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INSPUR DIGITAL ENTERPRISE TECHNOLOGY LIMITED

浪潮數字企業技術有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 596)

**CONNECTED TRANSACTION
CAPITAL INCREASE AGREEMENT
IN RELATION TO A JOINT VENTURE COMPANY**

CAPITAL INCREASE

On 11 April 2023 (after trading hours), Inspur Group, Inspur Software, Inspur General (an indirect wholly-owned subsidiary of the Company) and the JV Company entered into the Capital Increase Agreement, pursuant to which Inspur Group, Inspur Software and Inspur General agreed to make further capital contribution to the JV Company in the total sum of RMB 1.1 billion. Pursuant to the Capital Increase Agreement, Inspur Group, Inspur Software and Inspur General have agreed to make a capital contribution in cash of RMB 600 million, RMB 200 million and RMB 200 million, respectively, to the registered capital of the JV Company and a capital contribution in cash of RMB 60 million, RMB 20 million and RMB 20 million, respectively, to the capital reserves of the JV Company.

Following the completion of the Capital Increase, the registered capital of the JV Company will be increased from RMB 1 billion to RMB 2 billion, and the shareholding structure of the JV Company will remain unchanged and will continue to be held by Inspur Group, Inspur Software and Inspur General as to 60%, 20% and 20%, respectively.

LISTING RULES IMPLICATIONS

As at the date of this announcement, Inspur General is an indirect wholly-owned subsidiary of the Company. Inspur Group, as the controlling shareholder of the Company, is interested in approximately 54.44% of the issued share capital of the Company, and therefore is a connected person of the Company pursuant to Rule 14A.07 of the Listing Rules. The JV Company, held as to 60% by Inspur Group, is therefore an associate of Inspur Group under Rule 14A.13 of the Listing Rules. The Capital Increase constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

Since one or more applicable percentage ratios of the transaction contemplated under the Capital Increase Agreement is more than 0.1% but less than 5%, the Capital Increase is subject to the reporting and announcement requirements but is exempt from the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

BACKGROUND

As at the date of this announcement, the JV Company has a fully paid-up registered capital of RMB 1 billion. It is owned as to 60% by Inspur Group, 20% by Inspur Software and 20% by Inspur General, respectively.

CAPITAL INCREASE AGREEMENT

On 11 April 2023 (after trading hours), Inspur Group, Inspur Software, Inspur General (an indirect wholly-owned subsidiary of the Company) and the JV Company entered into the Capital Increase Agreement, pursuant to which Inspur Group, Inspur Software and Inspur General agreed to make further capital contribution to the JV Company in the total sum of RMB 1.1 billion. Pursuant to the Capital Increase Agreement, Inspur Group, Inspur Software, and Inspur General have agreed to make a capital contribution in cash of RMB 600 million, RMB 200 million and RMB 200 million, respectively, to the registered capital of the JV Company and a capital contribution in cash of RMB 60 million, RMB 20 million and RMB 20 million, respectively, to the capital reserves of the JV Company.

Following the completion of the Capital Increase, the registered capital of the JV Company will be increased from RMB 1 billion to RMB 2 billion, and the shareholding structure of the JV Company will remain unchanged and will continue to be held by Inspur Group, Inspur Software and Inspur General as to 60%, 20% and 20%, respectively.

Date

11 April 2023

Parties to the agreement

- (i) Inspur Group, a controlling shareholder of the Company;
- (ii) Inspur Software;
- (iii) Inspur General, an indirect wholly-owned subsidiary of the Company; and
- (iv) the JV Company.

Method and Amount of Capital Increase

Pursuant to the Capital Increase Agreement, Inspur Group, Inspur Software and Inspur General agreed to make capital contribution in cash as below:

- (i) Inspur Group shall subscribe for the portion of the newly increased capital of the JV Company in the sum of RMB 600 million and contribute to the JV Company's capital reserve in the sum of RMB 60 million;
- (ii) Inspur Software shall subscribe for the portion of the newly increased capital of the JV Company in the sum of RMB 200 million and contribute to the JV Company's capital reserve in the sum of RMB 20 million; and
- (iii) Inspur General shall subscribe for the portion of the newly increased capital of the JV Company in the sum of RMB 200 million and contribute to the JV Company's capital reserve in the sum of RMB 20 million.

Basis of the consideration

The consideration for the Capital Increase was determined after arm's length negotiations among the parties (i) in consideration of the capital needs of the JV Company (as more particularly set out under the section headed "Reasons for and Benefits of the Capital Increase" below) and (ii) based on a valuation of the JV Company conducted by an independent third party valuer.

Based on the net assets value of the JV Company of approximately RMB1.10 billion, the net asset value per share (par value RMB 1) is RMB 1.1.

Set out below is a summary of the equity holding structure and the registered capital of the JV Company as at the date of this announcement and immediately upon completion of the Capital Increase:

Name of Shareholder	As at the date of this announcement			Upon completion of the Capital Increase		
	Registered capital (RMB)	Equity holding	Total capital injection contemplated under the Capital Increase (RMB)	Registered capital (RMB)	Equity holding	Contribution to capital reserve
Inspur Group	600,000,000	60%	660,000,000	1,200,000,000	60%	60,000,000
Inspur Software	200,000,000	20%	220,000,000	400,000,000	20%	20,000,000
Inspur General	200,000,000	20%	220,000,000	200,000,000	20%	20,000,000
Total	<u>1,000,000,000</u>	<u>100%</u>	<u>1,100,000,000</u>	<u>2,000,000,000</u>	<u>100%</u>	<u>100,000,000</u>

The Capital Increase Agreement shall take effect upon the parties having duly signed the Capital Increase Agreement. Following the completion of the Capital Increase, the shareholding structure of the JV Company will remain unchanged.

Completion of the Capital Increase is conditional upon the following conditions being fulfilled:

- (A) The Capital Increase Agreement and the transactions contemplated thereunder having been approved and the necessary resolutions having been passed at an extraordinary general meeting by the independent shareholders of Inspur Software; and
- (B) The Capital Increase having been approved by the PRC Banking and Insurance Regulatory Commission Shandong Bureau* (中國銀行保險監督管理委員會山東局).

None of the conditions set out above may be waived by any party to the Capital Increase Agreement. As at the date of this announcement, none of the conditions have been fulfilled.

Completion

The Capital Increase is expected to be completed within 30 days upon the fulfillment of all of the conditions precedent. Inspur General intends to fund its capital contribution by internal resources.

REASONS FOR AND BENEFITS OF THE CAPITAL INCREASE

Reasons for the transaction

As at the date of this announcement, the JV Company has a fully paid-up registered capital of RMB 1 billion. It is owned as to 60% by Inspur Group, 20% by Inspur Software, and 20% by Inspur General, respectively.

The JV Company is a licensed financial company with its financial license* (金融許可證) issued by the PRC Banking and Insurance Regulatory Commission Shandong Bureau* (中國銀行保險監督管理委員會山東局). The JV Company is authorized with basic business qualifications* (基礎業務資質) to provide financial services such as deposits, loans, fund settlements, and guarantees. The JV Company has also been licensed with specialized business qualifications* (專項業務資質) to carry out services in interbank lending* (同業拆借) and handling and guaranteeing bills issued by other companies of the Group.

According to the Administrative Measures for Enterprise Group Financial Companies*(《企業集團財務公司管理辦法》) of the Regulations of the PRC Banking and Insurance Regulatory Commission*(《中國銀行保險監督管理委員會規章》) and the guidance from relevant authorities, the JV Company must meet the requirement of registered capital in order to be authorized with more specialized business qualifications.

Benefits of the transaction

1. Provide stable investment returns and enhance risk resistance

As a licensed financial institution, the JV Company has a sound internal control mechanism and a promising prospect, which can provide stable returns for its shareholders. Since its actual operation in 2020, the JV Company has achieved net profits of RMB 6.12 million, RMB 50.66 million, and RMB 31.17 million respectively in 2020-2022, with return on capital of 0.61%, 5.07%, and 3.12% respectively. After this capital increase, with a stronger capital base, the JV Company expects to maintain and improve the rate of return for its shareholders.

2. Provide diversified financial services to help reduce costs and increase efficiency

The JV Company provides a wide range of financial services. In particular, its loan business provides smooth financing channels with low interest rates for the Group. The JV Company's deposit interest rate is higher than that of major domestic commercial banks for the same period and type of deposit, increasing the capital return for the Company by more than RMB 3 million. The JV Company provides free settlement services for the Company, saving approximately RMB 500,000 in annual transaction fees.

After obtaining the specialized business qualification for buyer credit, the JV Company can provide specialized loans for downstream customers of the Company, for purchasing the Company's products and services.

Having reviewed the terms of the Capital Increase Agreement, the Directors (including the independent non-executive Directors) are of the view that (i) the terms of the Capital Increase Agreement are fair and reasonable; (ii) the entering into of the Capital Increase Agreement is on normal commercial terms or better and in the ordinary and usual course of business of the Company; and (iii) the entering into of the Capital Increase Agreement is in the interest of the Company and its shareholders as a whole.

LISTING RULES IMPLICATIONS

As at the date of this announcement, Inspur General is an indirect wholly-owned subsidiary of the Company. Inspur Group, being a controlling shareholder of the Company, is interested in approximately 54.44% of the issued share capital of the

Company, and therefore is a connected person of the Company. The JV Company, held as to 60% by Inspur Group, is therefore an associate of the Group and the Capital Increase constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

Since one or more applicable percentage ratios of the transaction contemplated under the Capital Increase Agreement, when aggregated with the Initial Capital Contribution is more than 0.1% but less than 5%, the Capital Increase Agreement is subject to the reporting and announcement requirements but is exempt from the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

None of the Directors had a material interest in the Capital Increase Agreement or was required to abstain from voting on the relevant Board resolution(s) approving the Capital Increase Agreement or the transactions contemplated thereunder.

GENERAL INFORMATION

Information on the Company

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 and other full-stack technologies.

Information on Inspur Group

Inspur Group is a controlling shareholder of the Company and the JV 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.

Information on Inspur Software

Inspur Software is a company established in the PRC with limited liability whose shares are listed and traded on the Shanghai Stock Exchange* (上海證券交易所) with stock code 600756.SH. Inspur Group indirectly holds 19.09% of the share interest of Inspur Software. Inspur Software provides software and information technology services and its principal business involves software development and system integration for industries such as digital government and tobacco.

Information on Inspur General

Inspur General is a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company. Inspur General is a provider of enterprise application software and SaaS cloud services, a service provider for enterprise digital transformation, and a provider of intelligent manufacturing solutions, providing digital transformation services for enterprises.

Information on the JV Company

The JV Company is a company established in December 2019 in the PRC with limited liability. As at the date of this announcement the JV Company has a fully-paid up registered capital of RMB 1 billion, whereby Inspur Group, Inspur Software and Inspur General owns 60%, 20% and 20% of the equity interest in the JV Company, respectively.

The JV Company is a licensed financial company with its financial license* (金融許可證) issued by the PRC Banking and Insurance Regulatory Commission Shandong Bureau* (中國銀行保險監督管理委員會山東局). The JV Company is authorized with basic business qualifications* (基礎業務資質) to provide financial services such as deposits, loans, fund settlements, and guarantees. The JV Company has also been licensed with specialized business qualifications* (專項業務資質) to carry out services in interbank lending* (同業拆借) and handling and guaranteeing bills issued by other companies of the Group.

DEFINITIONS

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

“associate(s)”	the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Capital Increase”	the proposed capital increase of an aggregate amount of RMB 1.1 billion in cash which is allocated in part (i) RMB 1 billion to the registered capital of the JV Company and (ii) RMB 100 million to the capital reserve by Inspur Group, Inspur Software and Inspur General pursuant to the terms and conditions of the Capital Increase Agreement

“Capital Increase Agreement”	the capital increase agreement dated 11 April 2023 entered into among (i) Inspur Group; (ii) Inspur Software; (iii) Inspur General and (iv) the JV Company
“Company”	Inspur Digital Enterprise Technology Limited (浪潮數字企業技術有限公司), a company incorporated in the Cayman Islands with limited liability, the shares of which are listed and traded on the Main Board of the Stock Exchange (Stock Code: 596)
“connected person(s)”	the meaning ascribed to it under the Listing Rules
“controlling shareholder(s)”	the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Inspur General”	Inspur General Software Co., Ltd.* (浪潮通用軟件有限公司), a company established in the PRC with limited liability, an indirectly wholly-owned subsidiary of the Company
“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 Software”	Inspur Software Co., Ltd.* (浪潮軟件股份有限公司), a company established in the PRC with limited liability, the shares of which are listed and traded on the Shanghai Stock Exchange* (上海證券交易所) with stock code 600756.SH
“JV Company”	Inspur Group Finance Co., Ltd.* (浪潮集團財務有限公司), a company established in the PRC with limited liability
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented, or otherwise modified from time to time

“PRC”	the People’s Republic of China
“RMB”	Renminbi, the prevailing lawful currency of the PRC
“Share(s)”	ordinary share(s) in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent

By order of the Board
Inspur Digital Enterprise Technology Limited
Wang Xingshan
Chairman

Hong Kong, 11 April 2023

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 Ms. Zhang Ruijun, Mr. Wong Lit Chor, Alexis and Mr. Ding Xiangqian as independent non-executive Directors.

** For identification purposes only. The English names are only translations of the official Chinese names. In case of inconsistency, the Chinese names shall prevail.*