
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt about this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Inspur International Limited, you should at once hand this circular and the accompanying proxy form to the purchaser(s) or transferee(s) or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).

The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this circular, 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 circular.

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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
AND
POTENTIAL CONTINUING CONNECTED TRANSACTION**

Independent financial adviser to the Company



REXCAPITAL (Hong Kong) Limited

The notice convening an extraordinary general meeting of the Company to be held at Meeting Room 5, 7th Floor, Hong Kong International Trade & Exhibition Centre, 1 Trademart Drive, Kowloon Bay, Kowloon, Hong Kong at 10:00 a.m. on Friday, 14 December 2007 is set out on pages 33 to 35 herein.

A form of proxy for use at the extraordinary general meeting is enclosed. Whether or not you intend to attend the meeting, you are requested to complete the form of proxy and return the same to Computershare Hong Kong Investor Limited, the Company's branch share registrar in Hong Kong, at Rooms 1806-07, 18th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong in accordance with the instructions printed thereon not less than 48 hours before the time appointed for the meeting (or any adjourned meeting). Completion and delivery of the form of proxy will not preclude you from attending and voting at the meeting (or any adjourned meeting) if you so wish.

This circular will remain on the GEM website at <http://www.hkgem.com> on the "Latest Company Announcements" page for seven days from the date of its publication.

* For identification purposes only

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET OF THE STOCK EXCHANGE OF HONG KONG LIMITED

The Growth Enterprise Market (“GEM”) of The Stock Exchange of Hong Kong Limited (“Stock Exchange”) 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 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.

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DEFINITIONS

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

“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” under the section headed “Letter from the Board” in this circular
“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, the Sale Transaction, the Sale Caps 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 circular

DEFINITIONS

“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, the Sale Transaction, the Sale Caps 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 immediately before Completion
“IP Group”	Inspur Group Limited (浪潮集團有限公司), 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 as at the Latest Practicable Date
“Latest Practicable Date”	23 November 2007, being the latest practicable date prior to the printing of this circular of the purpose of ascertaining certain information contained in this circular
“Master Agreement”	the master agreement entered into between Inspur Group Limited and Inspur Communication dated 9 November 2007 in respect of, among other matters, the Sale Transaction
“PRC”	the People’s Republic of China, and for the purposes for this circular 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 circular

DEFINITIONS

“PRC Vendor”	Shandong Inspur Electronic Information Technology Company Limited (山東浪潮電子信息科技有限公司), 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)
“REXCAPITAL”	REXCAPITAL (Hong Kong) Limited, a licensed corporation to carry out type 6 regulated activity under the SFO, being the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders on the terms of the Acquisition Agreement, the Sale Transaction under the Master Agreement and the Sale Caps
“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
“SFO”	Securities and Futures Ordinance, Cap. 571 of the Laws of Hong Kong
“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

DEFINITIONS

“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.

The English translation of Chinese names or words in this circular is included for information purpose only, and should not be regarded as the official English translation of such Chinese names or words.

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

LETTER FROM THE BOARD



INSPUR INTERNATIONAL LIMITED

浪潮國際有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8141)

Executive Directors:

Mr. Sun Pishu (*Chairman*)
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

Registered office:

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

***Head office and principal place
of business in Hong Kong:***

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

27 November 2007

To the Shareholders

Dear Sir or Madam

**DISCLOSEABLE AND CONNECTED TRANSACTION
AND
POTENTIAL CONTINUING CONNECTED TRANSACTION**

INTRODUCTION

Reference is made to the announcement of the Company dated 6 November 2007 in relation to the Acquisition Agreement entered into by the Group 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.

* *For identification purposes only*

LETTER FROM THE BOARD

Reference is also made to the announcement of the Company dated 12 November 2007 in relation to the signing of the Master Agreement in relation to, among other matters, the Sale Transaction which is expected to constitute a non-exempt continuing connected transaction of the Company upon Completion.

The purposes of this circular are, among others, (i) to provide you with further information relating to the Acquisition and the Acquisition Agreement; (ii) to provide you with further information relating to the Sale Transaction under the Master Agreement and the Sale Caps; (iii) to set out the recommendation from the Independent Board Committee to the Independent Shareholders; (iv) to set out the recommendation from REXCAPITAL to the Independent Board Committee and the Independent Shareholders; and (v) to give you the notice of EGM.

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)
(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.

LETTER FROM THE BOARD

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;

LETTER FROM THE BOARD

(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.

As at the Latest Practicable Date, none of the above condition has been fulfilled.

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

To the best of the Director's knowledge, information and belief having made all reasonable enquiries, 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.

To the best of the Director's knowledge, information and belief having made all reasonable enquiries, 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 circular, 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.

LETTER FROM THE BOARD

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):

	For the ten months ended 31 October 2007 (unaudited) RMB'000	For the year ended 31 December 2006 (audited) RMB'000	For the year ended 31 December 2005 (audited) RMB'000
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.

The Directors (including the independent non-executive 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.

POTENTIAL CONTINUING CONNECTED TRANSACTION

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 sold software and related services to Shandong Inspur in the course of its ordinary business for the amount of approximately RMB16,114,000, RMB19,007,000 and RMB6,543,000 respectively.

LETTER FROM THE BOARD

As the Sale Transaction is expected to continue after Completion and it will be entered into in the ordinary course of business of Inspur Communication, it will constitute a continuing connected transaction 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 (浪潮集團有限公司)

Pursuant to the terms of the Master Agreement, Inspur Group Limited shall, among other matters, 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.

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.

In determining the Sale Caps, the Board has taken into account: (i) the historical figures and the trend for the Sale Transaction 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.

LETTER FROM THE BOARD

REASONS FOR ENTERING INTO THE MASTER AGREEMENT

Upon Completion, Inspur Communication will become a wholly-owned subsidiary of the Company. As mentioned above, 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.

As the Sale Transaction contemplated under the Master Agreement is recurring in nature and represents 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 before Inspur Communication has become a wholly-owned subsidiary of the Company.

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 are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

INFORMATION ABOUT INSPUR GROUP LIMITED, PRC VENDOR AND SHANDONG INSPUR

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. The PRC Vendor is a subsidiary of Inspur Group Limited 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. 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.

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.

LETTER FROM THE BOARD

As Inspur Group Limited is a connected person 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. 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

Set out on pages 33 to 35 of this circular is a notice convening the EGM which will be held at Meeting Room 5, 7th Floor, Hong Kong International Trade & Exhibition Centre, 1 Trademart Drive, Kowloon Bay, Kowloon, Hong Kong at 10:00 a.m. on Friday, 14 December, 2007 at which resolutions will be proposed to approve, among others, the Acquisition, the Sale Transaction under the Master Agreement and the Sale Caps.

The Acquisition, the Sale Transaction under the Master Agreement and the Sale Caps are all 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 resolutions at the EGM due to their interest in the Acquisition and the Master Agreement. There is (i) no voting trust or other agreement or arrangement or understanding entered into by or binding upon IP Group, its ultimate beneficial owners and their respective associates; and (ii) no obligation or entitlement of each of IP Group, its ultimate beneficial owners and their respective associates as at the Latest Practicable Date, whereby it has or may have temporarily or permanently passed control over the exercise of the voting right in respect of its Shares to a third party, either generally or on a case-by-case basis.

A form of proxy for the EGM is enclosed. Whether or not you propose to attend the EGM, you are requested to complete the form of proxy and return the same to Computershare Hong Kong Investor Limited, the Company's branch share registrar in Hong Kong, at Rooms 1806-07, 18th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong in accordance with the instructions printed thereon not less than 48 hours before the time appointed for the meeting (or any adjourned meeting). Completion and delivery of the form of proxy will not preclude you from attending and voting at the meeting (or any adjourned meeting) if you so wish.

According 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:

- (a) by the chairman of such meeting; or
- (b) 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

LETTER FROM THE BOARD

- (c) 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
- (d) 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.

Notwithstanding the above, the resolution approving the Acquisition, the Sale Transaction under the Master Agreement and the Sale Caps and the transactions contemplated thereunder will be voted on by way of a poll in the EGM.

RECOMMENDATIONS

Your attention is drawn to the letter from the Independent Board Committee set out on pages 14 to 15 of this circular. The Independent Board Committee, having taken into account the advice of REXCAPITAL, the text of which is set out on pages 16 to 26 of this circular, considers that the Acquisition Agreement, the Sale Transaction under the Master Agreement and the Sale Caps are entered into upon normal commercial terms following arm's length negotiations between the parties to the Acquisition Agreement and the Master Agreement and that the terms of the Acquisition Agreement, the Sale Transaction under the Master Agreement and the Sale Caps are fair and reasonable so far as the Independent Shareholders are concerned and the Acquisition, the Sale Transaction under the Master Agreement and the Sale Caps are in the interests of the Company and the Shareholders as a whole. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the resolutions to be proposed at the EGM to approve the Acquisition, the Sale Transaction under the Master Agreement and the Sale Caps and the transactions contemplated thereunder.

FURTHER INFORMATION

Your attention is also drawn to the additional information set out in the appendix to this circular.

Yours faithfully
By order of the board of Directors of
Inspur International Limited
Sun Pishu
Chairman



INSPUR INTERNATIONAL LIMITED

浪潮國際有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8141)

27 November 2007

To the Independent Shareholders

Dear Sir or Madam,

**DISCLOSEABLE AND CONNECTED TRANSACTION
AND
POTENTIAL CONTINUING CONNECTED TRANSACTION**

We refer to the circular dated 27 November 2007 issued by the Company (the “Circular”), of which this letter forms part. Terms used in this letter shall bear the same meanings as given to them in the Circular unless the context otherwise requires.

We have been appointed as members of the Independent Board Committee to consider the Acquisition, the Sale Transaction under the Master Agreement and the Sale Caps and the transactions contemplated thereunder and to advise the Independent Shareholders as to the fairness and reasonableness of the Acquisition, the Sale Transaction under the Master Agreement and the Sale Caps, and to recommend how the Independent Shareholders should vote at the EGM. REXCAPITAL has been appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

We wish to draw your attention to the letter from the Board, as set out on pages 5 to 13 of the Circular, and the letter from REXCAPITAL to the Independent Board Committee and the Independent Shareholders which contains its advice to us in respect of the Acquisition, the Sale Transaction under the Master Agreement and the Sale Caps, as set out on pages 16 to 26 of the Circular.

Having taken into account of the advice of REXCAPITAL, we consider that the Acquisition Agreement, the Sale Transaction under the Master Agreement and the Sale Caps are entered into upon normal commercial terms following arm’s length negotiations between the parties to the Acquisition Agreement and the Master Agreement, and that the terms of the Acquisition Agreement, the Sale Transaction under the Master Agreement and the Sale Caps to be fair and reasonable so far as the

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Independent Shareholders are concerned, and the Acquisition, the Sale Transaction under the Master Agreement and the Sale Caps are in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the EGM to approve the Acquisition, the Sale Transaction under the Master Agreement and the Sale Caps and the transactions contemplated thereunder.

Yours faithfully,
the Independent Board Committee

Meng Xiang Xu
*Independent non-executive
Director*

Liu Ping Yuan
*Independent non-executive
Director*

Wong Lit Chor, Alexis
*Independent non-executive
Director*

LETTER FROM REXCAPITAL

The following is the text of a letter of advice from REXCAPITAL to the Independent Board Committee and the Independent Shareholders in respect of the Acquisition and the Sale Transaction, and is prepared for inclusion in this circular.



REXCAPITAL (Hong Kong) Limited
34th Floor, COSCO Tower
Grand Millennium Plaza
183 Queen's Road Central
Hong Kong

27 November 2007

*The Independent Board Committee and
the Independent Shareholders*

Inspur International Limited

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

Dear Sirs,

DISCLOSEABLE AND CONNECTED TRANSACTION AND POTENTIAL CONTINUING CONNECTED TRANSACTION

INTRODUCTION

We refer to our appointment to advise the Independent Board Committee and the Independent Shareholders in respect of the fairness and the reasonableness of the terms of the Acquisition and the Sale Transaction under the Master Agreement, details of which are set out in the circular to the Shareholders dated 27 November 2007 (the "Circular"), of which this letter forms a part. Terms used in this letter have the same meanings as defined in the Circular unless the context requires otherwise.

The Company announced that on 2 November 2007, the Group entered into the Acquisition Agreement with the HK Vendor and the PRC Vendor. 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 which is the beneficial owner of 49% of the entire registered capital of Inspur Communication; 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 at a cash consideration of RMB88,000,000.

LETTER FROM REXCAPITAL

As stated in the Letter from the Board (the “Letter”), 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.

The Company also announced on 12 November 2007 that Inspur Communication entered into the Master Agreement with Inspur Group Limited in connection with, among others, the sales of software and related services to Shandong Inspur (i.e. the Sale Transaction). As Shandong Inspur is a subsidiary of Inspur Group Limited which, as mentioned above, is a connected person of the Company and the Sale Caps for the Sale Transaction under the Master Agreement 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.

The Independent Board Committee, comprising Mr. Meng Xiang Xu, Mr. Liu Ping Yuan and Mr. Wong Lit Chor, Alexis, has been established to advise the Independent Shareholders as to whether the terms of the Acquisition and the Sale Transaction (including the Sale Caps) are fair and reasonable so far as the Independent Shareholders are concerned and whether the terms of the Acquisition and the Sale Transaction is in the interest of the Company and the Shareholders as a whole.

BASIS OF OUR OPINION

In formulating our opinion and advice, we have relied upon accuracy of the information and representations contained in the Circular and information provided to us by the Company and its Director(s). We have assumed that all statements, information and representations made or referred to in the Circular and all information and representations which have been provided by the Company and the Director(s), for which they are solely and wholly responsible, were true at the time they were made and continue to be true as at the date hereof. We have also assumed that all statements of belief, opinion and intention made by the Director(s) in the Circular were reasonably made after due and careful enquiry and were based on honestly-held opinions.

We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Director(s) and have been confirmed by the Director(s) that no material facts and representations the omission of which would make any statement in the Circular, including this letter, misleading. We have not, however, conducted any independent in-depth investigation into the business affairs, financial position or future prospects of the Group, nor have we carried out any independent verification of the information provided by the Director(s) and

LETTER FROM REXCAPITAL

management of the Company. We consider that we have reviewed sufficient information to reach an informed view and to justify reliance on the accuracy of the information and representations contained in the Circular and to provide a reasonable basis for our recommendation regarding the Acquisition and the Sale Transaction (including the Sale Caps).

PRINCIPAL FACTORS AND REASONS CONSIDERED

In giving our recommendation to the Independent Board Committee and the Independent Shareholders in respect of the fairness and reasonableness of the terms of the Acquisition and the Sale Transaction (including the Sale Caps), we have taken into consideration the following factors and reasons:

I. THE ACQUISITION

1. Background and 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.

Upon review of the Company's 2006 annual report ("AR 2006"), we note that the Group recorded a total turnover of approximately HK\$870.62 million for the financial year ended 31 December 2006, representing an increase of approximately 19.33% as compared with turnover of approximately HK\$729.56 million recorded in the financial year 2005. The net profit after taxation of Group for the financial year ended 31 December 2006 was approximately HK\$25.15 million, representing an increase of approximately 3.84% from the net profit after taxation of the Group of approximately HK\$24.22 million in the financial year 2005. As advised by the Directors, the increase in both turnover and net profit was primarily due to the increase in sales of computer products and software project income.

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. As set out in the Letter, the main customers of Inspur Communication 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 indicated in the Letter, Inspur Communication has recorded an unaudited net profit after tax of approximately RMB7.30 million for the ten months ended 31 October 2007, representing a significant increase as compared to the audited net profit after tax of approximately RMB0.91 million for the year ended 31 December 2006.

LETTER FROM REXCAPITAL

As disclosed in the Letter, 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.

Having considered (i) the Acquisition provides opportunities to the Company to diversify its revenue sources; (ii) Inspur Communication has a solid existing customer network; (iii) the significant improvement in the financial performance of Spur Communication for the 10 months ended 2007; and (iv) the potential synergies to be realized through the Acquisition such that the Company and Inspur Communication could share the expertise and the client network with each other and therefore complement both of the exiting and new diversified products and business, we agree with the view of the Directors as stated above and are of the opinion that the Acquisition is in the ordinary course of business of the Company and in the interests of the Company and its Shareholders as a whole.

2. Consideration for the Acquisition

The Consideration of RMB88,000,000 shall be satisfied in cash and subject to adjustment (the "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 "First Guaranteed Profit"), 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 "Second Guaranteed Profit"), 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.

As stated in the Letter, the Consideration was arrived at after arm's length negotiation between the parties to the Acquisition Agreement with reference to, among other things, the Adjustment mechanism and the strategic reasons mentioned under the paragraph headed "Reasons for Acquisition" in the Letter. As advised by the Company, given the unaudited net profit after tax of Inspur Communication for the ten months ended 31 October 2007 was about RMB7.30 million 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.

LETTER FROM REXCAPITAL

The Consideration in the aggregate amount of RMB88,000,000 represents a price-earning ratio (“PER”) of (i) 11 times the Initial Guaranteed Profit; and (ii) 5.87 times the Second Guaranteed Profit.

In order to assess the reasonableness of the PER, we have identified comparable companies (the “Comparables”) being listed companies on the Stock Exchange (on GEM or Mainboard) with similar businesses of Inspur Communication including, but not limited to, the provision of software development and maintenance services for telecommunication system and network. To the best of our knowledge, we have identified 13 Comparables by searching through published information on the Stock Exchange’s website. The Comparables may not contain all listed companies in the related industries. The PER is based on their respective market capitalization determined in according to the Stock Exchange as at 2 November 2007, being the date of the Acquisition Agreement, and their respective latest publicly available full year information available in the Stock Exchange’s website. Shareholders should note that the stated PERs of the respective companies could be sensitive to, amongst other things, each of their particular businesses, financial position and market price performance of the shares of the respective companies and therefore, the PERs of the Comparables listed below are for information and reference purposes only.

Comparables	Principal business	PER (times)
Lenovo Group Ltd. (Stock code: 992)	Provision of advanced information technology products and services	60.07
Digital China Holdings Ltd (Stock code: 861)	Distribution of general information technology and systems products and provision of systems integration services	25.29
Pine Technology Holdings Limited (Stock code: 8013)	Design, development, manufacture and distribution of high-quality computer components, computer-related communication products and computer-related consumer electronic products	9.08 <i>(Note 2)</i>
Glory Mark Hi-Tech (Holdings) Ltd. (Stock code: 8159)	Design, development, manufacture and sale of connectivity products mainly for computers and computer peripheral products	5.65
FlexSystem Holdings Limited (Stock code: 8050)	Development and sale of software products and provision of application software services	38.95
SinoCom Software Group Ltd. (Stock code: 299)	Provide outsourcing software development services to customers in the IT sector in Japan	25.26
ZZNode Technologies Co. Ltd. (Stock code: 2371)	Sales of self-developed software, sales of third party software and hardware, system integration and maintenance, training and other services	33.23 <i>(Notes 1, 3)</i>

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Comparables	Principal business	PER (times)
Comba Telecom Systems Holdings Ltd. (Stock code: 2342)	Provide integrated wireless coverage solutions through its national sales and services network to its customers in the PRC	18.80
ZTE Corporation — H Shares (Stock code: 763)	Design, development, production, distribution, installation and maintenance of advanced telecommunications systems and equipment	52.19 <i>(Note 3)</i>
e-Kong Group Ltd. (Stock code: 524)	Provision of telecommunication services	8.81
China Communications Services Corporation Ltd. — H Shares (Stock code: 552)	Provide telecommunications infrastructure services, business process outsourcing services and applications, content and other services	36.39 <i>(Note 3)</i>
Global Link Communications Holdings Ltd. (Stock code: 8060)	Research and development and provision of telecommunications software solutions for new telecommunications services and value-added telecommunication services as well as provision of other communications network solutions	61.9
Capinfo Co. Ltd. — H Shares (Stock code: 8157)	Installation of network systems, network design, consultancy and related technical services and sales of computers, related accessories and equipment	129.60 <i>(Note 3)</i>
	Range:	5.65 to 129.60
	Mean:	38.86

Notes:

1. Trading in shares was suspended on 2 November 2007. The PER was based on the closing price on the date immediately prior to the suspension.
2. For calculation purposes, the earning per share recorded in USD was converted into HK\$ under the exchange rate of HK\$1 to USD0.128.
3. For calculation purposes, the earning per share recorded in RMB was converted into HK\$ under the exchange rate of HK\$1 to RMB0.96.

As indicated in the above table, the PERs based on the Initial Guaranteed Profit and the Second Guaranteed Profit, being 11 times and 5.87 times respectively, are within the PERs of the Comparables which ranged from 5.65 times to 129.60 times and below the mean PER of 38.86 times.

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Having considered the above and given the unaudited net profit after tax of Inspur Communication for the ten months ended 31 October 2007 was about RMB7.30 million, which is 91.25% of the Initial Guaranteed Profit, we consider the Adjustment (including the aggregate maximum cap of RMB28,000,000) and the Consideration is fair and reasonable so far as the Independent Shareholders are concerned.

3. Financial effects of the Acquisition

(i) *Net asset value*

As reported in the AR 2006 and the 2007 interim report of the Group (the “IR 2007”), the audited consolidated net asset value of the Group as at 31 December 2006 was approximately HK\$164.85 million and the unaudited consolidated net asset value of the Group as at 30 June 2007 was approximately HK\$160.72 million. Upon completion of the Acquisition, Inspur Communication will be consolidated into the Group and the Directors estimated that the net asset value of the Group would be decreased by approximately HK\$28.60 million (being the difference between the Consideration and the unaudited net asset value of Inspur Communication of approximately RMB59.4 million as at 31 October 2007).

(ii) *Earnings*

As mentioned above, upon completion of the Acquisition, Inspur Communication will be consolidated into the Group. In view of the First Profit Guaranteed, the Second Profit Guaranteed and the synergy effects to the Group as a result of the Acquisition, we consider that it is a fair expectation that the Acquisition will have a positive impact on the future earning growth potential of the Group.

(iii) *Gearing ratio*

According to the IR 2007, the Group has an unaudited bank balances and cash of approximately HK\$218 million as at 30 June 2007. As stated in the Letter, the Consideration will be satisfied in cash, hence, the bank balances and cash classified under the current assets of the consolidated balance sheet of the Group will be decreased to the extent of the Consideration of RMB88,000,000. As the Consideration will be settled by internal resources of the Group, it is expected that there is no significant impact on the gearing ratio as a result of the Acquisition.

II. THE SALE TRANSACTION

1. Background and Reasons for the Sale Transaction

Inspur Communication has recurring transactions in connection with, among others, the sales of software and related services to Shangdong Inspur. Upon Completion, Inspur Communication will become a wholly-owned subsidiary of the Company and such transactions are expected to continue thereafter and will be entered into in the ordinary course of business of Inspur Communication.

LETTER FROM REXCAPITAL

As mentioned earlier in this letter, Inspur Communication is principally engaged in the provision of software development and maintenance services for telecommunication system and network in the PRC. As set out in the Letter, part of the software development business of Inspur Communication is referred to it by Shandong Inspur through subcontracting. As mentioned in the Letter, 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 and then subcontract the relevant 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.

We note from the prospectus of the Company dated 20 April 2004 that (i) Inspur Group Limited and its subsidiaries (the “IG Group”) is one of the earliest enterprises engaging in the information technology industry in the PRC; (ii) Inspur Group Limited is one of the 512 State-owned large enterprises (512家國有大型企業) under the supervision of the then State Economic and Trade Commission of the PRC (中華人民共和國國家經濟貿易委員會), one of predecessors of the Ministry of Commerce of the PRC (中華人民共和國商務部), and also one of the Eight Large Enterprises (八大企業集團) under the supervision of the Shandong provincial government; and (iii) IG Group has ranked together with Hewlett-Packard Group, IBM Group and Dell Group as the top four companies in the sales of servers adopting IA standards in the PRC. As confirmed by the Company, the above description continues to reflect the current position of the IG Group in the information technology market in PRC. In view of the above evidence on the good reputation and standing of IG Group in the information technology market in PRC, we consider the business relationship with of Shandong Inspur will enhance the Group’s market reputation and open up more business opportunities for the Group in the PRC market and concur with the Directors that 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 table below set out the historical sales of software and related services to Shandong Inspur for each of the two years ended 31 December 2006, the eight months ended 31 August 2007 and the projected 12-month basis of sales of software and related services to Shandong Inspur for the year ending 31 December 2007 (the “Projected Sales”).

	Historical figures in RMB’000 (unaudited)			
	Projected			
	Sales for the	for the eight	for the	for the
	year ending	months ended	year ended	year ended
	31 December	31 August	31 December	31 December
	2007	2007	2006	2005
Sales of software and related services to Shandong Inspur	9,815 (<i>Note</i>)	6,543	19,007	16,114

Note: This is a figure extrapolated on a straight-line basis based on the average monthly sales figure for the eight months ended 31 August 2007.

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As set out in the Letter, Inspur Communication has recorded an audited turnovers of approximately RMB56.10 million and RMB44.26 million respectively for the two years ended 31 December 2005 and 31 December 2006. The sales of software and related services to Shandong Inspur for the years ended 31 December 2005 and 31 December 2006 represent 28.72 % and 42.93% respectively to the turnovers of Inspur Communication for such two financial years.

As the Sale Transaction contemplated under the Master Agreement is recurring in nature, we concur with the Directors that the Sale Transaction is in the ordinary course of business of Inspur Communication. According to the above factors, we consider the Sale Transaction is in the interest of the Company and its Shareholders as whole.

2. Principle terms of the Sale Transaction under the Master Agreement

(i) *Descriptions*

Pursuant to the terms of the Master Agreement, 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 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).

(ii) *Rationale*

We are advised by the Directors that, in view of the strong reputation, long business history in the computer industry and the state-owned background of IG Group, it is considered that IG Group is in a better position in competing for contracts in the open market and if any, in governmental organizations and large financial institutions. As advised by the Directors that the Group is yet to have a well established customer base for the business in respect of telecommunication system and network, and it is intention of the Group to extend its service to the telecommunication industry and thereby diversify its revenue sources. As such, the Sale Transaction will enable the Group to leverage on IG Group's strong business connection to tap into the customer segments who want to deal with IG Group only and to gradually build up its customer base for such a new area of business for the Group.

LETTER FROM REXCAPITAL

(iii) *The Sale Caps*

The Sale Caps will be RMB15 million (equivalent to approximately HK\$15.3 million) for each of the three years ending 31 December 2010. As set out in the Letter, in determining the Sale Caps, the Board has taken into account (i) 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 historical sales of software and related services by Inspur Communication to Shandong Inspur has been set out under above sectioned headed “**1. Background and Reasons for the Sale Transaction**”.

We observe that the sales of software and related services to Shandong Inspur, subsequent to the growing trend for the two years ended 31 December 2006, has commenced to exhibit a decreasing trend for the eight months ended 31 August 2007. We further note that the average annual sales based on the actual sales figures for the two years ended 31 December 2006 and the Projected Sales for the year ended 31 December 2007 is approximately RMB15 million, which is the same as the Sales Caps. Therefore, we consider the Sale Caps to be fair and reasonable notwithstanding the Sale Caps is below the sales of software and related services to Shandong Inspur for each of the two years ended 31 December 2006.

(iv) *Pricing*

As set out in the Letter, 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.

(v) *Factors considered*

We have considered the followings in relation to the Sale Transaction including that:

- the Group is yet to have a well established customer base for the business in respect of telecommunication system and network, and it is intention of the Group to extend its service to the telecommunication industry and thereby diversify its revenue sources;
- the Sale Transaction will enable the Group to leverage on IG Group’s strong business connection to tap into the customer segment who want to deal with IG Group only and to encourage further demand on such a new area of business for the Group;
- the income generated from the previous sales of software and related services to Shandong Inspur represent 28.72% and 42.93% respectively to the turnovers of Inspur Communication for the years ended 31 December 2005 and 31 December 2006; and

LETTER FROM REXCAPITAL

- Shandong Inspur will only charge Inspur Communication 0.5% commission on the contractual amount for subcontracting the contract to Inspur Communication.

Based on the above, we consider that the Sale Caps for the Sale Transaction is fair and reasonable and the Sale Transaction is (i) in the ordinary and usual course of Inspur Communication's business and the Company upon completion of the Acquisition; (ii) based on normal commercial terms and are fair and reasonable; and (iii) in the interests of the Company and its Shareholders as a whole.

RECOMMENDATION

Taking into account the foregoing, we consider the terms of the Acquisition and the Sale Transaction (including the Sale Caps) are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Independent Shareholders as a whole. We would therefore advise the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the resolutions to approve the Acquisition and the Sale Transaction (including the Sale Caps) to be proposed at the EGM.

Yours faithfully,
For and on behalf of
REXCAPITAL (Hong Kong) Limited
Sam Lum
Director

1. RESPONSIBILITY STATEMENT

This circular, 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:

- (a) the information contained in this circular is accurate and complete in all material respects and is not misleading;
- (b) there are no other matters the omission of which would make any statement in this circular misleading; and
- (c) all opinions expressed in this circular have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

2. DISCLOSURE OF INTERESTS

(a) **Interests and short positions of the Directors and the chief executive of the Company in the securities of the Company and its associated corporations**

As at the Latest Practicable Date, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

(i) *Long positions in Shares*

Name of Director	Type of interests	Number of Shares	Percentage of interests
Wang Miao	Beneficial owner	15,000,000	2.66%
Wang Hung, Alex	Beneficial owner	15,000,000	2.66%

(ii) *Long positions in underlying Shares of the Company.*

Name of Director	Type of interests	Description of equity derivatives (Note 1)	Number of underlying Shares
Sun Pishu	Beneficial owner	share option	4,000,000
Zhang Lei	Beneficial owner	share option	4,000,000
Leung Chi Ho	Beneficial owner	share option	4,000,000
Wang Miao	Beneficial owner	share option	4,000,000
Wang Hung, Alex	Beneficial owner	share option	4,000,000
Xin Wei Hua	Beneficial owner	share option	4,000,000

Note 1: The share options were granted under the pre-IPO share option scheme adopted by the Company on 8 April 2004 at a subscription price of HK\$0.324 per Share. Up to the Latest Practicable Date, none of the above share options had been exercised.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors nor the chief executive of the Company had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

(b) **Persons who have an interest or short position which is discloseable under Divisions 2 and 3 of Part XV of the SFO and substantial Shareholders**

So far as is known to the Directors, as at the Latest Practicable Date, the following person (not being Director or chief executive of the Company) had, or was deemed to have, interests or short positions in the shares or underlying shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or who were directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group:

Long positions in Shares

Name of Shareholders	Type of interests	Number of Shares	Approximate percentage of interests
Inspur Group Limited	Corporate (Note 1)	270,000,000	47.85%
Inspur Electronics (HK) Limited	Beneficial owner	270,000,000	47.85%

Note 1: Inspur Group Limited is taken to be interested in 270,000,000 Shares due to its being 100% shareholders in the issued share capital of Inspur Electronics (HK) Limited.

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

Name of Shareholders	Type of interests	Number of Preferred Shares	Number of underlying Shares	Approximate percentage of interests
Microsoft Corporation	Beneficial owner	234,279,559	234,279,559	100%

Save as disclosed above, as at the Latest Practicable Date, the Directors were not aware of any other person (other than the Directors and the chief executive of the Company) who had, or was deemed to have, interests or short positions in the Shares or underlying Shares (including any interests in options in respect of such capital), which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group.

3. DIRECTORS' OTHER INTEREST

As at the Latest Practicable Date, so far as the Directors are aware of, none of themselves or the management shareholders (as defined in the GEM Listing Rules) of the Company or their respective associates had any interest in a business which competes or may compete with the business of the Group or any other conflicts of interest with the Group.

As at the Latest Practicable Date, none of the Directors has any interest, either direct or indirect, in any assets which have been acquired or disposed of by or leased to or are proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2006, being the date to which the latest published audited financial statements of the Company were made up.

There is no contract or arrangement entered into by any member of the Group subsisting at the Latest Practicable Date in which any Director is materially interested and which is significant to the business of the Group.

4. LITIGATION AND CLAIMS

As at the Latest Practicable Date, neither the Company nor any other member of the Group is engaged in any litigation or claims of material importance pending and no litigation or claim of material importance is known to the Directors to be pending or threatened by or against any member of the Group.

5. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contracts with the Group (excluding contracts expiring or terminable by the employer within one year without payment of compensation other than statutory compensation).

6. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 December 2006, being the date to which the latest audited financial statements of the Company were made up.

7. EXPERT

REXCAPITAL has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter(s) and/or references to its name in the form and context in which they respectively appear.

The following are the qualifications of the expert who has provided its advice and reports (as the case may be), which are contained in this circular:

Name	Qualification
REXCAPITAL	A licensed corporation to carry out type 6 (advising on corporate finance) of the regulated activity under the SFO

As at the Latest Practicable Date, REXCAPITAL was not beneficially interested in the share capital of any member of the Group nor did it have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any Shares, convertible securities, warrants, options or derivatives which carry voting rights in any member of the Group nor did it have any interest, either direct or indirect, in any assets which have been, since the date to which the latest published audited financial statements of the Company were made up (i.e. 31 December 2006), acquired or disposed of by or leased to or are proposed to be acquired or disposed of by or leased to any member of the Group.

8. MISCELLANEOUS

- (a) The registered office of the Company is at Century Yard, Cricket Square, Hutchins Drive, P.O. Box 2681GT, George Town, Grand Cayman, British West Indies, and the head office and principal place of business in Hong Kong of which is at Room 726, Nan Fung Commercial Centre, 19 Lam Lok Street, Kowloon Bay, Kowloon, Hong Kong.
- (b) The principal share registrar and transfer office of the Company is Butterfield Bank (Cayman) Ltd. at Butterfield House, 68 Fort Street, P.O. Box 705, George Town, Grand Cayman, Cayman Islands, British West Indies, and the Hong Kong branch share registrar and transfer office of which is Computershare Hong Kong Investor Services Limited at 46th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong
- (c) The company secretary and qualified accountant of the Company is Mr. Chung Kwok Fai who is an associate member of the Hong Kong Institute of Certified Public Accountants.
- (d) The compliance officer of the Company is Mr. Wang Miao, an executive Director, who is a graduate from Shandong University with a bachelor degree in computer science.

- (e) The Company has 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, among other things, to review and supervise the financial reporting process and internal control system of the Group. The audit committee has three members comprising the three independent non-executive Directors, namely, Mr. Meng Xiang Xu, Mr. Liu Ping Yuan and Mr. Wong Lit Chor, Alexis. Further details of them are set out below:

Mr. Meng Xiang Xu, aged 44, 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.

Mr. Liu Ping Yuan, aged 71, has over 41 years of experience in information technology related industry. 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 49, has over 21 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 both through conventional and on-line platforms. Mr. Wong is also an independent non-executive director of Wing Hing International (Holdings) Limited, a company listed on the Main Board of the Stock Exchange engaged in construction and waste water treatment businesses and Argos Enterprises Holdings Limited, a company listed on GEM engaged in bus operation, city touring and sightseeing business in China.

- (f) The English text of this circular and the accompanying form of proxy shall prevail over their respective Chinese texts in case of inconsistency.

9. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours at the Company's principal place of business in Hong Kong from the date of this circular up to and including the date of the EGM:

- (a) the Acquisition Agreement;
- (b) the Master Agreement;
- (c) the letter of advice from REXCAPITAL to the Independent Board Committee and the Independent Shareholders, the text of which is set out on pages 16 to 26 of this circular;
- (d) the letter of recommendation from the Independent Board Committee to the Independent Shareholders, the text of which is set out on page 14 in this circular; and
- (e) the written consent from REXCAPITAL as referred to in the paragraph headed "Expert" above.

NOTICE OF EGM



INSPUR INTERNATIONAL LIMITED

浪潮國際有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8141)

NOTICE OF EGM

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (“**EGM**”) of Inspur International Limited (the “**Company**”) will be held at Meeting Room 5, 7th Floor, Hong Kong International Trade & Exhibition Centre, 1 Trademart Drive, Kowloon Bay, Kowloon, Hong Kong at 10:00 a.m. on Friday, 14 December 2007 for the purposes of considering and, if thought fit, passing the following resolutions as ordinary resolutions:

ORDINARY RESOLUTIONS

1. “**THAT**

- (a) the acquisition agreement dated 2 November 2007 (the “**Acquisition Agreement**”) between (i) Sparkle Rise Investments Limited (耀升投資有限公司) and Shangdong Inspur Electronic Information Technology Company Limited (山東浪潮電子信息科技有限公司) as vendors and (ii) the Company and Inspur (Shangdong) Electronic Information Company Limited (浪潮(山東)電子信息有限公司) as purchasers in relation to the acquisition of the entire issued share capital of Shine Victory International Limited (耀凱國際有限公司) (which is the beneficial owner of 49% of the registered capital of Inspur Communication Information System Limited (浪潮通信信息系統有限公司) (“**Inspur Communication**”)) and the remaining 51% of the registered capital of Inspur Communication, a copy of the Acquisition Agreement has been produced to this meeting marked “A” and signed by the Chairman of the meeting for the purpose of identification, and the transactions contemplated by the Acquisition Agreement be and are hereby approved, confirmed and ratified; and
- (b) the directors of the Company be and are hereby authorised to do all other acts and things and execute all documents which they consider necessary or expedient for the implementation of and giving effect to the Acquisition Agreement and the transactions contemplated thereunder.”

2. “**THAT**

- (a) the sales (the “**Sale Transaction**”) of software and related services to Shandong Inspur Cheeloosoft Company Limited (山東浪潮齊魯軟件產業股份有限公司) under the master agreement dated 9 November 2007 (the “**Master Agreement**”) between Inspur Group Limited (浪潮集團有限公司) and Inspur Communication subject to the maximum aggregate

NOTICE OF EGM

annual values of RMB15 million, RMB15 million and RMB15 million for each of the three years ending 31 December 2010 respectively, a copy of the Master Agreement has been produced to this meeting marked “B” and signed by the Chairman of the meeting for the purpose of identification, be and are hereby approved, confirmed and ratified; and

- (b) the directors of the Company be and are hereby authorised to do all other acts and things and execute all documents which they consider necessary or expedient for the implementation of and giving effect to the Sale Transaction under the Master Agreement.”

By order of the Board
Inspur International Limited
Sun Pishu
Executive Director

Hong Kong, 27 November 2007

Registered office:

Century Yard
Cricket Square
Hutchins Drive
P.O. Box 2681 GT
George Town
Grand Cayman
British West Indies

***Head office and principal place of
business in Hong Kong:***

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

Notes:

1. A member entitled to attend and vote at the EGM is entitled to appoint one or more proxy to attend and, subject to the provisions of the articles of association of the Company, to vote on his behalf. A proxy need not be a member of the Company but must be present in person at the EGM to represent the member. If more than one proxy is so appointed, the appointment shall specify the number and class of shares in respect of which each such proxy is so appointed.
2. In order to be valid, the form of proxy must be duly completed and signed in accordance with the instructions printed thereon and deposited together with a power of attorney or other authority, if any, under which it is signed, or a certified copy of such power or authority, at the Company’s branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited at Rooms 1806-07, 18th Floor, Hopewell Centre, 183 Queen’s Road East, Hong Kong not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof. Completion and return of a form of proxy will not preclude a member from attending in person and voting at the EGM or any adjournment thereof, should he so wish.

NOTICE OF EGM

3. In the case of joint holders of shares, any one of such holders may vote at the EGM, either personally or by proxy, in respect of such share as if he was solely entitled thereto, but if more than one of such joint holder are present at the EGM personally or by proxy, that one of the said persons so present whose name stands first on the register of members of the Company in respect of such shares shall alone be entitled to vote in respect thereof.
4. The voting on all resolutions at the EGM will be conducted by way of a poll.

* *For identification purposes only*