團持有之註冊資本賬面值百分比	Proportion of voting power held 持有投票權之百分比	Principal activities 主營業務
山東浪潮商用系統有限公司 (「山東商用」)	Incorporated 註冊成立公司	PRC 中國	40%	40%	Development, production and sale of computer software and computer peripherals 開發、生產及銷售電腦軟件及電腦周邊設備
浪潮集團通用軟件有限公司 (「Inspur Genersoft」)	Incorporated 註冊成立公司	PRC 中國	30.05%	30.05%	Development, production and sale of computer software and computer peripherals 開發、生產及銷售電腦軟件及電腦周邊設備

14. 物業、廠房及設備 (續)

以上物業、廠房及設備的折舊以直線法按其年折舊率如下：

租賃裝修	按租約年期計算
機器	10% - 20%
傢俬及裝置	10% - 33⅓%
車輛	10% - 20%

15. 聯營公司之權益

2006 二零零六年 HK\$'000 千港元	2005 二零零五年 HK\$'000 千港元
53,591	19,155
4,921	2,447
58,512	21,602

於二零零六年十二月三十一日，本集團於下列聯營公司擁有權益：

Notes to the Consolidated Financial Statements

綜合財務報表附註

For the year ended 31 December 2006
截至二零零六年十二月三十一日止年度

15. INTERESTS IN ASSOCIATES (continued)

Included in the cost of investment in associates is goodwill of approximately HK\$4,168,000 (2005: HK\$1,105,000) arising on acquisitions of associates. The movement of goodwill is set out below.

Cost	成本	HK\$'000 千港元
At 1 January 2005	於二零零五年一月一日	—
Arising on acquisition of associates	於收購聯營公司時產生	1,105
At 31 December 2005	於二零零五年十二月三十一日	1,105
Exchange adjustments	滙兌調整	40
Arising on acquisition of an associate	於收購聯營公司時產生	3,384
Eliminated upon disposal of an associate	於出售聯營公司時撥回	(361)
At 31 December 2006	於二零零六年十二月三十一日	4,168

The summarised financial information in respect of the Group's associates is set out below:

15. 聯營公司之權益 (續)

於聯營公司投資之成本包括收購聯營公司產生之4,168,000港元(二零零五年：1,105,000港元)之商譽。商譽變動載於下列表內。

本集團聯營公司之財務資料概要如下：

		2006 二零零六年 HK\$'000 千港元	2005 二零零五年 HK\$'000 千港元
Total assets	總資產	216,221	77,641
Total liabilities	總負債	(46,922)	(30,182)
Net assets	資產淨值	169,299	47,459
Group's share of net assets of associates	本集團應佔聯營公司之資產淨值	54,344	20,497
Revenue for the year	年度收益	221,523	68,391
Profit for the year	年度純利	9,618	5,575
Group's share of results of associates for the year	本年度本集團應佔聯營公司之純利	2,645	2,447

Notes to the Consolidated Financial Statements

綜合財務報表附註

For the year ended 31 December 2006
截至二零零六年十二月三十一日止年度

16. INVENTORIES

Raw materials	原材料
Work in progress	在製產品
Finished goods held for sale	持有待售之製成品

16. 存貨

2006 二零零六年 HK\$'000 千港元	2005 二零零五年 HK\$'000 千港元
1,029	—
5,063	—
39,205	88,126
45,297	88,126

17. TRADE RECEIVABLES AND OTHER CURRENT FINANCIAL ASSETS

The Group allows an average trade credit period of 30 to 90 days to its trade customers, trade receivables due from its fellow subsidiaries and ultimate holding company, the following is an aged analysis of trade receivables, amounts due from fellow subsidiaries and ultimate holding company at the balance sheet date:

17. 貿易應收賬款及其他金融資產

本集團向貿易客戶、應收其同集團附屬公司及最終控股公司貿易應收賬款提供平均30日至90日的除賬期。以下為貿易應收賬款及應收同集團附屬公司及最終控股公司款項於結算日的賬齡分析：

Trade receivables	貿易應收賬款
0 - 30 days	0至30日
31 - 60 days	31至60日
61 - 90 days	61至90日
Over 90 days	90日以上
Amounts due from fellow subsidiaries	應收同集團附屬公司之款項
0 - 30 days	0至30日
31 - 60 days	31至60日
61 - 90 days	61至90日
Amount due from ultimate holding company	應收最終控股公司之款項
0 - 30 days	0至30日
31 - 60 days	31至60日
61 - 90 days	61至90日

2006 二零零六年 HK\$'000 千港元	2005 二零零五年 HK\$'000 千港元
13,136	2,896
620	—
3	—
28	70
13,787	2,966
14,175	8,773
—	1,427
1,348	—
15,523	10,200
43,788	2
56,490	—
40,775	—
141,053	2

Notes to the Consolidated Financial Statements

綜合財務報表附註

For the year ended 31 December 2006
截至二零零六年十二月三十一日止年度

17. TRADE RECEIVABLES AND OTHER CURRENT FINANCIAL ASSETS (continued)

Other receivables are recoverable within one year.

The amount due from an associate is unsecured, interest free and recoverable within one year.

The directors consider that the fair values of the current financial assets approximate to the corresponding carrying amounts.

Bank balances and cash comprise cash held by the Group and short-term bank deposits with an original maturity of three months or less. The carrying amount of these assets approximates their fair values. The bank balances carried interest at market rates which range from 0.72% to 4.60%. (2005: 0.1% to 1.75%). At 31 December 2006, the bank balances and cash of approximately HK\$121,337,000 (2005: HK\$156,400,000) were denominated in RMB which is not freely convertible into other currencies.

18. TRADE PAYABLES AND OTHER CURRENT FINANCIAL LIABILITIES

The following is an aged analysis of trade payables and amounts due to fellow subsidiaries for the purchase of goods and services received at the balance sheet date:

Trade payables	貿易應付賬款
0 - 30 days	0 至 30 日
31 - 60 days	31 至 60 日
61 - 90 days	61 至 90 日
Over 90 days	90 日以上
Amounts due to fellow subsidiaries	應付同集團附屬公司之款項
0 - 30 days	0 至 30 日
31 - 60 days	31 至 60 日

17. 貿易應收賬款及其他金融資產 (續)

其他應收賬款於一年內清付。

應收聯營公司款項為無抵押、免息及於一年內清付。

董事會考慮流動金融資產之公平值與相關賬面值相若。

本集團之銀行結餘及現金包括現金及三個月或以下之短期銀行存款、其公平值與賬面值相若。銀行結餘按市場利率年息率介乎 0.72% 至 4.60% 計息 (二零零五年: 0.1% 至 1.75%)。於二零零六年十二月三十一日, 銀行結餘及現金約 121,337,000 港元 (二零零五年: 156,400,000 港元) 均以人民幣計值, 而人民幣並不可自由兌換為其他貨幣。

18. 貿易應付賬款及其他應付金融負債

以下為貿易應付賬款及就採購貨品及所得到的服務的應付同集團附屬公司之賬款於結算日的賬齡分析:

2006 二零零六年 HK\$'000 千港元	2005 二零零五年 HK\$'000 千港元
40,831	64,224
17,785	70
1,918	—
730	—
61,264	64,294
4,247	916
2,852	—
7,099	916

Notes to the Consolidated Financial Statements

綜合財務報表附註

For the year ended 31 December 2006
截至二零零六年十二月三十一日止年度

18. TRADE PAYABLES AND OTHER CURRENT FINANCIAL LIABILITIES (continued)

Trade payables, other payables and accrued expenses principally comprise amounts outstanding for trade purposes and ongoing costs. The average credit period taken for trade purchases is up to 30 to 60 days.

The amount due to immediate holding company is unsecured, interest free and repayable on demand.

The directors consider that the fair values of the current financial liabilities approximate to the corresponding carrying amounts.

18. 貿易應付賬款及其他應付金融負債 (續)

貿易應付賬款，其他應付款及應計開支主要包括貿易用途及其日常費用。貿易購貨期平均為30至60天。

應付直接控股公司之款項為無抵押、免息及並無固定還款期。

董事會考慮流動金融負債之公平值與相關賬面值相若。

19. SHARE CAPITAL OF THE COMPANY

19. 股本

		Number of shares 股份數目	
		'000 千股	HK\$'000 千港元
Ordinary shares of HK\$0.01 each	每股面值 0.01 港元之普通股		
Authorised:	法定：		
At 1 January 2005, 31 December 2005 and 2006	於二零零五年一月一日、 二零零五年及二零零六年 十二月三十一日	1,000,000	10,000
Issued:	已發行：		
At 1 January 2005	於二零零五年一月一日	400,000	4,000
Placing of shares	配售股份	52,000	520
Issue of shares for the acquisition of Timeone (Note)	為收購 Timeone 而 發行股份 (附註)	39,100	391
At 31 December 2005	於二零零五年十二月三十一日	491,100	4,911
Exercise of share options	購股權之行使	23,200	232
At 31 December 2006	於二零零六年十二月三十一日	514,300	5,143

Note: On 1 June 2005, the Company issued 39,100,000 shares at a market price of HK\$0.49 per share to the vendors as consideration for the acquisition of the entire issued share capital of Timeone. Details of which are set out in note 22(b).

附註：於二零零五年六月一日，本公司以市價 0.49 港元發行 39,100,000 股予賣方，作為收購 Timeone 全部已發行股本之代價。詳情已載於附註 22(b) 內。

All the shares which were issued during both years rank pari passu with the then existing shares in all respects.

於兩個年度內所發行的所有股份在各方面均享有同等地位。

Notes to the Consolidated Financial Statements

綜合財務報表附註

For the year ended 31 December 2006
截至二零零六年十二月三十一日止年度

20. SHARE OPTION SCHEME

Equity-settled share options scheme

The Pre-IPO Share Option Scheme (the "Pre-IPO Scheme") and Share Option Scheme (the "Option Scheme") of the Company were adopted by the Company pursuant to the written resolutions of all shareholders passed on 8 April 2004 for the primary purpose of providing incentives or rewards to selected participants for their contribution to the Group and/or to enable the Group to recruit and retain high-calibre employees and attract human resources that are valuable to the Group and any entity in which the Group holds any equity interest. The Pre-IPO Scheme and the Option Scheme shall be valid and effective for a period of ten years after the date of its adoption. Under the Pre-IPO Scheme and the Option Scheme, the board of directors of the Company may grant options to eligible participants including employees, executives or officers and directors (including executive and non-executive directors) of the Company or any of its subsidiaries, and any suppliers, consultants and advisers who will contribute or have contributed to the Group to subscribe for shares in the Company.

At 31 December 2006, the number of shares available for issue and remained outstanding under the Pre-IPO Scheme are 24,000,000 shares (2005: 33,200,000 shares) representing 4.7% (2005: 6.8%) of the issued share capital of the Company. The number of shares under the Option Scheme are 26,000,000 shares (2005: 40,000,000 shares) representing 5.1% (2005: 8.1%) of the issued share capital of the Company.

20. 購股權計劃

股權支付交易

本公司根據全體股東於二零零四年四月八日以書面決議案有條件採納之首次公開招股前購股權計劃（「首次公開招股前購股權計劃」）及購股權計劃（「購股權計劃」），主要目的為向經甄選之參與者就彼等對本集團之貢獻提供獎勵或回報，並／或有助本集團招聘及挽留優質僱員及吸引對本集團及本集團持有任何股權的實體均具有重要價值之人力資源。首次公開招股前購股權計劃及購股權計劃於採納當日起計十年內可有效行使。根據首次公開招股前購股權計劃及購股權計劃，本公司董事會可向合資格參與者（包括本公司或其任何附屬公司之僱員、行政人員、高級職員或董事（包括執行及非執行董事）、將會或曾經對本集團作出貢獻之任何供應商、顧問及諮詢人）授出購股權，以認購本公司股份。

於二零零六年十二月三十一日，根據首次公開招股前購股權計劃可供發行及尚未行使股份之數目為24,000,000（二零零五年：33,200,000），相當於本公司已發行股本之4.7%（二零零五年：6.8%）。根據購股權計劃下之股份數目為26,000,000（二零零五年：40,000,000），相當於本公司已發行股本之5.1%（二零零五年：8.1%）。

20. SHARE OPTION SCHEME (continued)

The total number of shares in respect of which options may be granted under each of the Pre-IPO Scheme and the Option Scheme is not permitted to exceed 10% of the shares of the Company of the adoption date of the Pre-IPO Scheme and the Option Scheme unless prior approval from the Company's shareholders in general meeting has been obtained. The number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Pre-IPO Scheme and the Option Scheme and any other share option schemes of the Company must not exceed 30% of the shares in issue from time to time. The total number of shares in respect of which options may be granted to any eligible participant in any twelve-month period is not permitted to exceed 1% of the shares of the Company in issue at any point in time, unless prior approval from the Company's shareholders in general meeting has been obtained. Options granted to substantial shareholder or an independent non-executive director of the Company in excess of 0.1% of the Company's share in issue and with a value in excess of HK\$5 million must be approved in advance by the Company's shareholders in general meeting.

There is no general requirement that an option must be held to any minimum period before it can be exercised but the board of directors is empowered to impose at its discretion any such minimum period at the time of grant of any particular option. Options offered must be taken up not later than 28 days after the date of offer. A non-refundable remittance of HK\$1 is payable as consideration by the grantee upon acceptance of every grant of option under the Pre-IPO Scheme and the Option Scheme. The period during which an option may be exercised will be determined by the board of directors at its absolute discretion, save that such period of time shall not exceed a period of ten years commencing on the date which the option is granted. The exercise price is determined by the board of directors of the Company, and will not be less than the highest of (i) the closing price of the share on the Stock Exchange's daily quotation sheet on the date of offer (ii) the average closing price of the shares on the Stock Exchange's daily quotation sheet for the five business days immediately preceding the date of offer and (iii) the nominal value of a share of the Company.

20. 購股權計劃 (續)

根據首次公開招股前購股權計劃及購股權計劃可能授出之股份總數不得超過於採納首次公開招股前購股權計劃及購股權計劃當日，本公司已發行股份10%，除非已事先在股東大會上獲本公司股東批准。根據首次公開招股前購股權計劃及購股權計劃以及本公司任何其他購股權計劃獲行使而可能發行之股份總數不得超過不時已發行股份30%。就於任何十二個月期間可能授予任何合資格參與者之股份總數，不得超過本公司於任何時間已發行股份1%，除非已事先在股東大會上獲本公司股東批准。授予主要股東或本公司獨立非執行董事超過本公司已發行股份0.1%及其價值超過5,000,000港元之購股權必須事先在股東大會上獲本公司股東批准。

一般並無規定購股權行使前須持有之最少期間，但董事獲授權可於授出任何購股權時酌情施加任何該等最少期間。所有購股權之要約必須於要約發出後28日之內獲認購。於接受根據首次公開招股前購股權計劃及購股權計劃授出之每項購股權時，承授人須支付面額為1港元之不可撤回匯款作為代價。購股權可行使之期間將由董事會全權釐定，惟該期間不得超過授出購股權當日起計十年。行使價由本公司董事會釐定，並將不少於以下之最高者(i)於要約日期，股份於聯交所每日報價表上之收市價(ii)緊接要約日期前五個營業日，聯交所每日報價表上之股份平均收市價及(iii)本公司股份之面值。

Notes to the Consolidated Financial Statements

綜合財務報表附註

For the year ended 31 December 2006
截至二零零六年十二月三十一日止年度

20. SHARE OPTION SCHEME (continued)

On 8 April 2004, a total of 40,000,000 share options were granted to certain employees and directors of the Group under the Pre-IPO Scheme entitling the holders thereof to subscribe for shares of the Company at an exercise price of HK\$0.324 per share.

On 28 December 2004, a total of 40,000,000 share options were granted to certain employees of the Group under the Option Scheme entitling the holders thereof to subscribe for shares of the Company at an exercise price of HK\$0.28 per share. The fair value of the Company's shares at 28 December 2004 was HK\$0.28.

All the share options do not have any vesting conditions and are fully vested on the grant date.

Details of specific categories of options are as follows:

	Date of grant 授出日期	Exercise period 行使期	Exercise price 行使價 HK\$ 港元
Pre-IPO Scheme 首次公開招股前 購股權計劃	8 April 2004 二零零四年四月八日	8 April 2004 to 7 April 2014 二零零四年四月八日 至二零一四年四月七日	0.324
Option Scheme 購股權計劃	28 December 2004 二零零四年十二月二十八日	28 December 2004 to 27 December 2014 二零零四年十二月二十八日 至二零一四年十二月二十七日	0.280

20. 購股權計劃 (續)

於二零零四年四月八日，本公司已經根據首次公開招股前購股權計劃授出可認購合共40,000,000股股份的購股權以每股行使價為0.324港元。

於二零零四年十二月二十八日，本公司已經根據購股權計劃授出可認購合共40,000,000股股份的購股權以每股行使價為0.28港元。於授出購股權當日，於二零零四年十二月二十八日內根據購股權授予購股權之公允價為0.28港元。

所有購股權均不附帶任何歸屬條件，並均為於授出當日獲悉數歸屬。

以下各購股權之詳情：

Notes to the Consolidated Financial Statements

綜合財務報表附註

For the year ended 31 December 2006
截至二零零六年十二月三十一日止年度

20. SHARE OPTION SCHEME (continued)

The following table discloses details of the Company's share options held by employees and movements in such holdings during the year:

Option type	Outstanding at	Cancelled during the year	Outstanding at	Exercised during the year	Outstanding at
	1.1.2005		1.1.2006		31.12.2006
	於二零零五年一月一日	年內取消	於二零零六年一月一日	年內行使	於二零零六年一月一日
股權類別	尚未行使		尚未行使		尚未行使
Pre-IPO Scheme					
首次公開招股前購股權計劃	40,000,000	(6,800,000)	33,200,000	(9,200,000)	24,000,000
Option Scheme					
購股權計劃	40,000,000	—	40,000,000	(14,000,000)	26,000,000
	<u>80,000,000</u>	<u>(6,800,000)</u>	<u>73,200,000</u>	<u>(23,200,000)</u>	<u>50,000,000</u>

In respect of the share options exercised during the year, the weighted average share price at the dates of exercise and immediately before the dates of exercise are HK\$1.029 and HK\$1.056 respectively.

Details of the share options held by the directors included in the above table are as follows:

Option type	Outstanding at	Granted during the year	Outstanding at	Granted during the year	Outstanding at
	1.1.2005		1.1.2006		31.12.2006
	於二零零五年一月一日		於二零零六年一月一日		於二零零六年十二月三十一日
股權類別	尚未行使	年內授出	尚未行使	年內授出	尚未行使
Pre-IPO Scheme					
首次公開招股前購股權計劃	24,000,000	—	24,000,000	—	24,000,000

Save as disclosed above, no share options had been granted, cancelled, lapsed or exercised during the year.

20. 購股權計劃 (續)

年內，本公司之僱員之購股權計劃變動如下：

就於年度內行使之購股權，其行使日期及緊接其行使日期前當日及之前之加權平均股份價格分別為1.029港元及1.056港元。

董事之購股權計劃(已包括上列表內)如下：

除上述披露外，年內購股權計劃所發出之購股權並未被行使、取消或作廢。

Notes to the Consolidated Financial Statements

綜合財務報表附註

For the year ended 31 December 2006
截至二零零六年十二月三十一日止年度

21. REDEEMABLE CONVERTIBLE PREFERRED SHARES

The Company issued 132,964,342 and 101,315,217, 6% Preferred Shares at a par value of HK\$0.76 and HK\$0.92 each on 8 December 2005 and 21 April 2006 respectively. The Preferred Shares are denominated in Hong Kong dollars. The holder of the Preferred Shares shall have the right to convert the Preferred Shares, at any time from the date of allotment of the Preferred Shares and up to the maturity date, which is the sixth anniversary of 8 December 2005 and without payment of any additional consideration at the conversion rate of one Preferred Share to one ordinary share. If the Preferred Shares have not been converted, they will be redeemed on 8 December 2011 at par. Interest of 6% will be paid annually up until the settlement date. The details of terms of the Preference Shares are set out in the Company's circular dated 28 October 2005.

The Preferred Shares contain two components, liability and equity elements. Upon the application of HKAS 32 "Financial Instruments: Disclosure and Presentation", the proceeds from issue of the Preferred Shares have been allocated between the liability and equity elements. The equity element is presented in equity heading "Preferred shares equity reserve".

21. 可贖回可換股優先股

於二零零五年十二月八日及二零零六年四月二十一日，本公司以每股面值 0.76 港元及 0.92 港元發行 132,964,342 股及 101,315,217 股 6% 優先股。優先股以港元為單位。優先股之持有人有權由配發優先股日期二零零五年十二月八日起至到期日（六年）毋須支付任何額外代價隨按一比一之初步換股比例將優先股轉換為股份。假如優先股沒有轉換為股份，會於二零一一年十二月八日以票面值贖回。年率 6% 付至到期日。有關優先股之詳情已刊載於本公司在二零零五年十月二十八日之通函內。

優先股包括兩部分，分別為負債及股本部分。香港會準則第 32 號「金融工具：披露及呈列」要將優先股分為負債及股本。股本部分在股本項「優先股股本儲備」中呈現。

Notes to the Consolidated Financial Statements

綜合財務報表附註

For the year ended 31 December 2006
截至二零零六年十二月三十一日止年度

21. REDEEMABLE CONVERTIBLE PREFERRED SHARES (continued)

The movement of the liability component of the Preferred Shares for the year is set out below:

Carrying amount at the beginning of the year	於年初之賬面值
Liability component recognised during the year	於年內確認之負債部分
Interest charge	利息開支
Coupon interest payable included in other payables and accrued expenses	包括於其他應付款項及累計開支中的應付票面利息

The weighted average effective interest rate of the liability component is 8.65% (2005: 7.38%).

22. ACQUISITION OF A SUBSIDIARY

(a) On 17 February 2006, the Group entered into a subscription agreement with 山東浪潮電子政務軟件有限公司 (“Inspur E-Government”) to subscribe for a 53.3% of the enlarged registered capital of Inspur E-Government (“Subscription”) at a consideration of RMB8,000,000 (equivalent to HK\$7,692,000). The Subscription was completed on 24 March 2006 and Inspur E-Government became a non-wholly owned subsidiary of the Group. At the date of Subscription, Inspur E-Government has not yet commenced its operation. After the Subscription, the only asset held by Inspur E-Government is the bank balances and cash amounting to approximately HK\$14,423,000. Accordingly, the net cash inflow amounted to approximately HK\$6,731,000.

21. 可贖回可換股優先股 (續)

於本年度，優先股負債部分之變動載列如下：

2006 二零零六年 HK\$'000 千港元	2005 二零零五年 HK\$'000 千港元
95,102	—
82,159	94,666
11,984	436
(9,971)	—
<u>179,274</u>	<u>95,102</u>

負債部分之加權平均實際利率為 8.65% (二零零五年：7.38%)。

22. 收購附屬公司

(a) 於二零零六年二月十七日，本集團與山東浪潮電子政務軟件有限公司 (「浪潮電子政務」) 訂立一份認購協議，以代價人民幣 8,000,000 元 (相等於 7,692,000 港元) 認購浪潮電子政務經擴大註冊股本之 53.3%。該項認購於二零零六年三月二十四日完成後，浪潮電子政務成為本公司之非全資附屬公司。於認購日期，浪潮電子政務尚未開始營運業務。於認購後，浪潮電子政務僅持有資產為銀行結餘及現金總額約 14,423,000 港元。因此，現金流入淨額約為 6,731,000 港元。

Notes to the Consolidated Financial Statements

綜合財務報表附註

For the year ended 31 December 2006
截至二零零六年十二月三十一日止年度

22. ACQUISITION OF A SUBSIDIARY (continued)

- (b) During the year ended 31 December 2005, the Group acquired 100% issued share capital of Timeone by the issuance of 39,100,000 shares of the Company to the vendors. This transaction has been accounted for using the acquisition method of accounting.

The net assets acquired in the transaction are as follows:

		Acquiree's carrying amount before combination and fair value 業務合併前收購方 之賬面值及公平值 HK\$'000 港元
Net assets acquired:	已獲得之資產淨值：	
Interests in associates	於聯營公司之權益	18,050
Bank balances and cash	銀行結餘及現金	18
Other Payable	其他應付賬款	(14)
		<hr/>
		18,054
Goodwill	商譽	1,105
		<hr/>
		19,159
		<hr/> <hr/>
Total consideration, satisfied by issuance of 39,100,000 shares of the Company (Note)	總代價，透過發行本公司 39,100,000 股股份（附註）	19,159
		<hr/> <hr/>
Net cash inflow arising on acquisition:	於收購時產生之現金流入淨額：	
Cash and cash equivalents acquired	所獲得之現金及現金等價物	18
		<hr/> <hr/>

Note: As the consideration for the acquisition of Timeone, 39,100,000 ordinary share of the Company with par value of HK\$0.01 each were issued. The fair value of the ordinary shares of the Company, determined using the published price available at the date of the acquisition amounted to HK\$19,159,000.

22. 收購附屬公司 (續)

- (b) 於截至二零零五年十二月三十一日止年度期間，本集團購入 Timeone 全部已發行股本，並以發行 39,100,000 股代價股份之方式償付。此項交易以購買法列賬。

以下是此交易之收購資產淨值及商譽：

	Acquiree's carrying amount before combination and fair value 業務合併前收購方 之賬面值及公平值 HK\$'000 港元
已獲得之資產淨值：	
於聯營公司之權益	18,050
銀行結餘及現金	18
其他應付賬款	(14)
	<hr/>
	18,054
商譽	1,105
	<hr/>
	19,159
	<hr/> <hr/>
總代價，透過發行本公司 39,100,000 股股份（附註）	19,159
	<hr/> <hr/>
於收購時產生之現金流入淨額：	
所獲得之現金及現金等價物	18
	<hr/> <hr/>

附註：作為收購 Timeone 之代價，本公司發行 39,100,000 股每股面值 0.01 港元之普通股。本公司使用收購當日之已公佈價格釐定之普通股公平值為 19,159,000 港元。

22. ACQUISITION OF A SUBSIDIARY (continued)

The goodwill of approximately HK\$1,105,000 represents the goodwill arising on acquisition of interests in associates during the year ended 31 December 2005.

Timeone contributed nil revenue and approximately HK\$2,794,000 to the Group's profit before tax for the period between the date of acquisition and the balance sheet date.

If the acquisition had been completed on 1 January 2005, total Group profit for the period would have been approximately HK\$24,124,000 and there would be no impact to group's turnover. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2005, nor is it intended to be a projection of future results.

23. LEASE COMMITMENTS

At the balance sheet date, the Group had commitments for future minimum lease payments under operating leases in respect of rented premises which fall due as follows:

Within one year	於一年內
In the second to fifth years inclusive	第二至第五年 (包括頭尾兩年)

Operating lease payments represent rentals payable by the Group for its office premises. Leases are negotiated for an average term of two years and rentals are fixed for an average of two years.

22. 收購附屬公司 (續)

約1,105,000港元之商譽為於年內收購聯營公司權益而產生之商譽。

Timeone為本集團帶來零收入及帶來收購日期與結算日之間約2,794,000港元之除稅前溢利。

倘收購已於二零零五年一月一日完成，則本集團於期內之溢利總額應約為24,124,000港元，而對本集團之營業額應無影響。該備考資料只供說明，並非作為倘本集團已於二零零五年一月一日完成收購而實際上應獲取之收入及經營業績之指標，亦非擬作為日後業績之預測。

23. 租賃承擔

於結算日，本集團之經營租賃就未來最低租賃付款額之承擔期滿情況如下：

2006 二零零六年 HK\$'000 千港元	2005 二零零五年 HK\$'000 千港元
431	252
—	96
431	348

租賃租金指本集團就其辦公室應付之租金。租賃平均每兩年檢討一次而租金乃按平均年期兩年釐定。

Notes to the Consolidated Financial Statements

綜合財務報表附註

For the year ended 31 December 2006
截至二零零六年十二月三十一日止年度

24. RETIREMENT BENEFIT SCHEME

The Group operates the Mandatory Provident Fund Scheme under the rules and regulations of the Mandatory Provident Fund Schemes Authority. The Group's employees are required to join the scheme. The Group has followed the minimum statutory contribution requirement of 5% of eligible employees' relevant aggregated income.

The Company's subsidiaries in the PRC, in compliance with the applicable regulations of the PRC, participated in various central pension schemes operated by the relevant municipal and provincial governments. These subsidiaries are required to make defined contributions to these schemes at a fixed percentage of their covered payroll. The Group has no other obligation for the payment of its staff's retirement and other post-retirement benefits other than the contributions described above. The total contributions in respect of the current accounting period charged to consolidated income statement amounting to HK\$307,000 (2005: HK\$30,000).

25. RELATED PARTY TRANSACTIONS

Apart from the amounts due from and to related parties as disclosed in notes 17 and 18 respectively, the Group had entered into the following related party transactions during the year:

Sales of computer components (Note a)	電腦元件銷售 (附註 a)
Sales of computer products (Note b)	電腦產品銷售 (附註 b)
Provision of IT Services (Note c)	提供資訊科技服務 (附註 c)
Purchase of goods (Note b)	購買貨品 (附註 b)
Commission paid (Note d & e)	已付佣金 (附註 d 及 e)

24. 退休福利計劃

本集團根據強制性公積金計劃管理局的規則及規定推行強制性公積金計劃。本集團的員工均須參加此計劃。集團已遵照法定最低供款規定按合資格僱員的有關總收入的5%作出供款。

為遵守適用中國規例，本公司於中國之附屬公司均參與多項由有關市政府及省政府營辦之中央退休金計劃。附屬公司須按該等計劃覆蓋之薪金之固定百分比向該等計劃作出定額供款。除上述供款外，本集團並無有關支付其員工退休及其他退休後福利之其他承擔。入賬於綜合收益表之現行會計期間之總供款為307,000港元(二零零五年：30,000港元)。

25. 關連人士交易

除綜合財務報表附註17及18內所披露的應收及應付予關連人士款項外，本集團於本年度內已訂立下列關連人士交易：

2006 二零零六年 HK\$'000 千港元	2005 二零零五年 HK\$'000 千港元
127,942	108,502
146,712	—
1,143	—
22,333	—
12	916

Notes to the Consolidated Financial Statements

綜合財務報表附註

For the year ended 31 December 2006
截至二零零六年十二月三十一日止年度

25. RELATED PARTY TRANSACTIONS (continued)

Notes:

- (a) On 1 April 2004, Inspur Corporation appointed the Group as the exclusive agent for Inspur Corporation and its subsidiaries (together referred to as "the Inspur Group") for the overseas sourcing of computer components for a period of two years and nine months from 1 April 2004 to 31 December 2006. The Inspur Group will, with reference to the then market prices, pay a premium of not less than 1.5% above the purchase price paid by the Group, without taking into account of rebates received from suppliers, for all computer components sourced overseas by the Group on their behalf. The sales made under this arrangement to the ultimate holding company and fellow subsidiaries for the year ended 31 December 2006 amounted to approximately HK\$749,000 (2005: HK\$2,338,000) and HK\$127,193,000 (2005: HK\$106,164,000) respectively.
- (b) On 29 August 2006, the Company entered into a master supply agreement and a master purchase agreement with Inspur Corporation that the Group will sell computer products to and purchase computer hardware and software products from the Inspur Group. The purchases made under this arrangement from fellow subsidiaries for the year ended 31 December 2006 amounted to approximately HK\$22,333,000. The sales made under this arrangement to the ultimate holding company and fellow subsidiaries for the year ended 31 December 2006 amounted to approximately HK\$140,435,000 and HK\$6,277,000 respectively.
- (c) On 29 August 2006, the Company entered into a master services agreement with Inspur Corporation that the Group will provide IT Services to the Inspur Group. The sales made under this agreement to a fellow subsidiary for the year ended 31 December 2006 amounted to approximately HK\$1,143,000.

25. 關連人士交易 (續)

附註：

- (a) 於二零零四年四月一日，浪潮公司委任本集團為浪潮公司及其附屬公司(統稱「浪潮集團」)海外採購電腦元件的獨家代理，由二零零四年四月一日至二零零六年十二月三十一日，為期兩年零九個月。浪潮集團將參考當時的市價，但並無考慮從供應商獲得的回扣，支付本集團就代表他們從海外採購的所有電腦元件已支付的購買價不少於1.5%以上的溢價。故截至二零零六年十二月三十一日年度止，本集團根據此協議銷售給最終控股公司總值約為749,000港元(二零零五年：2,338,000港元)及同集團附屬公司總值約為127,193,000港元(二零零五年：106,164,000港元)。
- (b) 於二零零六年八月二十九日，本公司與浪潮公司訂立了供應總協議及採購總協議，協議訂明本集團向浪潮集團銷售電腦產品及從浪潮集團購買電腦硬件及軟件產品。於截至二零零六年十二月三十一日止年度，同集團附屬公司於該項安排下所作的採購之總額約22,333,000港元。於截至二零零六年十二月三十一日止年度，於該項安排下向最終控股公司及同集團附屬公司所作的銷售之總額分別約140,435,000港元及6,277,000港元。
- (c) 於二零零六年八月二十九日，本公司與浪潮公司訂立了服務總協議，協議訂明本集團向浪潮集團提供資訊科技服務。於截至二零零六年十二月三十一日止年度，於該項協議下向同集團附屬公司所作的銷售之總額約1,143,000港元。

Notes to the Consolidated Financial Statements

綜合財務報表附註

For the year ended 31 December 2006
截至二零零六年十二月三十一日止年度

25. RELATED PARTY TRANSACTIONS (continued)

Notes: (continued)

- (d) On 29 August 2006, the Company entered into a selling agency agreement with Inspur Corporation that the Inspur Group will act as the contracting agent to enter into sales contracts, mainly the software products and the provision of information technology outsourcing service, with customers on behalf of the Group. In return, the Inspur Group will receive a commission of 1% of the total value of sales contracts. The commission made under this arrangement to a fellow subsidiary for the year ended 31 December 2006 amounted to approximately HK\$12,000.
- (e) During the year ended 31 December 2005, the Group paid commission amounting to approximately HK\$916,000 to a company in which the ultimate holding company was one of the shareholders. The commission paid was for the referral of business to the Group.
- (f) During the year ended 31 December 2005 and 2006, Inspur Electronic Information Industry Co., Ltd. (formerly known as Lang Chao Electronic Information Industry Co., Ltd.), a fellow subsidiary of the Company, allowed the Group to use the trademark "Lang Chao" in Hong Kong, Taiwan and the PRC free of charge.
- (g) On 17 February 2006, the Group entered into the subscription agreements with Inspur Genersoft and Inspur E-Government to subscribe for 30.05% and 53.3% of the enlarged registered capital of Inspur Genersoft and Inspur E-Government at a consideration of RMB40,200,000 and RMB8,000,000 respectively. Shandong Langchao Cheeloosoft Company Limited, a subsidiary of Inspur Corporation, held a 69.6% equity interest in Inspur Genersoft and 100% equity interest in Inspur E-Government before the transactions. Further details regarding the subscriptions were disclosed in the Company's circular dated 8 March 2006.

Compensation of key management personnel

The remuneration of directors and key executive during the year are set out in notes 10 and 11, which is determined by the remuneration committee having regard to the performance of individuals and market trends.

25. 關連人士交易 (續)

附註：(續)

- (d) 於二零零六年八月二十九日，本公司與浪潮公司訂立了銷售代理協議，協議訂明浪潮集團擔任合約代理，代表本集團與客戶訂立銷售合約（主要為電腦軟件產品及提供資訊科技外判服務）。而浪潮集團則收取銷售合約總值之1%佣金作為回報。於截至二零零六年十二月三十一日止年度，於該項安排下向同集團附屬公司所支付的佣金約12,000港元。
- (e) 於截至二零零五年十二月三十一日止年度內，本集團付予一個公司其中一個股東為最終控股公司之佣金約為916,000港元。此佣金是由於介紹業務給本集團。
- (f) 截至二零零五年及二零零六年十二月三十一日止年度，本公司一間同集團附屬公司浪潮電子信息產業股份有限公司容許本集團於香港、台灣及中國免費使用「浪潮」商標。
- (g) 於二零零六年二月十七日，本集團與浪潮通用軟件及浪潮電子政務訂立認購協議，分別以代價人民幣40,200,000元及人民幣8,000,000元認購浪潮通用軟件及浪潮電子政務經擴大註冊股本之30.05%及53.3%。浪潮公司之附屬公司山東浪潮齊魯軟件產業股份有限公司在交易前持有浪潮通用軟件之69.6%權益及浪潮電子政務之100%權益。有關認購事項之其他詳情於本公司於二零零六年三月八日刊發之通函內披露。

主要管理人員之補償

董事及主要行政人員於年內之薪酬列載於附註10及11。薪酬均由薪酬委員會就個別表現及市場趨勢而釐定。

Notes to the Consolidated Financial Statements

綜合財務報表附註

For the year ended 31 December 2006
截至二零零六年十二月三十一日止年度

26. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

Particulars of the subsidiaries of the Company at 31 December 2006 are as follows:

26. 本公司主要附屬公司詳情

本公司主要附屬公司於二零零六年十二月三十一日詳情如下：

Name of company 公司名稱	Form of business structure 商業結構形式	Place of incorporation/ registration 註冊成立及 登記地點	Class of share held 持有 股份類別	Paid up issued ordinary share capital/ registered capital 繳足已發行 普通股本/ 註冊資本	Proportion of interest held by the Company		Proportion of voting power held by the Company 本公司 持有投票權 之百分比	Principal activities 主營業務
					Directly 直接	Indirectly 間接		
Inspur Electronics Limited 浪潮電子有限公司	Incorporated 註冊成立公司	British Virgin Islands 英屬處女群島	Ordinary 普通股	US\$1 1美元	100%	—	100%	Investment holding 投資控股
Inspur (HK) Electronics Limited 浪潮(香港)電子有限公司	Incorporated 註冊成立公司	Hong Kong 香港	Ordinary 普通股	HK\$1,000,000 1,000,000港元	—	100%	100%	Trading of computer components 分銷電腦元件
浪潮(山東)電子信息有限公司*	Incorporated 註冊成立公司	PRC 中國	Ordinary 普通股	US\$29,675,000 29,675,000美元	—	100%	100%	Investment holding and trading of computer product 投資控股及分銷電腦產品
Timeone	Incorporated 註冊成立公司	British Virgin Islands 英屬處女群島	Ordinary 普通股	US\$50,000 50,000美元	—	100%	100%	Investment holding 投資控股
山東浪潮電子政務軟件有限公司**	Incorporated 註冊成立公司	PRC 中國	Ordinary 普通股	RMB15,000,000 人民幣 15,000,000 元	—	53.3%	53.3%	Manufacture, sale and development of computer software 製造、銷售及發展電腦軟件

* This entity is a wholly foreign owned enterprise

* 該實體為外商獨資企業

** This entity is a domestic limited liability company

** 該實體為內資有限責任公司

None of the subsidiaries had issued any debt securities at the end of the year.

以上之附屬公司於年底均並無發行任何債券。

Notes to the Consolidated Financial Statements

綜合財務報表附註

For the year ended 31 December 2006
截至二零零六年十二月三十一日止年度

27. POST BALANCE SHEET EVENT

Pursuant to the resolution passed at the directors' meeting on 30 January 2007, a total of 51,430,000 share options were granted to certain employees of the Group under the Option Scheme entitling the holders thereof to subscribe for shares of the Company at an exercise price of HK\$0.56 per share.

The grantees of share option were entitled to exercise a maximum of 20% of the share options within the first year commencing from the date of grant and the remaining 80% share options thereafter. The market price of the Company's shares at 30 January 2007 was HK\$0.56.

27. 結算日後事項

根據二零零七年一月三十日舉行之董事會所通過之決議案，本集團於購股權計劃下的若干僱員獲授予總數為51,430,000股購股權。該項購股權賦予持有人權利以行使價為每股0.56港元認購本公司股份。

購股權之承授人均獲授權於授權日期起計的第一個年度內行使最高為購股權之20%，而購股權之餘下80%則可於一年後行使。本公司於二零零七年一月三十日之股份市場價值為0.56港元。