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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)

**MAJOR AND CONNECTED TRANSACTION
AND
RESUMPTION OF TRADING**

On 18 December 2007, the Company entered into the Acquisition Agreement pursuant to which the Company has agreed to purchase and the Vendor has agreed to sell the entire issued share capital of Intersource which indirectly owns 21.26% equity interest in LC Genersoft.

The Consideration shall be RMB35,079,000 which shall be subject to adjustment by reference to the audited net profits after tax of LC Genersoft for the year(s) ending 31 December 2007 and/or 2008 provided that it shall not be less than RMB20,000,000 after such adjustment (if any).

As at the date hereof, LC Genersoft is beneficially owned as to 30.05% by Inspur (Shandong) Electronic Information Limited, a wholly owned subsidiary of the Company, as to 21.26% by Intersource and as to the balance of 48.69% by Shandong Inspur Cheeloosoft Company Limited (which is a subsidiary of IP Group). Immediately after Completion, the Company will indirectly own 51.31% equity interest in LC Genersoft and the financial results of LC Genersoft and its subsidiaries will be consolidated into the accounts of the Group.

As IP Group, through its wholly owned subsidiary, Inspur Electronics (HK) Limited, beneficially owns 47.85% of the entire issued share capital of the Company, it is a controlling Shareholder for the purposes of the GEM Listing Rules. Although Shandong Inspur Cheeloosoft Company Limited is beneficially owned as to 26.49% by IP Group, it is regarded as a subsidiary of IP Group as IP Group is its single largest shareholder and has controlled the majority of its board of directors. As such, IP Group indirectly owns 12.90% equity interest in LC Genersoft and therefore is a substantial shareholder of the LC Genersoft. Pursuant to Rule 20.13(1)(b)(i), as the Acquisition involves acquiring an equity interest in LC Genersoft (one of the substantial shareholder of which is the controlling Shareholder), the Acquisition constitutes a connected transaction. As the relevant percentage ratio after aggregation with the Inspur Communication Transaction exceeds 25% but below 100%, it constitutes a major transaction. As such, the Acquisition is subject to, among other things, the approval by the Independent Shareholders at the EGM to be taken by way of a poll. IP Group, its ultimate beneficial owners and their respective associates shall abstain from voting for the relevant resolution at the EGM due to their interest in the Acquisition. A circular containing, among other things, further information in respect of the Acquisition, the letter from an independent financial adviser to the Independent Board Committee and the Independent Shareholders, the recommendation of the Independent Board Committee to the Independent Shareholders on the Acquisition together with the notice of the EGM will be despatched to the Shareholders in accordance with the GEM Listing Rules as soon as practicable.

At the request of the Company, trading in the Shares on GEM has been suspended with effect from 9:30 a.m. on 19 December 2007 pending the issue of this announcement. Application has been made by the Company to the Stock Exchange for the resumption of trading in the Shares on GEM with effect from 9:30 a.m. on 21 December 2007.

INTRODUCTION

The Board is pleased to announce that on 18 December 2007, the Company entered into the Acquisition Agreement with the Vendor. Further details of the Acquisition are set out below:

ACQUISITION AGREEMENT

Date : 18 December 2007

Parties: Vendor: Total Charm Investments Limited

Purchaser: The Company

To the best of directors' knowledge, information and belief having made all reasonable enquiry, the Vendor and its ultimate beneficial owners are third parties independent of the Company and its connected persons.

Assets to be acquired

Pursuant to the Acquisition Agreement, the Company has conditionally agreed to purchase and the Vendor has conditionally agreed to sell the Sale Shares, being the entire issued share capital of Intersource.

Consideration

The Consideration shall be RMB35,079,000 which shall be satisfied in cash by internal resources of the Group in the following manner:

- (a) within 15 days from the date of the Acquisition Agreement, the Group shall pay RMB10,000,000 to the Vendor as deposit; and
- (b) subject to the fulfilment of the Conditions, the Group shall pay RMB25,079,000 to the 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 LC Genersoft for the financial year ending 31 December 2007 is less than RMB15,000,000, the Vendor shall refund to the Group an amount equal to the product of 11 times of the amount of shortfall and the Vendor's percentage of equity interest in LC Genersoft (i.e. 21.26%) as at the date of the Acquisition Agreement, subject to a maximum cap of RMB15,079,000; and/or
- (ii) If the actual audited profit after tax (based on the accounting principles generally accepted in Hong Kong) of LC Genersoft for the financial year ending 31 December 2008 is less than RMB25,000,000, the Vendor shall refund to the Group an amount equal to the product of 11 times of the amount of shortfall and the Vendor's percentage of equity interest in LC Genersoft (i.e. 21.26%) as at the date of the Acquisition Agreement, provided that such refund together with any refund made by the Vendor under paragraph (i) above in respect of the financial year ending 31 December 2007 shall not exceed RMB15,079,000 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 LC Genersoft for the eleven months ended 30 November 2007 was about RMB13,070,000 . 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 LC Genersoft for the year ending 31 December 2007.

The Directors consider that the Consideration and the terms of the Acquisition Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Conditions

The Acquisition is conditional upon the following conditions having been fulfilled at or before 12:00 noon on 28 February 2008 or such later date as may be agreed by the Company in writing:

- (i) the Independent Shareholders passing at the EGM the necessary resolution approving the Acquisition;
- (ii) the Group having satisfied with the results of the due diligence exercise to be carried out by it on Intersource, Jinan Qiyi and LC Genersoft;
- (iii) the warranties given by the Vendor in the Acquisition Agreement remaining true and accurate in all material respect; and
- (iv) all relevant approvals and consents for the Acquisition having been obtained.

If the Conditions cannot be fulfilled by the time specified, the Acquisition Agreement shall be terminated and the deposit paid by the Group shall be refunded by the Vendor within 10 days thereafter.

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).

INFORMATION ON INTERSOURCE AND JINAN QIYI

Intersource is an investment holding company incorporated in the British Virgin Islands with limited liability in April 2005. The authorized share capital of Intersource is US\$50,000 divided into 50,000 ordinary shares with a par value of US\$1.00 each, all of which have been issued and beneficially owned by the Vendor. Save for its investment in the entire equity interest of Jinan Qiyi, it has no other business and does not have any significant assets and liabilities.

Jinan Qiyi is a wholly owned foreign enterprise established in PRC with limited liability in June 2003. It is principally engaged in investment holding and has acted as a passive investor of LC Genersoft. Save for its investment in 21.26% equity interest of LC Genersoft, it has no other business and does not have any significant assets and liabilities.

INFORMATION OF LC GENERSOFT

LC Genersoft is a domestic limited liability company established in the PRC in May 1994. LC Genersoft, and its subsidiaries, are principally engaged in the development, distribution of enterprise resources planning products, and offering all-round services for enterprise informationization. Its products, as some of the most successful products in China top-tier market, have quite a large percentage of market share, and its clients includes state enterprises, domestic listed companies, companies in pharmaceutical industry, military industry.

As at the date of the Acquisition Agreement, LC Genersoft is beneficially owned (i) as to approximately 48.69% by Shandong Inspur Cheeloosoft Company Limited, the issued A shares of which are listed on the Shanghai Stock Exchange in the PRC and a subsidiary of IP Group, (ii) as to approximately 30.05% by Inspur (Shandong) Electronic Information Limited, a wholly owned subsidiary of the Company and (iii) as to approximately 21.26% by Jinan Qiyi. There are five directors in LC Genersoft, two of which are nominated by Shandong Inspur Cheeloosoft Company Limited, two of which are nominated by the Group and one of which is nominated by Jinan Qiyi. Immediately after Completion, the Group will have three representatives in the board of directors of LC Genersoft.

The following table shows the turnover, net profit before tax and net profit after tax of LC Genersoft and its subsidiaries based on its audited consolidated financial statements for 2005 and 2006, and the unaudited consolidated management accounts for the eleven months ended 30 November 2007 (prepared under the generally accepted accounting principles in the PRC):

	For the eleven months ended 30 November 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	120,244	126,440	115,622
Net profit before tax	13,213	10,762	12,154
Net profit after tax	13,070	11,244	11,138

The audited consolidated net asset value of LC Genersoft as at 31 December 2006 was about RMB140,243,201.70. Based on the information available to the Board, the unaudited consolidated net asset value of LC Genersoft as at 30 November 2007 was about RMB 153,773,000 .

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. Based on the information available to the Group, the enterprise resources planning products provided by LC Genersoft has established its standing in the fields like pharmaceutical, petrochemical, food processing, machinery manufacturing and construction and the services provided by LC Genersoft is ranked the first among other management software providers. The finance management software provided by LC Genersoft is also ranked the first in terms of the degree of customers' satisfaction on the management software in the PRC. According to the information provided by LC Genersoft, about 20% of the listed companies in the PRC and about 35% of the securities companies in the PRC apply the management software system provided by LC Genersoft to their business.

In view of the customer profile, turnover and profitability of LC Genersoft, the Directors consider that the Acquisition will result in LC Genersoft becoming a subsidiary of the Company and the financial results of LC Genersoft will be consolidated into the accounts of the Group, thereby further enhancing the Group's overall business performance, strengthening its revenue base and diversifying its business risk by enlarging its product and service base.

IMPLICATIONS UNDER THE GEM LISTING RULES

As IP Group, through its wholly owned subsidiary, Inspur Electronics (HK) Limited, beneficially owns 47.85% of the entire issued share capital of the Company, it is a controlling Shareholder for the purposes of the GEM Listing Rules. Although Shandong Inspur Cheeloosoft Company Limited is beneficially owned as to 26.49% by IP Group, it is regarded as a subsidiary of IP Group as IP Group is its single largest shareholder and has controlled the majority of its board of directors. As such, IP Group indirectly owns 12.90% equity interest in LC Genersoft and therefore is a substantial shareholder of the LC Genersoft. Pursuant to Rule 20.13(1)(b)(i), as the Acquisition involves acquiring an equity interest in LC Genersoft (one of the substantial shareholder of which is the controlling Shareholder), the Acquisition constitutes a connected transaction.

Reference is made to the announcement made by the Company dated 6 November 2007 in relation to the Inspur Communication Transaction which is a connected transaction on the part of the Company as acquisition from IP Group is involved. As LC Genersoft is related to IP Group, the Acquisition shall be aggregated with the Inspur Communication Transaction for the purposes of the Listing Rules. The relevant percentage ratio after aggregation with the Inspur Communication Transaction exceeds 25% but below 100%, it constitutes a major transaction. As such, the Acquisition is subject to, among other things, the approval by the Independent Shareholders at the EGM to be taken by way of a poll. IP Group, its ultimate beneficial owners and their respective associates shall abstain from voting for the relevant resolution at the EGM due to their interest in the Acquisition.

GENERAL

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

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

RESUMPTION OF TRADING

At the request of the Company, trading in the Shares on GEM has been suspended with effect from 9:30 a.m. on 19 December 2007 pending the issue of this announcement. Application has been made by the Company to the Stock Exchange for the resumption of trading in the Shares on GEM with effect from 9:30 a.m. on 21 December 2007.

DEFINITIONS

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

“Acquisition”	the acquisition by the Company of the entire issued share capital of Intersource from the Vendor subject to and upon the terms and conditions of the Acquisition Agreement
“Acquisition Agreement”	the sale and purchase agreement dated 18 December 2007 and entered into between the Vendor and the Company in respect of the Acquisition
“associates”	has the meaning ascribed to this term under the GEM Listing Rules
“Board”	the board of Directors
“Company”	Inspur International Limited, an exempted company incorporated in the Cayman Islands with limited liability and the issued Shares of which are listed on GEM
“Completion”	completion of the Acquisition pursuant to the Acquisition Agreement
“Conditions”	the conditions precedent to the Acquisition Agreement which are set out in the paragraph headed “Conditions” in this announcement
“connected person(s)”	has the meaning ascribed to this term under the GEM Listing Rules
“Consideration”	the consideration for the Acquisition
“Directors”	directors of the Company

“EGM”	the extraordinary general meeting of the Company to be convened and held to consider and, if thought fit, to approve, among other things, the Acquisition and the transactions contemplated thereunder
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	an independent board committee, comprising Mr. Meng Xiang Xu, Mr. Liu Ping Yuan and Mr. Wong Lit Chor, Alexis, all being the independent non-executive Directors, to advise the Independent Shareholders as to the fairness and reasonableness of the Acquisition and the transactions contemplated thereunder
“Independent Shareholders”	Shareholders other than IP Group, its ultimate beneficial owners and their respective associates
“Inspur Communication Transaction”	the acquisition of the entire issued share capital of Shine Victory International Limited and 51% of the equity interest of Inspur Communication Information System Limited as announced by the Company dated 6 November 2007
“Intersource”	Intersource Technology Limited, a company incorporated in the British Virgin Islands with limited liability, the entire issued share capital of which is beneficially owned by the Vendor
“IP Group”	Inspur Group Limited, which is a company established in the PRC and through its wholly owned subsidiary, Inspur Electronics (HK) Limited, being the management Shareholder and controlling Shareholder for the purpose of the GEM Listing Rules interested in 47.85% of the existing issued share capital of the Company

“Jinan Qiyi”	Jinan Qiyi Information Technology Limited* (濟南啟益信息科技有限公司), a wholly owned foreign enterprise established in the PRC, the entire issued equity interest of which is beneficially owned by Intersource
“LC Genersoft”	Inspur Group ShanDong Genersoft Software Incorporation* (浪潮集團山東通用軟件有限公司), a domestic limited liability company established under the laws of the PRC
“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 Shares”	the entire issued share capital of Intersource which is beneficially owned by the Vendor as at the date of this announcement
“Share(s)”	ordinary share(s) of HK\$0.002 each in the share capital of the Company
“Shareholder(s)”	holder(s) of Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Vendor”	Total Charm Investments Limited (全雅投資有限公司), a company incorporated in the British Virgin Islands with limited liability
“HK\$”	Hong Kong dollars, the lawful currency for the time being of Hong Kong
“RMB”	Renminbi, the lawful currency for the time being of the PRC
“%”	per cent.

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

Hong Kong, 20 December 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 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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