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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 IN RELATION TO THE ACQUISITION OF 60% EQUITY INTEREST IN SHANDONG INSPUR BUSINESS SYSTEM COMPANY LIMITED**

On 19 February 2008, the Group entered into the Acquisition Agreement pursuant to which the Group has agreed to purchase and the Vendor has agreed to sell the Sale Shares (representing 60% of the registered capital of the Target Company).

The Consideration shall be RMB36,000,000 (which shall be subject to adjustment) by reference to the audited net profits after tax of the Target Company for the year ended 31 December 2007. Immediately after Completion, the Company will own 100% equity interest in the Target Company and the financial results of the Target Company will be consolidated into the accounts of the Group.

IP Group, through its wholly owned subsidiary, Inspur Electronics (HK) Limited, beneficially holding 44.55% of the entire issued share capital of the Company, is a substantial Shareholder. The Vendor is beneficially owned as to 80% by IP Group and is therefore regarded as a connected person (as defined under the GEM Listing Rules) of the Company. As such, the Acquisition constitutes a connected transaction for the purposes of the GEM Listing Rules. Since the relevant percentage ratios are more than 5% but less than 25%, the Acquisition is a discloseable transaction on the part of the Company.

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 (including its ultimate beneficial owners and their respective associates) and the Vendor (including its ultimate beneficial owners and their respective associates) shall abstain from voting for the relevant resolution at the EGM due to their interest in the Acquisition. A circular containing, among other things, further information in respect of the Acquisition, the letter from independent financial adviser to the Independent Board Committee and the Independent Shareholders, the recommendation of the Independent Board Committee to the Independent Shareholders on the Acquisition together with the notice of the EGM will be despatched to the Shareholders in accordance with the GEM Listing Rules as soon as practicable.

## **INTRODUCTION**

The Board is pleased to announce that on 19 February 2008, the Group entered into the Acquisition Agreement with the Vendor. Further details of the Acquisition are set out below:

## **ACQUISITION AGREEMENT**

Date: 19 February 2008

Parties: Vendor: Jinan Inspur Network Technology Development Limited<sup>#</sup>  
Purchaser: Inspur (Shangdong) Electronic Information Company Limited<sup>#</sup>, a wholly-owned subsidiary of the Company

The Vendor is beneficially owned as to 80% by IP Group and is therefore regarded as a connected person (as defined under the GEM Listing Rules) of the Company.

### **Assets to be acquired**

Pursuant to the Acquisition Agreement, the Group has conditionally agreed to purchase and the Vendor has conditionally agreed to sell the Sale Shares (representing 60% of the registered capital of the Target Company). The Sale Shares were acquired by the Vendor at RMB30,000,000.

### **Consideration**

The Consideration shall be RMB36,000,000 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 RMB26,000,000 to the Vendor within 15 days after the date of EGM.

The Consideration is subject to adjustment as follows:

If the actual audited profit (the “**2007 Actual Profit**”) after tax (based on the accounting principles generally accepted in Hong Kong) of the Target Company for the financial year ended 31 December 2007 is less than RMB6,000,000, the Vendor shall refund to the Group an amount calculated from the formula below:

$$\text{Refund} = (\text{RMB6,000,000} - \text{2007 Actual Profit}) \times 60\% \times 10$$

If the 2007 Actual Profit is greater than RMB6,000,000, no additional sum is required to be paid to the Vendor by the Purchaser.

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 the Acquisition” below.

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 30 April 2008 or such later date as may be agreed by the Group in writing:

- (i) the Independent Shareholders passing at the EGM the necessary resolution approving the Acquisition;
- (ii) the Group having satisfied with the results of the due diligence exercise to be carried out by it on the Target Company; and
- (iii) 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 of RMB10,000,000 paid by the Group shall be refunded without interest 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 OF THE TARGET COMPANY

The Target Company is a domestic limited liability company established in the PRC in April 2003, and is principally engaged in the development, production and sale of computer software and computer peripherals particularly in respect of computerized cashier machines and point-of-sale terminals, and the provision of relevant information technology solution services.

As at the date of the Acquisition Agreement, the Target Company is beneficially owned (i) as to 40% by the Group and (ii) as to 60% by the Vendor. The Group first acquired its 40% interest in the Target Company in 2005, details of which were disclosed in the Company's announcement dated 21 April 2005 and the Company's circular dated 13 May 2005.

The following table shows the turnover, net profit before tax and net profit after tax of the Target Company based on its audited financial statements for the year ended 31 December 2006, and the unaudited management accounts for the year ended 31 December 2007 (prepared under the generally accepted accounting principles in the PRC):

	<b>For the year ended 31 December 2007 (unaudited) RMB'000</b>	<b>For the year ended 31 December 2006 (audited) RMB'000</b>
Turnover	61,271	72,944
Net profit before tax	6,536	94
Net profit after tax	6,254	94

The audited net asset value of the Target Company as at 31 December 2006 was about RMB36,404,227. Based on the information available to the Board, the unaudited net asset value of the Target Company as at 31 December 2007 was about RMB42,699,848.

## 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 State Administration of Taxation of the PRC and the Ministry of Finance of the PRC have launched a pilot scheme to require tax-paying companies of substantial size in the retail, food and beverage, entertainment, service and transportation industry which have permanent places of business to purchase tax-collection cashier machines. Such a pilot scheme has been successful in several provinces in the PRC. In 2007, the provincial and city tax administration has begun to launch tender for tax-collection cashier machines. With the support of national policy, it is expected that the use of such tax-collection cashier machines will enter into a peak season. At present there are more than 30,000,000 tax entities in the PRC. It is estimated that the market size for tax-collection cashier machine was up to about RMB60 billion with a yearly growth rate of about 15%.

Based on the information available to the Group, the computerized cashier machines manufactured by the Target Company for tax collection is the best-seller among other similar products made by other competitors in the PRC for three consecutive years. The Target Company is a market leader of such product in 2007 with more than 25% market share. In view of the anticipated widespread use of the computerized cashier machines for tax collection in the next 5 years as encouraged by the national policy, the Directors consider that the Acquisition will enable the Group to take a leading role in the market of such equipment, capturing the rapid market growth, 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.

Immediately after Completion, the Company will own 100% equity interest in the Target Company and the financial results of Target Company will be consolidated into the accounts of the Group.

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

IP Group, through its wholly owned subsidiary, Inspur Electronics (HK) Limited, beneficially holding 44.55% of the entire issued share capital of the Company, is a substantial Shareholder. The Vendor is beneficially owned as to 80% by IP Group and is therefore regarded as a connected person (as defined under the GEM Listing Rules) of the Company. As such, the Acquisition constitutes a connected transaction for the purposes of the GEM Listing Rules. Since the relevant percentage ratios are more than 5% but less than 25%, the Acquisition is a discloseable transaction on the part of the Company.

## 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 independent financial adviser as to the fairness and reasonableness of the Acquisition.

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 (including its ultimate beneficial owners and their respective associates) and the Vendor (including its ultimate beneficial owners and their respective associates) shall abstain from voting for the relevant resolution at the EGM due to their interest in the Acquisition. A circular containing, among other things, further information in respect of the Acquisition, the letter from independent financial adviser to the Independent Board Committee and the Independent Shareholders, the recommendation of the Independent Board Committee to the Independent Shareholders on the Acquisition together with the notice of the EGM will be despatched to the Shareholders in accordance with the GEM Listing Rules as soon as practicable.

## DEFINITIONS

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

<b>“Acquisition”</b>	the acquisition by the Purchaser of the Sale Shares from the Vendor subject to and upon the terms and conditions of the Acquisition Agreement
<b>“Acquisition Agreement”</b>	the sale and purchase agreement dated 19 February 2008 and entered into between the Vendor and the Purchaser in respect of the Acquisition
<b>“associates”</b>	has the meaning ascribed to this term under the GEM Listing Rules
<b>“Board”</b>	the board of Directors
<b>“Company”</b>	Inspur International Limited, an exempted company incorporated in the Cayman Islands with limited liability and the issued Shares of which are listed on GEM

<b>“Completion”</b>	completion of the Acquisition pursuant to the Acquisition Agreement
<b>“Conditions”</b>	the conditions precedent to the Acquisition Agreement which are set out in the paragraph headed “Conditions” in this announcement
<b>“connected person(s)”</b>	has the meaning ascribed to this term under the GEM Listing Rules
<b>“Consideration”</b>	the consideration of RMB36,000,000 for the Acquisition, subject to adjustment pursuant to the terms of the Acquisition Agreement
<b>“Directors”</b>	directors of the Company
<b>“EGM”</b>	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 Agreement and the transactions contemplated thereunder
<b>“GEM”</b>	the Growth Enterprise Market of the Stock Exchange
<b>“GEM Listing Rules”</b>	the Rules Governing the Listing of Securities on GEM
<b>“Group”</b>	the Company and its subsidiaries
<b>“Hong Kong”</b>	the Hong Kong Special Administrative Region of the PRC
<b>“Independent Board Committee”</b>	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 Agreement and the transactions contemplated thereunder
<b>“Independent Shareholders”</b>	Shareholders other than IP Group (including its ultimate beneficial owners and their respective associates) and the Vendor (including its ultimate beneficial owners and their respective associates)

<b>“IP Group”</b>	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 44.55% of the existing issued share capital of the Company
<b>“PRC”</b>	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
<b>“Purchaser”</b>	Inspur (Shangdong) Electronic Information Company Limited# (浪潮(山東)電子信息有限公司) a company established in the PRC with limited liability and a wholly-owned subsidiary of the Company
<b>“Sale Shares”</b>	60% of the registered capital of the Target Company which is beneficially owned by the Vendor as at the date of this announcement
<b>“Share(s)”</b>	ordinary share(s) of HK\$0.002 each in the share capital of the Company
<b>“Shareholder(s)”</b>	holder(s) of Share(s)
<b>“Stock Exchange”</b>	The Stock Exchange of Hong Kong Limited
<b>“Target Company”</b>	Shandong Inspur Business System Company Limited# (山東浪潮商用系統有限公司), a company established in the PRC with limited liability and its principal business is the development, production and sale of computer software and computer peripherals particularly in respect of computerized cashier machines and point-of-sale terminals, and the provision of relevant information technology solution services
<b>“Vendor”</b>	Jinan Inspur Network Technology Development Limited# (濟南浪潮網絡科技發展有限公司), a company established in the PRC with limited liability and its principal business is the production and sale of computers and computer software, development of network technology, integration of information systems and provision of related services



“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 February 2008

\* *For identification purpose only*

# *the English translations of Chinese names or words in this announcement, where indicated, are included for information purpose only, and should not be regarded as the official English translation of such Chinese names or words*

*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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