
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult a 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, together with the enclosed form of proxy, to the purchaser(s) or the transferee(s) or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or the transferee(s).

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INSPUR INTERNATIONAL LIMITED 浪潮國際有限公司*

(Incorporated in Cayman Islands with limited liability)

(Stock Code: 8141)

CONTINUING CONNECTED TRANSACTIONS

**Independent financial adviser to the independent board committee
and the independent shareholders of the Company**



REXCAPITAL (Hong Kong) Limited

The notice convening an extraordinary general meeting (“EGM”) of Inspur International Limited (the “**Company**”) to be held at Hong Kong International Trade & Exhibition Centre, Meeting Room 6, 7th Floor, 1 Trademart Drive, Kowloon Bay, Kowloon, Hong Kong at 11:00 a.m. on 28 April 2008 is set out on pages 35 to 36 of this circular. Shareholders of the Company are advised to read the notice and complete and return the form of proxy for use at the EGM enclosed with this circular in accordance with the instructions printed thereon.

A form of proxy for the EGM is enclosed with this circular. Whether you are able to attend or not, please complete and return the enclosed form of proxy to the branch share registrar of the Company, Computershare Hong Kong Investor Services Limited, Rooms 1806-1807, 18th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong as soon as possible and in any event not later than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof. The completion and delivery of a form of proxy will not preclude you from attending and voting at the EGM in person.

This circular will remain on the “Latest Company Announcements” page of the GEM website at www.hkgem.com for 7 days from the date of its posting.

11 April 2008

* For identification purpose only

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

The Growth Enterprise market (“GEM”) of the Hong Kong 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 requires otherwise:

“associates”	has the meaning ascribed to it 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, the shares of which are listed on the GEM
“connected person(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened and held for the approving, amongst other things, the Master Agreement, the Processing Agreement, the Master Agreement Annual Caps and the Processing Agreement Annual Caps
“GEM”	The Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	Rules Governing the Listing of Securities on GEM
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“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 Master Agreement, the Processing Agreement, the Master Agreement Annual Caps and the Processing Agreement Annual Caps
“Independent Shareholders”	Shareholders other than IP Group and its ultimate beneficial owners and their respective associates
“Inspur Business”	Shandong Inspur Business System Company Limited# (山東浪潮商用系統有限公司)

DEFINITIONS

“Inspur Cheeloo”	Inspur Cheeloosoft Company Limited# (浪潮齊魯軟體產業有限公司)
“Inspur Genersoft”	Inspur Group Shandong Genersoft Incorporation# (浪潮集團山東通用軟件有限公司)
“Intersource”	Intersource Technology Limited, a company incorporated in the British Virgin Islands with limited liability
“IP Group”	Inspur Group Limited# (浪潮集團有限公司), which is a company incorporated in the PRC and through its wholly owned subsidiary, Inspur Electronics (HK) Limited, being the management and controlling shareholder for the purpose of the GEM Listing Rules, interested in approximately 44.55% of the issued share capital of the Company as at the Latest Practicable Date
“Latest Practicable Date”	9 April 2008, being the latest practicable date prior to printing of this circular for ascertaining certain information contained herein
“Master Agreement”	the conditional agreement dated 10 March 2008 between IP Group and Inspur Genersoft in relation to sale of software products, purchase of computer products and use of common services
“Master Agreement Annual Caps”	the annual caps proposed under the Master Agreement for the value of transactions payable by or receivable by (as the case may be) Inspur Genersoft in respect of the sale of software products, purchase of computer products and use of common services for the three financial years ending 31 December 2010
“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 fairness and reasonableness of the Master Agreement and the Processing Agreement the transactions contemplated thereunder
“PRC”	the People’s Republic of China
“Preferred Shares”	132,964,342 and 101,315,217 series A senior redeemable convertible voting preferred shares issued by the Company at HK\$0.76 and HK\$0.92 each on 8 December 2005 and 21 April 2006 respectively to Microsoft Corporation

DEFINITIONS

“Processing Agreement”	the conditional agreement dated 10 March 2008 between Inspur Cheeloo and Inspur Business in relation to procurement of raw materials and assembly and manufacture of tax-collection cashier machines
“Processing Agreement Annual Caps”	the annual caps proposed under the Processing Agreement for the value of raw materials and processing fees payable by Inspur Business in respect of the procurement of raw materials and assembly and manufacture of tax-collection cashier machines for the three financial years ending 31 December 2010
“SFO”	Securities and Futures Ordinance (chapter 571 of the laws of Hong Kong)
“Share(s)”	share(s) of HK\$0.002 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency 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.



INSPUR INTERNATIONAL LIMITED

浪潮國際有限公司*

(Incorporated in 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 Hui
Mr. Wang Hung, Alex
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

11 April 2008

To the Shareholders

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTIONS

INTRODUCTION

On 11 March 2008, the Board announced that: (1) on 10 March 2008, Inspur Gensoft entered into the conditional Master Agreement with IP Group in relation to sale of software products, computer products and use of common services; and (2) on 10 March 2008, Inspur Business entered into the conditional Processing Agreement with Inspur Cheeloo in relation to procurement of raw materials and assembly and manufacture of tax-collection cashier machines. As Inspur Gensoft and Inspur Business have become subsidiaries of the Group, the transactions under the Master Agreement and the Processing Agreement constitute continuing connected transactions of the Company.

* For identification purpose only

LETTER FROM THE BOARD

The purpose of this circular is to provide you with further information regarding, among other things, (i) further information about the Master Agreement and the Processing Agreement and the relevant cap amounts, (ii) the recommendation from the Independent Board Committee to the Independent Shareholders, (iii) the letter from REXCAPITAL to the Independent Board Committee and the Independent Shareholders, and (iv) the notice of the EGM.

MASTER AGREEMENT

Date: 10 March 2008

Parties: (1) Inspur Group Limited; and
(2) Inspur Group Shandong Genersoft Incorporation

Conditions: Upon the fulfillment of the following two conditions:

- (1) Inspur Genersoft having become a subsidiary of the Group; and
- (2) The approval of the Independent Shareholders of the Master Agreement and the transactions contemplated thereunder having been obtained.

Major terms: (1) Sale of software products

Inspur Genersoft will sell software products to IP Group and its subsidiaries as sales agent at fair market price which is not less than prices offered to other sale agents. In general, Inspur Genersoft will receive 30% of the price of such software products as deposit and the remaining 70% will be received in accordance with the completion schedule of the related products as agreed between the parties. The above payments will be satisfied by cash out of the internal resources of the concerned party.

- (2) Purchase of computer and servers (“computer products”)

Inspur Genersoft as sales agent will purchase computer products from IP Group and its subsidiaries at prices determined on normal commercial terms and by arm’s length negotiation, or on terms no less favourable to Inspur Genersoft than terms available to or from other parties (based on products of same category, quality and quantity). In general, Inspur Genersoft will pay the price of such computer products upon receipt of the products by cash out of its own internal resources.

LETTER FROM THE BOARD

(3) Common services

IP Group and its subsidiaries will provide services in respect of use of premises, water, electricity, heating and motor vehicles (“common services”) to Inspur Genersoft at fees determined on normal commercial terms and by arm’s length negotiation, or on terms no less favourable to Inspur Genersoft than terms available to or from other parties (based on services of same category). In general, the above fees will be billed on a monthly basis and will be satisfied by cash out of the internal resources of Inspur Genersoft.

Duration: From the date of the fulfillment of all the above conditions to 31 December 2010 unless terminated earlier by written agreement of both parties.

Master Agreement	Year ending 31/12/2008	Year ending 31/12/2009	Year ending 31/12/2010
Annual caps	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
Sale of software products	12,000,000	15,000,000	18,000,000
Purchase of computer products	35,000,000	38,000,000	40,000,000
Common services	1,800,000	2,000,000	2,200,000

Reference is made to the announcement and the circular issued by the Company on 20 December 2007 and 29 February 2008 respectively in relation to the major and connection transaction on the Group’s acquisition of the entire issued share capital of Intersource which indirectly owns 21.26% equity interest in Inspur Genersoft. On 18 December 2007 (the date of the acquisition agreement in relation to the aforesaid acquisition), the Group owned 30.05% equity interest in Inspur Genersoft. The relevant independent shareholders of the Company have approved the acquisition of Intersource in the extraordinary general meeting on 17 March 2008 and the aforesaid acquisition has been completed with effect on 31 March 2008. Upon the completion of the acquisition of Intersource by the Group, the transactions under the Master Agreement constitute the continuing connected transactions of the Company as IP Group is the controlling and management shareholder of the Company and Inspur Genersoft is a subsidiary of the Group.

As at the Latest Practicable Date, the aforementioned condition (1) has been fulfilled.

LETTER FROM THE BOARD

REASONS FOR AND BENEFITS OF ENTERING INTO THE MASTER AGREEMENT

Reasons for and benefits of entering into the Master Agreement are set out as below:

- | | | |
|-----|-------------------------------|---|
| (1) | Sale of software products | Through appointment of IP Group and its subsidiaries as the sales agent, the Group can utilize their nationwide sales network in the PRC so as to popularize its software products and increase market share. |
| (2) | Purchase of computer products | The Group can generate more profits from acting as sale agent for computer products of IP Group and its subsidiaries by taking advantage of the mature market and its well established client network. |
| (3) | Use of common services | The Group can utilize the estate management services and other facilities of the IP Group and its subsidiaries under reasonable price and fair allocation, resulting in cost saving. |

The Directors consider that the transactions under the Master Agreement are on normal commercial terms and entered in the ordinary and usual course of business of the Group. In view of the above reasons, the Directors are also of the view that the aforementioned continuing connected transactions are in the interests of the Company and the Independent Shareholders as a whole.

PROCESSING AGREEMENT

Date: 10 March 2008

Parties: (1) Inspur Cheeloosoft Company Limited; and
(2) Shandong Inspur Business System Company Limited

Conditions: Upon the fulfillment of the following two conditions:

- (1) Inspur Business having become a wholly owned subsidiary of the Group; and
- (2) The approval of the Independent Shareholders of the Processing Agreement and the transactions contemplated thereunder having been obtained.

LETTER FROM THE BOARD

Major terms: Inspur Business has appointed Inspur Cheeloo to provide services of procurement of raw materials of and assembling and manufacturing tax-collection cashier machines at processing fee calculated at 5% of the value of the raw materials and the said rate is comparable to the rates in the market. In general, Inspur Business will pay the price of the tax-collection cashier machines (including the related processing fees) within 30 days after receipt of the goods by cash out of its own internal resources.

Duration: From the date of the fulfillment of all the above conditions to 31 December 2010 unless terminated earlier by written agreement of both parties.

Processing Agreement Annual Caps	Year ending 31/12/2008	Year ending 31/12/2009	Year ending 31/12/2010
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
Value of raw materials and processing fees	100,000,000	150,000,000	200,000,000

Reference is made to the announcement and the circular issued by the Company on 20 February 2008 and 10 March 2008 respectively in relation to the discloseable and connection transaction on the Group's acquisition of the 60% equity interest in Inspur Business. On 19 February 2008 (the date of the acquisition agreement in relation to the aforesaid acquisition), the Group owned the remaining 40% equity interest in Inspur Business. The relevant independent shareholders of the Company have approved the acquisition of the 60% equity interest in Inspur Business in the extraordinary general meeting on 26 March 2008 and the aforesaid acquisition has been completed with effect on 31 March 2008. Inspur Cheeloo is a subsidiary of IP Group and is thus a connected person of the Company under Chapter 20 of the GEM Listing Rules. Upon the completion of the above acquisition by the Group, the transactions under the Processing Agreement constitute the continuing connected transactions of the Company as Inspur Business is a wholly owned subsidiary of the Group.

As at the Latest Practicable Date, the aforementioned condition (1) has been fulfilled.

REASONS FOR AND BENEFITS OF ENTERING INTO THE PROCESSING AGREEMENT

Inspur Cheeloo owns production facilities of computer terminal units and has well established purchase channel with cost control measures in place in respect of the raw materials of tax-collection cashier machines. As such, through entrusting the procurement of raw materials and assembly and manufacture of the tax-collection cashier machines to Inspur Cheeloo, Inspur Business can secure the supply of tax-collection cashier machines with effective control over cost and quality. In the industry, the processing fee in this type of transactions is in the range of 5% to 10% on the value of raw materials.

LETTER FROM THE BOARD

The Directors consider that the transactions under the Processing Agreement are on normal commercial terms and entered in the ordinary and usual course of business of the Group. In view of the above reasons, the Directors are also of the view that the aforementioned continuing connected transactions are in the interests of the Company and the Independent Shareholders as a whole.

ANNUAL CAPS

The Master Agreement Annual Caps

The historical figures in respect of the sale of software products, purchase of computer products and use of common services between Inspur Genersoft and IP Group (and its subsidiaries) are set out below:

	Historical figures for the year ended (Note 1)		
	31 December 2005	31 December 2006	31 December 2007
	<i>RMB' million</i>	<i>RMB' million</i>	<i>RMB' million</i>
Sale of software products	7.79	9.89	10.73
Purchase of computer products	0.10	20.27	32.19
Use of common services	1.05	1.27	1.6

Note 1: Covers the period when Inspur Genersoft has not yet become a subsidiary of the Company.

The Master Agreement Annual Caps are determined by reference to the above historical figures, with consideration also given to the existing scale and operations of the concerned parties, the prevailing and expected market conditions and the projected growth in business activities in the three financial years ending 31 December 2010.

The Processing Agreement Annual Caps

The historical values in respect of raw materials and processing fees of the tax-collection cashier machines paid by Inspur Business to Inspur Cheeloo are set out below:

	Historical values for the year ended (Note 1)		
	31 December 2005	31 December 2006	31 December 2007
	<i>RMB' million</i>	<i>RMB' million</i>	<i>RMB' million</i>
Value of raw materials and processing fees	21	34	33

Note 1: Covers the period when Inspur Business has not yet become a subsidiary of the Company.

The Processing Agreement Annual Caps are determined by reference to the above historical values, with consideration also given to the existing scale and operations of the concerned parties, the prevailing and expected market conditions and the projected growth in business activities in the three financial years ending 31 December 2010.

LETTER FROM THE BOARD

INFORMATION ON THE GROUP AND VARIOUS PARTIES

The Group 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.

Inspur Group is a company established in the PRC and through its wholly owned subsidiary, Inspur Electronics (HK) Limited, being the controlling and management shareholder of the Company, is interested in approximately 44.55% of the issued share capital of the Company. Inspur Group is beneficially owned as to approximately 38.88% by 山東省國有資產控股公司 (Shandong State-owned Asset Investment Holdings Co., Ltd, of which the main activity is the management of state-owned assets), approximately 19.99% by 英大國際信託有限責任公司 (Yingda International Trust Co., Ltd, of which the main activity is investment as trustees), approximately 16.13% by 濟南裕澤資訊科技有限公司 (Jinan Yuze Information Technology Limited, of which the main activity is investment holding) and 25% by 山東德盛資訊科技發展有限公司 (Shandong Desheng Information Technology Limited, of which the main activity is investment holding).

Inspur Genersoft is a domestic company established in the PRC and its subsidiaries are principally engaged in development, distribution of enterprises planning products, and offering all-round services for enterprise informationization.

Inspur Business is a domestic company established in the PRC and is principally engaged in the development, production and sale of computer software and computer peripherals particularly in respect of tax-collection cashier machines and point-of-sale terminals, and the provision of relevant information technology solution services.

Inspur Cheeloo is a domestic company established in the PRC and it together with its subsidiaries are principally engaged in research and development, sale, production and technical advisory services of tax-collection cashier machines, commercial cashier machines, computer hardware and peripherals, network products, communication products and electronic equipment. It is a subsidiary of IP Group.

IMPLICATIONS UNDER THE GEM LISTING RULES

As the respective annual amounts of the continuing transactions under the Master Agreement and the Processing Agreement are expected to exceed the thresholds set out in Rule 20.34 of the GEM Listing Rules, the above transactions will be subject to the reporting, announcement and the Independent Shareholders' approval requirements pursuant to Rules 20.35 of the GEM Listing Rules. IP Group, its ultimate beneficial owners and their respective associates will abstain from voting in the EGM to be convened for the approvals of the above possible continuing transactions. After obtaining the above approvals from the Independent Shareholders, the Company will comply with Rules 20.37 to 20.40 of the GEM Listing Rules.

LETTER FROM THE BOARD

EGM

Set out on pages 35 to 36 of this circular is a notice convening the EGM which will be held at Hong Kong International Trade & Exhibition Centre, Meeting Room 6, 7th Floor, 1 Trademart Drive, Kowloon Bay, Kowloon, at 11:00 a.m. on 28 April 2008 at which resolutions will be proposed to approve, among others, the Master Agreement, the Processing Agreement, the Master Agreement Annual Caps and the Processing Agreement Annual Caps.

The Master Agreement, the Processing Agreement, the Master Agreement Annual Caps and the Processing Agreement Annual Caps are 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) shall abstain from voting for the relevant resolution at the EGM due to their interest in the concerned transactions. Other than the above, no other Shareholders have material interest in the above transactions and will abstain from voting at the EGM. As at the Latest Practicable Date, IP Group (including its ultimate beneficial owners and their respective associates) control or are entitled to control over the entire voting right in respect of their Shares. Therefore, a total of 1,350,000,000 Shares, representing approximately 44.55% of the issued Shares and approximately 32.13% of the total voting rights of the holders of the Shares and the Preferred Shares (details of the Preferred Shares are set out in section "2. Disclosure of Interest" of the General Information under the Appendix) shall abstain from voting at the EGM. There is (i) no voting trust or other agreement or arrangement or understanding entered into by or binding upon IP Group (including its ultimate beneficial owners and their respective associates); and (ii) no obligation or entitlement of each of IP Group (including 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 Services Limited, the Company's branch share registrar in Hong Kong, at Rooms 1712-1716, 17th 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 resolutions approving the Master Agreement, the Processing Agreement, the Master Agreement Annual Caps and the Processing Agreement Annual Caps will be voted by way of a poll in the EGM.

RECOMMENDATION

The Independent Board Committee has been established to advise the Independent Shareholders whether the terms of the Master Agreement, the Processing Agreement, the Master Agreement Annual Caps and the Processing Agreement Annual Caps are fair and reasonable so far as the Independent Shareholders are concerned and REXCAPITAL has been appointed to advise the Independent Board Committee and the Independent Shareholders in that connection.

The text of REXCAPITAL containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 14 to 28 of this circular and the text of the letter from the Independent Board Committee to the Independent Shareholders is set out on page 13 of this circular.

The Independent Board Committee, having taken into account the advice of REXCAPITAL, is of the opinion that the terms of the Master Agreement and the Processing Agreement, the Master Agreement Annual Caps and the Processing Agreement Annual Caps to be fair and reasonable and are in the interests of the Company and the Shareholders as a whole and recommends the Independent Shareholders to vote in favour of the relevant resolutions to be proposed at EGM.

ADDITIONAL INFORMATION

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

By Order of the Board
Inspur International Limited
Sun Pishu
Chairman



INSPUR INTERNATIONAL LIMITED

浪潮國際有限公司*

(Incorporated in Cayman Islands with limited liability)

(Stock Code: 8141)

11 April 2008

To the Shareholders

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTIONS

We refer to the circular dated 11 April 2008 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 Master Agreement, the Processing Agreement, the Master Agreement Annual Caps and the Processing Agreement Annual Caps and to advise the Independent Shareholders as to the fairness and reasonableness of the aforesaid matters, 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 page 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 Master Agreement, the Processing Agreement, the Master Agreement Annual Caps and the Processing Agreement Annual Caps, as set out on pages 14 to 28 of the Circular.

Having taken into account of the advice of REXCAPITAL, we consider that (A) each of the Master Agreement and the Processing Agreement is (i) carried out in the ordinary and usual course of the Group’s business; (ii) based on normal commercial terms and fair and reasonable; and (iii) in the interests of the Company and the Shareholders as a whole; and (B) the terms of the Master Agreement and the Processing Agreement (including the Master Agreement Annual Caps and the Processing Agreement Annual Caps) are fair and reasonable and 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 Master Agreement, Master Agreement Annual Caps and the Processing Agreement and the Processing Agreement Annual Caps.

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*

* For identification purpose only

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 Master Agreement and the Processing Agreement, 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

11 April 2008

*The Independent Board Committee
and the Independent Shareholders*

Inspur International Limited

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

Dear Sirs,

CONTINUING CONNECTED TRANSACTIONS

INTRODUCTION

We refer to our appointment as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the fairness and reasonableness of the terms of the Master Agreement and the Processing Agreement (collectively the "Agreements"), details of which are set out in this circular (the "Circular"), of which this letter forms a part. We have been retained by the Company to advise the Independent Board Committee and the Independent Shareholders as to whether the terms of each of the Agreements (i) are in the ordinary and usual course of business of the Group, (ii) are based on normal commercial terms and are fair and reasonable, and (iii) are in the interests of the Company and its Shareholders as a whole, and to advise the Independent Shareholders on how to vote. Unless the context otherwise requires, terms used in this letter shall have the same meaning as those defined in this circular.

On 10 March 2008, Inspur Genersoft entered into the conditional Master Agreement with IP Group in relation to sale of software products, computer products and use of common services. Reference is made to the announcement and the circular issued by the Company on 20 December 2007 and 29 February 2008 respectively in relation to the Group's acquisition of the entire issued share capital of Intersource (the "First Acquisition") which indirectly owns approximately 21.26% equity interest in Inspur Genersoft. Since the First Acquisition has been successfully completed on 31 March 2008 and the transactions under the Master Agreement constitute continuing connected transactions of the Company as IP Group is the controlling and management shareholder of the Company and Inspur Genersoft became a subsidiary of the Group.

LETTER FROM REXCAPITAL

In addition, on 10 March 2008, Inspur Business entered into the conditional Processing Agreement with Inspur Cheeloo in relation to procurement of raw materials and assembly and manufacture of tax-collection cashier machines. Reference is made to the announcement and the circular issued by the Company on 20 February 2008 and 11 March 2008 respectively in relation to the Group's acquisition of 60% equity interest in Inspur Business (the "Second Acquisition"). Inspur Cheeloo is a subsidiary of IP Group and is thus a connected person of the Company under Chapter 20 of the GEM Listing Rules. Since the Second Acquisition has been successfully completed on 31 March 2008 and the transactions under the Processing Agreement will constitute continuing connected transactions of the Company as Inspur Business became a wholly owned subsidiary of the Group.

As the respective annual amounts of the continuing connected transactions under each of the Agreements are expected to exceed the thresholds set out in Rule 20.34 of the GEM Listing Rules, the above transactions will be subject to the reporting, announcement and Independent Shareholders' approval requirements pursuant to Rules 20.35 of the GEM Listing Rules. IP Group, its ultimate beneficial owners and their respective associates will abstain from voting in the EGM to be convened for the approval of the Agreements.

The Independent Board Committee, comprising Mr. Meng Xiang Xu, Mr. Liu Ping Yuan and Mr. Wong Lit Chor, Alexis, all being independent non-executive Directors, has been established to consider the terms of the Agreements and their relevant annual caps, and to advise the Independent Shareholders on whether the Agreements and their relevant annual caps are fair and reasonable.

BASIS OF OUR OPINION

In formulating our opinion and advice, we have relied upon accuracy of the information and representations contained in this circular and information provided to us by the Company and the Directors, for which they are solely responsible. 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 Directors, 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 Directors in this 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 Directors and have been confirmed by the Directors that no material facts and representations the omission of which would make any statement in this 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 Directors and 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 this circular and to provide a reasonable basis for our recommendation regarding the Agreements.

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PRINCIPAL FACTORS 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 each of the Agreements, we have taken into consideration the following factors and reasons:

I. Background and Reasons

The Group 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.

IP Group is a company established in the PRC and through its wholly owned subsidiary, Inspur Electronics (HK) Limited, being the controlling and management shareholder of the Company, is interested in approximately 44.55% of the issued share capital of the Company.

Inspur Genersoft is a domestic company established in the PRC and its subsidiaries are principally engaged in development, distribution of enterprises planning products, and offering all-round services for enterprise informationization.

Inspur Business is a domestic company established in the PRC and is principally engaged in the development, production and sale of computer software and computer peripherals particularly in respect of tax-collection cashier machines and point-of-sale terminals, and the provision of relevant information technology solution services.

Inspur Cheeloo is a domestic company established in the PRC and it together with its subsidiaries are principally engaged in research and development, sale, production and technical advisory services of tax-collection cashier machines, commercial cashier machines, computer hardware and peripherals, network products, communication products and electronic equipment. It is a subsidiary of IP Group.

As set out in Letter from the Board of the Circular (the "Letter"), below are the reasons for and benefits of entering into the Agreements.

Master Agreement:

- | | |
|---|--|
| 1. Sale of software products (the "Sale Transaction") | Through appointment of IP Group and its subsidiaries (the "LC Group") as the sales agent, the Group can utilize their nationwide sales network in the PRC so as to popularize its software products and increase market share. |
| 2. Purchase of computer products (the "Purchase Transaction") | The Group can generate more profits from acting as sale agent for computer products of LC Group by taking advantage of its mature market and well established client network. |

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3. Use of common services The Group can utilize the estate management services and other facilities of the LC Group under reasonable price and fair allocation, resulting in cost saving.

Processing Agreement:

Inspur Cheeloo owns production facilities of computer terminal units and has well established purchase channel with cost control measures in place in respect of the raw materials of tax-collection cashier machines. As such, through entrusting the procurement of raw materials and assembly and manufacture of the tax-collection cashier machines to Inspur Cheeloo, Inspur Business can secure the supply of tax-collection cashier machines with effective control over cost and quality.

As stated in the Letter, the Directors consider that the transactions under the Agreements are on normal commercial terms and entered in the ordinary and usual course of business of the Group. In view of the above reasons, the Directors are also of the view that the Agreements are in the interests of the Company and the Independent Shareholders as a whole. As advised by the Company, the transactions contemplated under the Agreements will not compete with the existing business of the Group.

We are advised by the Company that the terms of the both Agreements were negotiated on an arm's length basis and are determined by reference to, amongst others, the existing scale and operation of the concerned parties, the prevailing and expected market conditions and the projected growth in business activities in the three financial years ending 31 December 2010. We are also advised by the Company that the terms of the products/services provided by the Group to the LC Group or supplied by the LC Group to the Group will, as a whole, be no less favourable to the Group than those provided to or supplied by any independent third parties for the same or similar products or services.

As advised by the Company, LC Group is one of the earliest enterprises engaging in the information technology industry in the PRC and is currently the leading company in PRC for the manufacturing and distribution of computer products, servers, management related software products and enterprises resources planning products. The clients of LC Group includes state enterprises, domestic listed companies and companies in pharmaceutical industry. In view of the reputation and standing of LC Group in the information technology market in PRC, we consider the business relationship with LC Group under the Agreements 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 Agreements will allow the Group to utilize and take advantage of the existing client network and purchase channel of LC Group, thereby widening the Group's revenue bases and market share in PRC whilst enhancing the Group's cost control on the raw material for its products.

II. Master Agreement

(A) Principle Terms of the Sale Transaction

1. Descriptions

Pursuant to the Master Agreement, Inspur Gensoft will sell software products to LC Group as sale agent at fair market price which is not less favourable than prices offered to other sale agents. In general, Inspur Gensoft will receive 30% of the price of such software products as deposit and the remaining 70% will be received in accordance with the completion schedule of the related products as agreed between the parties.

As advised by the Company, LC Group is not the only sale agent of Inspur Gensoft for its software products. We have reviewed the order receipts/contracts of similar transactions carried out by Inspur Gensoft and third parties independent of the Company and its connected persons (the “Independent Third Parties”) in the year 2007 and noted that usually 30% of the product price will be paid as deposit upon delivery of the software products and the remaining 70% will be settled in two or three later installments after the software products have been tested to operate properly. As such, we consider the settlement terms for the Sale Transaction is fair and reasonable.

2. 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 LC Group, it is considered that LC Group is in a better position than the Company to be a sale agent in the open market of software products and if any, in governmental organizations and large financial institutions.

As advised by the Company, the customers network of LC Group covers (i) more than 30 provinces in PRC, including, among others, Beijing, Shanghai and Guangzhou; and (ii) overseas countries including, among others, America, Japan, Venezuela and Sudan. Given the strong historical background and the nationwide and worldwide sales network of LC Group in the computer industry, we consider the Sale Transaction will enable the Group to leverage on LC Group’s strong business connection to tap into the customer segments and to gradually widen the customer base and revenue base of the Group.

As such, we consider the Sale Transaction is in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole.

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3. *The annual caps for the Sale Transaction (the “Sale Caps”)*

As advised by the Company, the sales of software products by Inspur Genersoft to LC Group for the three years ended 31 December 2007 (before Inspur Genersoft became a subsidiary of the Group) and the proposed Sale Caps for the three years ending 31 December 2010 are set out below:

	Historical sales for the year ended			Proposed annual caps for the year ending		
	31 December	31 December	31 December	31 December	31 December	31 December
	2005	2006	2007	2008	2009	2010
	<i>RMB'</i>	<i>RMB'</i>	<i>RMB'</i>	<i>RMB'</i>	<i>RMB'</i>	<i>RMB'</i>
	<i>million</i>	<i>million</i>	<i>million</i>	<i>million</i>	<i>million</i>	<i>million</i>
Sale of software products	7.79	9.89	10.73	12	15	18

We observed that the sales of software products to LC Group exhibited an increasing trend for the three years ended 31 December 2007 and a percentage increment of approximately 26.96% and approximately 8.49% for the year 2006 and 2007 respectively, representing an average growth rate of approximately 17.73%.

We have reviewed and discussed with the management the historical figures in relation to the sale transactions in respect of the software products carried out between the Group and Independent Third Parties and the historical revenue in connection with the Sale Transaction based on the historical sales volume and historical unit price of the software products. As advised by the Company, the price of the software products depends on, among others, the requested system/program installed inside the software products from the customers and the purchase quantity and therefore the unit prices for software products varied among different customers. As such, no direct comparison of the terms of Sale Transaction with other sales transaction conducted with Independent Third Parties could be performed. As discussed with the management of the Company, the Company has an internal periodic review system (the “Review System”) to ensure all continuing connected transactions are carried out under normal commercial terms and/or on terms no less favourable to the Group than terms available to or from Independent Third Parties. Pursuant to the Review System, the Company will try to obtain a quotation from Independent Third Parties regarding comparable product under the relevant continuing connected transaction and an internal memo documenting the quotation will be maintained for audit purpose. As confirmed by the Company, the Group will adopt the Review System on the Sale Transaction in the future upon the Shareholders’ approval has been obtained on the Master Agreement at the SGM. We have also reviewed and discussed with the management the projected revenue information (including its basis) provided by the Group in connection with the Sale Transaction and was advised that the projected revenue is based on the prior year growth rate and the growth rate of market demand for the software products. We have searched through internet for information in relation

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the statistics of the sale of software, based on the statistics stated in the website of the Ministry of Information Industry of the PRC (www.mii.gov.cn), we noted that there was an increase of approximately 22.5% on the income of the of the software products in PRC in 2007.

Having consider (i) the historical transacted amounts; (ii) in recent years, PRC enterprises in general has been under a continuously reform towards international standards and thus demand of enterprises-related software products and management-related software products, in particular enterprises resources planning products which are widely adopted by the enterprises in foreign countries for their respective international management system, is anticipated to be on an upward trend under the fast growing economy in PRC; and (iii) the growth of sales of software products in PRC in 2007, we consider the Sale Caps with an increase of approximately 11.84 %, 25.00% and 20.00% for the three years ending 31 December 2010 respectively, representing an average growth of approximately 18.95% per annum, is fair and reasonable. In view that the basis of the projected information in respect of the Sale Transaction is in line with the prior year growth rate and market growth rate of the software products, we consider the basis for such forecast is fair and reasonable.

Based on the above, we consider that the Sale Transaction is (i) in the ordinary and usual course of the Group's business; (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, and that the Sale Caps for the Sale Transaction is fair and reasonable.

(B) Principle Terms of the Purchase Transaction

1. Description

Pursuant to the Master Agreement, Inspur Genersoft will purchase computer products from LC Group at prices determined on normal commercial terms and by arm's length negotiation, or on terms no less favourable to Inspur Genersoft than terms available to or from other parties (based on products of same category, quality and quantity). As advised by the Company, the price per unit for the computer products payable by a relevant member of the Group will be agreed between the parties by reference to, amongst others, the then prevailing market prices of the computer products at the relevant time. In general, Inspur Genersoft will pay the price of such computer products upon receipt of the products.

As advised by the Company, Inspur Genersoft is not the sole customer of LC Group for its computer products and LC Group is not the sole supplier to Inspur Genersoft for the computer products. We have reviewed the order receipts/contracts of similar transactions carried out by (i) LC Group (as supplier) and Independent Third Parties (as customers); and (ii) Inspur Genersoft (as customer) and Independent Third Party (as supplier) in the year 2008 and noted that the price of the computer products generally were settled in full upon receipt of such products. In view of that, we consider the settlement terms under the Purchase Transaction are fair and reasonable.

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2. *Rationale*

Under the Master Agreement, the Company will purchase from LC Group the computer products for the Group's provision of computer products to its clients. Given the reputation and historical background of LC Group and its leading role in the industry of information technology, the Company which is mainly focus on the manufacture of software products, through LC Group, will have a better bargaining power against the suppliers for the necessary materials for the computer products and a better cost and quality control on the computer products to be manufactured under the facilities of LC Group. While the Group has not been capable to manufacture the computer products which have to be sourced from outside, the entering into of the Master Agreement will enable the Group to have a steady and reliable supply of computer products with cost and quality on these computer products to be effectively controlled so as to satisfy the demands of its customers.

As such, we consider the Purchase Transaction is in the ordinary and usual course of business of the Group and in the interest of the Company and the Shareholders as a whole.

3. *The annual caps for the Purchase Transaction (the "Purchase Caps")*

As advised by the Company, the purchase of computer products by Inspur Gensoft from LC Group for the three years ended 31 December 2007 (before Inspur Gensoft became a subsidiary of the Group) and the proposed Purchase Caps for the three years ending 31 December 2010 are set out below:

	Historical purchase for the year ended			Proposed annual caps for the year ending		
	31 December 2005	31 December 2006	31 December 2007	31 December 2008	31 December 2009	31 December 2010
	<i>RMB'</i> <i>million</i>	<i>RMB'</i> <i>million</i>	<i>RMB'</i> <i>million</i>	<i>RMB'</i> <i>million</i>	<i>RMB'</i> <i>million</i>	<i>RMB'</i> <i>million</i>
Purchase of computer products	0.10	20.27	32.19	35	38	40

We observed that the purchase of computer products from IP Group exhibited an increasing trend for the three years ended 31 December 2007 and significant percentage increment of approximately 20.170% and approximately 58.81% for the year 2006 and 2007 respectively.

We have enquired with the management of the Company about similar transactions carried out between (i) LC Group (as supplier) and the Independent Third Parties (as customers); and (ii) Inspur Gensoft (as customer) and the Independent Third Party (as supplier). As advised by the Company, LC Group will issue pricelists regularly for its computer products to its customers (including Inspur Gensoft) who shall then purchase

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the computer products according to such pricelist. Having reviewed the order receipts/contracts of similar transactions carried out by LC Group (as supplier) and Independent Third Parties (as customers) in the year 2008 and the pricelist in respect of the computer products, we observed that the purchase prices of the computer products offered to Inspur Genersoft were on terms no less favourable than terms available to Independent Third Parties. We have also reviewed the contract of similar transaction carried out between Inspur Genersoft (as customer) and the Independent Third Party (as supplier) in the year of 2008, however, as the purchase prices of computer products mainly depend on the model and the brands of hardware components, therefore no direct comparison could be made on the purchase prices offered by third party suppliers and LC Group for the computer products with the same models and composed of same brands of hardware components given LC Group is the sole supplier of its own brand's computer products to Inspur Genersoft. As confirmed by the Company, the Group will adopt the Review System on the Purchase Transactions in the future upon the Shareholders' approval has been obtained on the Master Agreement at the SGM to ensure the Purchase Transaction is carried out under normal commercial terms and/or on terms no less favourable to the Group than terms available to or from Independent Third Parties. We have also reviewed and discussed with the management the projected purchase (including its basis) provided by the Group in connection with the Purchase Transaction and was advised that the such projected information is based on the prior year growth rate and the growth rate of market demand for the computer products. We have searched through internet for, among others, information in relation to the industry of computer products in PRC. According to the website of the Ministry of Information Industry of the PRC (www.mii.gov.cn), the turnover for the computer manufacturing industry in the PRC for the first ten months in 2007 has recorded a growth rate of approximately 22.7% as compared to the relevant period of the previous year and the population of computer owner in PRC has recorded an increase of approximately 15% for the year 2007 as compared to the previous year.

In view of (i) the significant increase in the demand of computer products by the Group's client as evidenced by the above historical growth rate and the fast growing economy of PRC in recent years; and (ii) the growth rate of the sales and ownership population of computer products in the PRC as stated in the website of the Ministry of Information Industry of the PRC, we are of the view that (i) the Purchase Caps with an increase of approximately 8.73%, 8.57% and 5.26% respectively for the three years ending 31 December 2010, representing an average growth rate of 7.52% per annum; and (ii) the basis of the projected purchase in respect of the Purchase Transaction which is relative prudent and conservative as compared with the historical growth of the purchase of computer products and the growth rate of the turnover for the computer manufacturing industry in PRC are fair and reasonable.

Based on the above, we consider that the Purchase Transaction is (i) in the ordinary and usual course of the Group's business; (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 and that the Purchase Caps is fair and reasonable.

(C) Principle Terms of the use of common services

1. Description

Pursuant to the Master Agreement, LC Group will provide services in respect of use of common services to Inspur Genersoft at fees determined on normal commercial terms and by arm's length negotiation, or on terms no less favourable to Inspur Genersoft than terms available to or from other parties (based on services of same category). In general, the above fees will be billed on a monthly basis and will be satisfied by cash out of the internal resources of Inspur Genersoft.

As discussed with the Company, we were advised that save for the office rental of Inspur Genersoft charged at the market rate with reference to the rental rate in nearby properties, the fees for the use of other common services are charged on an actual basis. We have reviewed the rental rate in nearby property for commercial purposes and noted that the rental price offered by Independent Third Parties is higher than LC Group. In view the rental is charged at market rate with reference to nearby properties, there are no mark-up fee for others common services and it is normal and common to pay the rental fee and other fee for common services in monthly basis in PRC, we consider the settlement terms for the use of common service is fair and reasonable.

2. Rationale

As stated in the Letter, under the Master Agreement, the Group can utilize the estate management services and other facilities of the LC Group under reasonable price and fair allocation, resulting in cost saving. In addition to above, the Master Agreement not only allow the Group to save for the reallocation cost, but also to achieve a more effective cost control on the operating expense of Inspur Genersoft given Inspur Genersoft, as advised by the Company, has been using the common services provided by LC Group since its incorporation in 1994 and the fees for the use of common services has been determined and fixed under the Master Agreement for three years and therefore to protect the Group from the unforeseen factors, in particular under the fast growing economy in PRC, which will lead to a rapid increase for the operating expense for using the common services.

As such, we consider the use of common services is in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole.

3. The annual caps for the use of common services (the "Service Caps")

As advised by the Company, the fees for the use of common services provided by LG Group to Inspur Genersoft for the three years ended 31 December 2007 (before Inspur Genersoft became a subsidiary of the Group) and the proposed Service Caps for the three years ending 31 December 2010 are set out below:

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	Historical fee for the year ended			Proposed annual caps for the year ending		
	31 December	31 December	31 December	31 December	31 December	31 December
	2005	2006	2007	2008	2009	2010
	<i>RMB'</i> <i>million</i>	<i>RMB'</i> <i>million</i>	<i>RMB'</i> <i>million</i>	<i>RMB'</i> <i>million</i>	<i>RMB'</i> <i>million</i>	<i>RMB'</i> <i>million</i>
Common services	1.05	1.27	1.6	1.8	2.0	2.2

As shown from the above table, the fee of common services exhibited an increasing trend for the three years ended 31 December 2007 and an percentage increment of approximately 20.95% and approximately 25.98% for the fees of common services for the year 2006 and 2007 respectively.

We have discussed with the Company, among others, the historical fees in respect of the common services expended by Inspur Genersoft and were advised that save for the rental expense is charged at the market rate with reference to the rental rate in nearby properties, the fees for the use of other common services are charged on an actual basis. We have reviewed the quotation of rental rate in nearby property for commercial purposes and noted that the rental price offered by Independent Third Parties is higher than LC Group. Given the above, we consider the transaction in respect of the use of common services is carried out on terms no less favourable to Inspur Genersoft than terms available to or from other parties (based on services of same category). As confirmed by the Company, the Group will adopt the Review System on the fees for the use of common services provided by LC Group in the future upon the Shareholders' approval has been obtained on the Master Agreement at the SGM to ensure such fees is billed under normal commercial terms and or on terms no less favourable to the Group than terms available to or from Independent Third Parties. We have also reviewed and discussed with the management the projected fees of the common services (including its basis) provided by the Group, and was advised that such projected information is based on the prior year growth rate.

Given the fee of the common services is one of the necessary operating expense for Inspur Genersoft and the fee of the common services may raised for the next few years due to the fast growing economy in PRC and the inflation occurred thereof, we are of the view that (i) the Service Caps with an average annual increase of approximately 11.17% for each of the three years ended 31 December 2010 is comparable to the historical growth of the fee of the common services and is fair and reasonable; and (ii) the basis for the projected information in relation to the fees for the use of the common services which is mainly based on the historical growth rates of such fees is fair and reasonable.

Based on the above, we consider that the use of common services provided by LC Group to Inspur Genersoft is (i) in the ordinary and usual course of the Group's business; (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 and that the Service Caps for the common services is fair and reasonable.

(D) Principle Terms of the Processing Agreement

1. Descriptions

Pursuant to the Processing Agreement, Inspur Business, which is a wholly-owned subsidiary of the Company, has appointed Inspur Cheeloo, a subsidiary of IP Group, to provide services of procurement of raw materials of and assembling and manufacturing tax-collection cashier machines at processing fee calculated at 5% of the value of the raw materials and the said rate is comparable to the rates in the market. As advised by the Company, the processing fee in relevant transactions in the industry is in the range of 5% to 10% on the value of the raw materials. In general, Inspur Business will pay the price of the tax-collection cashier machines (including the related processing fees) within 30 days after receipt of the goods.

As advised by the Company, Inspur Cheeloo currently is the sole provider of such services to Inspur Business which is also the sole customer for such services to Inspur Cheeloo. Also advised by the Company, the Company usually receives payment from its customers for the sale of the tax-collection cashier machines within 30 days upon delivery. In view that the settlement period for the payment from the customers for the sale of the tax-collection cashier machines is the same as the settlement period under the Processing Agreement, we consider the settlement terms under the Processing Agreement is fair and reasonable.

2. Rationale

We are advised by the Directors that Inspur Business has been entrusting the procurement of raw materials and assembly and manufacture of the tax-collection cashier machines to Inspur Cheeloo since the commencement of the tax-collection cashier machines business. We are further advised by the Directors that, in the view that Inspur Cheeloo (i) has commenced tax-collection cashier machines business since April 2005; (ii) owns production facilities of computer terminal units; and (iii) has well established purchase channel with cost control measures in place in respect of the raw materials of tax-collection cashier machines, the Directors believe that through entrusting the procurement of raw materials and assembly and manufacture of the tax-collection cashier machines to Inspur Cheeloo, Inspur Business can secure the supply of tax collection cashier machines with effective control over cost and quality.

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Given that the Group has only entered into the industry of tax-collection cashier machines through the Second Acquisition in mid-February 2008 and that the Group is yet to have a well established production facilities and supplier network base for raw materials of tax-collection cashier machines, we agree with the Directors that it will be more effective for the production and cost and quality control of tax-collection cashier machines to sustain the demand of the existing and new customers of Inspur Business by taking the advantages of Inspur Cheeloo's well-established production facilities, existing technical know-how, and extensive purchase channel for the raw material for the tax-collection cashier machines and thereby increasing the Group's market competitiveness in the industry.

As such, we consider the Processing Agreement is in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole.

3. The annual caps for the Processing Agreement (the "Processing Caps")

As advised by the Company, the aggregate value of raw materials and processing fees of the tax-collection cashier machines paid to Inspur Cheeloo by Inspur Business for the three years ended 31 December 2007 (before Inspur Business became a subsidiary of the Group) and the proposed Purchase Caps for the three years ending 31 December 2010 are set out below:

	Historical values for the year ended			Proposed annual caps for the year ending		
	31 December 2005	31 December 2006	31 December 2007	31 December 2008	31 December 2009	31 December 2010
	RMB' million	RMB' million	RMB' million	RMB' million	RMB' million	RMB' million
value of raw materials and processing fees	21	34	33	100	150	200

As shown from the above table, the value of raw material and processing fee represented a percentage increment of approximately 61.90% for the year 2006 and a percentage drop of approximately 2.94% for the year 2007 and the proposed Processing Caps represent percentage increment of approximately 203.03%, 50.00% and 33.33% respectively for the years 2008, 2009 and 2010, representing an average annual growth rate of approximately 95.45%.

We have reviewed quotation in respect of processing fee from Independent Third Party to Inspur Business and noted that the processing fee which offered by LC Group is no less favorable than those offered by Independent Third Party. As such, we consider the processing fee calculated at 5% of the value of the raw materials under the Processing Agreement is fair and reasonable. As confirmed by the Company, the Group will adopt the

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Review System on the transactions contemplated under the Processing Agreement in the future upon the Shareholders' approval has been obtained on the Processing Agreement at the SGM to ensure the transactions contemplated under the Processing Agreement are carried out under normal commercial terms and/or on terms no less favourable to the Group than terms available to or from Independent Third Parties. We have (i) reviewed the historical values of raw materials and processing fees of the tax-collection cashier machines paid to Inspur Cheeloo by Inspur Business; and (ii) discussed with the management of the Company in relation to, among others, the unit price for each set of tax-collection cashier machines and the potential orders may arise from the national policy in respect of the of the tax-collection cashier machines. We have also reviewed and discussed with the management the projected sale information (including its basis) provided by the Group in connection with the tax-collection cashier machines and was advised that the such projected information is based on (i) the potential market demand of tax-collection cashier machines under the relevant national policy in PRC; (ii) the historical sales of the tax-collection cashier machines; and (iii) an independent industry research report on the industry of tax-collection cashier machines in PRC for the year 2006 to 2007 (the "Report"), details of the projected figures of the Report has been set out below. We have also searched through internet and published articles for relevant information in relation to tax-collection cashier machines including, among others, the market demand and the national policy in respect of the tax-collection cash machines. Based on the website of the State Administration of Taxation (www.chinatax.gov.cn) and available information from the Company, we observed that the use of the tax-collection cashier machines has been actively encouraged by the State Council of PRC in order to strengthen the tax control policy in PRC. Besides, as advised by the Company, (i) the State Administration of Taxation and the Ministry of Finance of PRC have launched a pilot scheme in mid 2004 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 and such pilot scheme has been successful in several provinces in the PRC; and (ii) such tax-paying companies in certain cities will be required full installation of tax-collection cash machine by the end of the year 2009. In addition, based on (i) the Report, the sale of tax-collection cashier machines were around 69,000 sets, 68,000 sets respectively for the years 2005 and 2006; and (ii) the information provided by the Company, the sale of tax-collection cashier machines was around 105,000 sets for the year 2007.

We have also reviewed the Report for the projected sales information of tax-collection cashier machines for the coming years. According to the Report, Inspur Business has more than 25% market share in the industry of tax-collection cashier machines for the year 2006 and there will be a rapid growth for the market demand of the tax-collection cashier machines due to, among others, the relevant national policy. Therefore, the sales of tax-collection cashier machines are forecasted to be RMB1,154 million, RMB2,390 million and RMB4,260 million for the years 2008, 2009 and 2010 respectively, representing a growth of 127%, 107% and 78% for the years 2008, 2009 and 2010 respectively, representing an average annual growth of approximately 104%.

We noted that there is a remarkable increase for the proposed value of raw materials and processing fees from the year 2007 to the year 2008, however, having consider (i) none of the members of the Group shall be obliged to accept any terms and conditions which are less favourable to Inspur Business than terms available to or from other parties;

LETTER FROM REXCAPITAL

(ii) the potential nationwide demand of the tax-collection cashier machines given the relevant national policy and the relatively small portion of the sales in previous years; (iii) the increase of the tax-paying companies as a result of the Beijing 2008 Olympic Games; (iv) the market share of Inspur Business in the industry of tax-collection cashier machines in PRC; (v) as advised by the Company, Inspur Cheeloo has sufficient production capacity for the tax-collection cash machines to support the Processing Cap, we are of the view that the average 41.67% growth rate per annum as estimated and incorporated into the above annual Processing Caps is reasonably made and beneficial to the Group since such buffered estimated growth rate will allow the Group to enjoy further growth in such business segment for the unexpected and unforeseen future growth in PRC. Based on the foregoing, we are of the view that the proposed Processing Caps and the basis for the projected information in relation to the Processing Agreement which is based on such estimated growth rate of the sales of tax-collection cashier machines are fair and reasonable in so far as the Shareholders as a whole are concerned.

Based on the above, we consider that the Processing Agreement is (i) in the ordinary and usual course of the Group's business; (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 and that the Processing Caps for the Processing Agreement is fair and reasonable.

RECOMMENDATION

Having taken into account the rationale and consideration set out above, we are of the view that each of the Agreements are (i) carried out in the ordinary and usual course of the Group's business; (ii) based on normal commercial terms and are fair and reasonable; and (iii) in the interests of the Company and the Shareholders as a whole. We are also of the view that the terms of the Agreements, including the proposed annual Sale Caps, Purchase Caps, Service Caps and the Processing Caps are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

On such basis, we advise (i) the Independent Board Committee to recommend the Independent Shareholders; and (ii) the Independent Shareholders to vote in favour of the resolutions to be proposed at the EGM to the extent of approving the Agreements and the annual caps thereunder.

Yours faithfully,
For and on behalf of
REXCAPITAL (Hong Kong) Limited
Sam Lum
Executive 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	75,000,000	2.47%
Wang Hung, Alex	Beneficial owner	75,000,000	2.47%

(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	Percentage of interests
Sun Pishu	Beneficial owner	share option	20,000,000	0.66%
Zhang Lei	Beneficial owner	share option	20,000,000	0.66%
Leung Chi Ho	Beneficial owner	share option	20,000,000	0.66%
Wang Miao	Beneficial owner	share option	20,000,000	0.66%
Wang Hung, Alex	Beneficial owner	share option	20,000,000	0.66%
Xin Wei Hua	Beneficial owner	share option	20,000,000	0.66%

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\$0.0648 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 and the chief executive, 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	Interest in a controlled corporation (Note 1)	1,350,000,000	44.55%
Inspur Electronics (HK) Limited	Beneficial owner	1,350,000,000	44.55%

Note 1: Inspur Group Limited is taken to be interested in 1,350,000,000 Shares due to it being 100% shareholder in the issued share capital of Inspur Electronics (HK) Limited.

Long positions in the Preferred Shares

Name of Shareholders	Type of interests	Number of Preferred Shares	Number of underlying Shares (Note 1)	Approximate percentage of interests
Microsoft Corporation	Beneficial owner	234,279,559	1,171,397,795	100%

Note 1: Holder of each Preferred Share shall be entitled to have five votes on a show of hands or five votes for each Preferred Share as if each Preferred Share registered in its name in the register of members of the Company had been converted into five Shares at the time of any general meeting of the Company. Microsoft Corporation has agreed that in the event that it becomes entitled to exercise or control the exercise of more than 28% of the voting rights at general meetings of the Company (other than meeting of the holder(s) of Preferred Shares), it shall not and shall procure its nominee(s) not to exercise such portion of the voting rights attaching to the Preferred Shares and/or Shares in excess of 28% of the total voting rights at any general meeting of the Company. At the Latest Practicable Date, the above 1,171,397,795 underlying Shares represented approximately 27.88% of the issued share capital of the Company as enlarged by the full exercise of the conversion rights attaching to the Preferred Shares.

Long positions in members of the Group

Name of shareholders	Type of Interest	Equity interest held	Approximate percentage of shareholding in the members of the Group
Shandong Inspur Cheeloosoft Company Limited	Beneficial owner	RMB19,442,624.48 in the registered capital of Inspur Group Shandong Gensoft Incorporation	48.69%
Shandong Inspur Cheeloosoft Company Limited	Beneficial owner	RMB7,000,000 in the registered capital of Shandong Langchao Electronic Business Software Company Limited	46.67%
上海滙力有限公司	Beneficial owner	RMB50,000 in the registered capital of Shanghai Guoqiang Gensoft Incorporation	10%
Wang Xingshan	Beneficial owner	RMB300,000 in the registered capital of Inspur Guangdong Gensoft Technology Incorporation	10%

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 2007, 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. 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).

5. 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 2007, being the date to which the latest audited financial statements of the Company were made up.

6. 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 is the qualification of the expert who has provided its advice, 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 2007), 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.

7. 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 Rooms 1712-1716, 17th 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 English text of this circular and the accompanying form of proxy shall prevail over their respective Chinese texts in case of inconsistency.

8. 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) Master Agreement; and
- (b) Processing Agreement.



INSPUR INTERNATIONAL LIMITED

浪潮國際有限公司*

(Incorporated in Cayman Islands with limited liability)

(Stock Code: 8141)

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (“**EGM**”) of Inspur International Limited (the “**Company**”) will be held at 11:00 a.m. on 28 April 2008 at Hong Kong International Trade & Exhibition Centre, Meeting Room 6, 7th Floor, 1 Trademart Drive, Kowloon Bay, Kowloon, Hong Kong for the purpose of considering and, if thought fit, passing, with or without modifications, the following resolutions as ordinary resolutions:

ORDINARY RESOLUTIONS

1. “**THAT:**

- (a) the master agreement dated 10 March 2008 (the “**Master Agreement**”) entered into between IP Group Limited (浪潮集團有限公司) and Inspur Group Shandong Genersoft Incorporation (浪潮集團山東通用軟件有限公司) in relation to sale of software products, purchase of computer products and use of common services (details of the Master Agreement are set out in the Company’s circular dated 11 April 2008 (the “**Circular**”), copies of the Master Agreement and the Circular have been tabled at the meeting and marked “A” and “B” and initialled by the chairman of the meeting for the purpose of identification) and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;
- (b) the Master Agreement Annual Caps (as defined in the Circular) be and are hereby approved; and
- (c) the directors of the Company be and are hereby authorized to do such acts and execute such other documents as they may consider necessary, desirable or expedient to carry out or give effect to or otherwise in connection with or in relation to the Master Agreement and all transactions contemplated thereunder.”

2. “**THAT:**

- (a) the processing agreement dated 10 March 2008 (the “**Processing Agreement**”) entered into between Inspur Cheeloosoft Company Limited (浪潮齊魯軟體產業有限公司) and Shandong Inspur Business System Company Limited (山東浪潮商用系統有限公司) in relation to procurement of raw materials and assembly and manufacture of tax-collection cashier machines (details of the Processing Agreement are set out in the Circular, copy of the Processing Agreement has been tabled at the meeting and marked “C” and initialled by the chairman of the meeting for the purpose of identification) and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;

* For identification purpose only

NOTICE OF EXTRAORDINARY GENERAL MEETING

- (b) the Processing Agreement Annual Caps (as defined in the Circular) be and are hereby approved; and
- (c) the directors of the Company be and are hereby authorized to do such acts and execute such other documents as they may consider necessary, desirable or expedient to carry out or give effect to or otherwise in connection with or in relation to the Processing Agreement and all transactions contemplated thereunder.”

By Order of the Board
Inspur International Limited
Sun Pishu
Chairman

Hong Kong, 11 April 2008

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

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 1712-1716, 17th 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.
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 the resolutions at the EGM will be conducted by way of a poll.