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If you are in doubt as to any aspect of this circular, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

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

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INSPUR INTERNATIONAL LIMITED

浪潮國際有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 596)

**RENEWAL OF CONTINUING CONNECTED TRANSACTIONS
WITH INSPUR GROUP
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

Independent Financial Adviser



A letter from the Board is set out on pages 4 to 16 of this circular. The recommendation of the Independent Board Committee to the Independent Shareholders is set out on pages 17 to 18 of this circular. A letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders is set out on pages 19 to 35 of this circular.

A notice convening an Extraordinary General Meeting (“EGM”) of Inspur International Limited to be held at Conference Room 315, Building S06, Inspur Technology Park, Inspur Road 1036, High-tech District, Jinan, Shandong Province, China on Friday, 29 April 2022 at 10:00 a.m. is set out on pages 43 to 44 of this circular. A form of proxy for use at the EGM is enclosed with this circular. Such form of proxy is also published on the website of The Stock Exchange of Hong Kong Limited at www.hkex.com.hk.

Whether or not you intend to attend the EGM, you are requested to complete the form of proxy in accordance with the instructions printed thereon and return the same to the office of the Company’s branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen’s Road East, Hong Kong as soon as possible but not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof. Completion and return of the form of proxy shall not preclude you from attending and voting in person at the EGM or any adjournment thereof if you so wish.

11 April 2022

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DEFINITIONS

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

“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Board”	the board of Directors of the Company
“Company”	Inspur International Limited (浪潮國際有限公司), a company incorporated in the Cayman Islands with limited liability, whose Shares are listed and traded on the Main Board of the Stock Exchange (Stock Code: 596)
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“controlling shareholder”	has the meaning ascribed thereto under the Listing Rules
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened for the Independent Shareholders to consider and approve the Selling Agency Transactions Agreement and the new annual caps in relation to the Selling Agency Transactions for the three years ending 31 December 2024
“First Supplemental Agreement”	the supplemental agreement dated 23 August 2019 between the Company and Inspur Group to amend the Framework Agreement
“Framework Agreement”	the agreement dated 9 May 2018 between the Company and Inspur Group in relation to certain continuing connected transactions (including the Selling Agency Transactions) for the three financial years ended 31 December 2018, 2019 and 2020 respectively, as amended by the First Supplemental Agreement and the Second Supplemental Agreement
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	an independent committee of the Board, comprising all of the independent non-executive Directors, established by the Company to advise the Independent Shareholders on the Selling Agency Transactions Agreement
“Independent Financial Adviser”	Draco Capital Limited, a corporation licensed to carry on Type 6 (advising on corporate finance) regulated activity under the SFO

DEFINITIONS

“Independent Shareholders”	Shareholders other than Inspur Group and its associates, who are required under the Listing Rules to abstain from voting at the EGM
“Independent Third Party”	a third party who is independent of the Company and its connected persons
“Inspur Group”	Inspur Group Co., Ltd.* (浪潮集團有限公司), a company established in the PRC with limited liability, a controlling shareholder of the Company
“Inspur Group Companies”	Inspur Group and its subsidiaries (other than the Group), unless otherwise specified
“Latest Practicable Date”	7 April 2022, being the latest practicable date prior to printing of this circular for ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC” or “China”	the People’s Republic of China and, for the purpose of this circular only, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Proposed Annual Cap(s)”	the proposed annual monetary cap(s) for the continuing connected transactions contemplated under the Selling Agency Transactions Agreement for the three years ending 31 December 2024
“RMB”	Renminbi, the lawful currency of PRC
“Second Supplemental Agreement”	the supplemental agreement to the Framework Agreement entered into by the Company and Inspur Group dated 5 November 2019
“Selling Agency Transactions”	the selling agency transactions under the Framework Agreement
“Selling Agency Transactions Agreement”	the conditional agreement in relation to the Selling Agency Transactions entered into by the Company and Inspur Group dated 9 February 2022
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary shares of HK\$0.01 each in the share capital of the Company

DEFINITIONS

“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules
“US\$”	United States Dollars, the lawful currency of the United States
“%”	per cent

** The English translation of certain 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 the Cayman Islands with limited liability)

(Stock Code: 596)

Executive Directors:

Mr. Wang Xingshan (*Chairman*)
Mr. Wang Yusen (*Chief Financial Officer*)
Mr. Jin Xiaozhou, Joe

Non-executive Director:

Mr. Dong Hailong

Independent non-executive Directors:

Ms. Zhang Ruijun
Mr. Wong Lit Chor, Alexis
Mr. Ding Xiangqian

Registered office:

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business in Hong Kong:***

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Hong Kong

11 April 2022

To the Shareholders

Dear Sir or Madam,

**RENEWAL OF CONTINUING CONNECTED TRANSACTIONS
WITH INSPUR GROUP**

INTRODUCTION

References are made to the announcement of the Company dated 9 February 2022 in relation to, among other things, the Selling Agency Transactions.

Previous Agreements

On 9 May 2018, the Framework Agreement was entered in respect of five categories of continuing transactions (including, but not limited to, the Selling Agency Transactions) and the related annual caps for the three financial years ended 31 December 2018, 2019 and 2020 respectively.

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On 23 August 2019, the First Supplemental Agreement was entered to amend the Framework Agreement. On 5 November 2019, the Second Supplemental Agreement was entered to (i) revise the annual caps of the Selling Agency Transactions, and (ii) to continue to conduct the Selling Agency Transactions for the year ended 31 December 2021 with new annual caps.

New Agreement

As the Selling Agency Transactions under the Framework Agreement has expired on 31 December 2021, and it is expected that the transaction amounts of the Selling Agency Transactions will increase, the parties of the Framework Agreement have entered into the Selling Agency Transactions Agreement on 9 February 2022 to continue to conduct the Selling Agency Transactions and set the relevant annual caps for the three years ending 31 December 2022, 2023 and 2024 respectively. The Selling Agency Transactions Agreement is subject to the approval of the Independent Shareholders at the EGM. After the expiry of the Framework Agreement and before the entering into the Selling Agency Transactions Agreement, the Group entered into Selling Agency Transactions with the Inspur Group Companies, with an aggregate transaction amount of approximately RMB 55,590,000. Upon the approval of the Selling Agency Transactions Agreement at the EGM, these transaction amount shall be calculated towards the transaction amount under the Selling Agency Transactions Agreement and be subject to the new annual caps.

Inspur Group is a company established in the PRC and, as at the Latest Practicable Date, is interested in approximately 54.44% of the issued share capital of the Company through its subsidiaries. Under the Listing Rules, Inspur Group is a connected person of the Company and the transactions contemplated under the Selling Agency Transactions Agreement will constitute continuing connected transactions of the Company.

As the highest applicable percentage ratio under Rule 14.07 of the Listing Rules in respect of the new annual caps of the Selling Agency Transactions is expected to exceed 5%, the transactions contemplated under the Selling Agency Transactions Agreement are subject to the announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The purpose of this circular is to provide you with further information regarding (i) further details of the transactions contemplated under the Selling Agency Transactions Agreement, (ii) the recommendation from the Independent Board Committee in respect of the Selling Agency Transactions Agreement and the transactions contemplated thereunder, (iii) the advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders regarding the Selling Agency Transactions Agreement and the transactions contemplated thereunder, (iv) the notice convening the EGM, and (v) other information as required by the Listing Rules.

LETTER FROM THE BOARD

SELLING AGENCY TRANSACTIONS AGREEMENT

Date

9 February 2022

Parties

- (1) The Company (for itself and on behalf of the Group Subsidiary Companies)
- (2) Inspur Group (for itself and on behalf of the Inspur Group Subsidiary Companies)

Subject of the Selling Agency Transactions Agreement

Pursuant to the Selling Agency Transactions Agreement, the Company and Inspur Group conditionally agreed to continue to conduct the Selling Agency Transactions and set the relevant annual caps for the three years ending 31 December 2022, 2023 and 2024 respectively. The Selling Agency Transactions Agreement is subject to the approval of the Independent Shareholders at the EGM.

Condition precedent

The new annual caps and continuance of the Selling Agency Transactions pursuant to the Selling Agency Transactions Agreement are conditional upon the approval of the Independent Shareholders at the EGM.

Selling Agency Transactions

As Inspur Group holds various qualifications not yet obtained by the Group, such as first-class qualification for professional contracting of electronic and intelligent engineering, first-class qualification for ITSS operation and maintenance awarded by the China Electronics Industry Standardization Technology Association, the Group appoints the Inspur Group Companies as its selling agent in respect of various products and services of the Group (including, but not limited to, ERP software, SAAS services, Internet of Things platform, communications industry software and software outsourcing products).

As certain of the Group's businesses are derived from public tenders (which require the qualifications held by Inspur Group Companies), the Group co-operates with Inspur Group Companies with a view to obtaining more opportunities to co-operate with customers. The Group will participate in the negotiation and finalization of the terms of supply of products to the ultimate third party customers and ensure that the supply of products is on normal commercial terms. The members of the Inspur Group Companies will place orders with the relevant members of the Group for supply of the products from time to time. After acceptance of the orders by the Group, the Group will directly provide the products to the customers. After the delivery of the products to the customers, the relevant members of the Inspur Group Companies will issue sale invoices to the customers and the relevant members of Group will issue sales invoice to the Inspur Group Companies for settlement of the products.

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The Group pays selling agency commission of not more than 1% (calculated on the price of the relevant products payable by the customers) to the Inspur Group Companies for using the Qualification. The Inspur Group Companies will deduct the related commission from the payment received from the customers and pay the net proceeds to the Group within five days. In other words, the commission is the only fee received by the Inspur Group Companies from the Group. The balance of the fees is paid to the Inspur Group Companies only on a pass-through basis. The Inspur Group Companies are not end-customers in those transactions.

Inspur Group Companies are the only selling agents appointed by the Group and the Group has not entered into any selling agency transactions with Independent Third Parties on terms consistent with those of Inspur Group. The Group may lose some business generated from the public tenders that require the Inspur Group's Qualification if it terminates the appointment of Inspur Group Companies as its selling agent.

Meanwhile, the Company further understands that the Inspur Group Companies did not act as selling agent of entities other than members of the Inspur Group Companies and the Group in or prior to 2021. As such, the 1% commission is determined with reference to the Qualification Management Policy (資質管理有關規定) of the Inspur Group Companies pursuant to which the Inspur Group Companies will charge a selling agency commission of not more than 1% of the contract amount as general policy. The Qualification Management Policy is an internal control policy used by the Inspur Group Companies for governing the transactions relevant to the Selling Agency Transactions taking into account the cost of maintaining the Qualification by the Inspur Group Companies. All Inspur Group Companies including the Company are subject to the same commission rate and payment terms (i.e. the relevant Inspur Group Companies will receive the net proceeds (after deduction of the related commission) within five days after the payment has been received from the third party customers). However, it is highly unlikely for the Group to find an Independent Third Party who owns the scarce industry qualification as Inspur Group Companies are charging a commission fee of less than 1%. Moreover, other entities with similar qualifications to Inspur Group Companies are limited in number and as business competitors of the Group, they would not offer selling agency services to the Group. Therefore, it would not be possible for the Company to seek quotes from Independent Third Parties which own such qualification. Due to the unique nature of the Qualification and industry practice, and that all Inspur Group Companies are subject to the same commission rate and payment terms, the Board is of the view that the 1% commission fee and the payment terms of the selling agency commission are fair and reasonable and on normal commercial terms or better.

As the Group owns qualifications such as second-class professional contracting for electronic and intelligent engineering and has recently obtained second-class ITSS operation and maintenance, the Group is able to participate in public tenders and find third party customers, of which the scale of the transaction may be smaller than those requiring Qualifications of Inspur Group Companies. Based on its understanding of the industry and application requirements of higher class qualification, the Company believes that using Qualifications of Inspur Group Companies to participate in the relevant public tenders is unrelated to and has no influence on a future process of obtaining a higher class qualification. The Company is planning to apply for a higher class qualification and would actively monitor the Group's position against the requirements of such application. The Company will apply for a higher level of qualification when the relevant conditions are satisfied. According to the survey, the requirements focus on the applicant's experience, size and operations in the industry (e.g. its capital, assets, key practitioners, relevant project performance, etc.) and one of the conditions of

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the application is that the initial application must start from a lower level of qualification and hold the lower level of qualification for one year. Therefore, the Selling Agency Transactions will not affect the Company's plans to obtain a higher level of qualification in the future. Given the unpredictable nature of the timetable in the application for high class Qualifications, in determining the new annual caps of the Selling Agency Transactions, the Company has not taken the success of such applications into consideration.

The Board takes the view that the new annual caps for Selling Agency Transactions are appropriate and do not cause over-reliance on Inspur Group Companies as:

(i) the contribution of Selling Agency Transactions to the Company's turnover in each of the past three years from 2019 to 2021 was not more than 40% and it is also expected that the contribution for the three years ending 31 December 2024 will not exceed 40%. In assessing the percentage of contribution of the Selling Agency Transactions to the Company's turnover, reference is made to the Company's historical performance of turnover and previous Selling Agency Transactions:

Year ended 31 December	Turnover (Year to Year % Change)	Annual Caps	Actual Transaction Amount (Year to Year % Change)	Percentage of Actual Transaction Amount to Turnover
			<i>(RMB'000)</i>	
2018	2,145,100 (—)	600,000	582,930 (—)	27%
2019	2,555,160 (+19%)	1,080,000	991,120 (+70%)	39%
2020	2,275,170 (-11%)	1,180,000	806,100 (-19%)	35%

Due to the hit by the COVID pandemic, the Company saw a regression from the relatively strong growth trend in both the turnover and actual transaction amount of the Selling Agency Transactions in 2020. However, from 2018 to 2020, there is an overall growth in both the turnover and the actual transaction amount.

Further, according to the interim report of the Company as of 30 June 2021, the Company recorded a turnover of HK\$1,518,139,000, representing an increase of approximately 30% compared with the corresponding period for the previous year (the corresponding period in 2020: HK\$1,165,380,000). The Company has a positive outlook as to the turnover for the year ended 2021 and expects the growth on turnover of the Company to continue.

Against the business growth rate of the Company, coupled with the internal measures in place, as further elaborated below, the Company expects that the amounts of the Selling Agency Transactions will not exceed 40% of the turnover for the year ending 31 December 2024;

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(ii) the Group will deal directly with its existing customers without using the Qualification;

(iii) the Group will still be able to participate in certain public tenders without the Qualification;

(iv) the Group will only use Qualifications of Inspur Group Companies in public tenders where the use of such Qualifications would significantly improve the chances of winning the tender; and

(v) the Group will participate in the negotiation and finalization of the terms of contracts with and provide the products directly to the ultimate third party customers in the Selling Agency Transactions. However, by using Qualifications of Inspur Group Companies, the Group will be able to participate in larger-scale public tenders and enjoy a higher overall rating in public tenders to increase its chance of winning. In addition to the Company's internal business growth, the Company observed that external market conditions are in favour of the Company's business. The demand for PRC-oriented cloud data and operation and maintenance services brought about by the cloudisation of networks continue to increase. As a leading enterprise management software and cloud services provider in China, the Company will continue to build new technologies, new applications, and new models, promote the digital and intelligent transformation of enterprises with first-class products and services in order to create value for customers and partners. The Company expects that the continued increase in demand for its products and services, and the growing market incentives for the Company's business will help the Company to progress in the coming years.

With reference to the interim report of the Company for the six months ended 30 June 2021, steady increase was noted across the Group's business, particularly, the Group's turnover, gross profit, gross profit margin, profit attributable to owners, and especially in the performance of the Group's business segments such as RMB-denominated business in China, cloud services business, management software business, Internet of Things (IoT) solutions business. The Company foresees that the demands in its products and services would continue to increase in line with the above respective growth rates.

In response to the expected increasing market demand, the Company will strive to diversify the Group's income sources through expanding its customer base. As indicated in the table on page 8 of this Circular, the percentages of the actual Selling Agency Transaction amount to the Company's annual turnover were 27%, 39% and 35% respectively. The remaining percentages of 73%, 61% and 65% of the Company's turnover for the respective years were generated from customers who directly engaged the services of the Group without the selling agency services of the Inspur Group Companies. In 2021, approximately 2,000 new corporate customers directly engaged the services of the Group without the selling agency services of the Inspur Group Companies. In order to further avoid reliance on the Inspur Group Companies, the Group will continue to promote direct dealings with its existing customers without using Inspur Group Companies' selling agency services and explore and expand the Group's participation in public tenders without using such services whenever possible. The Group will also promote its other existing businesses as appropriate to further promote its market presence and in order to meet the increasing demand for the Group's products and services.

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As discussed under the paragraph headed “Internal Control Measures for the Transactions” below, the Company monitors the monthly transacted amounts of the Selling Agency Transactions. If the monthly transacted amounts exceed half of the Group’s total revenue of the respective month, the potential over-reliance issue will be reported to the senior management, who will then decide whether to continue conducting the Selling Agency Transactions or consult the Stock Exchange as appropriate. Under the Company’s internal management, the Company is well-informed of any sign that the Selling Agency Transactions is going to exceed the Company’s internal control limit and take action to minimize the risk. Such internal control measures have been in place for the Selling Agency Transactions in the past, demonstrating a track record of effectively controlling the percentage of contribution of the Selling Agency Transactions to the annual revenue of the Company. Therefore, the Board takes the view that the Company is able to prevent over-reliance on the Selling Agency Transactions and Inspur Group Companies.

Given the historical growth of the Company, and the favourable market circumstances, the Company expects a continuous performance progression in the years to come. In view of the above, and the internal control measures in place, the Board is of the view that the new annual caps for the Selling Agency Transactions are appropriate.

HISTORICAL FIGURES

Set out below are the historical amounts of the Selling Agency Transactions between the Group and the Inspur Group Companies for the three years ended 31 December 2021:

(All amounts in RMB’ million)	Year ended 31 December 2019	Year ended 31 December 2020	Year ended 31 December 2021 (Unaudited)
Selling Agency Transactions			
- (value of transactions)	991.11	806.10	1,090.18
- (related commission)	9.91	8.04	10.69

PROPOSED NEW ANNUAL CAPS

Pursuant to the Selling Agency Transactions Agreement, the annual caps of the Selling Agency Transactions are: (i) for the year ending 31 December 2022, RMB1,420,000,000 (value of transactions) and RMB14,200,000 (related commission); (ii) for the year ending 31 December 2023, revised to RMB18,460,000,000 (value of transactions) and RMB18,460,000 (related commission); (iii) for the year ending 31 December 2024, set at RMB2,400,000,000 (value of transactions) and RMB24,000,000 (related commission). The foregoing annual cap amounts do not include any tax (such as Value Added Tax).

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BASIS OF THE NEW ANNUAL CAPS

The following factors have been taken into account by the Company in determining the new annual caps of the Selling Agency Transactions provided for the three years ending 31 December 2024 of the Selling Agency Transactions provided: (i) recent historical transacted amount of Selling Agency Transactions; (ii) orders which have been fulfilled and sale orders on hand; and (iii) an expected annual growth rate of 30% assuming continued growth in demand for Selling Agency Transactions and general inflation.

In expecting an annual growth rate of 30% in the Selling Agency Transactions, the Board has considered the historical performance of the Selling Agency Transactions and the growth rate of the Company, especially taking into account the latest financial position of the Group for the year of 2021.

According to the interim report of the Company as of 30 June 2021, the Company recorded a turnover of HK\$1,518,139,000, representing an increase of approximately 30% compared with the corresponding period for the previous year (the corresponding period in 2020: HK\$1,165,380,000).

Further, the amount of the Selling Agency Transactions was RMB806 million for the year ended 31 December 2020, and RMB1,090 million for the year ended 31 December 2021, representing an increase of approximately 35% from 2020 to 2021.

Against the expectation progressive growth in its business performance in the coming years, as set out under the section headed “Selling Agency Transactions” above, the Board has a positive outlook as to the growth rate of the Selling Agency Transactions.

As such, the Directors are of the view that the estimated 30% annual growth rate is fair and reasonable.

INTERNAL CONTROL MEASURES FOR THE TRANSACTIONS

The market strategies, including the pricing mechanisms, are determined by the Company’s operations department. There is a segregation of duties between the Company’s sales department and operations department. The sales department is responsible for contacting customers, setting quotation and entering into the contracts. The operations department is in charge of setting the price and other terms, through which it will control and monitor the fee quotation. For public tenders, the operations department will assess the suggested range of the contract price before the Company decides whether to participate in such public tender. The operations department will periodically review and conduct internal audit and, if necessary, adjust the pricing and commercial terms with reference to the market situation and the same or similar transactions entered into by the Inspur Group Companies with Independent Third Parties.

In the beginning of each year, the finance department will allocate a rough amount to the relevant entities in the Group and provide guidance and advice to the Company’s operation department on the amount incurred under the Selling Agency Transactions each year. By monitoring the monthly transacted amounts and the future sales orders in the next two months forecasted by the operation department of the Selling Agency Transactions and checking the net proceeds received by the Group

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(after deducting the selling agency commission) against the payment the Inspur Group Companies received from the ultimate third party customers each month, the finance department will analyse the implementation of the Selling Agency Transactions monthly to ensure that the selling agency commission payable to the Inspur Group Companies is not more than 1% of the selling price and the annual caps have not been exceeded. When the value of the Selling Agency Transactions transacted reaches around 80% of the annual caps on an aggregated basis, it will be reported to the senior management. If the senior management decides to increase the annual caps for the relevant year, the Company will commence the process to increase the annual caps (including to obtain shareholders' approval) and allow about 1.5 to 2 months to complete such process. In any case, the Group will stop taking on sales orders or entering into public tenders that will have the effect of exceeding the annual caps before the process has been completed.

Further, as part of the Company's internal control measures to avoid over-reliance on the Selling Agency Transactions for the Group's revenue, the finance department of the Group shall keep the Company well-informed of any sign that the Selling Agency Transactions are going to exceed the Company's internal control limit (i.e., 40% of the Company's turnover), allowing the Company to timely and appropriately take action, for example, to temporarily suspend contracting new Selling Agency Transactions pending management review, to minimize the risk of over-reliance on the Selling Agency Transactions. By constantly monitoring the actual performance of the Selling Agency Transactions against the Company's internal control limit, and reviewing the terms of the Selling Agency Transactions, the Company can continuously ensure that the Selling Agency Transactions are fair and reasonable, and that the amounts of the Selling Agency Transactions will not exceed the applicable internal control limits, thus, control the potential risks of over-reliance on the Selling Agency Transactions.

The Directors (including independent non-executive directors of the Company) will review the pricing terms and the payment terms of the Selling Agency Transactions each year so as to confirm that the terms are fair and reasonable, on normal commercial terms or better than those offered to or by Independent Third Parties and in the interests of the Company and the Shareholders as a whole. As discussed under the paragraph headed "Selling Agency Transactions" above, the Directors are currently not aware of any other company in the industry that would allow an independent third party to use its qualification. It is therefore not possible to seek quotes from third parties. However, if this is no longer the case, the Directors will ensure that the terms of appointing Inspur Group as the Company's selling agent and using the Qualification in the Selling Agency Transactions are fair and reasonable, and on normal commercial terms or better than those offered by Independent Third Parties. The auditors of the Company will also report on the Selling Agency Transactions in accordance with Rule 14A.56 of the Listing Rules on an annual basis.

LETTER FROM THE BOARD

INFORMATION ON THE GROUP

The Company is a company incorporated in the Cayman Islands with limited liability, whose Shares are listed and traded on the Main Board of the Stock Exchange (Stock Code: 596). The principal activities of the Group are software development and provision of cloud service and Internet of Things solution. The Company continues to accelerate its transformation into an enterprise cloud service provider, leveraging its leading edge in cloud computing, big data, artificial intelligence and other full-stack technologies and innovative mechanisms to establish a platform-based mindset, take a platform-based product path, drive valuable growth with cloud ERP as its core, and help build intelligent enterprises.

INFORMATION ON THE INSPUR GROUP COMPANIES

Inspur Group is a controlling shareholder of the Company. Inspur Group is an investment holding company established in the PRC. Inspur Group is a leading cloud computing and big data services provider in the PRC, with three listed companies. Its main businesses include cloud computing, big data, industrial Internet, next-generation communications and a number of application scenarios. It has provided IT products and services to more than 120 countries and regions worldwide.

The ultimate beneficial owner (“UBO”) of Inspur Group is Shandong Provincial State-owned Assets Supervision and Administration Commission* (山東省人民政府國有資產監督管理委員會), the main function of which is to perform the duties of an investor according to the law as authorized by the provincial government, and to supervise the state-owned assets of the enterprises it invested in. The UBO holds 54.44% of the Company’s shares through Inspur Group.

REASONS FOR AND BENEFITS OF THE SELLING AGENCY TRANSACTIONS AGREEMENT

In light of the reputation and popularity of Inspur Group Companies in the PRC and within the industry, certain clients hope to purchase products and services of the Group through agreements signed with Inspur Group Companies in order to achieve double protection. Appointing Inspur Group Companies as the Company’s selling agent is beneficial in competing for contractual opportunities with specific customers, government agencies and large enterprises especially for bidding projects. Based on public tenders made and market forecasts, the Company expects that demand for its products and service offerings will continue to grow. As such, the Company would like to enter into the Selling Agency Transactions Agreements.

The Directors (including the independent non-executive Directors) consider that the Selling Agency Transactions Agreement was on normal commercial terms and entered into in the ordinary and usual course of business of the Group, and the terms of the Selling Agency Transactions Agreement together with the transactions contemplated thereunder are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE BOARD

LISTING RULES IMPLICATIONS OF THE SECOND SUPPLEMENTAL AGREEMENT

Inspur Group is a company established in the PRC and, as at the Latest Practicable Date, holds 621,679,686 Shares and is interested in approximately 54.44% of the issued share capital of the Company through its subsidiaries. Under the Listing Rules, Inspur Group is a connected person of the Company and the transactions contemplated under the Selling Agency Transactions Agreement will constitute continuing connected transactions of the Company. As the highest applicable percentage ratio under Rule 14.07 of the Listing Rules in respect of the new annual caps of the Selling Agency Transactions is expected to exceed 5%, the transactions contemplated under the Selling Agency Transactions Agreement are subject to the announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, no Director has a material interest in the transactions contemplated under the Selling Agency Transactions Agreement, there are no common directors between the Company and Inspur Group. No Director was required to abstain from voting on the Board resolutions of the Company approving the Selling Agency Transactions Agreement and the transactions contemplated thereunder.

EGM

Set out on pages 43 to 44 of this circular is a notice convening the EGM which will be held at Conference Room 315, Building S06, Inspur Technology Park, Inspur Road 1036, High-tech District, Jinan, Shandong Province, China at 10:00 a.m. on Friday, 29 April 2022 for the purpose of considering and, if thought fit, approving the Selling Agency Transactions Agreement.

The EGM will be convened and held for the Independent Shareholders to consider and, if thought fit, approve the Selling Agency Transactions Agreement and the transactions contemplated therein.

Since the Selling Agency Transactions Agreement and the transactions contemplated thereunder are subject to the Independent Shareholders' approval as required under Chapter 14A of the Listing Rules, Inspur Group and its associates shall abstain from voting on the relevant resolutions.

For the purpose of determining the Shareholders who are entitled to attend and vote at the EGM, the register of members of the Company will be closed from 27 April 2022 to 29 April 2022, both days inclusive. In order to qualify for attending and voting at the EGM, all transfer documents together with the relevant share certificates must be lodged for registration with the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. (Hong Kong time) on 26 April 2022.

A form of proxy for the EGM is enclosed. Whether or not you wish to attend the EGM, you are requested to complete the form of proxy in accordance with the instructions printed thereon and return the same to the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong not less than 48 hours before the time appointed for holding of the EGM or any adjournment thereof. Completion and return of the form of proxy shall not preclude you from attending and voting in person at the EGM or any adjournment thereof if you so wish.

LETTER FROM THE BOARD

VOTING BY POLL

Pursuant to Rule 13.39(4) of the Listing Rules and article 66 of the Company's articles of association, a resolution put to the vote of a general meeting of the Company shall be decided by way of a poll. After the EGM, the poll results will be published on the respective websites of the Stock Exchange and the Company.

RECOMMENDATIONS

Draco Capital Limited has been appointed as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders to advise them on the terms of the Selling Agency Transactions Agreement. The Independent Board Committee, comprising all the independent non-executive Directors, has been established by the Company to advise the Independent Shareholders as to whether the terms of the Selling Agency Transactions Agreement and the transactions contemplated thereunder in relation to the Selling Agency Transactions and the new annual caps are fair and reasonable and whether the transactions are in the interests of the Company and the Shareholders as a whole and to advise the Independent Shareholders on how to vote.

The text of the letters from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 19 to 35 of this circular and the text of the letters from the Independent Board Committee to the Independent Shareholders is set out on pages 17 to 18 of this circular.

The Independent Board Committee, having taken into account the advice of Draco Capital Limited, is of the opinion that the Selling Agency Transactions Agreement was entered into upon normal commercial terms following arm's length negotiations between the parties thereto, and that the terms of the Selling Agency Transactions Agreement (including the new annual caps for the three years ending 31 December 2024) were agreed on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned, and in the interests of the Company and the Shareholders as a whole. The Independent Board Committee recommends the Independent Shareholders to vote in favour of the relevant resolution to be proposed at EGM.

The Directors (including the independent non-executive Directors whose view is expressed in the letter from the Independent Board Committee set out on pages 17 to 18 of this circular) are of the view that the Selling Agency Transactions Agreement was entered into on normal commercial terms and in the ordinary and usual course of business of the Group, and the terms of the Second Supplemental Agreement (including the new annual caps for the three years ending 31 December 2024) are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The Directors recommend the Independent Shareholders to vote in favour of the resolutions to be proposed at EGM.

LETTER FROM THE BOARD

ADDITIONAL INFORMATION

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

Yours faithfully
For and on behalf of the Board of
Inspur International Limited
Mr. Wang Xingshan
Chairman



INSPUR INTERNATIONAL LIMITED

浪潮國際有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 596)

11 April 2022

To the Independent Shareholders

Dear Sir or Madam,

**CONTINUING CONNECTED TRANSACTIONS
SELLING AGENCY TRANSACTIONS AGREEMENT**

We refer to the circular dated 11 April 2022 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 whether the terms of the Selling Agency Transactions Agreement (including the new annual caps for the three years ending 31 December 2024) are fair and reasonable and whether the transactions are in the interests of the Company and the Shareholders as a whole and to advise the Independent Shareholders on how to vote. Draco Capital Limited has been appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

We wish to draw your attention to the letter from the Board, as set out on pages 4 to 16 of the Circular, and the letter from Draco Capital Limited to the Independent Board Committee and the Independent Shareholders which contains its advice to us in respect of the Selling Agency Transactions Agreement, as set out on pages 19 to 35 of the Circular.

Having taken into account of the advice of Draco Capital Limited, we consider that the Selling Agency Transactions Agreement was entered into upon normal commercial terms following arm’s length negotiations between the parties thereto, and that the terms of the Selling Agency Transactions Agreement (including the new annual caps for the three years ending 31 December 2024) were agreed on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned. We consider that the entering into the Selling Agency Transactions Agreement is in the

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

ordinary and usual course of business of the Company and 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 resolution to be proposed at the EGM to approve the Selling Agency Transactions Agreement, the transactions contemplated thereunder and the annual caps.

Yours faithfully,
the Independent Board Committee

Zhang Ruijun
Independent
non-executive Director

Wong Lit Chor, Alexis
Independent
non-executive Director

Ding Xiangqian
Independent
non-executive Director

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the full text of the letter from Draco Capital Limited setting out their advice to the Independent Board Committee and the Independent Shareholders, which has been prepared for the purpose of inclusion in this circular.



4/F Connaught Harbourfront House
35 Connaught Road West,
Sheung Wan, Hong Kong

11 April 2022

*To the Independent Board Committee and the Independent Shareholders of
Inspur International Limited*

Dear Sir or Madam,

RENEWAL OF CONTINUING CONNECTED TRANSACTIONS WITH INSPUR GROUP

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the entering into of the Selling Agency Transactions Agreement with the Inspur Group and the Proposed Annual Caps, details of which are set out in the letter from the Board (the “**Board Letter**”) contained in the circular dated 11 April 2022 issued by the Company to the Shareholders (the “**Circular**”), of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

References are made to the Previous Disclosures in relation to, among other things, the Selling Agency Transactions under the Framework Agreement entered between the Company and the Inspur Group (as amended by the First Supplemental Agreement and the Second Supplemental Agreement).

As the Selling Agency Transactions under the Framework Agreement has expired on 31 December 2021, and it is expected that the transaction amounts of the Selling Agency Transactions will increase, the parties of the Framework Agreement have entered into the Selling Agency Transactions Agreement on 9 February 2022 to continue to conduct the Selling Agency Transactions and set the relevant annual caps for the three years ending 31 December 2022, 2023 and 2024 respectively. The Selling Agency Transactions Agreement is subject to the approval of the Independent Shareholders at the EGM.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

LISTING RULES IMPLICATIONS

The Inspur Group is a company established in the PRC and, as at the Latest Practicable Date, holds 621,679,686 Shares and is interested in approximately 54.44% of the issued share capital of the Company through its subsidiaries. Under the Listing Rules, the Inspur Group is a connected person of the Company and the transactions contemplated under the Selling Agency Transactions Agreement will constitute continuing connected transactions of the Company. As the highest applicable percentage ratio under Rule 14.07 of the Listing Rules in respect of the Proposed Annual Caps of the Selling Agency Transactions is expected to continue to exceed 5%, the transactions contemplated under the Selling Agency Transactions Agreement are subject to the announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, no Director has a material interest in the transactions contemplated under the Second Supplemental Agreement and there are no common directors between the Company and the Inspur Group. No Director was required to abstain from voting on the Board resolutions of the Company approving the Selling Agency Transactions Agreement and the transactions contemplated thereunder.

INDEPENDENT BOARD COMMITTEE

The Independent Board Committee comprising all the independent non-executive Directors, namely Ms. Zhang Ruijun, Mr. Wong Lit Chor, Alexis and Mr. Ding Xiangqian, has been established to advise the Independent Shareholders in relation to terms of the Selling Agency Transactions Agreement and the continuing connected transactions contemplated thereunder (including the Proposed Annual Caps). No member of the Independent Board Committee has any material interest in the Selling Agency Transactions Agreement or the continuing connected transactions contemplated thereunder. We, Draco Capital Limited, have been appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

OUR INDEPENDENCE

During the last two years, there was no engagement between the Company or the Inspur Group and us. Apart from normal professional fee payable to us by the Company in connection with this appointment, no arrangement exists whereby we will receive any fees or benefits from the Group or the Directors, chief executive and substantial Shareholders or the Inspur Group or any of its subsidiaries or their respective associates, and any parties acting in concert with them. As at the Latest Practicable Date, there were no relationships or interests between (a) the Group, the Inspur Group and their respective subsidiaries and associates; and (b) us that could reasonably be regarded as a hindrance to our independence as defined under Rule 13.84 of the Listing Rules to act as the Independent Financial Adviser. Therefore, we consider ourselves eligible to act as the Independent Financial Adviser to the Company under the requirements of the Listing Rules.

BASIS OF OUR OPINION

In formulating our opinion and advice, we have relied on (i) the information and facts contained or referred to in the Circular; (ii) the information supplied by the Group and its advisers; (iii) the opinions expressed by and the representations of the Directors and the management of the Group (the "**Management**"); and (iv) our review of the relevant public information.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We have assumed that all the information provided and representations and opinions expressed to us or contained or referred to in the Circular were true, accurate and complete in all respects as at the date thereof and may be relied upon. We have also assumed that all statements contained and representations made or referred to in the Circular are true at the time they were made and continue to be true as at the Latest Practicable Date and all such statements of belief, opinions and intentions of the Directors and the Management and those as set out or referred to in the Circular were reasonably made after due and careful enquiry. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors and the Management. We have also sought and received confirmation from the Directors that no material facts have been withheld or omitted from the information provided and referred to in the Circular and that all information or representations provided to us by the Directors and the Management are true, accurate, complete and not misleading in all respects at the time they were made and continued to be so until the date of the Circular.

We consider that we have reviewed the relevant information currently available to reach an informed view and to justify our reliance on the accuracy of the information contained in the Circular so as to provide a reasonable basis for our recommendation. In formulating our recommendation in relation to the Framework Agreement and pursuant to Rule 13.80(2), we have obtained and reviewed the relevant information in relation to the Selling Agency Transactions, among others, (i) the Framework Agreement; (ii) the annual report for the year ended 31 December 2020 and the interim report for the six months ended 30 June 2021 of the Company; and (iii) the unaudited consolidated financial statements of the Group for the year ended 31 December 2021. We have also performed research on industry trends in the PRC in connection with the principal business of the Company from the publicly available information such as the websites of the International Data Corporation and the iResearch Consulting Group.

We, as the Independent Financial Adviser, take no responsibility for the contents of any part of the Circular, save and except for this letter. We consider that we have reviewed sufficient information currently available to reach an informed view and to justify our reliance on the accuracy of the information contained in the Circular so as to provide a reasonable basis for our recommendation. We have not, however, carried out any independent verification of the information provided, representations made or opinion expressed by the Directors and the Management, nor have we conducted any form of in-depth investigation into the business, affairs, operations, financial position or future prospects of the Group, or any of its respective substantial shareholders, subsidiaries or associates.

This letter is issued for the information for the Independent Board Committee and the Independent Shareholders solely in connection with their consideration of the Selling Agency Transactions Agreement and the continuing connected transactions contemplated thereunder (including the Proposed Annual Caps) and, except for its inclusion in the Circular, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes, without our prior written consent.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion and recommendations to the Independent Shareholders, we have taken into consideration the following principal factors and reasons. Our conclusions are based on the results of all analyses taken as a whole.

1 BACKGROUND INFORMATION OF THE PARTIES TO THE SELLING AGENCY TRANSACTIONS AGREEMENT

1.1 INFORMATION ON THE GROUP

As stated in the Letter from the Board, the Company is a company incorporated in the Cayman Islands with limited liability, whose Shares are listed and traded on the Main Board of the Stock Exchange (Stock Code: 596). The principal activities of the Group are software development and provision of cloud service and Internet of Things solution. The Company continues to accelerate its transformation into an enterprise cloud service provider, leveraging its leading edge in cloud computing, big data, artificial intelligence and other full-stack technologies and innovative mechanisms to establish a platform-based mindset, take a platform-based product path, drive valuable growth with cloud ERP as its core, and help build intelligent enterprises.

1.2 FINANCIAL PERFORMANCE ON THE GROUP

For the six months ended 30 June 2021 (“Interim 2021”)

With reference to the interim report of the Company for Interim 2021, the Group recorded a turnover of HK\$1,518,139,000, representing an increase of 30.27% compared with the corresponding period last year (the corresponding period in 2020: HK\$1,165,380,000). The Group’s revenue was mainly derived from its RMB-denominated business in China, representing a growth rate of 19.85% in RMB. Revenue from the cloud services business amounted to HK\$319,623,000, representing an increase of 41.68% compared with the corresponding period last year (the corresponding period in 2020: HK\$225,591,000) and a growth rate of 30.35% in RMB, and revenue from cloud services business accounted for 21.05% of the Group’s turnover and was the driving force behind the Company’s revenue growth; Revenue from the management software business amounted to HK\$1,021,137,000, representing an increase of 27.02% compared with the corresponding period last year (the corresponding period in 2020: HK\$803,927,000) and a growth rate of 16.86% in RMB; Revenue from the Internet of Things (IoT) solutions business amounted to HK\$177,379,000, representing an increase of 30.56% compared with the corresponding period last year (the corresponding period in 2020: HK\$135,862,000) and a growth rate of 20.12% in RMB.

For Interim 2021, gross profit from operating activities was HK\$515,424,000, representing an increase of 32.13% compared with the corresponding period last year (the corresponding period in 2020: HK\$390,089,000) and a growth rate of 21.65% in RMB. The overall gross profit margin was 33.95%, representing a steady increase compared with the corresponding period last year (the corresponding period in 2020: 33.50%).

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

During Interim 2021, profit attributable to owners of the Company amounted to HK\$18,967,000 (the corresponding period in 2020: loss of HK\$49,112,000), representing a substantial increase in profit for the reporting period, which was mainly attributable to operating profit from management software business which amounted to HK\$110,546,000, representing an increase of 179.88% compared with the corresponding period last year (the corresponding period in 2020: HK\$39,498,000).

For the year ended 31 December 2020 (“FY2020”)

With reference to the annual report of the Company for FY2020, the Group recorded a revenue of HK\$2,556,750,000 (for the year ended 31 December 2019 (“FY2019”): HK\$2,897,694,000) representing a decrease of 11.8% as compared with last year. The revenue mainly came from our business in China and operated in Renminbi. The revenue if accounted in RMB represented 11% decrease comparatively. Among them, the revenue of cloud service business was HK\$506,337,000 (FY2019: HK\$387,910,000), recorded 30.5% growth (31.7% growth accounted in RMB) compared with last corresponding period, and weighted 19.8% of total revenue and became a new growth driven. Revenue of management software for the year was HK\$1,617,991,000 (FY2019: HK\$1,969,121,000), representing a decrease of 17.8% (17.1% decrease accounted in RMB). The revenue of the Internet of things (IoT) was HK\$432,422,000 (FY2019: HK\$540,663,000), representing a decrease of 20.0% (19.3% decrease accounted in RMB) comparatively. Decrease in revenue in IOT solution was mainly due to the reducing orders from large SOE as a result of epidemic.

During FY2020, gross profit of the Group was HK\$749,940,000 (FY2019: HK\$1,034,556,000), representing a decrease of 27.5% as compared with last year. The Group’s gross profit margin was 29.3% (FY2019: 35.7%). The decrease in gross profit margin was mainly because gross profit margin of management software segment decreased comparatively as a result of fierce market competition.

During FY2020, loss attributable to owners of the Company for the year was approximately HK\$157,044,000 (FY2019: profit of HK\$203,059,000), representing a significant decrease compared with last year. Main reasons were: (i) in the period, because of the impact of the epidemic and economic environment, some of our industry customers of management software postponed the delivery, which resulted in the significant deduction in operation profit of this segment about 98.6% comparatively to amount HK\$3,695,000 (FY2019: HK\$262,314,000); (ii) Although the cloud service business kept steady growth, it was still in expansion period and losses enlarged. Operation loss from this segment accounted HK\$168,546,000 (FY2019: loss HK\$130,172,000); (iii) Due to the change of business environment, during the reporting period, impairment loss of goodwill and intangible assets was accounted about HK\$15,793,000 (FY2019: Nil) and due to closure of an associate, in the period, impairment loss of long-term investment was about HK\$31,296,000 (FY2019: Nil).

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

1.3 INFORMATION ON THE INSPUR GROUP COMPANIES

The Inspur Group is a controlling shareholder of the Company. The Inspur Group is an investment holding company established in the PRC. The Inspur Group is a leading cloud computing and big data services provider in the PRC, with three listed companies. Its main businesses include cloud computing, big data, industrial Internet, next-generation communications and a number of application scenarios. It has provided IT products and services to more than 120 countries and regions worldwide.

2 CONTINUING CONNECTED TRANSACTIONS AND THE PROPOSED ANNUAL CAPS

2.1 THE PRINCIPAL TERMS

References are made to the Previous Disclosures in relation to, among other things, the Selling Agency Transactions under the Framework Agreement entered between the Company and the Inspur Group (as amended by the First Supplemental Agreement and the Second Supplemental Agreement).

On 9 May 2018, the Framework Agreement was entered in respect of five categories of continuing transactions (including, but not limited to, the Selling Agency Transactions) and the related annual caps for the three financial years ended 31 December 2018, 2019 and 2020 respectively. On 23 August 2019, the First Supplemental Agreement was entered to amend the Framework Agreement. On 5 November 2019, the Second Supplemental Agreement was entered to (i) revise the annual caps of the Selling Agency Transactions, and (ii) to continue to conduct the Selling Agency Transactions for the year ended 31 December 2021 with new annual caps.

As the Selling Agency Transactions under the Framework Agreement has expired on 31 December 2021, and it is expected that the transaction amounts of the Selling Agency Transactions will increase, the parties of the Framework Agreement have entered into the Selling Agency Transactions Agreement on 9 February 2022 to continue to conduct the Selling Agency Transactions and set the relevant annual caps for the three years ending 31 December 2022, 2023 and 2024 respectively.

The principal terms of the Selling Agency Transactions Agreement are summarised below.

Date

9 February 2022

Parties

1. The Company (for itself and on behalf of the Group Subsidiary Companies); and
2. Inspur Group (for itself and on behalf of the Inspur Group Subsidiary Companies)

Term

For the three years ending 31 December 2024.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Subject of the Selling Agency Transactions Agreement

Pursuant to the Selling Agency Transactions Agreement, the Company and the Inspur Group conditionally agreed to continue to conduct the Selling Agency Transactions and set the relevant annual caps for the three years ending 31 December 2022, 2023 and 2024 respectively.

Conditions Precedent

The new annual caps and continuance of the Selling Agency Transactions pursuant to the Selling Agency Transactions Agreement are conditional upon the approval of the Independent Shareholders at the EGM.

Pricing and Payment

The Group pays selling agency commission of not more than 1% (calculated on the price of the relevant products payable by the customers) to the Inspur Group Companies for using the various qualifications not yet obtained by the Group, such as first-class qualification for professional contracting of electronic and intelligent engineering, first-class qualification for ITSS operation and maintenance awarded by the China Electronics Industry Standardization Technology Association (collectively, the “**Qualifications**”).

The Group will participate in the negotiation and finalisation of the terms of supply of products to the ultimate third-party customers and ensure that the supply of products is on normal commercial terms. The members of the Inspur Group Companies will place orders with the relevant members of the Group for supply of the products from time to time. After acceptance of the orders by the Group, the Group will directly provide the products to the customers. After the delivery of the products to the customers, the relevant members of the Inspur Group Companies will issue sale invoices to the customers and the relevant members of Group will issue sales invoice to the Inspur Group Companies for settlement of the products.

The Inspur Group Companies will deduct the related commission from the payment received from the customers and pay the net proceeds to the Group within five days. In other words, the commission is the only fee received by the Inspur Group Companies from the Group. The balance of the fees is paid to the Inspur Group Companies only on a pass-through basis. The Inspur Group Companies are not end-customers in those transactions.

Our Assessment

We have discussed with the Management and noted that the Inspur Group Companies did not act as selling agent of entities other than members of the Inspur Group Companies and the Group in or prior to 2021. As such, the 1% commission is determined with reference to the Qualification Management Policy (資質管理有關規定) of the Inspur Group Companies (the “**Policy**”) pursuant to which the Inspur Group Companies will charge a selling agency commission of not more than 1% of the contract amount as general policy.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Inspur Group Companies are the only selling agents appointed by the Group and the Group has not entered into any selling agency transactions with Independent Third Parties on terms consistent with those of Inspur Group. As stated by the Management, it is highly unlikely for the Group to find an Independent Third Party who owns the Qualifications as the Inspur Group Companies are charging a commission fee of less than 1%. Moreover, other entities with the Qualifications are limited in number and as business competitors of the Group, they would not offer selling agency services to the Group. Therefore, it would not be possible for the Company to seek quotes from Independent Third Parties in relation to the Selling Agency Transactions. Due to the unique nature of the Qualifications and industry practice, and that all the Inspur Group Companies are subject to the same commission rate and payment terms (i.e. the relevant Inspur Group Companies will receive the net proceeds (after deduction of the related commission) within five days after the payment has been received from the third party customers), the Board is of the view that the 1% commission fee and the payment terms of the selling agency commission are fair and reasonable and on normal commercial terms or better.

We are further advised by the Management that the Inspur Group Companies has been charging the Group selling agency commission of not more than 1% for the past few years. Based on the public information, we noted that the Shandong State-owned Assets Investment Holdings Co., Ltd., a Shandong Provincial State-owned Assets Supervision and Administration Commission-controlled entity, is a controlling shareholding of the Inspur Group. Founded in the 1980s, the Inspur Group, together with its subsidiaries, including two publicly listed subsidiaries in the PRC, namely Inspur Electronic Information Industry Co., Ltd. (浪潮電子信息產業股份有限公司, 000977.SZ) and Inspur software Co., Ltd. (浪潮軟件股份有限公司, 600756.SH), is a leading cloud computing and big data service provider in the PRC. According to “IDC Worldwide Quarterly Server Tracker” published on 9 September 2021 by the International Data Corporation, one of the world’s leading tech media, data and marketing services company, the Inspur Group ranked 3rd in the worldwide server market which its market shares in worldwide amounted to approximately 9.4% for the second quarter of 2021. As such, we concur with the view of the Company that by conducting the Selling Agency Transactions with the Inspur Group, the Group in return could enjoy the benefits arising from the well-established business platform and network of the Inspur Group to strengthen its revenue stream.

We have reviewed the Policy, which is the internal control policy used by the Inspur Group Companies to govern including, but not limited to, the transactions relevant to the Selling Agency Transactions taking into account the cost of maintaining the Qualifications by the Inspur Group Companies and is therefore one of the references of the Group to assess the fairness and reasonableness of the terms of the Selling Agency Transactions. We note that it is the general business policy of the Inspur Group Companies to charge a selling agency commission of not more than 1% of the contract amount.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Based on our communication with the Management, we note that since those Qualifications are owned by different members of the Inspur Group Companies, members of the Inspur Group Companies also encountered the situation where they need to rely on the Qualifications not owned by itself but are owned by other members. In order to standardise the procedures in using Qualifications amongst the members of the Inspur Group Companies as well as the Group, the Inspur Group had already set out the Policy in 2006. We are advised that the purpose of the Policy is to establish a non-gratuitous and non-profit practice for relying on Qualifications of other members amongst the Inspur Group Companies as well as the Group.

The Management further advised that, other entities with the Qualifications are limited in number and as business competitors of the Group, rather than offering selling agency services to the Group, those entities will only outsource the services if they win the public tender. In the event that those entities outsource the tender, the margin charged by those entities shall be much higher than 1%, which the actual fees charged shall be varied depending on the nature and scope of the respective projects.

As such, we concur with the view of the Board that the 1% commission fee and the payment terms of the selling agency commission are fair and reasonable and on normal commercial terms or better.

On the other hand, for our due diligence purpose, we have obtained and reviewed 2 samples of transaction records per year regarding the historical Selling Agency Transactions between the Group and the Inspur Group Companies for each of the three years ended 31 December 2021. Those 6 samples of transactions records between the Group and the Inspur Group Companies were selected on a random basis from the lists of transactions in respect of the Selling Agency Transactions with the Inspur Group Companies covering the period from 1 January 2019 to 31 December 2021. Given that (i) the arrangements for the Selling Agency Transactions between the Inspur Group Companies is consistent throughout 2019 to 2021; (ii) the aforesaid samples are obtained on random basis; and (iii) the samples we obtained are consistent and did not demonstrate any discrepancy to our understandings on the arrangement of the Selling Agency Transactions between the Group and the Inspur Group Companies, we are of the view that those samples are sufficient for us to assess the arrangement of the Selling Agency Transactions with the Inspur Group Companies.

On the basis of our review, we note that the commission rate under the Selling Agency Transactions is accordance with the general business policy of the Inspur Group Companies. Based on the above, we considered that the terms of the Selling Agency Transactions Agreement, including but not limited to the pricing policy thereunder, are on normal commercial terms, fair and reasonable and in the interest of the Company so far as the Company and the Independent Shareholders are concerned.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

2.2 HISTORICAL TRANSACTION AMOUNTS AND PROPOSED ANNUAL CAPS

Historical Transactions

According to the Framework Agreement, the annual cap amounts in relation to the Selling Agency Transactions are:

	For the year ended 31 December		
	2019	2020	2021
	RMB'million	RMB'million	RMB'million
Historical Annual Caps			
Selling Agency Transactions			
- value of transactions	1,080	1,180	1,306.8
- related commission	10.8	11.8	13.06
Actual transaction values			
Selling Agency Transactions			
- value of transactions	991.11	806.10	1,090.18 <i>(unaudited)</i>
- related commission	9.91	8.04	10.69 <i>(unaudited)</i>

With reference to the annual report of the Company for FY2019 and FY2020, we noted that:

- (i) the aggregate transactions amount under Selling Agency Transactions were RMB991.11 million and RMB806.10 million for FY2019 and FY2020 respectively, representing a decrease of approximately 18.7%. Such amounts represented a utilisation rate approximately 91.8% and 68.3% to the respective annual caps; and
- (ii) the related commission amounted to RMB9.91 million and RMB8.04 million for FY2019 and FY2020 respectively, representing a decrease of approximately 18.9%. Such amounts represented a utilisation rate of approximately 91.8% and 68.1% to the respective annual caps.

The Selling Agency Transactions for FY2019 and FY2020 did not exceed the annual caps for the corresponding year.

In addition, based on the information provided by the Company, we noted that:

- (i) the aggregate transactions amount under the Selling Agency Transactions were RMB1,080.18 million for the year ended 31 December 2021 (“**FY2021**”), representing an increase of approximately 35.2% as compared to that for FY2020. Such amount represented a utilisation rate of approximately 83.4% to the corresponding cap; and

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- (ii) the related commission amounted to RMB10.69 million for FY2021, representing an increase of approximately 33.0% as compared to that for FY2020. Such amount represented a utilisation rate of approximately 81.9% to the corresponding annual cap.

The Selling Agency Transactions for FY2021 did not exceed the annual cap for the corresponding year.

The Proposed Annual Caps

Pursuant to the Selling Agency Transactions Agreement, the Proposed Annual Caps are:

	For the year ended 31 December		
	2022	2023	2024
	RMB'million	RMB'million	RMB'million
Proposed Annual Caps			
Selling Agency Transactions			
- value of transactions	1,420	1,846	2,400
- related commission	14.2	18.46	24

The Proposed Annual Caps amounts do not include any tax (such as Value Added Tax).

Our View

In assessing the reasonableness and fairness of the Proposed Annual Caps, we have discussed with the management and note that the Proposed Annual Caps for the three years ending 31 December 2024 are determined with reference to the following basis.

Based on our discussion with the Management, we noted that Proposed Annual Caps were determined after taking into account (i) recent historical transacted amount of Selling Agency Transactions; (ii) orders which have been fulfilled and sales orders on hand; and (iii) an expected annual growth rate of approximately 30% assuming continued growth in demand for the Selling Agency Transactions and general inflation.

We have enquired the reasons for the fluctuation of the transactions amounts of the Selling Agency Transactions for the three years ended 31 December 2021. The Management expressed that due to the outbreak of Covid-19 pandemic (the “**Pandemic**”) at the beginning of 2020, the PRC government imposed a series of lockdown measures, including travel restrictions, and closure of workplaces and consumer businesses (including hotels and shopping malls) to curb the spread of the Pandemic. Such measures had affected the business of the Group for FY2020. Following the relaxation of lockdown restrictions in 2021, the economic activities in the PRC began to recover and thus the financial performance of the Group improved for FY2021. Although there is no assurance of the development of the Pandemic, the Management considered that the economic growth of the PRC shall remain stable and the demand for various IT service from the customers are expected to be remained.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Pursuant to the management account of the Group for FY2021, we are aware that the growth rate of the overall revenue of the Group for FY2021 as compared to that for FY2020 was in line with the respective growth rate of the Selling Agency Transactions. As such, we understand that the Management had taken the overall business prospects of the Group in determining the Proposed Annual Caps.

We have also performed independent research and reviewed:

- (i) a report titled “2021 Development of China’s Basic Cloud Service Industry”, published in July 2021 by iResearch Consulting Group, an independent market research and consulting firm in the PRC.

The report stated, among other things, that the size of the overall cloud service market in the PRC grew from RMB39.4 billion in 2015 to RMB225.6 billion in 2020, setting a new record high. It is expected that the accelerated cloud application will increase the market’s demand for cloud resources in the PRC. The changed idea about using cloud and the focus on capabilities will promote the development of cloud services and will become the main driver for the cloud market. It is estimated that the annual growth rate of overall cloud service market in the PRC will not be less than 40% from 2021 to 2024; and

- (ii) a report titled “China Enterprise SaaS Industry Research Report”, published in September 2021 by iResearch Consulting Group. Amongst such report, it stated that after a recovery of the market in 2018 and a slight decline in growth in 2019, the growth rate of the SaaS market in the PRC will increase again in 2020. In 2020, the SaaS market will reach RMB53.8 billion, representing an annual growth rate of approximately 48.7%. As at the current stage, the capital market’s attitude toward SaaS is more rational, and the development of each segment has gradually matured, so the market is expected to maintain a compound annual growth rate of 34% for the three years ending 31 December 2023 and continue to expand afterwards.

Meanwhile, based on our communication with the Management, the Proposed Annual Caps are appropriate and would not cause over-reliance on the Inspur Group Companies as: (i) the contribution of the Selling Agency Transactions to the Company’s turnover in each of the past three years from 2019 to 2021 was not more than 40% and it is also expected that the contribution for the three years ending 31 December 2024 will not exceed 40%; (ii) the Group will only use the Qualifications in public tenders where the use of the Qualifications would significantly improve the chances of winning the tender; and (iii) the Selling Agency Transactions Agreement do not impose any obligation on the Group to conduct a committed amount of the Selling Agency Transactions with the Inspur Group Companies.

We have further enquired the Management and understand that the Management will keep monitoring the revenue contribution from the Selling Agency Transactions in order to prevent any possible reliance issue. In the event that there is any possibility on reliance on the Inspur Group Companies, the Company would consider taking the following measures:

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- (i) the Company will strive to diversify the Group's income sources via expanding its customer base;
- (ii) the Group will promote and further deal directly with its existing customers without using the Qualifications;
- (iii) the Group will explore and expand its participation in public tenders without the Qualifications;
- (iv) the Group will explore and expand its participation in the negotiation and finalisation of the terms of contracts with and provide the products directly to the ultimate third party customers in the Selling Agency Transactions; and
- (v) the Group will promote its other existing businesses, if appropriate.

As advised by the Management, the Company is not aware of any disadvantages in relation to or in connection with conducting the Selling Agency Transactions with the Inspur Group Companies. Based on the above, we concur with the Company that it would be able to prevent undue reliance on the Inspur Group should there be further business cooperation between the Group and the Inspur Group Companies in the foreseeable future.

Taking into account the above, we are of the view that the Proposed Annual Caps are fairly determined and are fair and reasonable.

2.3 REASONS FOR AND BENEFIT OF ENTERING INTO THE SELLING AGENCY TRANSACTIONS AGREEMENT

As discussed with the Management, the Group appoints the Inspur Group Companies as its selling agent in respect of various IT service products of the Group (including, but not limited to, ERP software, SAAS services, Internet of Things platform, communications industry software and software outsourcing products) as the Inspur Group owns the Qualifications. In addition, as certain of the Group's businesses are derived from public tenders (which require the Qualifications), the Group co-operates with Inspur Group Companies with a view to obtaining more opportunities to co-operate with customers.

We understood that since the Group only owns qualifications such as second-class professional contracting for electronic and intelligent engineering and third-class ITSS operation and maintenance, the Group shall co-operate with Inspur Group Companies to participate in the public tenders requiring the Qualifications.

We have further discussed with the Management and were aware that the Inspur Group Companies are the only selling agents appointed by the Group and the Group has not entered into any comparable transactions with Independent Third Parties. The Group may lose some business generated from the public tenders that require the Inspur Group's Qualification if it terminates the appointment of the Inspur Group Companies as its selling agent.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

In addition, given other entities with similar qualifications to Inspur Group Companies are limited in number and as business competitors of the Group, they would not offer selling agency services to the Group.

We also noted that with its own qualifications such as second-class professional contracting for electronic and intelligent engineering and third-class ITSS operation and maintenance, the Group is able to participate in public tenders and find third party customers, of which the scale of the transaction may be smaller than those requiring the Qualifications. As advised by the Company, based on its understanding of the industry and application requirements of higher-class qualification, the Company believes that using the Qualifications to participate in the relevant public tenders is unrelated to and has no influence on a future process of obtaining a higher-class qualification. The Company is planning to apply for a higher-class qualification and is currently assessing the Group's position against the requirements of such application. According to survey, the requirements focus on the applicant's experience in the industry, size and operations in the industry (e.g. its capital, assets, key practitioners, relevant project performance, etc.) and one of the conditions of the application is that the initial application must start from a lower level of qualification and hold the lower level of qualification for one year. The Selling Agency Transactions thus will not affect the Company's plan to obtain a higher level of qualification in the future.

However, the Company does not currently intend to obtain a higher level of qualification as one of the conditions of such an application is that the initial application must be made from a lower level of qualification and must have held the lower level of qualification for one year, with specific requirements relating to the size and operations of the applicant (e.g. its capital, assets, key personnel, relevant project performance, etc.).

As such, by using the Qualifications, the Group will be able to participate in larger-scale public tenders and enjoy a higher overall rating in public tenders to increase its chance of winning.

After taking into account all the above factors, we (i) concurred with the Directors' view that the Selling Agency Transactions Agreement was entered into in the ordinary and usual course of business of the Group; and (ii) considered that it is reasonable and commercially justifiable for the Company to enter into the Selling Agency Transactions Agreement.

Please refer to the section headed "Selling Agency Transactions" in the Board Letter for further details.

2.4 INTERNAL CONTROL MEASURES IN RESPECT OF THE SELLING AGENCY TRANSACTIONS AGREEMENT

We have also reviewed the internal control measures of the Group as follows, and we considered that such internal control measures are sufficient to ensure that the continuing connected transactions contemplated under the Selling Agency Transactions Agreement will be conducted on normal commercial terms and not prejudicial to the interests of the Company and the Independent Shareholders in accordance with the pricing policies and the principles set out in the Selling Agency Transactions Agreement and in compliance with the Listing Rules.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- (a) The market strategies, including the pricing mechanisms, are determined by the Company's operations department. There is a segregation of duties between the Company's sales department and operations department. The sales department is responsible for contacting customers, setting quotation and entering into the contracts. The operations department is in charge of setting the price and other terms, through which it will control and monitor the fee quotation;
- (b) For public tenders, the operations department will assess the suggested range of the contract price before the Company decides whether to participate in such public tender. The operations department will periodically review and conduct internal audit and, if necessary, adjust the pricing and commercial terms with reference to the market situation and the same or similar transactions entered into by the Inspur Group Companies with Independent Third Parties;
- (c) In the beginning of each year, the finance department will allocate a rough amount to the relevant entities in the Group and provide guidance and advice to the Company's operation department on the amount incurred under the Selling Agency Transactions each year. By monitoring the monthly transacted amounts and the future sales orders in the next two months forecasted by the operation department of the Selling Agency Transactions and checking the net proceeds received by the Group (after deducting the selling agency commission) against the payment the Inspur Group Companies received from the ultimate third party customers each month, the finance department will analyse the implementation of the Selling Agency Transactions monthly to ensure that the selling agency commission payable to the Inspur Group Companies is not more than 1% of the selling price and the annual caps have not been exceeded;
- (d) When the value of the Selling Agency Transactions transacted reaches around 80% of the annual caps on an aggregated basis, it will be reported to the senior management. If the senior management decides to increase the annual caps for the relevant year, the Company will commence the process to increase the annual caps (including to obtain shareholders' approval) and allow about 1.5 to 2 months to complete such process. In any case, the Group will stop taking on sales orders or entering into public tenders that will have the effect of exceeding the annual caps before the process has been completed;
- (e) The Directors (including independent non-executive directors of the Company) will review the pricing terms and the payment terms of the Selling Agency Transactions each year, which information would be prepared by the finance department, so as to confirm that the terms are fair and reasonable, on normal commercial terms or better than those offered to or by Independent Third Parties and in the interests of the Company and the Shareholders as a whole.

As discussed under the section headed "2.3 REASONS FOR AND BENEFIT OF ENTERING INTO THE Selling Agency Transactions Agreement" above in this letter, the Directors are currently not aware of any other company in the industry that would allow an independent third party to use its first-class qualification. It is therefore not possible to seek quotes from third parties.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

However, if this is no longer the case, the Directors will ensure that that the terms of appointing the Inspur Group as the Company's selling agent and using the Qualification in the Selling Agency Transactions are fair and reasonable, and on normal commercial terms or better than those offered by Independent Third Parties. The auditors of the Company will also report on the Selling Agency Transactions in accordance with Rule 14A.56 of the Listing Rules on an annual basis.

2.5 REPORTING REQUIREMENTS AND CONDITIONS OF THE CONTINUING CONNECTED TRANSACTIONS CONTEMPLATED UNDER THE SELLING AGENCY TRANSACTIONS AGREEMENT

Pursuant to Rules 14A.55 to 14A.59 of the Listing Rules, the continuing connected transactions contemplated under the Selling Agency Transactions Agreement are subject to the following annual review requirements:

- (i) the independent non-executive Directors must review the continuing connected transactions every year and confirm in the Company's annual report whether the continuing connected transactions have been entered into:
 - (a) in the ordinary and usual course of business of the Group;
 - (b) on normal commercial terms of better; and
 - (c) according to the agreements governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole;
- (ii) the Company must engage its auditors to report on the continuing connected transactions every year. The Company's auditors must provide a letter to the Board (with a copy to be provided to the Stock Exchange at least ten business days before the bulk printing of the Company's annual report) confirming whether anything has come to their attention that causes them to believe that the continuing connected transactions:
 - (a) have not been approved by the Board;
 - (b) were not, in all material respects, in accordance with the pricing policies of the Group if the continuing connected transactions involve the provision of goods or services by the Group;
 - (c) were not entered into, in all material respects, in accordance with the relevant agreements governing the continuing connected transactions; and
 - (d) have exceeded the Proposed Annual Caps.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- (iii) the Company must allow, and ensure that the counterparties to the continuing connected transactions allow, the Company's auditors sufficient access to their records for the purpose of the reporting on the continuing connected transactions as set out in paragraph (b); and
- (iv) the Company must promptly notify the Stock Exchange and publish an announcement if the independent non-executive Directors and/or auditors of the Company cannot confirm the matters as required.

We have reviewed the annual report of the Company for FY2019 and FY2020 and noted that the independent non-executive Directors and the auditor of the Company have reviewed the continuing connected transactions including, but not limited to, the Selling Agency Transactions during such period, and provided the relevant confirmations. Based on such compliance record, we are of the view that there are appropriate and effective measures to govern the future execution of such continuing connected transactions and to safeguard the interests of the Independent Shareholders.

Based on the above and in light of the reporting requirements attached to the continuing connected transactions and the Group's internal control measures as discussed in the section headed "2.4 INTERNAL CONTROL MEASURES IN RESPECT OF THE SELLING AGENCY TRANSACTIONS AGREEMENT" above in this letter, we consider that the Company has adopted adequate internal control measures to be able to comply with the Listing Rules requirements with respect to the supervision and monitoring of the transactions contemplated under the Selling Agency Transactions Agreement.

OPINION AND RECOMMENDATION

Having taken into account the above principal factors and reasons, we consider that the Selling Agency Transactions Agreement are on normal commercial terms, in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole. We also consider that the terms of the Selling Agency Transactions Agreement and the continuing connected transactions contemplated thereunder (including the Proposed Annual Caps) are fair and reasonable. Accordingly, we advise the Independent Board Committee to recommend, and we ourselves recommend, that the Independent Shareholders to vote in favour of the relevant resolutions to be proposed at the EGM to approve the Selling Agency Transactions Agreement and the continuing connected transactions contemplated thereunder (including the Proposed Annual Caps).

Yours faithfully,

For and on behalf of

Draco Capital Limited

Kevin Choi
Managing Director

Leon Au Yeung
Associate Director

Mr. Kevin Choi and Mr. Leon Au Yeung are licensed persons under the SFO to carry out type 6 (advising on corporate finance) regulated activity under the SFO and regarded as responsible officers of Draco Capital Limited. Mr. Kevin Choi and Mr. Leon Au Yeung have over 10 and 8 years of experience in corporate finance industry, respectively.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the 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 the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

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) to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the “**Model Code**”) contained in the Listing Rules, were as follows:

(i) Long positions in Shares

Name of Director	Type of interests	Number of Shares	Percentage of issued share capital of the Company
Dong Hailong	Beneficial owner	4,000	0.00%

(ii) Long positions in underlying Shares of the Company

Name of Director	Type of interests	Description of equity derivatives	Number of underlying Shares	Percentage of the issued share capital of the Company
Wong Lit Chor, Alexis	Beneficial owner	Share option	200,000 (<i>note 1</i>)	0.02%
Zhang Ruijun	Beneficial owner	Share option	200,000 (<i>note 1</i>)	0.02%
Ding Xiangqian	Beneficial owner	Share option	200,000 (<i>note 1</i>)	0.02%

Note 1: The share options were granted on 16 October 2018.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and 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) to be notified to the Company and the Stock Exchange pursuant to the Model Code.

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

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:

(i) Long positions in Shares

Name of Shareholders	Type of interests	Number of Shares	Approximate percentage of interests
Inspur Group Co., Ltd.* (浪潮集團有限公司)	Interest in a controlled corporation (<i>Note</i>)	621,679,686	54.44%
Inspur Overseas Investment Limited	Beneficial owner (<i>Note</i>)	428,278,400	37.5%
Inspur Cloud Computing Investment Limited	Beneficial owner (<i>Note</i>)	193,401,286	16.94%

Note: Inspur Group is taken to be interested in 621,679,686 shares due to its indirect 100% shareholdings in the issued share capital of Inspur Overseas Investment Limited and Inspur Cloud Computing Investment Limited.

(ii) Long positions in members of the Group

Name of shareholders	Types of Interest	Equity interest held (subject to the amount of capital contribution paid in)	Approximate percentage of shareholding in the members of the Group
Fang Wensheng	Beneficial owner	RMB495,000 in the registered capital of Ji'nan Inspur Fangzhi Information Technology Company Limited* (濟南浪潮方智信息技術有限公司)	49.5%
Shanghai Huili Co. Ltd.* (上海滙力有限公司)	Beneficial owner	RMB50,000 in the registered capital of Shanghai Guoqiang Genersoft Incorporation* (上海國強通用軟件有限公司)	10%
Webgroup Co.	Beneficial owner	US\$14,504 in the registered capital of Langchao Gaoyou (Shanghai) Services Incorporation* (高優(上海)信息科技有限公司)	10.36%
Zheng Jianyang	Beneficial owner	RMB15,474,000 in registered capital of Shangdong Inspur Financial Software Information Company Limited* (山東浪潮金融軟件信息有限公司)	30.95%
Hainan United Enterprise Management Group Limited* (海南聯合企業管理集團有限公司)	Beneficial owner	RMB6,680,000 in registered capital of Shandong Inspur Yiyun Online Technology Company Limited* (山東浪潮易雲在線科技有限公司)	22.51%
Shandong Dingshang Enterprise Management Co., Ltd* (山東鼎商企業管理有限公司)	Beneficial owner	RMB4,940,000 in registered capital of Shandong Inspur Yiyun Online Technology Company Limited* (山東浪潮易雲在線科技有限公司)	16.64%
Odoo S.A	Beneficial owner	USD1,000,000 in registered capital of Inspur Odoo (HK) Limited	20%

* English names are for identification purpose only

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 expected, directly or indirectly, to be 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.

As at the Latest Practicable Date, so far as known to the Directors, none of the Directors is a director or employee of a company which has an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO.

3. DIRECTORS' OTHER INTERESTS

As at the Latest Practicable Date, so far as the Directors are aware of, none of themselves 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 2021, being the date to which the latest published audited financial statements of the Company were made up.

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

4. LITIGATION

As at the Latest Practicable Date, no member of the Group was engaged in any litigation or arbitration of material importance and there was no litigation or claims of material importance known to the Directors to be pending or threatened by or against any member of the Group.

5. SERVICE CONTRACTS

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

6. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 December 2021, being the date to which the latest audited financial statements of the Company were made up.

7. EXPERT

Draco Capital Limited has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter and/or references to its name in the form and context in which they appear.

The following is the qualification of the expert who has provided its advice, which is contained in this circular:

Name	Qualification
Draco Capital Limited	a licensed corporation to carry on Type 6 (advising on corporate finance) regulated activity under the SFO

As at the Latest Practicable Date, Draco Capital Limited 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 2021), acquired or disposed of by or leased to or are proposed to be acquired or disposed of by or leased to any member of the Group.

8. MISCELLANEOUS

- (a) The registered office of the Company is at Century Yard, Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands, and the head office and principal place of business in Hong Kong of which is at Flats B & C, 30/F, Tower A, Billon Centre, 1 Wang Kwong Road, Kowloon Bay, Kowloon.
- (b) The principal share registrar and transfer office of the Company is Royal Bank of Canada Trust Company (Cayman) Limited at 4th Floor, Royal Bank House, 24 Shedden Road, George Town, Grand Cayman KY1-1110, Cayman Islands and the Hong Kong branch share registrar and transfer office of which is Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong.
- (c) Ms. Chan Wing and Mr. Zou Bo are joint company secretaries of the Company. Ms. Chan is a fellow member of the Hong Kong Institute of Certified Public Accountants and a member of the Chinese Institute of Certified Public Accountants, and Mr. Zou is a non-practising member of the Chinese Institute of Certified Public Accountants and a member of the China Certified Tax Agents Association.
- (d) The English text of this circular and the accompanying form of proxy shall prevail over their respective Chinese texts in case of inconsistency.

9. DOCUMENTS AVAILABLE FOR INSPECTION

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

- (a) the Selling Agency Transactions Agreement;
- (b) the letter from the Independent Board Committee, as set out on pages 17 to 18 of this circular;
- (c) the letter from the Independent Financial Adviser, as set out on pages 19 to 35 of this circular;
- (d) the written consent referred to in the section headed "Expert" of this Appendix; and
- (e) this circular.



INSPUR INTERNATIONAL LIMITED

浪潮國際有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 596)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the “EGM”) of Inspur International Limited (the “Company”) will be held at Conference Room 315, Building S06, Inspur Technology Park, Inspur Road 1036, High-tech District, Jinan, Shandong Province, China, on Friday, 29 April 2022 at 10:00 a.m. for the purpose of considering and, if thought fit, passing, with or without modifications, the following resolutions as the ordinary resolution of the Company:

ORDINARY RESOLUTION

“THAT:

- (a) the Selling Agency Transactions Agreement (as defined in the circular of the Company dated 11 April 2022 (the “Circular”)) (copy of the Agreement has been tabled at the meeting and marked “A” signed by the Chairman of the meeting for the purpose of identification) be and are hereby approved confirmed and ratified;
- (b) the proposed new annual caps of the Selling Agency Transactions (as defined and more particularly described in the Circular) for the three years ending 31 December 2024 and the Selling Agency Transactions be and are hereby approved and confirmed; and
- (c) the Directors of the Company be and are hereby authorized to take such actions and execute such documents as they may consider appropriate and expedient to carry out or give effect to or otherwise in connection with or in relation to the Selling Agency Transactions Agreement (including the new annual caps for the three years ending 31 December 2024) and all such acts and things the directors have done are hereby approved, confirmed and ratified.”

By Order of the Board
Inspur International Limited
Mr. Wang Xingshan
Chairman

Hong Kong, 11 April 2022

NOTICE OF EGM

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:**

Flat B & C, 30/F.
Tower A, Billion Centre
1 Wang Kwong Road
Kowloon Bay
Kowloon
Hong Kong

Notes:

1. A form of proxy for use at the EGM or any adjournment thereof is enclosed.
2. 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 annual general meeting 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.
3. 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 17M 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.
4. For the purpose of determining the Shareholders who are entitled to attend and vote at the EGM, the register of members of the Company will be closed from 27 April 2022 to 29 April 2022, both days inclusive. In order to qualify for attending and voting at the EGM, all transfer documents together with the relevant share certificates must be lodged for registration with the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. (Hong Kong time) on 26 April 2022.
5. 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.
6. The voting on the resolution at the EGM will be conducted by way of a poll.

As at the date of this notice, the Board comprises Mr. Wang Xingshan, Mr. Wang Yusen and Mr. Jin Xiaozhou, Joe as executive Directors, Mr. Dong Hailong as non-executive Director, and Ms. Zhang Ruijun, Mr. Wong Lit Chor, Alexis and Mr. Ding Xiangqian as independent non-executive Directors.