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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)

CONTINUING CONNECTED TRANSACTIONS:

- (I) RENEWAL OF FRAMEWORK LEASING AGREEMENT;**
- (II) RENEWAL OF FRAMEWORK FINANCIAL SERVICES AGREEMENT;**
- (III) EXTENSION OF THE TERM AND REVISION OF THE ANNUAL CAPS OF THE SUPPLY TRANSACTIONS; AND**
- (IV) EXTENSION OF THE TERM AND REVISION OF THE ANNUAL CAPS OF THE FRAMEWORK AGREEMENT OF THE PURCHASE TRANSACTIONS AND THE COMMON SERVICES TRANSACTIONS**

(I) RENEWAL OF FRAMEWORK LEASING AGREEMENT

Reference is made to the 2019 Framework Leasing Agreement, whereby Inspur Mingda (a wholly owned subsidiary of the Company) (as the lessor) agreed to provide property leasing and management facilities to IPG (for itself and on behalf of the other members of the Inspur Group) (as the lessee) in relation to the leasing of office premises at the Building owned by Inspur Mingda. As the 2019 Framework Leasing Agreement has a term of three years, commencing from 1 January 2020 and expiring on 31 December 2022, the Board proposes to renew the 2019 Framework Leasing Agreement and that Inspur Mingda shall enter into the new Framework Leasing Agreement with IPG.

Pursuant to the Framework Leasing Agreement, Inspur Mingda will lease an aggregate area of not more than 60,000 sq. m. of the Building to Inspur Group for a term of three years from 1 January 2023 to 31 December 2025. Pursuant to the Framework Leasing Agreement, members of the Inspur Group may enter into further specific leasing agreements with Inspur Mingda for the leasing of specific properties or units in the Building.

IPG, being a controlling shareholder of the Company, is interested in approximately 54.44% of the issued share capital of the Company, and is thus a connected person of the Company for the purposes of the Listing Rules. Accordingly, the transactions contemplated under the Framework Leasing Agreement will constitute continuing connected transactions for the Company pursuant to Chapter 14A of the Listing Rules.

As the percentage ratios for the transactions contemplated under the Framework Leasing Agreement exceed 0.1% but are below 5%, the transactions contemplated under the Framework Leasing Agreement are subject to the reporting, annual review, and announcement requirements, but exempt from circular and Independent Shareholders' approval requirements under Rule 14A.76(2) of the Listing Rules.

(II) RENEWAL OF FRAMEWORK FINANCIAL SERVICES AGREEMENT

Reference is made to the 2020 Framework Financial Services Agreement entered into between the Company and Inspur Finance, pursuant to which Inspur Finance agreed to provide several categories of financial services including Deposit Services, Loan Facility Services, Settlement Services, and Other Financial Services on a non-exclusive basis to the Group. As the 2020 Framework Financial Services Agreement has a term of three years and expires on 31 December 2022, the Board proposes to renew the 2020 Framework Financial Services Agreement and that the Company and Inspur Finance shall enter into the new Framework Financial Services Agreement for a term of three years commencing on 1 January 2023 and ending on 31 December 2025.

IPG, being a controlling shareholder of the Company, is interested in approximately 54.44% of the issued share capital of the Company, and is thus a connected person of the Company for the purposes of the Listing Rules. As at the date of this announcement, IPG is directly holding 60% of the share equity of Inspur Finance, and therefore Inspur Finance is a direct subsidiary of IPG and an associate of IPG under Chapter 14A of the Listing Rules. Accordingly, the transactions contemplated under the Framework Financial Services Agreement will constitute continuing connected transactions for the Company pursuant to Chapter 14A of the Listing Rules.

The transactions under the Deposit Services will constitute financial assistance to be provided by the Group to a connected person, and the transactions under the Loan Facility Services will constitute financial assistance to be received by the Group from a connected person. As (i) the Loan Facility Services is conducted on normal commercial terms or better and it is not secured by the assets of the Group, the transactions under the Loan Facility Services is exempt from the Independent Shareholders' approval, annual review and all disclosure requirements under Rule 14A.90 of the Listing Rules; (ii) one or more of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the Deposit Services exceed 5%, the Deposit Services and the transactions contemplated thereunder (including the proposed annual caps) are subject to the reporting, announcement, annual review, circular, and Independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

(III) EXTENSION OF THE TERM AND REVISION OF THE ANNUAL CAPS OF THE SUPPLY TRANSACTIONS

Reference is made to the Company's announcement dated 3 September 2020 in relation to, among others, the entering into of the Supply Transactions between the Company and the IPG under the Framework Agreement and the Second Supplemental Agreement.

As it is expected that the transaction amounts of the Supply Transactions will increase and the parties will continue to conduct the Supply Transactions beyond 31 December 2022 due to demand for management software business and the forecast for service outsourcing business, on 28 July 2022, the Company and IPG entered into the Third Supplemental Agreement to (i) extend the term of the Supply Transactions for a further two years from 31 December 2022 to 31 December 2024; and (ii) revise the annual caps of the Supply Transactions to RMB360,000,000, RMB439,200,000 and RMB570,960,000 for the three financial years ending 31 December 2022, 31 December 2023 and 31 December 2024 respectively.

IPG, being a controlling shareholder of the Company, is interested in approximately 54.44% of the issued share capital of the Company, and is thus a connected person of the Company for the purposes of the Listing Rules. Accordingly, the transactions contemplated under the Third Supplemental Agreement will constitute continuing connected transactions for the Company pursuant to Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratio under the Rule 14.07 of the Listing Rules in respect of the proposed revised and new annual cap of the Supply Transactions is expected to be more than 5%, the proposed revised and new annual caps of the Supply Transactions are subject to the reporting, announcement, annual review, circular, and Independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

(IV) EXTENSION OF THE TERM AND REVISION OF THE ANNUAL CAPS OF THE FRAMEWORK AGREEMENT OF THE PURCHASE TRANSACTIONS AND THE COMMON SERVICES TRANSACTIONS

Reference is made to the announcement of the Company dated 31 December 2020, in relation to, *inter alia*, the 2020 Framework Agreement entered into between the Company and IPG relating to, among others, the Purchase Transactions and Common Services Transactions (collectively, the Continuing Connected Transactions) for the three financial years ending 31 December 2023.

The Board announces that, on 28 July 2022, the Company entered into a Supplemental 2020 Framework Agreement with IPG relating to the Purchase Transactions and Common Services Transactions to (i) extend the term for 1 year from ending on 31 December 2023 to 31 December 2024, and (ii) revise the annual caps of the Purchase Transactions and Common Services Transactions under the 2020 Framework Agreement. The annual caps for the Purchase Transactions for the three financial years ended 31 December 2022, 31 December 2023 and 31 December 2024 shall be revised to RMB320,000,000, RMB416,000,000 and RMB540,800,000 respectively; the annual caps for the Common Services Transactions for the three financial years ended 31 December 2022, 31 December 2023 and 31 December 2024 shall be revised to RMB12,210,000, RMB13,430,000 and RMB14,770,000 respectively.

IPG, being a controlling shareholder of the Company, is interested in approximately 54.44% of the issued share capital of the Company, and is thus a connected person of the Company for the purposes of the Listing Rules. Accordingly, the transactions contemplated under the Supplemental 2020 Framework Agreement will constitute continuing connected transactions for the Company pursuant to Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratio under the Rule 14.07 of the Listing Rules in respect of the revised annual cap of the Purchase Transactions is expected to be more than 5%, the Purchase Transactions are subject to the reporting, announcement, annual review, circular, and Independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratio under the Rule 14.07 of the Listing Rules in respect of the revised annual cap of the Common Services Transactions is expected to more than 0.1% but less than 5%, the Common Services Transactions are subject to the reporting, annual review, and announcement requirements, but exempt from circular and Independent Shareholders' approval requirements under Rule 14A.76(2) of the Listing Rules.

EGM

The EGM will be convened for the Independent Shareholders to consider and, if thought fit, approve (i) the Framework Financial Services Agreement; (ii) the Third Supplemental Agreement; and (iii) the Supplemental 2020 Framework Agreement, and the transactions contemplated respectively thereunder (including the respectively proposed annual caps).

A circular containing, among other things, further information about (i) the Framework Financial Services Agreement; (ii) the Third Supplemental Agreement; and (iii) the Supplemental 2020 Framework Agreement, and the transactions contemplated respectively thereunder (including the respectively proposed annual caps), the letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders and the recommendation from the Independent Board Committee, together with the notice of the EGM, will be dispatched to the Shareholders on or before 18 August 2022.

(I) RENEWAL OF FRAMEWORK LEASING AGREEMENT

Reference is made to the announcement of the Company dated 2 January 2020 in relation to, amongst other things, the 2019 Framework Leasing Agreement, whereby Inspur Mingda (a wholly-owned subsidiary of the Company) (as the lessor) agreed to provide property leasing and management facilities to IPG (for itself and on behalf of the other members of the Inspur Group) (as the lessee) in relation to the leasing of office premises at the Building owned by Inspur Mingda. As the 2019 Framework Leasing Agreement has a term of three years, commencing from 1 January 2020 and expiring on 31 December 2022, the Board proposes to renew the 2019 Framework Leasing Agreement and that Inspur Mingda shall enter into the new Framework Leasing Agreement with IPG.

Pursuant to the Framework Leasing Agreement, Inspur Mingda will lease an aggregate area not more than 60,000 sq. m. of the Building to Inspur Group for a term of three years from 1 January 2023 to 31 December 2025. Pursuant to the Framework Leasing Agreement, members of Inspur Group may enter into further specific leasing agreements with Inspur Mingda for the leasing of specific properties or units in the Building.

PRINCIPLE TERMS OF THE FRAMEWORK LEASING AGREEMENT

Lease term:	1 January 2023 to 31 December 2025
Lessor:	Inspur Mingda
Lessee:	IPG (for itself and on behalf of the other members of Inspur Group)
Property leased:	Minimum of 20,000 sq. m. and not more than 60,000 sq. m.
Rent:	RMB2.3 per sq. m. per day (value-added tax inclusive)
Management fee:	RMB0.3 per sq. m. per day (value-added tax inclusive)
Other terms and conditions:	<p>The rental and management fees are payable in cash monthly. Subject to compliance with the Listing Rules, the lessee may give at least three-month written notice before the expiry of the agreement to the lessor in order to continue to lease the relevant premises from the lessor.</p> <p>Either party shall have the right to terminate the Framework Leasing Agreement upon serving a three-month written notice or a written notice in the event of default under the Framework Leasing Agreement.</p>
Effective date:	1 January 2023

PRICING POLICIES

The rent and management fee are determined at arm's length negotiation and is calculated on the basis of the prevailing market rent for comparable commercial properties near the Building in Jinan city. The rent, the management fee and the terms under the specific leasing agreements pursuant to the Framework Leasing Agreement would not be more favourable than those offered to tenants which are Independent Third Parties (if any).

HISTORICAL TRANSACTION AMOUNTS

The historical transaction amounts relating to the previous framework leasing agreements are approximately:

(All amounts in RMB'000)	Year ending 31 December 2020	Year ending 31 December 2021	Year ending 31 December 2022 (up to the end of month before the date of this announcement)
Rental and Management Fee	38,946	33,022	14,504

ANNUAL CAPS

The proposed annual caps of the rental and management fees in respect of the Framework Leasing Agreement for the three financial years ending 31 December 2023, 2024 and 2025 are all RMB52,410,000.

The proposed annual caps have been determined with reference to (i) historical rent and management fee received; (ii) the prevailing market rent for the comparable commercial properties near the Building; and (iii) anticipated increase of rental costs for the three years in Jinan city. The Directors (including the independent non-executive Directors) consider such proposed annual caps in respect of the rental and management fees under the Framework Leasing Agreement as fair and reasonable.

REASONS FOR AND BENEFITS OF THE FRAMEWORK LEASING AGREEMENT

The Building currently has excess space which is not occupied by the Group. By entering into the Framework Leasing Agreement, the Company can lease the excess space in the Building and receive rent and management fee, enabling the Company to utilise unused space and generate additional income.

The Directors (including the independent non-executive Directors) are of the view that the Framework Leasing Agreement has been entered into on normal commercial terms and in the ordinary and usual course of business of the Company, furthermore, the terms of the Framework Leasing Agreement (including the proposed annual caps) are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

None of the Directors has any material interest in the transactions contemplated under the Framework Leasing Agreement or need to abstain from voting on the Board resolutions for considering and approving the Framework Leasing Agreement and the transactions contemplated thereunder.

IMPLICATION UNDER THE LISTING RULES

IPG, being a controlling shareholder of the Company, is interested in approximately 54.44% of the issued share capital of the Company, and is thus a connected person of the Company for the purpose of the Listing Rules, the transactions contemplated under the Framework Leasing Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. In addition, since the applicable percentage ratios for the transactions contemplated under the Framework Leasing Agreement exceed 0.1% but are below 5%, the transactions under the Framework Leasing Agreement are subject to the reporting, annual review, and announcement requirements, but exempt from the circular and Independent Shareholders' approval requirements under Rule 14A.76(2) of the Listing Rules.

(II) RENEWAL OF FRAMEWORK FINANCIAL SERVICES AGREEMENT

Reference is made to the announcement of the Company dated 27 February 2020 in relation to, amongst other things, the 2020 Framework Financial Services Agreement, pursuant to which Inspur Finance agreed to provide several categories of financial services including Deposit Services, Loan Facility Services, Settlement Services, and Other Financial Services on a non-exclusive basis to the Group. As the 2020 Framework Financial Services Agreement has a term of three years and expires on 31 December 2022, the Board proposes to renew the 2020 Framework Financial Services Agreement and that the Company shall enter into the new Framework Financial Services Agreement for a term of three years commencing on 1 January 2023 and ending on 31 December 2025 with Inspur Finance.

PRINCIPLE TERMS OF THE FRAMEWORK FINANCIAL SERVICES AGREEMENT

Date:

28 July 2022

Parties:

- (a) the Company; and
- (b) Inspur Finance

Under the Framework Financial Services Agreement, Inspur Finance will provide Deposit Services, Loan Facility Services, Settlement Services, and Other Financial Services to the Group. The Framework Financial Services Agreement will come into effect upon all necessary consent and approval having been obtained by the parties (including the Independent Shareholders' approval of the Company at the EGM).

Deposit Services

The Company has opened a deposit account with Inspur Finance and places time deposit or demand deposit into the account. The interest rate of the deposit shall not be lower than those for most of independent commercial banks in PRC. Inspur Finance shall ensure the safety of the deposit fund.

Historical Transaction Amounts

The historical transaction amounts relating to the previous Deposit Services, being the maximum daily deposit balance (including any interest accrued therefrom) with Inspur Finance, are approximately:

(All Amounts in RMB'000)	From the effective date of the 2020 Framework Financial Services Agreement to 31 December 2020	Year ending 31 December 2021	Year ending 31 December 2022 (up to the end of month before the date of this announcement)
Deposit Services (maximum daily deposit balance)	494,207	498,574	495,197

Proposed Annual Caps

The proposed annual caps in respect of the maximum daily deposit balance (including any interest accrued therefrom) with Inspur Finance under the Deposit Services is as follows:

Period	Transaction amount (RMB)
From 1 January 2023 to 31 December 2023	500,000,000
From 1 January 2024 to 31 December 2024	500,000,000
From 1 January 2025 to 31 December 2025	500,000,000

The above proposed caps in respect of Deposit Services were determined after taking into account of, *inter alia*, the historical transaction amounts and expected net cash flow from operating activities of the Group in the next three years.

The Directors (excluding the independent non-executive Directors, whose views will be contained in the letter from the Independent Board Committee as set out in the circular after considering the advice from the Independent Financial Adviser) consider that the above proposed annual caps in respect of the deposit services are fair and reasonable.

Loan Facility Services

Inspur Finance will provide Loan Facility Services to the Group from time to time under the Loan Facility Services. The aggregate outstanding amount under the Loan Facility Services shall not be more than RMB500,000,000 and the interest rates shall not be higher than those for the major PRC commercial banks at the same period. Since the Loan Facility to be provided by Inspur Finance to the Company are on normal commercial terms which are similar to or even more favourable than those offered by other major commercial banks in the PRC, and that no security over the assets of the Company will be granted in respect of the loan services, the loan services are exempt under Rule 14A.90 of the Listing Rules from all reporting, announcement and Independent Shareholders' approval requirements.

The Directors (including the independent non-executive Directors) consider that the Loan Facility Services to be provided under the Financial Services Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Settlement Services

Inspur Finance shall, at the request of the Group, provide payment and collection settlement services and related settlement services to the Group. The settlement fees to be charged by Inspur Finance shall not be higher than (i) the charging rate for the similar settlement services published by the People's Bank of China at the same period; or (ii) the charge fees of most PRC commercial banks for providing similar services at the same period.

The Company expects that each of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) of the settlement fees payable by the Group to Inspur Finance for the provision of the settlement Services under the Framework Financial Services Agreement will fall within the de minimis threshold as stipulated under Chapter 14A of the Listing Rules. The Company will comply with the

reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules if the fees payable by the Group to Inspur Finance for the provision of the Settlement Services under the Financial Services Agreement exceed the relevant de minimis threshold.

Other Financial Services

Apart from the Deposit Services, Loan Facility Services, and Settlement Services, Inspur Finance shall from time to time, at the request of the Group, provide other financial services (including without limitation the adviser services, consulting services and agency service, etc.) which are fall within the business scope of Inspur Finance. The service fees to be charged by Inspur Finance shall not be higher than (i) the charging rate for the similar settlement services published by the People's Bank of China at the same period; or (ii) the charge fees of most PRC commercial banks for providing similar financial services at the same period.

The Company expects that each of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) of the fees payable by the Group to Inspur Finance for the provision of the Other Financial Services under the Framework Financial Services Agreement will fall within the de minimis threshold as stipulated under Chapter 14A of the Listing Rules. The Company will comply with the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules if the fees payable by the Group to Inspur Finance for the provision of the Other Financial Services under the Financial Services Agreement exceed the relevant de minimis threshold.

Internal Control on Pricing

Regarding the Framework Financial Services Agreement, the (a) interest rates for (i) the Deposit Services; and (ii) the Loan Facility Services; and (b) fees for (i) the Settlement Services; and (ii) the Other Financial Services are arrived at after considering the interest rates and service fees charged or offered by other independent commercial banks or financial institutions in the PRC for provision of similar services.

There are stringent internal control policies with regard to financial service transactions. The finance department of the Company would compare the interest rates for deposit and loan facilities, and the fees for settlement services and other financial services quoted from Inspur Finance with the terms from other Independent Third Parties (including at least two financial institutions or commercial banks in the PRC) to ensure that the most favourable terms are obtained from Inspur Finance. The finance department of the Company will review the market interest rates on a monthly basis for the Deposit Services and Loan Facility Services. Moreover, its finance department also reviews the service fees quotations for the Settlement Services and the Other Financial Services on a monthly basis.

By adopting the policy set out above, the Company will ensure that (i) the interest rate payable for the Company's deposits shall not be lower than the interest rate offered by other independent commercial banks for comparable deposits in the PRC; and (ii) the interest rates for loans and the fees for Settlement Service and Other Financial Services to be charged by Inspur Finance shall not be higher than those charged by other independent commercial banks for providing comparable services in the PRC.

Reasons for and Benefits of Entering into the Framework Financial Services Agreement

Before entering into the Framework Financial Services Agreement, the Board has considered the following reasons and benefits:

1. The interest rates on deposits and loans under the Deposit Services and the Loan Facility Services, and the service fees for the Settlement Services and the Other Financial Services to be offered by Inspur Finance to the Group will be equal to or more favourable than those offered by other independent commercial banks in the PRC in respect of comparable services.
2. The Company is expected to benefit from Inspur Finance's better understanding of the operations of the Group which will allow more expedient and efficient services than those rendered by other PRC independent commercial banks. For example, in the event that the Company considers that it is necessary to obtain loans from Inspur Finance in view of its actual business and financial needs, it is expected that the time required for the examination and approval of such loans will be shorter than that required by other independent commercial banks.
3. By entering into the Framework Financial Services Agreement, the Company will be able to centralise its control and management over its financial resources, and therefore improve the utilisation and efficiency of fund usage. It can also accelerate the turnover of funds and reduce transaction costs and expenses, thereby further enhancing the amount and efficiency of funds utilisation.

In view of the above, the Directors (excluding the independent non-executive Directors, whose views will be contained in the letter from the Independent Board Committee as set out in the circular after considering the advice from the Independent Financial Adviser) are of the view that the terms of the Framework Financial Services Agreement (including the proposed annual caps and the services to be provided thereunder) are fair and reasonable and the Framework Financial Services Agreement is entered into on normal commercial terms, and on terms no less favourable than those available from Independent Third Parties under the prevailing local market conditions, in the ordinary and usual course of business of the Company and in the interests of the Company and the Shareholders as a whole.

None of the Directors has any material interest in the transaction contemplated under the Framework Financial Services Agreement or is required to abstain from voting on the Board resolutions for considering and approving the Framework Financial Services Agreement and the transactions contemplated thereunder.

IMPLICATIONS UNDER THE LISTING RULES

IPG, being a controlling shareholder of the Company, is interested in approximately 54.44% of the issued share capital of the Company, and is thus a connected person of the Company for the purposes of the Listing Rules. As at the date of this announcement, IPG is directly holding 60% of the equity interests of Inspur Finance, and therefore Inspur Finance is a direct subsidiary of IPG and an associate of IPG under Chapter 14A of the Listing Rules. Accordingly, the transactions contemplated under the Framework Financial Services Agreement will constitute continuing connected transactions for the Company pursuant to Chapter 14A of the Listing Rules.

Deposit Services

The transactions under the Deposit Services will constitute financial assistance to be provided by the Group to a connected person. As one or more of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the Deposit Services exceed 5%, the Deposit Services and the transactions contemplated thereunder (including the proposed annual caps) are subject to the reporting, announcement, annual review, circular, and Independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

Loan Facility Services

The transactions under the Loan Facility Services will constitute financial assistance to be received by the Group from a connected person. As the Loan Facility Services is conducted on normal commercial terms or better and it is not secured by the assets of the Group, the transactions under the Loan Facility Services is fully exempted from the Independent Shareholders' approval, annual review and all disclosure requirements under Rule 14A.90 of the Listing Rules.

Settlement Services

The Company expects that each of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) of the fees payable by the Company to Inspur Finance in respect of the provision of Settlement Services under the Framework Financial Services Agreement will fall within the de minimis threshold as stipulated under Chapter 14A of the Listing Rules.

Other Financial Services

The Company expects that each of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) of the fees payable by the Company to Inspur Finance in respect of the provision of Other Financial Services under the Framework Financial Services Agreement will fall within the de minimis threshold as stipulated under Chapter 14A of the Listing Rules.

The Company will, if necessary, comply with the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules if the fees payable by the Company to Inspur Finance for the provision of the Settlement Services and the Other Financial Services under the Financial Services Agreement exceed the relevant de minimis threshold.

The Company will also disclose the relevant details of the Framework Financial Services Agreement in its next published annual report and accounts in accordance with the relevant requirements as set out in Rule 14A.49 of the Listing Rules.

(III) EXTENSION OF THE TERM AND REVISION OF THE ANNUAL CAPS OF THE SUPPLY TRANSACTIONS

Reference is made to the Company's announcement dated 3 September 2020 in relation to, amongst other things, the entering into of the Second Supplemental Agreement to the Framework Agreement between the Company and the IPG regarding the Supply Transactions.

Pursuant to the Second Supplemental Agreement, the Company and IPG agreed to (i) extend the term of the Supply Transactions for a further two years from 31 December 2020 to 31 December 2022; and (ii) revise the annual caps of the Supply Transactions to RMB105,000,000 for the three financial years ending 31 December 2020, 31 December 2021 and 31 December 2022.

As it is expected that the transaction amounts of the Supply Transactions will increase and the parties will continue to conduct the Supply Transactions beyond 31 December 2022 due to demand for new management software business and the forecast for service outsourcing business, the Company and IPG entered into the Third Supplemental Agreement on 28 July 2022 to (i) extend the term of providing the Supply Transactions for a further two years from 31 December 2022 to 31 December 2024; and (ii) revise the annual caps of the Supply Transactions to RMB360,000,000, RMB439,200,000 and RMB570,960,000 for the three financial years ending 31 December 2022, 31 December 2023 and 31 December 2024 respectively.

SUPPLY TRANSACTIONS

Types of services

The Group supplies and provides the Inspur Group from time to time with software and cloud services including software outsourcing, enterprise resource management software and those software developed by the Group.

Pricing and other terms

The Group supplies software and cloud services to the Inspur Group. The actual terms and conditions of such services to be provided by the Group are subject to individual orders placed by the Inspur Group. The parties have agreed that:

- (a) the supply of such software and cloud services by the Group to the Inspur Group shall be on normal commercial terms;
- (b) the service fees of such services to be supplied or provided by the Group will be agreed between the parties by reference to the prices of such services supplied by the Group to Independent Third Parties at the relevant time; and
- (c) the Group shall not be obliged to accept any terms and conditions (including pricing terms) for the supply of such services which are less favourable than those agreed between any member of the Group and its Independent Third Party customers for such services.

As the Group has other customers for comparison purposes, the Company will select at least two comparable transactions that are entered into with Independent Third Parties and of similar subject matter to the relevant Supply Transactions when determining the prices to ensure that the prices of the products and the service fees of the services to be supplied under the Supply Transactions are not less favorable than those of the same (or similar) products or services supplied to Independent Third Parties at the relevant times.

Payment terms

The Group gives two-month credit period for the Inspur Group to settle the service fees charged for the software and cloud services rendered.

Existing Annual Caps

According to the Framework Agreement and the Second Supplemental Agreement, the annual cap amount in relation to the Supply Transactions for the three financial years ending 31 December 2020, 2021 and 2022 is RMB105,000,000.

Historical Transaction Amounts

The historical transaction amounts relating to the Supply Transactions are approximately:—

(All Amounts in RMB'000)	Year ending 31 December 2020	Year ending 31 December 2021	Year ending 31 December 2022 (up to the end of month before the date of this announcement)
Supply Transactions	98,586	101,090	86,745

The actual transaction amount of the Supply Transactions provided under the Framework Agreement and the Second Supplemental Agreement between January to June 2022 was RMB86,745,000. It is expected that the total transaction amount of the Supply Transactions for the year ending 31 December 2022 may exceed the annual cap for the year ending 31 December 2022 as provided under the Second Supplemental Agreement.

The Directors confirm that the annual cap of the Supply Transactions provided under the Framework Agreement for the year ending 31 December 2022 has not been exceeded as at the date of this announcement.

Internal control measures for the Supply 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. 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 with Independent Third Parties.

The Directors (including independent non-executive Directors) will review the pricing terms and the payment terms of the Supply Transactions annually so as to confirm that the relevant pricing terms and payment terms are fair and reasonable, on normal commercial terms or better than those offered to or by the Independent Third Parties and in the interests of the Company and the Shareholders as a whole.

Reasons for and benefits of revising the Annual Caps of the Supply Transactions and entering into the Third Supplemental Agreement

As a result of the increase in demand for the Company's management software and software outsourcing business, the transaction amount of the Supply Transactions provided under the Framework Agreement for the six months ended 30 June 2022 has reached an amount of approximately RMB86,745,000. The Company expects that the growth in demand for its management software and software outsourcing business will continue in the second half of 2022 and the total transaction volume is expected to be approximately RMB270,000,000. As such, the existing annual caps of the Supply Transactions for 2022 might not be sufficient for the expected transaction volume, therefore, the Company would like to revise the annual caps in respect of the Supply Transactions for the year ending 31 December 2022. The Company would also like to continue to conduct the Supply Transactions with Inspur Group for the two years ending 31 December 2023 and 2024, as the Company expects to see a continuing increase in demand for the Company's management software and software outsourcing business in 2023 and 2024.

The proposed revised annual caps of the Supply Transactions provided for the year ending 31 December 2022 and the proposed new annual caps of the Supply Transactions provided for the two years ending 31 December 2023 and 2024 are determined after taking into account the following factors and assumption: (i) recent historical transacted amount of the Supply Transactions; (ii) orders which have been fulfilled and sale orders on hand; (iii) an expected annual growth rate of 30%, assuming continuing growth in demand for the Supply Transactions; and (iv) general inflation.

The Company's finance department provides guidance and advice to the Company's operation department on the amount incurred under the Supply Transactions each year. By monitoring the Supply Transactions, the finance department will analyse the implementation of the Supply Transactions monthly and ensure the compliance of the revised and new annual caps and the terms provided under the Third Supplemental Agreement.

Apart from the aforementioned revisions, all the terms under the Framework Agreement remain unchanged.

In view of the above, the Directors (excluding the independent non-executive Directors, whose views will be contained in the letter from the Independent Board Committee as set out in the circular after considering the advice from the Independent Financial Adviser) are of the view that the Third Supplemental 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 Third Supplemental Agreement together with the transactions contemplated thereunder are fair and reasonable and in the interests of the Company and the Shareholders as a whole, and that the proposed annual caps for the Supply Transactions contemplated under the Third Supplemental Agreement are fair and reasonable.

None of the Directors has any material interest in the transactions contemplated under the Third Supplemental Agreement, and is required to abstain from voting on the Board resolutions for considering and approving the Third Supplemental Agreement and the transactions contemplated thereunder.

IMPLICATIONS UNDER THE LISTING RULES REGARDING THE REVISED AND NEW ANNUAL CAPS

IPG, being a controlling shareholder of the Company, is interested in approximately 54.44% of the issued share capital of the Company, and is thus a connected person of the Company for the purposes of the Listing Rules. Accordingly, the transactions contemplated under the Third Supplemental Agreement will constitute continuing connected transactions for the Company pursuant to Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratio under the Rule 14.07 of the Listing Rules in respect of the proposed revised and new annual cap of each of the Supply Transactions is expected to be more than 5%, the proposed revised and new annual caps of the Supply Transactions are subject to the reporting, announcement, annual review, circular, and Independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

(IV) EXTENSION OF THE TERM AND REVISION OF THE ANNUAL CAPS OF THE FRAMEWORK AGREEMENT OF THE PURCHASE TRANSACTIONS AND THE COMMON SERVICES TRANSACTIONS WITH INSPUR GROUP LIMITED

Reference is made to the announcement of the Company dated 31 December 2020, in relation to, amongst other things, the 2020 Framework Agreement entered into between the Company and IPG relating to the Purchase Transactions and the Common Services Transactions (collectively, the Continuing Connected Transactions) for the three financial years ending 31 December 2023.

The Board announces that, on 28 July 2022, the Company entered into a Supplemental 2020 Framework Agreement with IPG relating to the Purchase Transactions and Common Services Transactions to (i) extend the term for 1 year from ending on 31 December 2023 to 31 December 2024; and (ii) revise the annual caps of the Purchase Transactions and Common Services Transactions under the 2020 Framework Agreement.

BACKGROUND OF THE CONTINUING CONNECTED TRANSACTIONS

The Continuing Connected Transactions comprises the Purchase Transactions, and the Common Services Transactions.

1. Purchase Transactions

Types of products

The Group purchases from the Inspur Group various IT products from time to time including without limitation the IT server under the name of “Inspur”, storage products and other accessories.

Pricing and other terms

The members of the Group purchase the abovementioned IT products and accessories from members of the Inspur Group. The actual quantity, specification, delivery date and price of such products to be provided by members of the Inspur Group are subject to individual orders placed by the members of the Group with the relevant member of the Inspur Group. The parties have agreed that:

- (a) the supply of products and components by the relevant member of the Inspur Group to the Group shall be on normal commercial terms;
- (b) the price per unit of the products and components to be supplied by a relevant member of the Inspur Group will be agreed between the parties by reference to, among other factors, the price per unit of such products supplied by Inspur Group to Independent Third Parties; and
- (c) the Group shall not be obliged to accept any terms and conditions (including pricing terms) for the purchase of the products and components which are less favourable than those agreed between any member of the Inspur Group and its Independent Third Party purchasers for the same or similar products and components.

For determination of the price of the products and components supplied by Inspur Group and the payment terms, the management refers to at least 2 comparable transactions. The management will ensure the prices of the products and components purchased from the Inspur Group are not less favourable than the quotations or prices of the products and components with Independent Third Parties. As the Group has other suppliers for similar IT products and IT services, the management will refer to the commercial terms offered by other suppliers when determining the same with Inspur Group.

Payment terms

The IPG gives one-month credit period similar to the credit period granting to other customers for the Group to settle the payment of the products and components after delivery. The Group makes the payment out of the Group's internal resources.

2. Common Services Transactions

The IPG provides services in respect of use of premises and estate management to various members of the Group at fees determined with reference to the prevailing market rates and by arm's length negotiation. In general, the above fees are billed on a monthly basis and will be satisfied by cash out of the internal resources of the Group.

Particularly, for determination of the fees for using of premises and estate management, the management refers to at least 2 comparable transactions and those fees charged by Independent Third Parties for providing comparable premise renting and management services on market at the relevant time. The management will ensure that the fees to be charged by IPG under the Common Services Transactions are not less favourable than the fees charged by those Independent Third Parties.

EXISTING ANNUAL CAPS AND HISTORICAL AMOUNTS

Set out below are the historical transaction amounts of the Continuing Connected Transactions for the three years ended 31 December 2023 (with the relevant annual caps set out in brackets):

(All amounts in RMB'000)	Year ended 31 December 2021	Year ended 31 December 2022	Year ended 31 December 2023
Purchase Transactions	58,326 (65,000)	59,258 (transaction amount from January to June) (65,000)	(65,000)
Common Services Transactions	9,969 (10,000)	7,230 (transaction amount from January to June) (11,100)	(12,100)

PROPOSED ANNUAL CAPS

The proposed annual caps under the Supplemental 2020 Framework Agreement are:

(All amounts in RMB'000)	Year ending 31 December 2022	Year ending 31 December 2023	Year ending 31 December 2024
Purchase Transactions	320,000	416,000	540,800
Common Services Transactions	12,210	13,431	14,777

BASIS OF THE PROPOSED ANNUAL CAPS

1. Purchase Transactions

The following factors have been taken into account by the Company in determining the proposed annual caps for the Purchase Transactions: (a) the recent historical amounts and the expected amounts of the Purchase Transactions for the year ending 31 December 2022; and (b) the expected annual growth rates of the Company's revenue and the amounts of the Purchase Transactions.

2. Common Services Transactions

The following factors have been taken into account by the Company in determining the proposed annual caps for the Common Services Transactions: (a) the recent historical amounts and the expected amounts of the Common Services Transactions for the year ending 31 December 2022; and (b) the expected annual growth rates (approximately 10%) of the expected usage of the common services because of the Company's anticipated increase of investment in product development and anticipated increase of employees.

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 purchase department and operations department. The purchase department is responsible for contacting suppliers, obtaining quotations 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 purchase price. 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 with Independent Third Parties.

The Directors (including independent non-executive Directors) will review the pricing terms and the payment terms of the Continuing Connected Transactions and the Lease each year so as to confirm that the relevant pricing terms and payment terms are fair and reasonable, on normal commercial terms or better than those offered to or by the Independent Third Parties and in the interests of the Company and the Shareholders as a whole.

REASONS FOR AND BENEFITS OF ENTERING INTO THE SUPPLEMENTAL 2020 FRAMEWORK AGREEMENT

For Purchase Transactions, Inspur Group ranked 12th in the list of Top 100 Enterprises for Software and Information Technology Services Competitiveness 2021 issued by China Federation of Electronics and Information Industry for the year ended 31 December 2021. With good reputation in the IT area, the IT products supplied by IPG represent a guarantee of high quality and reliable after-sales service. Cooperation in the Purchase Transactions can bring more supply channels to the Group and bring more revenue and profits to the Group as well.

For Common Services Transactions, it is mainly for the Group's need in office premises and the relevant estate management. As IPG owns vacant premises with good estate management and the Group has such need, it is a win-win situation for both sides to conduct this transaction.

The Directors (excluding the independent non-executive Directors, whose views will be contained in the letter from the Independent Board Committee as set out in the circular after considering the advice from the Independent Financial Adviser) are of the view that the Supplemental 2020 Framework 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 Supplemental 2020 Framework Agreement together with the transactions contemplated thereunder are fair and reasonable and in the interests of the Company and the Shareholders as a whole, and that the proposed annual caps for each of the Continuing Connected Transactions contemplated under the Supplemental 2020 Framework Agreement are fair and reasonable.

None of the Directors has any material interest in the transactions contemplated under the Supplemental 2020 Framework Agreement, and was required to abstain from voting on the Board resolution for considering and approving the Supplemental 2020 Framework Agreement.

IMPLICATIONS UNDER THE LISTING RULES

IPG, being a controlling shareholder of the Company, is interested in approximately 54.44% of the issued share capital of the Company, and is thus a connected person of the Company for the purposes of the Listing Rules. Accordingly, the transactions contemplated under the Supplemental 2020 Framework Agreement will constitute continuing connected transactions for the Company pursuant to Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratio under the Rule 14.07 of the Listing Rules in respect of the revised annual cap of the Purchase Transactions is expected to be more than 5%, the Purchase Transactions are subject to the reporting, announcement, annual review, circular, and Independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratio under the Rule 14.07 of the Listing Rules in respect of the revised annual cap of the Common Services Transactions is expected to more than 0.1% but less than 5%, the Common Services Transactions are subject to the reporting, annual review, and announcement requirements, but exempt from circular and Independent Shareholders' approval requirements under Rule 14A.76(2) of the Listing Rules.

INFORMATION ON THE GROUP

The Group is principally engaged in the provision for software development, cloud services and Internet of Things (IoT). Inspur Mingda is a wholly-owned subsidiary of the Company.

INFORMATION ON IPG AND THE INSPUR FINANCE

IPG is an investment holding company established in the PRC. Inspur Group is a leading cloud computing and big data provider in the PRC. IPG, through its wholly-owned subsidiaries, is interested in approximately 54.44% of the issued ordinary share capital of the Company as at the date of this announcement and is therefore a controlling shareholder and a connected person of the Company.

Inspur Finance is a limited company incorporated in PRC and is principally engaged in providing financial services business in PRC. As at the date of this announcement, 20% of share equity of Inspur Finance is directly held by the Company and 60% of the share equity is directly held by IPG, the remaining 20% share equity is held by Inspur Software Co., Ltd.* (浪潮软件股份有限公司).

GENERAL

The Independent Board Committee, consisting of Mr. Wong Lit Chor, Alexis, Ms. Zhang Ruijun and Mr. Ding Xiangqian, all being independent non-executive Directors, has been established to advise the Independent Shareholders in respect of (i) the Framework Financial Services Agreement; (ii) the Third Supplemental Agreement; and (iii) the Supplemental 2020 Framework Agreement, and the transactions contemplated respectively thereunder (including the respectively proposed annual caps). The Independent Financial Adviser has been appointed to advise the Independent Board Committee and the Independent Shareholders in respect of the terms of (i) the Framework Financial Services Agreement; (ii) the Third Supplemental Agreement; and (iii) the Supplemental 2020 Framework Agreement, and the transactions contemplated respectively thereunder (including the respectively proposed annual caps).

EGM

The EGM will be convened for the Independent Shareholders to consider and, if thought fit, approve (i) the Framework Financial Services Agreement; (ii) the Third Supplemental Agreement; and (iii) the Supplemental 2020 Framework Agreement, and the transactions contemplated respectively thereunder (including the respectively proposed annual caps).

A circular containing, among other things, further information about (i) the Framework Financial Services Agreement; (ii) the Third Supplemental Agreement; and (iii) the Supplemental 2020 Framework Agreement, and the transactions contemplated respectively thereunder (including the respectively proposed annual caps), the letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders and the recommendation from the Independent Board Committee, together with the notice of the EGM, will be dispatched to the Shareholders on or before 18 August 2022.

DEFINITIONS

In this announcement, the following expressions have the meanings set out below unless the context otherwise requires:

“2019 Framework Leasing Agreement”	the framework leasing agreement entered into between Inspur Mingda and IPG (for itself and on behalf of the other members of Inspur Group) on 31 December 2019, pursuant to which Inspur Mingda (as the lessor) agrees to provide property leasing and management facilities to Inspur Group (as the lessee) in relation to the leasing of office premises at the Building owned by Inspur Mingda
“2020 Framework Agreement”	the framework agreement dated 31 December 2020 between the Company and the IPG in relation to the Continuing Connected Transactions for the three financial years ending 31 December 2023
“2020 Framework Financial Services Agreement”	the framework financial services agreement entered into between the Company with Inspur Finance on 27 February 2020
“Board”	the board of Directors
“Building”	S01 Scientific Research Activities Building* (浪潮科技園S01科研樓), a building located in Jinan City, Shandong Province, the PRC
“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)
“Common Services Transactions”	the transactions in relation to the provision of services in respect of use of premises and estate management by the Inspur Group to the Group under the 2020 Framework Agreement
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules

“Continuing Connected Transactions”	the continuing connected transactions of the Company under the Supplemental 2020 Framework Agreement, comprising the Purchase Transactions and the Common Services Transactions
“controlling shareholder”	has the meaning ascribed to it under the Listing Rules
“Deposit Services”	the deposit services to be provided by Inspur Finance to the Group under the Framework Finance Services Agreement
“Director(s)”	the director(s) of the Company
“Framework Agreement”	the framework agreement dated 9 May 2018 between the Company and IPG in relation to the Supply Transactions for the three financial years ending 31 December 2020
“Framework Finance Services Agreement”	the agreement entered into between the Company and Inspur Finance on 28 July 2022, pursuant to which Inspur Finance will provide several categories of financial services to the Group
“Framework Leasing Agreement”	the framework leasing agreement to be dated 28 July 2022 between the Company and IPG, pursuant to which Inspur Mingda (as the lessor) agrees to provide property leasing and management facilities to IPG (as the lessee) in relation to the leasing of office premise at the Building owned by Inspur Mingda
“Group”	the Company and its subsidiaries
“HKD”	Hong Kong dollars, the lawful currency of Hong Kong
“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 in respect of (i) the Framework Financial Services Agreement; (ii) the Third Supplemental Agreement; and (iii) the Supplemental 2020 Framework Agreement, and the transactions contemplated respectively thereunder (including the respectively proposed annual caps)

“Independent Financial Adviser”	Draco Capital Limited, a corporation licensed to carry on Type 6 (advising on corporate finance) regulated activity under the SFO
“Independent Shareholders”	Shareholders who are not required to abstain from voting on the relevant resolutions at the EGM due to their material interests in the transactions contemplated under (i) the Framework Financial Services Agreement; (ii) the Third Supplemental Agreement; and (iii) the Supplemental 2020 Framework Agreement, and the transactions contemplated respectively thereunder (including the respectively proposed annual caps)
“Independent Third Party(ies)”	party(ies) not connected with any of the Directors, chief executive, substantial shareholders of the Company or any of its subsidiaries or any of their respective associates
“Inspur Finance”	Inspur Group Finance Limited (浪潮集團財務有限公司*), a limited company incorporated in PRC and indirectly non-wholly owned by IPG
“Inspur Group”	IPG and its subsidiaries (other than the Group), unless otherwise specified
“Inspur Mingda”	Jinan Inspur Mingda Information Technology Limited* (濟南浪潮銘達信息科技有限公司), which is a company incorporated in the PRC and is a wholly-owned subsidiary of the Company
“IPG”	Inspur Group Limited* (浪潮集團有限公司), a company established in the PRC with limited liability and through its wholly owned subsidiaries being the controlling shareholder of the Company, interested in approximately 54.44% of the existing issued ordinary shares of the Company
“Loan Facility Services”	the loan facility services to be provided by Inspur Finance to the Group under the Framework Finance Services Agreement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

“Other Financial Services”	other financial services such as adviser services, consulting services and agency service, etc. to be provided by Inspur Finance to the Group under the Framework Finance Services Agreement
“PRC” or “China”	the People’s Republic of China which, for the purposes of this announcement, excludes the Hong Kong Special Administrative Region, the Macau Special Administrative Region and Taiwan
“Purchase Transactions”	transactions in relation to purchase of IT products by the Group from the Inspur Group under the Supplemental 2020 Framework Agreement
“RMB”	Renminbi, the lawful currency of the PRC
“Second Supplemental Agreement”	the second supplemental agreement to the Framework Agreement entered into by the Company and IPG dated 3 September 2020 in relation to the Supply Transactions
“Settlement Services”	The settlement related services to be provided by Inspur Finance to the Group under the Framework Finance Services Agreement
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary shares of HKD0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules
“Supplemental 2020 Framework Agreement”	the supplemental agreement to the 2020 Framework Agreement entered into by the Company and IPG dated 28 July 2022 in relation to the Continuing Connected Transactions
“Supply Transactions”	transactions in relation to supply and provision of products and services by the Group to the Inspur Group under the Framework Agreement and the Second Supplemental Agreement

“Third Supplemental Agreement”

the third supplemental agreement to the Framework Agreement entered into by the Company and IPG dated 28 July 2022 in relation to the Supply Transactions

“%”

per cent

** All the English translation of certain Chinese names or words in this announcement is included for information purpose only, and should not be regarded as the official English translation of such Chinese names or words.*

By order of the Board
Inspur International Limited
Wang Xingshan
Chairman

Hong Kong, 28 July 2022

As at the date of this announcement, the Board comprised Mr. Wang Xingshan, Mr. Wang Yusen and Mr. Cui Hongzhi as executive Directors; Ms. Li Chunxiang as non-executive Director and Mr. Wong Lit Chor, Alexis, Ms. Zhang Ruijun and Mr. Ding Xiangqian as independent non-executive Directors.