INSPUR INTERNATIONAL LIMITED
浪潮國際有限公司

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 596)

CONNECTED TRANSACTION — DISPOSAL OF DIGITAL MEDIA BUSINESS

On 22 August 2013, the Vendor, a wholly owned subsidiary of the Company, and the Purchaser entered into the Disposal Agreement, pursuant to which the Vendor agreed to sell and the Purchaser agreed to acquire the Target Business for a total consideration of RMB30,000,000 (equivalent to approximately HK$37,800,000).

As the Purchaser is considered to be an associate of a controlling shareholder of the Company, the Disposal constitutes a connected transaction of the Company under the Listing Rules. As all relevant percentage ratios (as defined in Rule 14.04 (9) of the Listing Rules) applicable to the Disposal are less than 5% and some of them exceed 0.1%, the Disposal constitutes a connected transaction for the Company which is only subject to the reporting and announcement requirements and is exempt from the independent shareholders' approval requirements under Rule 14A.32 of the Listing Rules.

INTRODUCTION

On 22 August 2013, the Vendor, a wholly owned subsidiary of the Company, and the Purchaser entered into the Disposal Agreement whereby the Vendor agreed to sell and the Purchaser agreed to acquire the Target Business for a total consideration of RMB30,000,000 (equivalent to approximately HK$37,800,000) in cash.

THE DISPOSAL AGREEMENT

Parties

Purchaser:	Inspur Cheeloo Software Industry Company Limited
Vendor:	Inspur (Shandong) Electronics Information Limited

The Purchaser is considered to be an associate of the controlling shareholder of the Company (please refer to paragraph headed "Information of Target Business and the Purchaser" below for further information).

Asset to be disposed of

The asset to be disposed of under the Disposal Agreement is the Target Business, being the entire assets in the digital media business owned by the Vendor.

Consideration

The consideration payable by the Purchaser to the Vendor for the Disposal amounts to RMB30,000,000 (equivalent to approximately HK$37,800,000) which will be paid by cash by the Purchaser to the Vendor upon Completion.

The consideration was arrived at arm's length negotiation between the parties to the Disposal Agreement with reference to, among other things, the net assets value of the Target Business as at 31 July 2013 and the consideration paid by the Vendor to IPG when the Target Business was acquired by the Vendor on September 2009 (please refer to the paragraph headed "Information of Target Business and the Purchaser" for further details).

In view of the above, the Directors (including the independent non-executive directors) are of the view that the terms of the Disposal Agreement including the amount and payment term of the Consideration are normal commercial terms and fair and reasonable and in the interests of the Company and the Shareholders as a whole as far as the Company and the Shareholders are concerned.

Conditions Precedent of the Disposal Agreement

The Disposal Agreement will become effective upon fulfilling all of the following:-

(i) the approval by the Board of the Company of the Disposal Agreement and the transactions contemplated thereunder; and

(ii) (if any) all approvals or consents by the relevant government authorities in respect of the Disposal Agreement and all transactions contemplated thereunder having been obtained and continuing to take effect.

Completion shall take place within 15 business days after the fulfillment of all the above conditions.

INFORMATION OF TARGET BUSINESS AND THE PURCHASER

The Target Business is the digital media business of the Vendor. The Vendor acquired the Target Business from IPG on September 2009 for RMB30,006,700 (equivalent to about HK$34,057,604.50 translated at the then exchange rate of 1RMB=1.135HK$) (for details, please refer to the announcement of the Company dated 3 September 2009). The Target Business is principally engaged in the technology development and application service of digital television-related products in the PRC.

The following table shows the turnover, net profit before tax and net profit after tax of the Target Business based on its unaudited financial statements for the years ended 31 December 2011 and 2012 (which are unaudited and prepared in accordance with the accounting standard in the PRC):

	For the year ended 31 December 2011 (unaudited) *RMB*	**For the year ended 31 December 2012 (unaudited)** *RMB*
Turnover	213,139,000	23,263,200
Net profit (loss) before tax	22,101,400	(15,959,000)
Net profit (loss) after tax	15,901,050	(15,959,000)

The net asset value of the Target Business as at 31 July 2013 amounted to approximately RMB19,370,000 (equivalent to approximately HK$24,406,200) based on its management account for the period ended 31 July 2013.

The Purchaser is a company established in the PRC and is principally engaged in business of developing, manufacture and marketing the technology of computer software and hardware and business of developing, manufacture and marketing new techniques including the internet of things, etc.

IPG is an investment holding company established in the PRC. IPG (including its subsidiaries) devotes itself to be the leading suppliers of Cloud Computer Solutions in China. IPG (including its subsidiaries) provides IT services and products to the customers in more than 40 countries/regions, meeting the information-based demands of governments and corporations all-around. IPG is interested in approximately 32.11% of the issued ordinary share capital of the Company as at the date of this announcement and is a controlling shareholder of the Company. Since the Purchaser is wholly owned by IPG, the Purchaser is considered to be an associate of IPG.

FINANCIAL EFFECT OF THE DISPOSAL

It is estimated that the Group will realize a gain of approximately RMB10,630,000 (equivalent to approximately HK$13,393,800) before deduction of relevant expenses from the Disposal. The estimated gain is based on the sale proceeds from the Disposal of RMB30,000,000 (equivalent to approximately HK$37,800,000) less the carrying amount of the net asset value of the Target Business of approximately RMB19,370,000 (equivalent to approximately HK$24,406,200) as at 31 July 2013. The Company intends to apply such net proceeds as working capital and reserve funds for potential merger and acquisition and venture into new software product areas.

REASONS FOR AND BENEFITS OF THE DISPOSAL

The Group is an integrated IT services provider with services covering ERP, telecommunication, finance sectors and software outsourcing and other services. The Vendor is a company incorporated in PRC and is principally engaged in developing and producing computer software and hardware products and providing relevant technical consulting services and other technical services. It also provides services on general planning and designing, manufacturing, installation, debugging and maintenance of computer production lines. Meanwhile, it is also engaged in the sale of own products and import and export business.

While the Target Business achieved satisfactory results in the early stage of integration with the Vendor, such performance was mainly attributable to the increase in demand for digital set top box caused by the implementation of analogue-digital conversion scheme in Shandong Province. Such demand was particularly strong in Jinan. As the conversion in Jinan approaching completion in the second half of 2011, and the business development in other areas were insufficient, the Target Business made a loss in the year of 2012. Meanwhile, because of shrink in digital set top box market volume, increasingly fierce competition, over-reliance on major clients and Shandong market, the Target Business was lack of momentum and failed to achieve collaborative development with other businesses of the Company, and its performance deteriorated sharply.

In this respect, it is proposed that the Disposal Agreement and the transactions contemplated thereunder provide effective and speedy means to sever and terminate the loss-making business, without requiring further resources (such as employee severance payment, ongoing customer support, outstanding balance owed to suppliers, costs in receivables settlement, etc.).

In view of the above, the Directors (including the independent non-executive Directors) are of the view that the Disposal Agreement is in the interests of the Company and the Shareholders as a whole. The Directors (including the independent non-executive Directors) also consider that the terms of the Disposal Agreement are fair and reasonable and on normal commercial terms.

None of the Directors have a material interest in the transactions contemplated under the Disposal Agreement or need to abstain from voting on the board resolution approving the Disposal Agreement and the transactions contemplated thereunder.

IMPLICATION UNDER THE LISTING RULES

As the Purchaser is an associate of a controlling shareholder of the Company, the Disposal constitutes a connected transaction of the Company under the Listing Rules. As all relevant percentage ratios (as defined in Rule 14.04 (9) of the Listing Rules) applicable to the Disposal are less than 5% and some of them exceed 0.1%, the Disposal constitutes a connected transaction for the Company which is only subject to the reporting and announcement requirements and is exempt from the independent shareholders' approval requirements under Rule 14A.32 of the Listing Rules.

DEFINITIONS

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

"associate(s)"	has the meaning ascribed to it under the Listing Rules
"Board"	the board of Directors
"Company"	Inspur International Limited, an exempted company incorporated in the Cayman Islands with limited liability, the ordinary shares of which are listed on the main board of the Stock Exchange
"Completion"	completion of the Disposal
"connected person(s)"	has the meaning ascribed to it under the Listing Rules

“controlling shareholder”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Disposal”	the Disposal of the Target Business by the Vendor to the Purchaser pursuant to the terms and subject to the conditions set out in the Disposal Agreement
“Disposal Agreement”	the sale and purchase agreement dated 22 August 2013 entered into between the Vendor and the Purchaser in relation to the Disposal
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“IPG”	Inspur Group Limited* (浪潮集團有限公司), which is a company incorporated in the PRC and a controlling shareholder of the Company, interested in approximately 32.11% of the existing issued ordinary share capital of the Company
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange
“Purchaser”	Inspur Cheeloo Software Industry Company Limited* (浪潮齊魯軟件產業有限公司), a company incorporated in the PRC which is wholly owned by IPG.
“PRC”	the People’s Republic of China
“Shareholder(s)”	holder(s) of the ordinary shares and the preferred shares of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Business”	the entire assets of the digital media business wholly owned by the Vendor
“Vendor”	Inspur (Shandong) Electronics Information Limited* (浪潮(山東)電子信息有限公司), a company incorporated in the PRC and a wholly owned subsidiary of the Company
“HK$”	Hong Kong dollars, the lawful currency of Hong Kong

"RMB"	Renminbi, the lawful currency of the PRC
"%"	per cent

For the purpose of this announcement, unless otherwise stated, the conversion of RMB into HK$ is based on the exchange rate of RMB1.00 to HK$1.26.The exchange rate has been used, where applicable, for the purposes of illustration only and do not constitute a representation that any amounts were or may have been exchanged at this or any other rate or at all.

By Order of the Board
Inspur International Limited
Wang Xingshan
Chairman

Hong Kong, 23 August 2013

As at the date of this announcement, the Board comprised Mr. Wang Xingshan, Mr. Chen Dongfeng , Mr. Sun Chengtong as executive Directors, Mr. Dong Hailong and Mr. Samuel Y. Shen as non-executive Directors, Mr. Zhang Tiqin, Mr. Wong Lit Chor, Alexis and Ms. Dai Ruimin as independent non-executive Directors

* *For identification purpose only*