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浪潮國際有限公司*

INSPUR INTERNATIONAL LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code : 8141)

2007

INTERIM)REPORT

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

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

The board of Directors (the "Board") of Inspur International Limited (the "Company") present the unaudited consolidated results (the "Unaudited Consolidated Results") of the Company and its subsidiaries (the "Group") for the three months and six months ended 30 June 2007 together with comparative unaudited figures for the corresponding period in 2006.

CONDENSED CONSOLIDATED INCOME STATEMENT

	Notes	Three months ended 30 June		Six months ended 30 June	
		2007 HK\$'000 (unaudited)	2006 HK\$'000 (unaudited)	2007 HK\$'000 (unaudited)	2006 HK\$'000 (unaudited)
Turnover	2	118,106	149,110	221,752	280,189
Cost of sales		(107,172)	(150,486)	(210,271)	(281,636)
Gross (loss) profit		10,934	(1,376)	11,481	(1,447)
Other income		538	1,266	746	1,479
Administrative expenses		(6,528)	(2,901)	(12,505)	(4,812)
Interest expenses		(3,587)	(3,137)	(7,159)	(4,892)
Share of profit less loss of associates		2,045	1,179	2,196	1,801
(Loss) profit before taxation	4	3,402	(4,969)	(5,241)	(7,871)
Taxation	5	—	(376)	—	(376)
Net (loss) profit for the period		3,402	(5,345)	(5,241)	(8,247)
Attributable to:					
Equity holders of the Company		3,572	(5,349)	(4,683)	(8,251)
Minority interests		(170)	4	(558)	4
		3,402	(5,345)	(5,241)	(8,247)
(Loss) earnings per share	6				
Basic		0.70 cents	(1.05) cents	(0.91) cents	(1.65) cents
Diluted		N/A	N/A	N/A	N/A

CONDENSED CONSOLIDATED BALANCE SHEET

	Notes	30.6.2007 HK\$'000 (unaudited)	31.12.2006 HK\$'000 (audited)
Non-current assets			
Property, plant and equipment		1,974	1,762
Interests in associates		62,533	58,512
		<u>64,507</u>	<u>60,274</u>
Current assets			
Inventories		64,698	45,297
Trade receivables	8	15,071	13,787
Prepayments, deposits and other receivables		17,159	8,299
Amount due from an associate		—	58
Amount due from fellow subsidiary		35,027	15,523
Amount due from ultimate holding company		20,597	141,053
Taxation recoverable		2,041	897
Bank balances and cash		218,002	148,158
		<u>372,595</u>	<u>373,072</u>
Current liabilities			
Trade payables	9	62,432	61,264
Other payables and accrued liabilities		16,699	20,825
Amount due to fellow subsidiary		7,219	7,099
Amount due to ultimate holding company		8,884	39
Taxation payable		538	—
		<u>95,772</u>	<u>89,227</u>
Net current assets			
		<u>276,823</u>	<u>283,845</u>
		<u>341,330</u>	<u>344,119</u>
Capital and reserves			
Share capital	10	5,143	5,143
Reserves		149,421	152,984
		<u>154,564</u>	<u>158,127</u>
Minority interests			
		<u>6,160</u>	<u>6,718</u>
Total equity			
		<u>160,724</u>	<u>164,845</u>
Non-current liability			
Redeemable convertible preferred shares	11	180,606	179,274
		<u>341,330</u>	<u>344,119</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share Capital HK\$'000	Share Premium HK\$'000	Special Reserve HK\$'000	Preferred shares equity reserve HK\$'000	Translation reserve HK\$'000	Retained profits (loss) HK\$'000	Total HK\$'000	Minority interests HK\$'000	Total HK\$'000
At 1 January 2006	4,911	66,862	92	6,387	(221)	43,674	121,705	—	121,705
Exchange differences arising from translation of overseas operation	—	—	—	—	(840)	—	(840)	—	(840)
Loss for the period	—	—	—	—	—	(8,246)	(8,246)	4	(8,242)
Total recognise profit (loss) for the period	—	—	—	—	(840)	(8,246)	(9,086)	4	(9,082)
Issue of shares upon exercise of share option	232	6,669	—	—	—	—	6,901	—	6,901
Equity component of the redeemable convertible preferred shares	—	—	—	11,051	—	—	11,051	—	11,051
Capital contribution from minority shareholders of subsidiary	—	—	—	—	—	—	—	6,731	6,731
Dividend	—	—	—	—	—	(15,333)	(15,333)	—	(15,333)
At 30 June 2006	<u>5,143</u>	<u>73,531</u>	<u>92</u>	<u>17,438</u>	<u>(1,061)</u>	<u>20,095</u>	<u>115,238</u>	<u>6,735</u>	<u>121,973</u>
At 1 January 2007	5,143	73,531	92	17,438	8,422	53,501	158,127	6,718	164,845
Exchange differences arising from translation of overseas operation	—	—	—	—	8,835	—	8,835	—	8,835
Loss for the period	—	—	—	—	—	(4,683)	(4,683)	(558)	(5,241)
Total recognise profit (loss) for the period	—	—	—	—	—	(4,683)	(4,683)	(558)	(5,241)
Issue of shares upon exercise of share option	—	—	—	—	—	—	—	—	—
Equity component of the redeemable convertible preferred shares	—	—	—	—	—	—	—	—	—
Capital contribution from minority shareholders of subsidiary	—	—	—	—	—	—	—	—	—
Dividend	—	—	—	—	—	(7,715)	(7,715)	—	(7,715)
At 30 June 2007	<u>5,143</u>	<u>73,531</u>	<u>92</u>	<u>17,438</u>	<u>17,257</u>	<u>41,103</u>	<u>154,564</u>	<u>6,160</u>	<u>160,724</u>

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

Six months ended 30 June

	2007 HK\$'000 (unaudited)	2006 HK\$'000 (unaudited)
NET CASH GENERATED FROM OPERATING ACTIVITIES	73,950	9,118
NET CASH (USED IN) FROM INVESTING ACTIVITIES	(77)	(37,859)
NET CASH FROM FINANCING ACTIVITIES	(7,715)	91,506
NET INCREASE IN CASH AND CASH EQUIVALENTS	66,158	62,768
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	148,158	165,405
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	3,686	(835)
CASH AND CASH EQUIVALENT AT END OF PERIOD, REPRESENTED BY BANK BALANCES AND CASH	218,002	227,335

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The condensed financial statements have been prepared in accordance with the applicable disclosure requirements of Chapter 18 of the Rules Governing the Listing of Securities on the GEM of the Stock Exchange and Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants.

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

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

2. TURNOVER

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

3. SEGMENT INFORMATION

Business segment

In prior years, the Group is principally engaged in trading of computer components. Accordingly, no business segmental analysis is presented. The Group is currently organized into three operating divisions, namely trading of computer components, manufacture and trading of computer products and development and sales of computer software. Segment information about these businesses is presented below:

	Income statement for the six months ended 30 June 2007			
	Trading of Computer components HK\$'000	Manufacture and trading of computer products HK\$'000	Development and sales of computer software HK\$'000	Consolidated HK\$'000
Revenue	182,444	38,373	935	221,752
Segment results	(356)	3,083	(636)	2,091
Unallocated income				4
Unallocated corporate expense				(1,815)
Share of results of associates				2,196
Interest expenses				(7,159)
Profit before taxation taxation				(4,683)
Profit for the period				(4,683)

Balance sheet at 30 June 2007

	Trading of Computer components HK\$'000	Manufacture and trading of computer products HK\$'000	Development and sales of computer software HK\$'000	Consolidated HK\$'000
ASSETS				
Segment assets	92,271	61,751	2,544	156,566
Interests in associates			62,533	62,533
Unallocated corporate assets				218,003
Consolidated total assets				437,102
LIABILITIES				
Segment liabilities	44,690	42,978	362	88,030
Unallocated corporate liabilities				188,348
Consolidated total liabilities				276,378

Geographical segment

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

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

The following table provides an analysis of the Group's turnover by location of markets for the six months ended 30 June 2007, irrespective of the origin of the goods/services:

	Sales revenue by geographical market HK\$'000
Hong Kong	182,444
The PRC	39,308
Consolidated	229,752

The following is an analysis of the carrying amount of segment assets, and additions to property, plant and equipment as at 30 June 2007, analysed by the geographical area in which the assets are located:

	Carrying amount of segment assets HK\$'000	Additions to property plant and equipment HK\$'000
Hong Kong	92,271	—
The PRC	64,295	127
Consolidated	156,566	127

4. PROFIT BEFORE TAXATION

	Three months ended 30 June		Six months ended 30 June	
	2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000
Profit before taxation has been arrived at after charging:				
Cost of inventories recognised as expenses	107,115	150,460	210,214	281,585
Depreciation	179	111	355	212
	<u>107,294</u>	<u>150,571</u>	<u>210,569</u>	<u>281,797</u>

5. TAXATION

	Three months ended 30 June		Six months ended 30 June	
	2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000
Hong Kong Profits Tax:				
Current period	—	—	—	—
Share of taxation of associates	—	376	—	376
	<u>—</u>	<u>376</u>	<u>—</u>	<u>376</u>

No provision for Hong Kong profit tax has been made as the Group did not generate any assessable profits.

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

6. (LOSS) EARNINGS PER SHARE

The calculation of basic loss (profit) per share for the three months and six months ended 30 June 2007 is based on the respective for the period of profit HK\$3,572,000 and loss HK\$4,683,000 (2006: loss of HK\$5,349,000 and HK\$8,251,000) and the weighted average of 514,300,000 (2006: 509,773,000 and 500,488,000) ordinary shares in issue during the period.

Diluted loss per share for the three months and six months are not presented because the impact of the exercise of the share options are anti-dilutive.

7. DIVIDEND

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

8. TRADE RECEIVABLES

The Group allows an average credit period of 30 to 90 days to trade customers.

The following is an aged analysis of trade receivables, amounts due from fellow subsidiaries and ultimate holding company at the balance sheet date:

	30.6.2007 HK\$'000	31.12.2006 HK\$'000
Trade receivables		
0 – 30 days	4,320	13,136
31 – 60 days	1,637	620
61 – 90 days	104	3
Over 90 days	9,010	28
	<u>15,071</u>	<u>13,787</u>

	30.6.2007 HK\$'000	31.12.2006 HK\$'000
Amounts due from fellow subsidiaries		
0 – 30 days	27,096	14,175
31 – 60 days	4,515	—
61 – 90 days	3,386	1,348
Over 90 days	30	—
	<u>35,027</u>	<u>15,523</u>

	30.6.2007 HK\$'000	31.12.2006 HK\$'000
Amounts due from ultimate holding company		
0 – 30 days	20,597	43,788
31 – 60 days	—	56,490
61 – 90 days	—	40,775
Over 90 days	—	—
	<u>20,597</u>	<u>141,053</u>

9. TRADE PAYABLES

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

	30.6.2007 HK\$'000	31.12.2006 HK\$'000
Trade payables		
0 – 30 days	46,576	40,831
31 – 60 days	11,388	17,785
61 – 90 days	817	1,918
Over 90 days	3,651	730
	<u>62,432</u>	<u>61,264</u>
	30.6.2007 HK\$'000	31.12.2006 HK\$'000
Amounts due to fellow subsidiaries		
0 – 30 days	4,073	4,247
31 – 60 days	3,252	2,852
61 – 90 days	48	—
Over 90 days	1,511	—
	<u>8,884</u>	<u>7,099</u>

10. SHARE CAPITAL

	Number of shares '000	HK\$'000
Ordinary shares		
Authorised:		
At 1 January 2006 and 30 June 2007	<u>1,000,000</u>	<u>10,000</u>
Issued:		
At 1 January 2005	400,000	4,000
Placing of shares (<i>Note a</i>)	52,000	520
Issue in consideration for the acquisition of Timeone (<i>Note b</i>)	<u>39,100</u>	<u>391</u>
Issue of shares upon exercise of share option	<u>23,200</u>	<u>232</u>
At 30 June 2007 and 31 December 2006	<u>514,300</u>	<u>5,143</u>

Notes:

- (a) Pursuant to the meeting of the Board of Directors of the Company on 13 May 2005, the issue of 52,000,000 new shares of HK\$0.01 each for cash at HK\$0.36 per share by the way of placing was approved and the new shares were allotted to independent third parties on 1 June 2005;
- (b) On 1 June 2005, the Company issued 39,100,000 shares of HK\$0.01 each per share to the Vendors as consideration for the acquisition of the entire issued share capital of Timeone.

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

11. REDEEMABLE CONVERTIBLE PREFERRED SHARES

The Company issued 132,964,342 and 101,315,217, 6% Preferred Shares at 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 7 December 2011 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 2006.

The Preferred Shares contain two components, liability and equity elements. Upon the application of HKAS 32 (see Note 3 for details), the proceeds from issue of Preferred Shares have been allocated between the liability and equity elements.

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

	30.6.2007 HK\$'000	31.12.2006 HK\$'000
Carrying amount at the beginning of the year	179,274	95,102
Liability component recognized during the year	—	82,159
Interest charges	7,159	11,984
Coupon interest payable included in other payables and accrued expenses	(5,827)	(9,971)
	<u>180,606</u>	<u>179,274</u>

12. RELATED PARTY TRANSACTIONS

Apart from the amounts due from and to related parties as disclosed in condensed consolidated balance sheet, the Group had entered into the following related party transactions during the period:

	Six months ended 30 June	
	2007 HK\$'000	2006 HK\$'000
Sales of computer components (Note a)	44,718	53,063
Sales of computer products (Note b)	28,684	—
Purchase of goods (Note b)	11,000	—
Commission paid (Note c)	8	—
	<u>84,410</u>	<u>53,063</u>

Notes:

- The Group sold the goods at cost plus 1.5% to the ultimate holding company and a fellow subsidiary of the Company.
- 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.
- 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.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

The Group's turnover had decreased by approximately HK\$58,437,000 to HK\$221,752,000 during the six months period under review, representing approximately a 20.9% decrease as compared with last corresponding period. Such a decrease was mainly attributable to the decrease of the sales of computer components by HK\$97,745,000 as compared with the last corresponding period. The decrease was due to the sharp decrease of the unit price of CPU during that period. At the same time, the sales of computer products were approximately HK\$38,337,000 while there was no such turnover in last corresponding period.

The Group recorded a gross profit of approximately HK\$11,481,000 with the gross profit margin of approximately 5.18%, an increase of approximately HK\$12,928,000 as compared with a gross loss of approximately HK\$1,447,000 in the last corresponding period. This was due to increase of the gross profit of computer components sales by HK\$2,414,000 to HK\$967,000 as compared with last corresponding period. At the same time, the Group achieved HK\$9,776,000 gross profit of the sales of computer products.

The administrative expenses for the six months ended 30 June 2007 had increased by approximately HK\$7,693,000 or approximately 159.9% as compared to the last corresponding period. This was due to the increase of the operating expense of the sales of computer products. The gross profit margin and the ratio of operating expenses to turnover for the computer products sales was approximately 25% and 18.7% respectively. We believe that the increase of the operating expenses in reasonable.

The net loss attributable to shareholders of the Company for the six months ended 30 June 2007 was approximately HK\$4,683,000, a 43% decrease when compared to net loss of approximately HK\$8,251,000 for the corresponding period in 2006. Such a decrease was mainly from the increase of revenue from computer products.

Capital structure

The Group intends to principally finance its operation with its internal resources and net proceeds from fund raising activities.

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 30 June 2007, shareholders' funds of the Group amounted to approximately HK\$154,564,000 (31 December 2006: HK\$158,127,000). Current assets amount to approximately HK\$372,595,000 of which approximately HK\$218,002,000 were cash and bank balances. Current liabilities of approximately HK\$95,772,000 mainly comprised accounts payable, tax payable and other payables and accrued liabilities. The Group's current assets are approximately 3.89 times (31 December 2006: 4.18 times) over its current liabilities. As at 30 June 2007, the Group had no bank borrowings (31 December 2006: 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. The Group does not presently intend to use any derivative instruments in the foreign currency market to hedge the risk against fluctuations of foreign currencies. The Directors believe that having regard to the working capital position of the Group, the Group is able to meet its foreign exchange liabilities as they become due.

Employee information

As at 30 June 2007, the Group had 299 employees (2006: 273 employees). The total of employee remuneration, including that of the Directors and mandatory provident funds contributions, for the year under review amounted to approximately HK\$6,367,000 (2006: approximately HK\$8,131,000).

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.

Charges on assets

During the period under review, no assets of the Group were pledged (six months ended 30 June 2006: Nil).

Contingent liabilities

As at 30 June 2007, the Group had no material contingent liabilities.

BUSINESS REVIEW AND PROSPECTS

In the six months period of 2007, the Group obtained results in each of principal businesses.

1. TRADING OF COMPUTER COMPONENTS

In the six months period of 2007, the Group has expanded the computer component distribution and looked for new customers actively. The price of computer components has been reduced greatly compared with last corresponding period, owing to technology improvement and major provider's marketing strategy. Meanwhile, frequent price fluctuation squeezed the gross profit of computer component distribution. Through controlling product stock and quick response to market change, we have managed to improve that situation greatly.

Although the whole market capacity of IT product grows continually, the competition in IT industry becomes more severe. The information technology business of our company is going to keep up with the market development and product trend with an aim to produce present and other information technology products.

2. MANUFACTURE AND TRADING OF COMPUTER PRODUCTS

In the six months period of 2007, the Group goes on expand the export of automatic teller machine and computer and successfully signed with Construction Bank of China in Zhejiang province and Agriculture Bank of China in Shandong province on ATM project. The products in these projects are independently invented by ourselves and increases IT operation efficiency. With more new business in banks, there will be new opportunities for our business. During this time, computer export to south America has been expanded. Pursuant to orders' demand, the Group produces custom-tailored computers to meet their demand. With the growing demand for computer in south America, technology reform would be carried out continually under present scale, and establish close partnership with customers, with a view of long-term cooperation and mutual development.

3. DEVELOPMENT AND SALES OF COMPUTER SOFTWARE

In the six months period of 2007, The Group will develop and sell e-government software by investing in Inspur e-government. During report period, the Group continues to extend e-government software, having signed projects in many cities, such as Fuzhou, Taian, Handan, Zhanjiang, Langfang city. The implement of these project raised the reputation of Group's products and set up some sample customers, laying solid foundation for future market expanding.

During report period, the Group has accomplished the development of V1.0 Inspur Government Public Service System. As a standardized software, this product could be custom-tailored according to different demand and business and it can be developed into special edition for different customers. Our Company would continue to make e-government software available for all customers, to optimize resolution plan, to reduce development cost and to expand business scale quickly.

The Group will also continue to look for opportunities to cooperate with new technology partners who can complement its own products and business. The Group is also looking to opportunities in PRC and will utilize the expertise and connections with its reseller network to accelerate entry to this market.

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

As at 30 June 2007, the interests and short positions of the directors and the chief executives of the Company in the shares and underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO"), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Rules 5.46 to 5.68 of the GEM Listing Rules were as follows:

(A) LONG POSITIONS IN SHARES OF THE COMPANY

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

(B) LONG POSITIONS IN UNDERLYING SHARES OF EQUITY DERIVATIVES OF THE COMPANY

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

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

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

(C) SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF EQUITY DERIVATIVES OF THE COMPANY

As at 30 June 2007, none of the Directors has short positions in shares or underlying shares of equity derivatives of the Company.

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

As at 30 June 2007, the following persons or companies (other than the directors or chief executive of the Company) had an interest or short position in the shares or underlying shares of the Company as recorded in the register of interests required to be kept by the Company pursuant to Section 336 of SFO, and were directly or indirectly, interest in 5% or more of the nominal value of any class of share capital carrying rights to vote on all circumstances as general meeting of any other members of the Group were as follows:

(A) LONG POSITIONS IN SHARES OF THE COMPANY

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

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

(B) SHORT POSITIONS IN SHARES AND UNDERLYING SHARES AND EQUITY DERIVATIVES OF THE COMPANY

As at 30 June 2007, no persons have short positions in shares or underlying shares of equity derivatives of the Company.

(C) LONG POSITIONS IN SERIES A SENIOR REDEEMABLE CONVERTIBLE VOTING PREFERRED SHARES OF THE COMPANY

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

PURCHASE, SALES OR REDEMPTION OF LISTED SECURITIES

During the six months ended 30 June 2007, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed shares.

COMPETING INTEREST

During the six months ended 30 June 2007, none of the directors, chief executive, initial management shareholders nor substantial shareholders of the Company or their respective associates (as defined in the GEM Listing Rules) had any interests in a business which competes with or may compete with the business of the Group.

PRE-IPO SHARE OPTION SCHEME

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

None of the options granted under the Pre-IPO Share Option Scheme have been exercised, cancelled or lapsed during six months ended 30 June 2007. As at 30 June 2007, 24,000,000 shares option are outstanding.

SHARE OPTION SCHEME

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

None of the options granted under the Share Option Scheme have been exercised, cancelled or lapsed during six months ended 30 June 2006. As at 30 June 2007, 26,000,000 shares option are outstanding.

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

None of the options granted under the Share Option Scheme have been exercised, cancelled or lapsed during six months ended 30 June 2006. As at 30 June 2007, 51,430,000 shares option are outstanding.

AUDIT COMMITTEE

The Company established an audit committee on 8 April 2004 with written terms of reference in compliance with Rules 5.28 to 5.29 of the GEM Listing Rules. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control systems of the Group. The audit committee comprises three independent non-executive directors, Mr. Meng Xiang Xu, Mr. Liu Ping Yuan and Mr. Wong Lit Chor, Alexis. Mr. Wong Lit Chor, Alexis is the chairman of the audit committee.

The Group's unaudited consolidated results for the six months ended 30 June 2007 have been reviewed by the audit committee, which was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosures have been made.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

During the six months ended 30 June 2007, 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 directors.

CORPORATE GOVERNANCE

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

By Order of the Board
Inspur International Limited
Sun Pishu
Chairman

Hong Kong, 13 August 2007

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