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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)

POTENTIAL CONTINUING CONNECTED TRANSACTIONS UPON COMPLETION OF ACQUISITION OF INSPUR COMMUNICATION INFORMATION SYSTEM LIMITED; AND UNUSUAL PRICE MOVEMENT

Continuing connected transactions

Inspur Communication has the following recurring transactions: (i) sales of software and related services to Shandong Inspur and the payment of the commission to Shandong Inspur; (ii) purchases of computing machines from Beijing Inspur; and (iii) sharing of resources with Inspur Group Limited and its subsidiaries. These transactions are expected to continue after Completion, thereby constituting continuing connected transactions subject to the reporting, announcement and/or Independent Shareholders' requirements under the GEM Listing Rules. Accordingly, the Master Agreement is entered into between Inspur Communication and Inspur Group Limited.

Further details of the Sale Transaction under the Master Agreement and the Sale Caps, together with the letter from the Independent Board Committee to the Independent Shareholders, the letter of advice from the independent financial adviser to the Independent Board Committee and the Independent Shareholders, and the notice of EGM will be included in the combined circular to be despatched to the Shareholders in relation to the Acquisition and the Sale Transaction under the Master Agreement as soon as possible.

Unusual price movement

The Board has noted the increase in the price of the Shares on 12 November 2007 and wishes to state that it is not aware of any reasons for such increase.

INTRODUCTION

Reference is made to the announcement issued by the Company dated 6 November 2007 in relation to the proposed acquisition of 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.

Upon Completion, Inspur Communication will become a wholly-owned subsidiary of the Company. In each of the two years ended 31 December 2006 and the eight months ended 31 August 2007, Inspur Communication has the following transactions in the course of its ordinary business:

	Nature of transactions	Historical figures in RMB'000 (unaudited)		
		for the eight months ended 31 August 2007	for the year ended 31 December 2006	for the year ended 31 December 2005
1.	Sales of software and related services to Shandong Inspur	6,543	19,007	16,114
	Related commission paid to Shandong Inspur (i.e. at 0.5%)	32.7	95.0	80.6
2.	Purchases of computing machines from Beijing Inspur	3,780	3,489	1,533
3.	Sharing of resources with Inspur Group Limited and its subsidiaries	1,174	1,515	959

As the above transactions are expected to continue after Completion and they will be entered into in the ordinary course of business of Inspur Communication, they will constitute continuing connected transactions on the part of the Company upon Completion pursuant to the GEM Listing Rules. Accordingly, the Master Agreement is entered into between Inspur Communication and Inspur Group Limited.

MASTER AGREEMENT

Date: 9 November 2007

Parties: (i) Inspur Communication; and
(ii) Inspur Group Limited

Pursuant to the terms of the Master Agreement:

- (a) Inspur Group Limited shall procure Shandong Inspur to subcontract its software development and maintenance business to Inspur Communication (i.e. the Sale Transaction). The relevant business contract will be bid by Shandong Inspur through public tender. After the contract is successfully bid by Shandong Inspur, it will subcontract it to Inspur Communication. The contractual amount of the business subcontracted to Inspur Communication will be based on the amount of contract bid by Shandong Inspur under the tender out of which Inspur Communication shall pay a commission of 0.5% of the total contract sum for each subcontract to Shandong Inspur. The contract sum will be invoiced by Shandong Inspur to its ultimate customers and Inspur Communication will also issue invoice to Shandong Inspur. After the invoice is settled by the ultimate customers, Shandong Inspur will deduct the commission and pay the remaining sum to Inspur Communication. The maximum annual amount of the Sale Transaction for each of the three years ending 31 December 2010 is RMB15 million, RMB15 million and RMB15 million (equivalent to about HK\$15.3 million, HK\$15.3 million and HK\$15.3 million respectively) respectively. Accordingly, the maximum annual amount of commission payable to Shandong Inspur for each of the three years ending 31 December 2010 is therefore RMB75,000, RMB75,000 and RMB75,000 (equivalent to about HK\$76,687, HK\$76,687 and HK\$76,687 respectively)
- (b) Inspur Group Limited shall procure Beijing Inspur to supply computing machines to Inspur Communication. The price of the computing machines payable to Beijing Inspur (including payment terms) will be agreed upon between the parties and shall be determined based on normal commercial terms through arm's length negotiation or on terms no less favourable than the terms available from independent third parties for purchase of similar computing machines of comparable quality and quantity. The maximum annual amount of the purchases payable to Beijing Inspur for each of the three years ending 31 December 2010 is RMB5 million, RMB6 million and RMB7 million (equivalent to about HK\$5.1 million, HK\$6.1 million and HK\$7.2 million respectively) respectively.
- (c) Inspur Group Limited shall provide (or shall procure its subsidiaries to provide) office, water, heat, electricity and vehicles for use by Inspur Communication. The expenses to be charged on Inspur Communication (including payment terms) will be agreed upon between the parties and shall be determined based on normal commercial terms through arm's length negotiation or on terms no less favourable than the terms available from independent third parties for provision of similar services. The maximum annual amount of the expenses payable to

Inspur Group Limited and its subsidiaries for each of the three years ending 31 December 2010 is RMB1.8 million, RMB1.8 million and RMB1.8 million (equivalent to about HK\$1.8 million, HK\$1.8 million and HK\$1.8 million respectively) respectively.

The Sale Caps under the Master Agreement for each of the three years ending 31 December 2010 is RMB15 million, RMB15 million and RMB15 million (equivalent to about HK\$15.3 million, HK\$15.3 million and HK\$15.3 million respectively) respectively. The Payment Caps under the Master Agreement for each of the three years ending 31 December 2010 is RMB6,875,000, RMB7,875,000 and RMB8,875,000 (equivalent to about HK\$7.0 million, HK\$8.1 million and HK\$9.1 million respectively) respectively.

In determining the Sale Caps and the Payment Caps, the Board has taken into account: (i) the historical figures and the trend for the same transactions in the past few years; (ii) the anticipated economic growth of PRC in the coming three years; and (iii) the anticipated business growth of the software development market in the PRC.

The term of the Master Agreement shall commence from 1 January 2008 or the date when the Independent Shareholders' approval is obtained by the Company at the EGM, or the date when Inspur Communication has become a wholly-owned subsidiary of the Company, whichever is the later, up to 31 December 2010.

REASONS FOR ENTERING INTO THE MASTER AGREEMENT

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.

Upon Completion, Inspur Communication will become a wholly-owned subsidiary of the Company. As mentioned in the announcement of the Company dated 6 November 2007 in relation to the Acquisition, Inspur Communication is principally engaged in the provision of software development and maintenance services for telecommunication system and network in the PRC. A part of the software development business of Inspur Communication is referred to it by Shandong Inspur through subcontracting. As Shandong Inspur is a listed company in PRC, it will be advantageous for Shandong Inspur to make use of its listing status and connection to bid for new contract. When the relevant new contract is successfully bid, Shandong Inspur will subcontract the business to Inspur Communication. As such, the Sale Transaction will allow Inspur Communication to utilize and take advantage of the

existing network and clientele of Shandong Inspur, thereby widening its revenue bases. The supply of computing machines from Beijing Inspur will provide a steady, stable and reliable source of supply of computing machines in order to satisfy the demand from the customers of Inspur Communication. The sharing of resources and expenses by Inspur Communication with Inspur Group Limited will enable Inspur Communication to manage its running expenses more flexible.

As the transactions contemplated under the Master Agreement are recurring in nature and represent the ordinary course of business of Inspur Communication, it is the intention of the Company to obtain the Independent Shareholders' approval for the Sale Transaction under the Master Agreement and the Sale Caps at the EGM, which will be convened together with the resolution approving the Acquisition, before Inspur Communication has become a wholly-owned subsidiary of the Company.

IMPLICATIONS UNDER THE GEM LISTING RULES

Inspur Group Limited is an investment holding company and the principal business activities of its group of companies include the development and production of server based hardware products with embedded software and comprehensive applied software. Shandong Inspur is a subsidiary of Inspur Group Limited whose issued shares are listed on the Shanghai Stock Exchange. Shandong Inspur is principally engaged in the development and sales of computing software and network engineering consultancy services. Beijing Inspur is a subsidiary of Inspur Group Limited principally engaged in the production and sale of computer and server. As Inspur Group Limited is a connected person interested in, through its wholly-owned subsidiary, Inspur Electronics (HK) Limited, 47.85% of the existing issued share capital of the Company and the Sale Caps is more than HK\$10,000,000 and the relevant percentage ratio represents more than 2.5% but less than 25%, the Sale Transaction under the Master Agreement will, upon Completion, constitute a non-exempt continuing connected transaction of the Company subject to the reporting, announcement and Independent Shareholders' approval requirements pursuant to the GEM Listing Rules. As the Payment Caps is less than HK\$10,000,000 and the relevant percentage ratio represents less than 2.5% of each of the relevant percentage ratios, the Payment Caps and the related transactions under the Master Agreement will be exempt from the Independent Shareholders' approval requirement under the GEM Listing Rules but will be subject to the reporting and announcement requirements under the GEM Listing Rules. In the event that the relevant Independent Shareholders' approval for the Sale Transaction under the Master Agreement and the Sale Caps is not obtained at the EGM, Inspur Communication can only proceed with the Sale Transaction under the Master Agreement to the extent allowed under the GEM Listing Rules without the approval of the Independent Shareholders.

EGM

An EGM will be convened to approve the Sale Transaction under the Master Agreement and the Sale Caps and it will 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 Master Agreement. 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 Sale Transaction under the Master Agreement and the Sale Caps. Independent financial adviser will be appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

GENERAL INFORMATION

The Directors (including independent non-executive Directors) consider that the Master Agreement is entered into upon normal commercial terms following arm's length negotiations between the parties to the Master Agreement and that the terms of the Master Agreement including the Sale Caps and the Payment Caps are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Further details of the Sale Transaction under the Master Agreement, 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 Sale Transaction under the Master Agreement and the Sale Caps together with the notice of the EGM will be included in the combined circular to be despatched to the Shareholders in relation to the Acquisition and the Sale Transaction under the Master Agreement as soon as possible.

UNUSUAL PRICE MOVEMENT

The Board has noted the increase in the price of the Shares on 12 November 2007 and wishes to state that it is not aware of any reasons for such increase.

The Board also confirms that save and except for the Acquisition and the Master Agreement, there are no negotiations or agreements relating intended acquisitions or realisations which are discloseable under Chapters 19 to 20 of the GEM Listing Rules, neither is the Board aware of any matter discloseable under the general obligation imposed by Rule 17.10 of the GEM Listing Rules, which is or may be of a price-sensitive nature.

DEFINITIONS

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

“Acquisition”	the acquisition by the Group of the entire equity interests in Shine Victory and Inspur Communication as announced by the Company dated 6 November 2007
“associates”	has the meaning ascribed to this term under the GEM Listing Rules
“Beijing Inspur”	Inspur (Beijing) Electronic Information Development Company Limited (浪潮(北京)電子信息產業有限公司), a company established in the PRC and a subsidiary of Inspur Group Limited
“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
“connected person”	has the meaning ascribed to this term under the GEM Listing Rules
“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 Sale Transaction under the Master Agreement and the Sale Caps
“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
“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 Sale Transaction under the Master Agreement and the Sale Caps
“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 to be acquired by the Group under the Acquisition
“IP Group”	Inspur Group Limited, which is a company established in the PRC, and its wholly owned subsidiary, Inspur Electronics (HK) Limited, 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
“Master Agreement”	the master agreement entered into between Inspur Group Limited and Inspur Communication dated 9 November 2007 in respect of (i) the Sale Transaction and payment of commission to Shandong Inspur; (ii) purchases of computing machines from Beijing Inspur; and (iii) sharing of resources with Inspur Group Limited and its subsidiaries
“Payment Caps”	the maximum annual caps payable by Inspur Communication in respect of (i) payment of commission to Shandong Inspur under the Sale Transaction; (ii) purchases of computing machines from Beijing Inspur; and (iii) sharing of resources with Inspur Group Limited and its subsidiaries set under the Master Agreement
“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

“Sale Caps”	the maximum annual caps receivable by Inspur Communication in respect of sale of software and related services to Shandong Inspur set under the Sale Transaction
“Sale Transaction”	the sale of software and related services to Shandong Inspur contemplated under the Master Agreement
“Shandong Inspur”	Shandong Inspur Cheeloosoft Company Limited (山東浪潮齊魯軟件產業股份有限公司), a company established in the PRC and a subsidiary of Inspur Group Limited
“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 to be acquired by the Group under the Acquisition
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“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.

For illustration purpose, an exchange rate of HK\$1.00 to RMB0.978 is used in this announcement.

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

Hong Kong, 12 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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