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## **INSPUR INTERNATIONAL LIMITED**

**浪潮國際有限公司\***

*(incorporated in the Cayman Islands with limited liability)*

(stock code: 8141)

### **DISCLOSEABLE AND CONNECTED TRANSACTION**

On 2 November 2007, the Group entered into the Acquisition Agreement pursuant to which the Group has agreed to purchase and the Vendors have agreed to sell the entire issued share capital of Shine Victory (which is the beneficial owner of 49% of the registered capital of Inspur Communication) and the remaining 51% of the registered capital of Inspur Communication.

The Consideration shall be RMB88,000,000 which shall be subject to adjustment by reference to the audited net profits after tax of Inspur Communication for the year(s) ending 31 December 2007 and/or 2008 provided that it shall not be less than RMB60,000,000 after such adjustment (if any).

The Acquisition is subject to, among other things, the approval by the Independent Shareholders at the EGM to be taken by way of a poll. IP Group, its ultimate beneficial owners and their respective associates shall abstain from voting for the relevant resolution at the EGM due to their interest in the Acquisition. A circular containing, among other things, further information in respect of the Acquisition, the letter from independent financial adviser to the Independent Board Committee and the Independent Shareholders, the recommendation of the Independent Board Committee to the Independent Shareholders on the Acquisition together with the notice of the EGM will be despatched to the Shareholders in accordance with the GEM Listing Rules.

## INTRODUCTION

The Board wishes to announce that on 2 November 2007, the Group entered into the Acquisition Agreement pursuant to which the Group has agreed to purchase and the Vendors have agreed to sell the entire share capital of Shine Victory (which is the beneficial owner of 49% of the registered capital of Inspur Communication) and the remaining 51% of the registered capital of Inspur Communication. Further details of the Acquisition are set out below:

## ACQUISITION AGREEMENT

Date: 2 November 2007

Parties: (1) Vendors: (a) Sparkle Rise Investments Limited (耀升投資有限公司);  
and  
(b) Shangdong Inspur Electronic Information Technology Company Limited (山東浪潮電子信息科技有限公司)

(2) Purchasers: (a) the Company; and  
(b) Inspur (Shangdong) Electronic Information Company Limited (浪潮(山東)電子信息有限公司), a wholly-owned subsidiary of the Company

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, the HK Vendor and its ultimate beneficial owners are third parties independent of and not connected with the Company and its connected persons. However, the PRC Vendor is a connected person of the Company.

### Assets to be acquired

Pursuant to the Acquisition Agreement, (i) the Company has conditionally agreed to acquire the HK Sale Shares from the HK Vendor, representing the entire issued share capital of Shine Victory; and (ii) Inspur (Shangdong) Electronic Information Company Limited (浪潮(山東)電子信息有限公司), a wholly-owned subsidiary of the Company, has conditionally agreed to acquire the PRC Sale Shares from the PRC Vendor, representing 51% of the entire registered capital of Inspur Communication. Shine Victory is the beneficial owner of 49% of the entire registered capital of Inspur Communication. The PRC Sale Shares were acquired by the PRC Vendor from a subsidiary of Inspur Group Limited in December 2006 at about RMB23.3 million.

## Consideration

The Consideration shall be RMB88,000,000 which shall be satisfied in cash in the following manner:

- (a) within 15 days from the date of the Acquisition Agreement, the Group shall pay RMB15,000,000 to each of the HK Vendor and the PRC Vendor; and
- (b) subject to the fulfilment of the Conditions, the Group shall pay RMB28,120,000 to the HK Vendor and RMB29,880,000 to the PRC Vendor within 30 days after the date of EGM.

The Consideration is subject to adjustment as follows:

- (i) If the actual audited profit after tax (based on the accounting principles generally accepted in Hong Kong) of Inspur Communication for the financial year ending 31 December 2007 is less than RMB8,000,000, the Vendors shall refund to the Group an amount equal to 11 times of the amount of shortfall subject to a maximum cap of RMB28,000,000; and
- (ii) If the actual audited profit after tax (based on the accounting principles generally accepted in Hong Kong) of Inspur Communication for the financial year ending 31 December 2008 is less than RMB15,000,000, the Vendors shall refund to the Group an amount equal to 11 times of the amount of shortfall provided that such refund together with any refund made by the Vendors under paragraph (i) above in respect of the financial year ending 31 December 2007 shall not exceed RMB28,000,000 in aggregate.

The Consideration was arrived at after arm's length negotiation between the parties to the Acquisition Agreement with reference to, among other things, the price adjustment mechanism mentioned above and the strategic reasons mentioned under the paragraph headed "Reasons for Acquisition" below. Based on the information available to the Board, the unaudited net profit after tax of Inspur Communication for the ten months ended 31 October 2007 was about RMB7.3 million. Accordingly, save for any unforeseen circumstances, it is not expected that an adjustment to the Consideration is necessary in respect of the financial performance of Inspur Communication for the year ending 31 December 2007. Although the PRC Vendor acquired the PRC Sale Shares at about RMB23.3 million in December 2006 and sold the same to the Group at RMB44.88 million (subject to adjustment as mentioned above), the Board considers that Consideration is fair and reasonable in view of the fact that the profitability of Inspur Communication has been increased substantially in 2007 as compared to the time when the PRC Vendor acquired the PRC Sale Shares in which the net profit of Inspur Communication for the year ended 31 December 2006 was only about RMB914,000.

## **Conditions**

The Acquisition is conditional upon the following conditions having been fulfilled at or before 12:00 noon on 31 December 2007 or such later date as may be agreed by the Group in writing:

- (i) the Independent Shareholders passing at the EGM the necessary resolution approving the Acquisition;
- (ii) the Group having satisfied with the results of the due diligence exercise to be carried out by it on Shine Victory and Inspur Communication; and
- (iii) all relevant approvals and consents for the Acquisition having been obtained.

## **Completion**

Completion is expected to take place on the second business day after the fulfillment of all the Conditions (or such later date as may be agreed by the parties to the Acquisition Agreement in writing) when the HK Sale Shares and the PRC Sale Shares are transferred to the Group contemporaneously.

## **INFORMATION OF SHINE VICTORY AND INSPUR COMMUNICATION**

Shine Victory is an investment holding company incorporated in Hong Kong in June 2006. Save for its investment in 49% of the registered capital of Inspur Communication, it has no other business and does not have any significant assets and liabilities. Based on the information available to the Board, the unaudited net asset value of Shine Victory as at 31 October 2007 was about HK\$9 million and the unaudited net profit before tax and after tax for the period since its incorporation in June 2006 up to 31 October 2007 was about HK\$1,100.

Inspur Communication is a sino-foreign equity joint venture established in the PRC in 2002 and is owned as to 49% by Shine Victory and as to 51% by the PRC Vendor. Inspur Communication is principally engaged in the provision of software development and maintenance services for telecommunication system and network in the PRC. The software developed by Inspur Communication includes telecommunications operational support system products which can help infrastructural telecommunications service providers to monitor, control, analyse, and manage problems within their telecommunications networks. They may also be used for ordering and network component tracking, usage tracking, billing and reporting. Its main customers are major telecommunication companies in the PRC such as China Mobile Limited, China Telecom Corporation Limited, China Unicom Limited, China Netcom Group Corporation (Hong Kong) Limited, and other overseas telecommunication companies in Pakistan, Burundi and Sudan etc..

As at the date of this announcement, the registered capital of Inspur Communication is RMB50,000,000 and was contributed and beneficially owned as to 49% by Shine Victory and as to 51% by the PRC Vendor.

Upon Completion, each of Shine Victory and Inspur Communication will become a wholly owned subsidiary of the Company whose results, assets and liabilities will be consolidated in the books of the Company.

The following table shows the turnover, net profit before tax and net profit after tax of Inspur Communication based on its audited financial statements for 2005 and 2006, and the unaudited management accounts for the ten months ended 31 October 2007 (prepared under the generally accepted accounting principles in the PRC):

	<b>For the ten months ended 31 October 2007 (unaudited) RMB'000</b>	<b>For the year ended 31 December 2006 (audited) RMB'000</b>	<b>For the year ended 31 December 2005 (audited) RMB'000</b>
Turnover	61,950	44,257	56,103
Net profit before tax	7,951	914	3,367
Net profit after tax	7,297	914	3,367

The audited net asset value of Inspur Communication as at 31 December 2006 was about RMB52,091,000. Based on the information available to the Board, the unaudited net asset value of Inspur Communication as at 31 October 2007 was about RMB59.4 million.

## **REASONS FOR THE ACQUISITION**

The Company is an investment holding company and its subsidiaries are principally engaged in the distribution, sourcing and reselling of information technology products in Hong Kong, the PRC and other overseas markets. The Group also provides information technology advisory services to complement the Group's distribution business.

The Group has been 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 Directors believe that through the Acquisition, the Group can extend its services to the telecommunication industry and thereby diversify its revenue sources. The Directors further believe that the Group can further explore other potential business opportunities to complement its existing business such as provision of information technology and computer products and software to the telecommunication customers.

## **IMPLICATIONS UNDER THE GEM LISTING RULES**

To the best information, belief and knowledge of the Directors, the PRC Vendor is beneficially owned by the IP Group which is the controlling Shareholder (within the meaning of the GEM Listing Rules) interested in 47.85% of the existing issued share capital of the Company, the Acquisition therefore constitutes a connected transaction under rule 20.13(1) of the GEM Listing Rules subject to approval by the Independent Shareholders at the EGM. As the Consideration is more than HK\$10 million and the relevant percentage ratios as referred to in rule 19.04(9) of the GEM Listing Rules are more than 5% but less than 25%, the Acquisition also constitutes a discloseable transaction of the Company under Chapter 19 of the GEM Listing Rules.

### **EGM**

The Acquisition is subject to, among other things, the approval by the Independent Shareholders at the EGM to be taken by way of a poll. IP Group, its ultimate beneficial owners and their respective associates shall abstain from voting for the relevant resolution at the EGM due to their interest in the Acquisition. The Independent Board Committee comprising Mr. Meng Xiang Xu, Mr. Liu Ping Yuan and Mr. Wong Lit Chor, Alexis, all being the independent non-executive Directors, has been formed to advise the Independent Shareholders as to the fairness and reasonableness of the Acquisition. Independent financial adviser will be appointed to advise the Independent Board Committee in this regard.

### **GENERAL INFORMATION**

The Directors consider that the Acquisition Agreement is entered into upon normal commercial terms following arm's length negotiations between the parties to the Acquisition Agreement and that the terms of the Acquisition Agreement are fair and reasonable and in the interests of the Shareholders as a whole. The independent non-executive Directors will also seek the view of independent financial adviser as to the fairness and reasonableness of the Acquisition.

A circular containing, among other things, further details of the Acquisition, the letter from independent financial adviser to the Independent Board Committee and the Independent Shareholders, the recommendation of the Independent Board Committee to the Independent Shareholders on the Acquisition together with the notice of the EGM will be despatched to the Shareholders in accordance with the GEM Listing Rules.

## DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions shall have the following meanings:

“Acquisition”	the acquisition by the Purchasers of the entire equity interests in Shine Victory and Inspur Communication from the Vendors subject to and upon the terms and conditions of the Acquisition Agreement
“Acquisition Agreement”	the sale and purchase agreement dated 2 November 2007 and entered into between the Vendors and the Purchasers in respect of the Acquisition
“associates”	has the meaning ascribed to this term under the GEM Listing Rules
“Board”	the board of Directors
“Company”	Inspur International Limited, an exempted company incorporated in the Cayman Islands with limited liability and the issued Shares of which are listed on GEM
“Completion”	completion of the Acquisition pursuant to the Acquisition Agreement
“Conditions”	the conditions precedent to the Acquisition Agreement which are set out in the paragraph headed “Conditions” in this announcement
“connected person(s)”	has the meaning ascribed to this term under the GEM Listing Rules
“Consideration”	the consideration for the Acquisition
“Directors”	directors of the Company
“EGM”	the extraordinary general meeting of the Company to be convened and held to consider and, if thought fit, to approve, among other things, the Acquisition and the transactions contemplated thereunder
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM

“Group”	the Company and its subsidiaries
“HK Sale Shares”	the entire issued share capital of Shine Victory which is beneficially owned by the HK Vendor as at the date of this announcement
“HK Vendor”	Sparkle Rise Investments Limited (耀升投資有限公司), an investment holding company incorporated in the British Virgin Islands with limited liability, being the vendor of the HK Sale Shares
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	an independent board committee, comprising Mr. Meng Xiang Xu, Mr. Liu Ping Yuan and Mr. Wong Lit Chor, Alexis, all being the independent non-executive Directors, to advise the Independent Shareholders as to the fairness and reasonableness of the Acquisition and the transactions contemplated thereunder
“Independent Shareholders”	Shareholders other than IP Group, its ultimate beneficial owners and their respective associates
“Inspur Communication”	Inspur Communication Information System Limited (浪潮通信信息系統有限公司), a sino-foreign equity joint venture established in the PRC whose registered capital is beneficially owned as to 49% by Shine Victory and as to 51% by the PRC Vendor as at the date of this announcement
“IP Group”	Inspur Electronics (HK) Limited together with its holding company, Inspur Group Limited, which is a company established in the PRC, both being the management Shareholders and controlling Shareholders for the purpose of the GEM Listing Rules interested in 47.85% of the existing issued share capital of the Company
“PRC”	the People’s Republic of China, and for the purposes for this announcement only, excludes Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan



“PRC Sale Shares”	51% of the registered capital of Inspur Communication which is beneficially owned by the PRC Vendor as at the date of this announcement
“PRC Vendor”	Shangdong Inspur Electronic Information Technology Company Limited (山東浪潮電子信息科技有限公司), a company established in the PRC with limited liability and its principal business is manufacturing and sale of computer equipment products, software and related consultancy service and investments, being the vendor of the PRC Sale Shares
“Purchasers”	the Company (in respect of the HK Sale Shares) and Inspur (Shangdong) Electronic Information Company Limited (浪潮(山東)電子信息有限公司) (in respect of the PRC Sale Shares)
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of Share(s)
“Shine Victory”	Shine Victory International Limited (耀凱國際有限公司), a company incorporated in Hong Kong and is the beneficial owner of 49% of the registered capital of Inspur Communication
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Vendors”	the HK Vendor and the PRC Vendor
“HK\$”	Hong Kong dollars, the lawful currency for the time being of Hong Kong
“RMB”	Renminbi, the lawful currency for the time being of the PRC
“%”	per cent.

By order of the board of directors of  
**Inspur International Limited**  
**Sun Pishu**  
*Chairman*

Hong Kong, 6 November 2007

\* *For identification purpose only*

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

*This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this announcement 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 announcement misleading; and (3) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.*

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