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

If you have sold or transferred all your shares in Inspur International Limited, you should at once hand this circular, together with the enclosed form of proxy, to the purchaser(s) or the transferee(s) or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or the transferee(s).

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***inspur* 浪潮**

INSPUR INTERNATIONAL LIMITED

浪潮國際有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code:596)

**(1) PROPOSED ISSUE OF SCRIP DIVIDEND PREFERRED SHARES TO
A CONNECTED PERSON;**

AND

(2) PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION

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



REXCAPITAL (Hong Kong) Limited

The notice convening an extraordinary general meeting (“EGM”) of Inspur International Limited (the “Company”) to be held at International Trade & Exhibition Centre, Meeting Room 5, 7th Floor, 1 Trademart Drive, Kowloon Bay, Kowloon, Hong Kong at 10:00 a.m. on Friday, 6 November 2009 is set out on pages 27 to 34 of this circular. Shareholders of the Company are advised to read the notice and complete and return the form of proxy for use at the EGM enclosed with this circular in accordance with the instructions printed thereon.

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

* For identification purpose only

15 October 2009

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DEFINITIONS

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

“Adjusting Events”	events giving rise to adjustments to be made to Conversion Rate under Article 9A(7) of the Articles of Association
“Articles of Association”	the articles of association of the Company
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Company”	Inspur International Limited, an exempted company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the main board of the Stock Exchange
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Conversion Rate”	the rate for conversion of the Preferred Shares into Shares as determined in accordance with the Memorandum and Articles of Association
“Convertible Notes”	the convertible notes issued by the Company to Accord Star Limited on 3 July 2008 with aggregate principal amount of HK\$58,450,500 with initial conversion price of HK\$1.36272
“Director(s)”	the director(s) of the Company
“Dividend”	fixed cumulative dividend of 6% per annum payable to holders of Preferred Shares under the Memorandum and Articles of Association
“Dividend Payment Date”	the 31st of March, the 30th of June, the 30th of September and the 31st of December in each year
“EGM”	the extraordinary general meeting of the Company to be convened and held for the approving, amongst other things, the Supplemental Deed, the proposed amendments to the Articles of Association and the issue and allotment of Scrip Dividend Preferred Shares and the Shares upon exercise of the conversion rights attaching to the Scrip Dividend Preferred Shares
“Group”	the Company and its subsidiaries
“Independent Board Committee”	the independent board committee formed to advise the Independent Shareholders in relation to the Supplemental Deed

DEFINITIONS

“Independent Shareholders”	Shareholders other than Microsoft (and its associates)
“Inspur Group” or “Lang Chao Group”	Inspur Group Limited* (浪潮集團有限公司), which is a company incorporated in the PRC and through its wholly owned subsidiary, Inspur Electronics (HK) Limited, being the controlling Shareholder, interested in approximately 36.51% of the existing issued ordinary share capital of the Company
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Latest Practicable Date”	13 October 2009, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	31 December 2009
“Memorandum and Articles of Association”	the memorandum and articles of association of the Company
“Microsoft”	Microsoft Corporation, a corporation incorporated in the State of Washington of the USA and holder of the Preferred Shares
“Overlapping Directors”	the directors of the Company who are also directors of Lang Chao Group
“Preferred Shareholder(s)”	holder(s) of Preferred Shares
“Preferred Shares”	234,279,559 series A senior redeemable convertible voting preferred shares attached with rights of conversion to 1,171,397,795 Shares issued by the Company to Microsoft
“REXCAPITAL”	REXCAPITAL (Hong Kong) Limited, a licensed corporation to carry out type 6 regulated activity (advising on corporate finance) under the SFC, being the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders on the fairness and reasonableness of the Supplemental Deed
“Scrip Dividend”	issue and allotment of further Preferred Shares by the Company to the holder(s) of Preferred Shares in part payment of dividend payable to such holder(s) pursuant to the Supplemental Deed
“Scrip Dividend Preferred Shares”	the Preferred Shares issued as Scrip Dividend

DEFINITIONS

“Scrip Dividend Preferred Shares Issue Price”	the issue price of the Scrip Dividend Preferred Shares pursuant to the Supplemental Deed
“Share(s)”	ordinary share(s) of HK\$0.002 each in the share capital of the Company
“Share Options”	the share options which are granted pursuant to pre-IPO employee share option scheme, the two post-IPO employee share option scheme adopted by the Company on 4 April 2004, 4 April 2004 and 10 November 2008
“Shareholder(s)”	holder(s) of the Share(s) and Preferred Share(s)
“SFO”	Securities and Futures Ordinance (chapter 571 of the laws of Hong Kong)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Deed”	the deed entered into between the Company and Microsoft dated 26 August 2005 as supplemented by two supplemental deeds dated 7 September 2005 and 13 September 2005 in relation to the subscription for the Preferred Shares
“Supplemental Deed”	the supplemental deed to the Subscription Deed between the Company and Microsoft dated 24 September 2009 in relation to issue of Scrip Dividend
“Takeovers Code”	The Hong Kong Code on Takeovers and Mergers
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“USA”	The United States of America
“US\$”	US dollars, the lawful currency of the USA
“%”	per cent

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

LETTER FROM THE BOARD



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. Sun Pishu (*Chairman*)
Mr. Zhang Lei
Mr. Leung Chi Ho
Mr. Dong Hailong

Non-executive Director:

Mr. Xin Wei Hua

Independent Non-executive Directors:

Mr. Meng Xiang Xu
Mr. Liu Ping Yuan
Mr. Wong Lit Chor, Alexis

Registered Office:

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman
Islands

*Head office and principal place
of business in Hong Kong:*

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

15 October 2009

To the Shareholders

Dear Sir or Madam,

**(1) PROPOSED ISSUE OF SCRIP DIVIDEND PREFERRED SHARES TO
A CONNECTED PERSON;**

AND

(2) PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION

INTRODUCTION

On 24 September 2009, the Company announced that on 24 September 2009, it (as issuer) entered into the Supplemental Deed with Microsoft (as subscriber) to vary the terms of Preferred Shares with the effect that 4% out of the total of 6% Dividend will be paid by way of Scrip Dividend which is subject to the approval of Independent Shareholders at the EGM. The Company also takes this opportunity to propose at the EGM a resolution approving an amendment to the Articles of Association in relation to the Overlapping Directors.

LETTER FROM THE BOARD

The purpose of this circular is to provide you with further information relating to: (i) the Supplemental Deed; (ii) proposed amendments to the Articles of Association; (iii) the letter of advice from REXCAPITAL to the Independent Board Committee and the Independent Shareholders; (iv) the recommendation of the Independent Board Committee to the Independent Shareholders; and (v) the notice of the EGM.

ISSUE OF SCRIP DIVIDEND PREFERRED SHARES

Background of Preferred Shares

Reference is made to the circular of the Company dated 28 October 2005 and the two announcements of the Company dated 8 December 2005 and 21 April 2006 in relation to the issuance of the Preferred Shares to Microsoft. Pursuant to the Subscription Deed, the Company issued to Microsoft an aggregate of 234,279,559 Preferred Shares at an aggregate principal amount of US\$25 million (equivalent to approximately HK\$195 million) as to 132,964,342 Preferred Shares issued in December 2005 and as to 101,315,217 Preferred Shares issued in April 2006, respectively. Pursuant to the Memorandum and Articles of Association, a holder of the Preferred Shares is entitled to convert the Preferred Shares into the Shares from the date of allotment to 8 December 2011 (maturity date of the Preferred Shares) at the Conversion Rate and currently each Preferred Share is convertible into five Shares. The holder of Preferred Shares is entitled to receive a fixed cumulative dividend (“**Dividend**”) on a quarterly basis in arrears in preference to any dividend on the Shares at the rate of 6% per annum on the principal amount of Preferred Shares then outstanding after 31 December 2005. Under the Subscription Deed, Microsoft has agreed that it shall not and shall procure its nominee not to exercise such portion of the voting rights attached to the Preferred Shares and/or Shares in excess of 28% voting rights at any general meeting of the Company.

The Company entered into the Supplemental Deed on 24 September 2009 with Microsoft to, among other matters, vary the terms of the Preferred Shares in relation to the payment of Dividend partly by way of Scrip Dividend. The principal terms of the Supplemental Deed are set out as below.

Supplemental Deed

Date

24 September 2009

Parties

- (1) the Company as the issuer; and
- (2) Microsoft as the subscriber.

LETTER FROM THE BOARD

Payment of Dividend by way of Scrip Dividend

Under the Subscription Deed, Microsoft, as a holder of the Preferred Shares, is entitled to receive the Dividend on a quarterly basis in arrears in preference to any dividend on the Shares at the rate of 6% per annum on the aggregate principal amount of Preferred Shares, which is HK\$194,262,900 in the aggregate as at the Latest Practicable Date and such Dividend was agreed to be paid and satisfied wholly by cash. Under the Supplemental Deed, the parties have agreed that for the period commencing from 1 October 2009 and ending 30 September 2011 (being the last dividend payment due date before maturity of the Preferred Shares), the Dividend shall be paid and satisfied by the Company to the holder of Preferred Shares, instead of wholly cash, in arrears on quarterly basis (i) as to one third (1/3) thereof (i.e. representing 2% per annum) by cash; and (ii) as to two-thirds (2/3) thereof (i.e. representing 4% per annum) by the allotment and issue to the Preferred Shareholder (or their nominees) of further Preferred Shares in such number to be calculated by dividing (a) the amount of such Scrip Dividend by (b) the amount of the Scrip Dividend Preferred Shares Issue Price. The Scrip Dividend Preferred Shares Issue Price is determined to be equal to 100% of the average closing price of Shares as shown on the daily quotation sheet of the Stock Exchange for the 10 consecutive trading days immediately prior to such dividend payment date.

The Scrip Dividend Preferred Shares (i) shall be issued to a Preferred Shareholder (including Microsoft) only to the extent that the total voting rights of the Company held by such Preferred Shareholder (and the parties acting in concert with such Preferred Shareholder) shall not be or more than 28% (or such other lower percentage as may from time to time be specified in the Takeovers Code as being the level for triggering a mandatory general offer) taking into account the issuance of such number of the Scrip Dividend Preferred Shares to such Preferred Shareholder; and (ii) shall not be issued at a Scrip Dividend Preferred Shares Issue Price of less than HK\$0.40. Any Scrip Dividend payable and to be satisfied by the issue of Scrip Dividend Preferred Shares but is not satisfied as such by foregoing reason will be satisfied by cash to ensure the aggregate of Dividend payable by cash and the Scrip Dividend (if any) represents 6% per annum on the principal amount of the Preferred Shares.

Furthermore, the Company shall not cause any of the Adjusting Events to occur without the prior written consent from a Preferred Shareholder if such adjustment shall result in the total voting rights of the Company held by such Preferred Shareholder (and the parties acting in concert with such Preferred Shareholder) to exceed the threshold which may trigger off a mandatory general offer obligation under Rule 26 of the Takeovers Code.

On the basis of the above, the Directors do not anticipate that any mandatory general offer will be triggered by the issue of the Scrip Divided Preferred Shares under the terms of the Supplemental Deed.

LETTER FROM THE BOARD

Conditions of the Supplemental Deed

The amendments to the Subscription Deed set out in the Supplemental Deed are subject to the fulfillment or waiver by Microsoft (other than the conditions (a), (b) and (f)) of the following conditions before the Long Stop Date:

- (a) the passing by the Independent Shareholders in a general meeting of:
 - (i) an ordinary resolution approving and ratifying the entering into the Supplemental Deed by the Company, the variation of the terms of the Preferred Shares and the Subscription Deed, the allotment and issue of Scrip Dividend Preferred Shares and Shares upon conversion pursuant to the Supplemental Deed and other transactions contemplated under the Supplemental Deed;
 - (ii) a special resolution approving the proposed amendments to the Memorandum and Articles of Association in connection with the foregoing;

in accordance with the requirements of the Listing Rules, Memorandum and Articles of Association and applicable law;
- (b) the granting of the approval of the Stock Exchange for:
 - (i) variation of the terms of Preferred Shares and the Subscription Deed (if required);
 - (ii) the issue of the Scrip Dividend Preferred Shares from time to time pursuant to the Subscription Deed (as amended by the Supplemental Deed); and
 - (iii) the listing of and permission to deal in the Shares which may fall to be allotted and issued upon the conversion of the Scrip Dividend Preferred Shares (subject only to allotment);
- (c) all necessary consents required to be obtained by the Company and Microsoft being granted by third parties (including, governmental or official authorities) for the transactions contemplated under the Supplemental Deed;
- (d) the delivery by the Company to Microsoft of a certified copy of the Board resolutions approving, among other things, the matters referred to in condition (a) above and any necessary actions to be taken by the Directors for giving effect thereto;
- (e) the delivery by the Company to Microsoft of a legal opinion issued by the Company's legal advisers as to Cayman Islands law in such form and substance acceptable to Microsoft; and
- (f) the delivery by Microsoft to the Company a written consent to the variation and modification of the terms of Preferred Shares pursuant to the Supplemental Deed as required under the Memorandum and Articles of Association in such form and substance acceptable to the Company.

LETTER FROM THE BOARD

In the event that any of the conditions stated above is not fulfilled (or waived by Microsoft other than (a), (b) and (f) which may not be waived) before the Long Stop Date, the Supplemental Deed shall automatically become null and void and shall cease to have any force or effect but without prejudice to any claim arising under the Supplemental Deed out of any antecedent breach of the Supplemental Deed by any party.

As at the Latest Practicable Date, none of the above conditions have been fulfilled.

Number of Preferred Shares to be Issued

On the assumption that there is no conversion of the Preferred Shares into Shares or redemption of Preferred Shares, the amount of the Scrip Dividend to be paid by the Company for the period from 1 October 2009 to 30 September 2011 is estimated to be HK\$16.1 million. The exact number of Scrip Dividend Preferred Shares can only be determined after all the Dividend Payment Dates. For illustration purpose, assuming that Preferred Shares Issue Price to be HK\$1.08, being the average closing price of the Shares quoted on the Stock Exchange for the 10 consecutive trading days immediately prior to the Latest Practicable Date (inclusive), representing:

- (i) a premium of 3.85% to the closing price of HK\$1.04 per Share as quoted on the Stock Exchange on 24 September 2009, being the date of the Supplemental Deed; and
- (ii) a discount of 9.24% to the closing price of HK\$1.19 per Share as quoted on the Stock Exchange on the Latest Practicable Date,

approximately 14,903,683 Preferred Shares with aggregate nominal value of HK\$16,095,977 (convertible into 14,903,683 Shares) will be allotted and issued based on the aforesaid amount of Scrip Dividend, representing approximately 0.305% of the total voting rights of the Preferred Shares and Shares at the Latest Practicable Date and approximately 0.304% of the total voting rights of the Preferred Shares and Shares as enlarged by the issue of Scrip Dividend Preferred Shares. On the assumption that Preferred Shares Issue Price being at the lowest limit of HK\$0.40, approximately 40,239,943 Preferred Shares (convertible into 40,239,943 Shares) at the maximum will be allotted and issued based on the aforesaid amount of Scrip Dividend, representing approximately 0.824% of the total voting rights of the Preferred Shares and Shares at the Latest Practicable Date and approximately 0.818% of the total voting rights of the Preferred Shares and Shares as enlarged by the issue of such number of Scrip Dividend Preferred Shares.

Mandate To Issue Scrip Dividend Preferred Shares And Underlying Shares

The Scrip Dividend Preferred Shares and the Shares which may fall to be issued upon the exercise of the conversion rights attached to the Scrip Dividend Preferred Shares will be allotted under the specific mandate to be sought at the EGM.

Listing

Save that the Shares are listed on the Stock Exchange, no part of the share capital (including Preferred Shares) and debt securities of the Company is listed or dealt in any other stock exchange.

LETTER FROM THE BOARD

No application will be made for the listing of, and permission to deal in, the Scrip Dividend Preferred Shares. The Company will apply to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Shares which may fall to be allotted and issued upon exercise of the conversion rights attaching to the Scrip Dividend Preferred Shares.

Reasons for and Benefits Derived from Entering into the Supplemental Deed

By entering into the Supplemental Deed and obtaining the necessary approvals to implement the terms of the Supplemental Deed, the Company can issue Scrip Dividend Preferred Shares, resulting in the saving of cash in the amount of about HK\$15.8 million (being the amount of Scrip Dividend less estimated expenses with net price of HK\$1.06 per Preferred Shares calculated on the Scrip Dividend Preferred Shares Issue Price being equal to HK\$1.08) in the payment of Dividend to the holder of the Preferred Shares up to the last Dividend Payment Date before the maturity date of the Preferred Shares. This will reduce the cash outflow of the Group and thus increase the working capital and financial resources of the Group available for business of the Group.

In view of the benefits to be derived from the issue of the Scrip Dividend Preferred Shares under the Supplemental Deed, the Directors are of the view that the issue of the Scrip Dividend Preferred Shares are fair and reasonable and on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

Shareholding Structure of the Company

The following table illustrates (i) the existing shareholding structure as at the Latest Practicable Date; and (ii) the shareholding structure immediately after issue of Scrip Dividend on 30 September 2011 (being the date of last issue of Scrip Dividend) at the Preferred Shares Issue Price of HK\$1.08 and HK\$0.40, on the assumption of no other change to the share capital of the Company other than the issue of the Scrip Dividend Preferred Shares.

Shareholders	Immediately after issue of Scrip Dividend as at 30 September 2011 (date of last issue of Scrip Dividend)								
	As at the Latest Practicable Date			Assuming the Scrip Dividend Preferred Share Issue Price being HK\$1.08			Assuming the Scrip Dividend Preferred Share Issue Price being HK\$0.40		
	Shares	Voting Rights (Shares)	% of Voting Rights	Shares	Voting Rights (Shares)	% of Voting Rights	Shares	Voting Rights (Shares)	% of Voting Rights
Inspur Group	1,354,390,000	1,354,390,000	27.75	1,354,390,000	1,354,390,000	27.66	1,354,390,000	1,354,390,000	27.52
Public Shareholders	<u>2,355,731,029</u>	2,355,731,029	48.26	<u>2,355,731,029</u>	2,355,731,029	48.11	<u>2,355,731,029</u>	2,355,731,029	47.86
Sub-Total	<u>3,710,121,029</u>			<u>3,710,121,029</u>			<u>3,710,121,029</u>		
	<i>Preferred Shares</i>			<i>Preferred Shares</i>			<i>Preferred Shares</i>		
Microsoft Corporation (Note 1)	<u>234,279,559</u>	<u>1,171,397,795</u>	<u>24.00</u>	<u>249,183,242</u>	<u>1,186,301,478</u>	<u>24.23</u>	<u>274,519,502</u>	<u>1,211,637,738</u>	<u>24.62</u>
Sub-Total	<u>234,279,559</u>			<u>249,183,242</u>			<u>274,519,502</u>		
Grand Total		<u>4,881,518,824</u>	<u>100</u>		<u>4,896,422,507</u>	<u>100</u>		<u>4,921,758,767</u>	<u>100</u>

LETTER FROM THE BOARD

Notes

- (1) Microsoft Corporation was the holder of all the Preferred Shares in issue as at the Latest Practicable Date. The 249,183,242 Preferred Shares indicated above comprise (i) the existing 234,279,559 Preferred Shares which would be convertible into 1,171,397,795 Shares at Conversion Rate of 5 and (ii) 14,903,683 Scrip Dividend Preferred Shares which would be convertible into 14,903,683 Shares at Conversion Rate of 1. The 274,519,502 Preferred Shares indicated above comprise (i) existing 234,279,559 Preferred Shares which would be convertible into 1,171,397,795 Shares at Conversion Rate of 5 and (ii) 40,239,943 Scrip Dividend Preferred Shares which would be convertible into 40,239,943 Shares at Conversion Rate of 1.
- (2) As at the Latest Practicable Date, there are: (a) outstanding 80,000,000 Share Options which entitle the holders to subscribe for 80,000,000 Shares; and (b) outstanding Convertible Notes which is convertible into 42,892,524 Shares. The above table is prepared on the assumption that no Share Option is exercised, the Convertible Notes are not converted into Shares and the Preferred Shares are not converted into Shares.

Proposed Amendments to the Articles of Association

In connection with the proposed variation of the terms of the Preferred Shares, a special resolution will be proposed at the EGM to amend the Articles of Association of the Company to give effect to the revised terms of the Preferred Shares pursuant to the Supplemental Deed. Details of the proposed amendments are contained in the notice of the EGM set out on pages 27 to 34 of this circular.

Information of the Group and Microsoft

The Group is an integrated IT services provider with services covering taxation, finance, ERP, telecommunication, software outsourcing and e-government sectors.

Microsoft is the holder of 234,279,559 Preferred Shares and is entitled to exercise voting rights of 1,171,397,795 Shares (representing about 24.00% of the total voting rights of the holders of Preferred Shares and Shares). Founded in 1975, Microsoft (Nasdaq: "MSFT") is the worldwide leader in software, services and solutions that help people and businesses realize their full potential.

Implication under the Listing Rules

As Microsoft is a substantial Shareholder and a connected person of the Company, the entering into the Supplemental Deed and the transactions contemplated thereunder (including the proposed issue of Scrip Dividend Preferred Shares and the proposed amendments to Memorandum and Articles of Association) constitutes a connected transaction on the part of the Company under the Listing Rules, and is subject to the reporting, announcement and Independent Shareholders' approval by way of poll requirements under the Listing Rules. Microsoft and its associates will abstain from voting at the EGM.

The Independent Board Committee comprising the independent non-executive Directors has been formed to advise the Independent Shareholders on the terms of the Supplemental Deed (including the issue of Scrip Dividend Preferred Shares). REXCAPITAL has been appointed to advise the Independent Board Committee and the Independent Shareholders with regard to the Supplemental Deed (including the issue of Scrip Dividend Preferred Shares).

LETTER FROM THE BOARD

The Company has applied to the Stock Exchange for a waiver from the strict compliance with Rules 19.10(2) and 19.10(3) of the Listing Rules and the Stock Exchange agreed to grant the requested waiver.

Fund Raising Activities During the 12 Months immediately Preceding the Latest Practicable Date

Announcement date	Event	Net Proceeds (HK\$)	Intended use of the proceeds	Actual use of the proceeds
27 May 2009	Entered into agreement on top-up placing of 310,000,000 Shares at placing price of HK\$1.40 each	420.90 million	General working capital and/or possible investment in the future when opportunities arise	about HK\$34 million utilized in acquisition of the assets and business relating to Digital Media in September 2009 and the remaining balance utilized as general working capital

FURTHER AMENDMENTS TO THE ARTICLES OF ASSOCIATION

Reference is made to the circular of the Company dated 17 October 2008 and the extraordinary general meeting of the Company held on 10 November 2008 in relation to, among others, the amendments to the Memorandum and Articles of Association. The Shareholders have approved the following amendment to the Memorandum and Articles of Association at the aforesaid general meeting:

“By adding new paragraphs 5 and 6 to the existing Article 103 as follows:

- (5) *Without affecting the generality of Article 103(1), for so long Lang Chao Group remains a controlling shareholder (as defined in the rules of the Designated Stock Exchange) of the Company, the Overlapping Directors (as defined below) shall not attend, vote or be counted in the quorum in any meeting or part of a meeting of the Board approving any contract or arrangement or any other proposal involving Lang Chao Group (as defined below).*
- (6) *For the purpose of Article 103(5),*

“Lang Chao Group” means 浪潮集團有限公司(Lang Chao Group Limited), a company established under the laws of the People’s Republic of China and a controlling shareholder (as defined in the rules of the Designated Stock Exchange) of the Company; and

“Overlapping Directors” means the directors of the Company who are also directors of Lang Chao Group.”

for the purpose of improving the protection of interests of minority shareholders of the Company for connected transactions involving Lang Chao Group. However, without the attendance of the Overlapping Directors at the Board meeting approving contract, arrangement or proposal involving

LETTER FROM THE BOARD

Lang Chao Group, it is found that efficacy of the conduct of such Board meeting has been adversely affected as the Overlapping Directors are not available at the meeting to provide the necessary information in a timely manner in response to questions raised by the fellow Board members for full and efficient discussion of the matters brought to the meeting. In order to strike a balance between efficacy of conduct of Board meeting and maintenance of protection of minority Shareholders, it is proposed that in relation to proposals involving Lang Chao Group, the Overlapping Directors should continue to abstain from voting but they should be allowed to attend the Board meeting provided that they are not permitted to vote in respect of resolutions involving such proposals. At the EGM, it is proposed that the paragraph (5) of Article 103 of the Articles of Association should be amended to read as follows:

“Without affecting the generality of Article 103(1), for so long Lang Chao Group remains a controlling shareholder (as defined in the rules of the Designated Stock Exchange) of the Company, the Overlapping Directors (as defined below) shall not ~~attend~~, vote or be counted in the quorum in any meeting or part of a meeting of the Board approving any contract or arrangement or any other proposal involving Lang Chao Group (as defined below). The Overlapping Directors may attend the aforesaid meeting of the Board.”

EGM

Set out on pages 27 to 34 of this circular is a notice convening the EGM which will be held at Hong Kong International Trade & Exhibition Centre, Meeting Room 5, 7th Floor, 1 Trademart Drive, Kowloon Bay, Kowloon, at 10:00 a.m. on Friday, 6 November 2009 at which resolution will be proposed to approve: (i) Supplemental Deed and issue of Scrip Dividend; (ii) amendments to the Articles of Association in relation to issue of Scrip Dividend; and (iii) amendments to the Articles of Association in relation to the attendance at Board Meeting by Overlapping Directors.

As the Supplemental Deed the issue of Scrip Dividend and the consequential amendments to the Articles of Association are subject to, among others, approval by the Independent Shareholders at the EGM to be taken by poll, Microsoft and its associates will abstain from voting in respect of the relevant resolutions approving: (i) the Supplemental Deed and issue of Scrip Dividend; and (ii) amendments to the Articles of Association in relation to issue of Scrip Dividend, at the EGM due to their interest in the concerned transaction. Other than the above, no other Shareholders have material interests in the above transactions and will abstain from voting at the EGM. As at the Latest Practicable Date, Microsoft is the holder of the Preferred Shares and is entitled to voting rights of 1,171,397,795 Shares (representing approximately 24.00% of the total voting rights of the holders of Shares and Preferred Shares). Microsoft (including its associates) controls and is entitled to control over the entire voting rights in respect of its Preferred Shares. Except for the agreement under the Subscription Deed that Microsoft shall not and shall procure its nominee not to exercise such portion of the voting rights attached to the Preferred Shares and/or Shares in excess of 28% voting rights at any general meeting of the Company mentioned above, there is (i) no voting trust or other agreement or arrangement or understanding entered into by or binding upon Microsoft (including its associates); and (ii) no obligation or entitlement of temporarily or permanently passed control over the exercise

LETTER FROM THE BOARD

of the voting right in respect of the Preferred Shares to a third party, either generally or on a case-by-case basis. There is no holder of Shares or Preferred Shares who is required to abstain from voting in respect of the resolutions approving amendments to the Articles of Association in relation to the attendance at Board Meeting by Overlapping Directors.

A form of proxy for the EGM is enclosed. Whether or not you propose to attend the EGM, you are requested to complete the form of proxy and return the same to Computershare Hong Kong Investor Services Limited, the Company's branch share registrar in Hong Kong, at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong in accordance with the instructions printed thereon not less than 48 hours before the time appointed for the meeting (or any adjourned meeting). Completion and delivery of the form of proxy will not preclude you from attending and voting at the meeting (or any adjourned meeting) if you so wish.

RECOMMENDATIONS

The Independent Board Committee has been established to advise the Independent Shareholders whether the terms of the Supplemental Deed and the issue of Scrip Dividend are fair and reasonable so far as the Shareholders are concerned and REXCAPITAL has been appointed to advise the Independent Board Committee and the Independent Shareholders in that connection.

The text of REXCAPITAL containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 16 to 20 of this circular and the text of the letter from the Independent Board Committee to the Independent Shareholders is set out on pages 14 to 15 of this circular.

The Independent Board Committee, having taken into account the advice of REXCAPITAL, is of the opinion that the terms of the Supplemental Deed and the issue of Scrip Dividend are fair and reasonable and are in the interests of the Company and the Shareholders as a whole and recommends the Independent Shareholders to vote in favour of the relevant resolution to be proposed at the EGM.

The Board considers that the entering into the Supplemental Deed and the proposed issue of Scrip Dividend and amendments to the Articles of Association in relation to issue of Scrip Dividend and the attendance at Board Meeting by Overlapping Directors are in the interests of the Company and the Shareholders as a whole and recommends the Shareholders and the Independent Shareholders (as the case may be) to vote in favour of all the resolutions to be proposed at the EGM.

ADDITIONAL INFORMATION

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

By Order of the Board
Inspur International Limited
Sun Pishu
Chairman



INSPUR INTERNATIONAL LIMITED

浪潮國際有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code:596)

15 October 2009

To the Independent Shareholders

Dear Sir or Madam,

**(1) PROPOSED ISSUE OF SCRIP DIVIDEND PREFERRED SHARES TO
A CONNECTED PERSON;
AND
(2) PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION**

We refer to the circular dated 15 October 2009 issued by the Company (the “Circular”), of which this letter forms part. Terms used in this letter shall bear the same meanings as given to them in the Circular unless the context otherwise requires.

We have been appointed as members of the Independent Board Committee to consider the Supplemental Deed and the issue of Scrip Dividend and to advise the Independent Shareholders as to the fairness and reasonableness of the aforesaid matters, and to recommend how the Independent Shareholders should vote at the EGM. REXCAPITAL has been appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

We wish to draw your attention to the letter from the Board, as set out on pages 4 to 13 of the Circular, and the letter from REXCAPITAL to the Independent Board Committee and the Independent Shareholders which contains its advice to us in respect of the Supplemental Deed and the issue of Scrip Dividend, as set out on pages 16 to 20 of the Circular.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Having taken into account of the advice of REXCAPITAL, we consider that the Supplemental Deed is entered into upon normal commercial terms, and the connected transactions contemplated thereunder are fair and reasonable so far as the Independent Shareholders are concerned, and the entering into the Supplemental Deed is in the ordinary and usual course of business of the Company and in the interests of the Company and the Independent Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the resolutions to be proposed at the EGM to approve the Supplemental Deed, the proposed issue of Scrip Dividend and the proposed amendments to the Articles of Association in relation to issue of Scrip Dividend.

Yours faithfully,
the Independent Board Committee

Meng Xiang Xu
*Independent non-executive
Director*

Liu Ping Yuan
*Independent non-executive
Director*

Wong Lit Chor, Alexis
*Independent non-executive
Director*

LETTER FROM REXCAPITAL

The following is the text of a letter of advice from REXCAPITAL to the Independent Board Committee and the Independent Shareholders in respect of the Supplemental Deed, and is prepared for inclusion in this circular.



REXCAPITAL (Hong Kong) Limited

34th Floor, COSCO Tower
Grand Millennium Plaza
183 Queen's Road Central
Hong Kong

15 October 2009

*The Independent Board Committee and
the Independent Shareholders*

Inspur International Limited

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

Dear Sirs,

PROPOSED ISSUE OF SCRIP DIVIDEND PREFERRED SHARES TO A CONNECTED PERSON

INTRODUCTION

We refer to our appointment to advise the Independent Board Committee and the Independent Shareholders in respect of the fairness and the reasonableness of the terms of the Supplemental Deed, details of which are set out in the circular to the Shareholders dated 15 October 2009 (the "Circular"), of which this letter forms a part. Terms used in this letter have the same meanings as defined in the Circular unless the context requires otherwise.

The Company announced that on 24 September 2009, the Company (as issuer) entered into the Supplemental Deed with Microsoft (as subscriber) to vary the terms of Preferred Shares with the effect that 4% out of the total of 6% Dividend will be paid by way of Scrip Dividend allotted at the price equal to average closing price of Shares at Dividend Payment Date.

As stated in the Letter from the Board (the "Letter"), Microsoft, entitled to exercise approximately 24.00% of the total voting rights of the Company as at the date of the Supplemental Deed, is a substantial Shareholder and connected person of the Company. The entering into the

LETTER FROM REXCAPITAL

Supplemental Deed and the transactions contemplated thereunder with Microsoft constitutes a connected transaction under Chapter 14A of the Listing Rules which is subject to, among other things, the approval by the Independent Shareholders at the EGM to be taken by way of a poll. Microsoft and its associates will abstain from voting at the EGM.

The Independent Board Committee, comprising Mr. Meng Xiang Xu, Mr. Liu Ping Yuan and Mr. Wong Lit Chor, Alexis, has been established to advise the Independent Shareholders as to whether the terms of the Supplemental Deed are fair and reasonable so far as the Independent Shareholders are concerned and whether the terms of the Supplemental Deed is in the interest of the Company and the Shareholders as a whole.

BASIS OF OUR OPINION

In formulating our opinion and advice, we have relied upon accuracy of the information and representations contained in the Circular and information provided to us by the Company and its Director(s). We have assumed that all statements, information and representations made or referred to in the Circular and all information and representations which have been provided by the Company and the Director(s), for which they are solely and wholly responsible, were true at the time they were made and continue to be true as at the date hereof. We have also assumed that all statements of belief, opinion and intention made by the Director(s) in the Circular were reasonably made after due and careful enquiry and were based on honestly-held opinions.

We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Director(s) and have been confirmed by the Director(s) that no material facts and representations the omission of which would make any statement in the Circular, including this letter, misleading. We have not, however, conducted any independent in-depth investigation into the business affairs, financial position or future prospects of the Group, nor have we carried out any independent verification of the information provided by the Director(s) and management of the Company. We consider that we have reviewed sufficient information to reach an informed view and to justify reliance on the accuracy of the information and representations contained in the Circular and to provide a reasonable basis for our recommendation regarding the entering into the Supplemental Deed and the transactions contemplated thereunder with Microsoft.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In giving our recommendation to the Independent Board Committee and the Independent Shareholders in respect of the fairness and reasonableness of the terms of the Supplemental Deed, we have taken into consideration the following factors and reasons:

1. Background and Reasons for entering into the Supplemental Deed

Reference is made to the circular of the Company dated 28 October 2005 and the two announcements of the Company dated 8 December 2005 and 21 April 2006 in relation to the issuance of the Preferred Shares to Microsoft. Pursuant to the Subscription Deed, the Company issued to Microsoft an aggregate of 234,279,559 Preferred Shares at an aggregate principal amount of US\$25 million (equivalent to approximately HK\$195 million) as to 132,964,342 Preferred Shares issued in

LETTER FROM REXCAPITAL

December 2005 and as to 101,315,217 Preferred Shares issued in April 2006, respectively. Pursuant to the Memorandum and Articles of Association, a holder of the Preferred Shares is entitled to convert the Preferred Shares into the Shares from the date of allotment to 8 December 2011 (maturity date of the Preferred Shares) at the Conversion Rate and currently each Preferred Share is convertible into five Shares. The holder of Preferred Shares is entitled to receive a fixed cumulative dividend (“**Dividend**”) on a quarterly basis in arrears in preference to any dividend on the Shares at the rate of 6% per annum on the principal amount of Preferred Shares then outstanding after 31 December 2005. Under the Subscription Deed, Microsoft has agreed that it shall not and shall procure its nominee not to exercise such portion of the voting rights attached to the Preferred Shares and/or Shares in excess of 28% voting rights at any general meeting of the Company.

As stated in the circular of the Company dated 28 October 2005, the Directors believe that the introduction of Microsoft as a substantial Shareholder will enhance future cooperation between the Group and Microsoft, resulting in common synergies and benefit for both the Group and Microsoft. As confirmed by the Company, the Company has maintained a harmonious working relationship with Microsoft since its becoming the holder of Preferred Shares. Fruitful results have been achieved from the collaboration between the two parties in R&D of technology, products and software outsourcing throughout the years. The Directors believe that the shareholding relationship has provided a common value upon which trusts could be built up between the two corporations with different cultures. The Directors further believe that maintaining such shareholding relationship would be mutually beneficial to both Microsoft and the Group. The Directors advise that since the percentage shareholding of Microsoft has dropped to 24%, it is the intention of the Company to increase such shareholding so as to maintain a stronger bonding between the two corporations. Although the percentage increase (ranging from 0.23% to 0.62% depending on the Scrip Dividend Preferred Share Issue Price) is not significant, the Directors believe that it is the spirit which is important and meaningful to the Company and Shareholders as a whole.

In view that the shareholding relationship fostered a stable business relationship between the Group and Microsoft and that more businesses from Microsoft has been derived through such relationship, we are of the opinion that the entering into the Supplemental Deed is in the ordinary and usual course of business of the Company and in the interest of the Company and the Shareholders as a whole.

2. The Supplemental Deed

Under the Subscription Deed, Microsoft, as a holder of the Preferred Shares, is entitled to receive the Dividend on a quarterly basis in arrears in preference to any dividend on the Shares at the rate of 6% per annum on the aggregate principal amount of Preferred Shares, which is HK\$194,262,900 in the aggregate as at the date of the Announcement and such Dividend was agreed to be paid and satisfied wholly by cash.

Under the Supplemental Deed, the parties have agreed that for the period commencing from 1 October 2009 and ending 30 September 2011 (being the last payment due date before maturity of the Preferred Shares), the Dividend shall be paid and satisfied by the Company to the holder of Preferred Shares, instead of wholly cash, in arrears on quarterly basis (i) as to one third (1/3) thereof (i.e. representing 2% per annum) by cash; and (ii) as to two-thirds (2/3) thereof (i.e. representing 4% per

LETTER FROM REXCAPITAL

annum) by the allotment and issue to the Preferred Shareholder (or their nominees) of further Preferred Shares in such number to be calculated by dividing (a) the amount of such Scrip Dividend by (b) the amount of the Scrip Dividend Preferred Shares Issue Price. The Scrip Dividend Preferred Shares Issue Price is determined to be equal to 100% of the average closing price of Shares as shown on the daily quotation sheet of the Stock Exchange for the 10 consecutive trading days immediately prior to such dividend payment date.

The Scrip Dividend Preferred Shares (i) shall be issued to a Preferred Shareholder (including Microsoft) only to the extent that the total voting rights of the Company held by such Preferred Shareholder (and the parties acting in concert with such Preferred Shareholder) shall not be or more than 28% (or such other lower percentage as may from time to time be specified in the Takeovers Code as being the level for triggering a mandatory general offer) taking into account the issuance of such number of the Scrip Dividend Preferred Shares to such Preferred Shareholder; and (ii) shall not be issued at a Scrip Dividend Preferred Shares Issue Price of less than HK\$0.40, which is the lowest Share price for the previous 52 weeks. Any Scrip Dividend payable and to be satisfied by the issue of Scrip Dividend Preferred Shares but is not satisfied as such by foregoing reason will be satisfied by cash to ensure the aggregate of Dividend payable by cash and the Scrip Dividend (if any) represents 6% per annum on the principal amount of the Preferred Shares.

Furthermore, the Company shall not cause any Adjusting Event to occur without the prior written consent from a Preferred Shareholder if such adjustment shall result in the total voting rights of the Company held by such Preferred Shareholder (and the parties acting in concert with such Preferred Shareholder) to exceed the threshold which may trigger off a mandatory general offer obligation under Rule 26 of the Takeovers Code. On the basis of the above, the Directors do not anticipate that any mandatory general offer will not be triggered by the issue of the Scrip Dividend Preferred Shares under the terms of the Supplemental Deed.

Further, considering that the Scrip Dividend Preferred Shares Issue Price is determined to be equal to 100% of the average closing price of Shares as shown on the daily quotation sheet of the Stock Exchange for the 10 consecutive trading days immediately prior to such dividend payment date, we are of the opinion that based on our knowledge and experience in the equity market, such price determination method reflects general market practices and that a 10 days average price could also alleviate the effect of any unusual price movement during any particular trading day which is a fair and reasonable mechanism to all parties to the Supplemental Deed. We also note that as a result of arm's length negotiations between the parties to the Supplemental Deed, a floor price of HK\$0.4, which is the lowest Share price for the previous 52 weeks, has been set for the Scrip Dividend Preferred Shares Issue Price so as to limit the effect of any short term adverse movement of Share price of the Company. We are of the opinion that the way that the Scrip Dividend Preferred Shares Issue Price set is reasonable and fair to the independent Shareholders and the Company as a whole.

Considering (i) the background and reasons for entering into the Supplemental Deed, (ii) the way that the Scrip Dividend Preferred Shares Issue Price is determined, and (iii) protection mechanism has been set to limit the effect of any short term adverse movement of Share price of the Company, we are of the opinion that the terms of the Supplemental Deed are on normal commercial terms.

LETTER FROM REXCAPITAL

3. Financial effects of the Subscription Deed

As stated in the Letter, the amount of the Scrip Dividend to be paid by the Company for the period from 1 October 2009 to 30 September 2011 is estimated to be HK\$16.1 million. The major financial effect of the Subscription Deed is to capitalized the annual dividend payment and, as a result, cash outflow would be reduced and net asset of the Group would be increased and thus increase the working capital and financial resources of the Group available for business of the Group.

We concur with the Company that the effect of the Supplemental Deed would provide more working capital for the Group. Considering the pace of business expansion as indicated by doubling the turnover of the Group during the 2008 financial year as compared to that of 2007, we believe that more working capital resulted from the Subscription Deed is in the interests of the Company and Shareholders as a whole.

4. Consequential amendments to the Articles of Association in relation to issue of Scrip Dividend

We have reviewed the proposed amendments to the Articles of Association in relation to issue of Scrip Dividend and found that those proposed amendments are simply a reflection of terms of the Supplemental Deed. As we are of the opinion that the terms of the Supplemental Deed are on normal commercial terms and are fair and reasonable, we thus consider the consequential amendments to the Articles of Association in relation to issue of Scrip Dividend are fair and reasonable so far as the Independent Shareholders are concerned.

RECOMMENDATION

As stated in the Letter, the Directors are of the view that the issue of the Scrip Dividend Preferred Shares are fair and reasonable and on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

Taking into account our analysis above, we consider the terms of the Supplemental Deed are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned, and the entering into the Supplemental Deed is in the ordinary and usual course of business of the Company and in the interests of the Company and the Independent Shareholders as a whole. We would therefore advise the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the resolutions to approve the Supplemental Deed and the proposed issue of Scrip Dividend and amendments to the Articles of Association in relation to issue of Scrip Dividend to be proposed at the EGM.

Yours faithfully,
For and on behalf of
REXCAPITAL (Hong Kong) Limited
Gregory Ho
Head of Corporate Finance

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no other facts the omission of which would make any statement herein 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 interests of issued Shares
Dong Hailong	Beneficial owner	5,000	0.00%

(ii) Long positions in underlying Ordinary Shares of the Company

Name of Director	Type of interests	Description of equity derivatives (Note 1)	Number of underlying Shares	Percentage of interests of issued Shares
Sun Pishu	Beneficial owner	share option	20,000,000	0.54%
Zhang Lei	Beneficial owner	share option	20,000,000	0.54%
Leung Chi Ho	Beneficial owner	share option	20,000,000	0.54%
Xin Wei Hua	Beneficial owner	share option	20,000,000	0.54%

Note 1: The share options were granted under the pre-IPO share option scheme adopted by the Company on 8 April 2004 at a subscription price of HK\$0.0648 per Share. Up to the Latest Practicable Date, none of the above share options had been exercised.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors nor the chief executive of the Company had or was deemed to have any interests or short positions in the Shares, underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required (a) to be notified to the Company and the Stock Exchange

pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) 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 and substantial Shareholders

So far as is known to the Directors and the chief executive, as at the Latest Practicable Date, the following person (not being Director or chief executive of the Company) had, or was deemed to have, interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or who were directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group:

Long positions in Shares

Name of Shareholders	Type of interests	Number of Shares	Approximate percentage of issued Shares
Inspur Group Limited	Interest in a controlled corporation (<i>Note 1</i>)	1,354,390,000	36.51%
Inspur Electronics (HK) Limited	Beneficial owner	1,354,390,000	36.51%
Matthews International Capital Management, LLC	Investment manager	260,950,000	7.03%
Value Partners Limited	Investment manager (<i>Note 4</i>)	187,550,000	5.05%

Note:

- Inspur Group Limited is taken to be interested in 1,354,390,000 Shares because it holds 100% share capital of Inspur Electronics (HK) Limited.
- Mr Sun Pishu and Mr Xin Wei Hua, who are directors of the Company, are also directors of Inspur Group Limited.
- Mr Sun Pishu and Mr Xin Wei Hua, who are directors of the Company, are also directors of Inspur Electronics (HK) Limited.
- 187,550,000 Shares were held by a discretionary trust of which Mr. Cheah Cheng Hye is the founder. The trustee of the trust was Hang Seng Bank Trustee International Limited (“HSB”), which held the interests in the Company through its indirect control over Value Partners Limited.

Value Partners Limited is 100% controlled by Value Partners Group Limited (“VPGL”), which in turn is a 35.65%-controlled company of Cheah Capital Management Limited (“CCML”). CCML is 100% controlled by Cheah Company Limited (“CCL”), which in turn is a 100%-controlled company of HSB.

Accordingly, Mr. Cheah Cheng Hye, his spouse, HSB, CCL, CCML and VPGL were deemed to have interests in the 187,550,000 Shares.

Long positions in Preferred Share

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

Note 1: Holder of each Preferred Share shall be entitled to have five votes on a show of hands or five votes for each Preferred Share as if each Preferred Share registered in its name in the register of members of the Company had been converted into five Shares at the time of any general meeting of the Company. Microsoft Corporation has agreed that in the event that it becomes entitled to exercise or control the exercise of more than 28% of the voting rights at general meetings of the Company (other than meeting of the holder(s) of Preferred Shares), it shall not and shall procure its nominee(s) not to exercise such portion of the voting rights attaching to the Preferred Shares and/or Shares in excess of 28% of the total voting rights at any general meeting of the Company. At the Latest Practicable Date, the above 1,171,397,795 underlying Shares represented approximately 24.00% of the issued share capital of the Company as enlarged by the full exercise of the conversation rights attaching to the Preferred Shares.

Long positions in members of the Group

Name of shareholders	Types of Interest	Equity interest held	Approximate percentage of shareholding
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 [#]	10%
Wang Xingshan	Beneficial owner	RMB300,000 in the registered capital of Inspur Guangdong Genersoft Technology Incorporation [#]	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%
Fang Wen Sheng	Beneficial owner	RMB225,000 in the registered capital of Jinan Inspur Fangzhi Information Technology Limited [#] (濟南浪潮方智信息技術有限公司)	37.5%

[#] 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.

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 have 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 2008, being the date to which the latest published audited financial statements of the Company were made up.

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

4. SERVICE CONTRACTS

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

5. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 December 2008, being the date to which the latest audited financial statements of the Company were made up.

6. EXPERT

REXCAPITAL has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter and/or references to its name in the form and context in which it respectively appears.

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

Name	Qualification
REXCAPITAL	A licensed corporation to carry out type 6 (advising on corporate finance) of the regulated activity under the SFO

As at the Latest Practicable Date, REXCAPITAL did not have any shareholding in 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 securities 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 2008), acquired or disposed of by or leased to or are proposed to be acquired or disposed of by or leased to any member of the Group.

7. MISCELLANEOUS

- (a) The registered office of the Company is at Century Yard, Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands, and the head office and principal place of business in Hong Kong of which is at Room 726, Nan Fung Commercial Centre, 19 Lam Lok Street, Kowloon Bay, Kowloon, Hong Kong.
- (b) The principal share registrar and transfer office of the Company is Butterfield Fund Services (Cayman) Limited at Butterfield House, 68 Fort Street, P.O. Box 705, George Town, Grand Cayman KY1-1107, Cayman Islands and the Hong Kong branch share registrar and transfer office of which is Computershare Hong Kong Investor Services Limited at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong.
- (c) The company secretary of the Company is Ms. Chan Wing who is an associate member of the Hong Kong Institute of Certified Public Accountants.
- (d) The English text of this circular and the accompanying form of proxy shall prevail over their respective Chinese texts in case of inconsistency.

8. DOCUMENTS AVAILABLE FOR INSPECTION

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

- (a) memorandum and articles of association of the Company;
- (b) the letter of recommendation from the Independent Board Committee to the Independent Shareholders, the text of which is set out on pages 14 to 15 of this circular;

- (c) the letter of advice from REXCAPITAL to the Independent Board Committee and the Independent Shareholders, the text of which is set out on pages 16 to 20 of this circular;
- (d) the written consent from REXCAPITAL as referred to in the paragraph headed “Expert” in this Appendix;
- (e) Subscription Deed; and
- (f) Supplemental Deed.

NOTICE OF EXTRAORDINARY GENERAL MEETING



INSPUR INTERNATIONAL LIMITED

浪潮國際有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code:596)

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (“**EGM**”) of Inspur International Limited (the “**Company**”) will be held at 10:00 a.m. on Friday, 6 November 2009 at International Trade & Exhibition Centre, Meeting Room 5, 7th Floor, 1 Trademart Drive, Kowloon Bay, Kowloon, Hong Kong, Hong Kong for the purpose of considering and, if thought fit, passing, with or without modifications, the following resolution numbered 1 as ordinary resolution and the resolutions numbered 2, 3 and 4 as special resolutions of the Company:

ORDINARY RESOLUTION

1. “**THAT**, subject to the passing of resolution numbered 2 below:
 - (a) the supplemental deed (“**Supplemental Deed**”) entered into on 24 September 2009 between the Company as issuer and Microsoft Corporation (“**Microsoft**”) as subscriber as supplement to the subscription deed (“**Subscription Deed**”) dated 26 August 2005 between the Company and Microsoft (as already supplemented by two supplemental deeds dated 7 September 2005 and 13 September 2005) in relation to the subscription of preferred shares (“**Preferred Shares**”) in the capital of the Company of up to an aggregate amount of US\$25 million whereby the terms of Preferred Shares proposed to be varied with the effect that 4% out of the total of 6% dividend on the Preferred Shares will be paid by way of scrip dividend in form of further Preferred Shares (“**Scrip Dividend Preferred Shares**”) (details of the Scrip Dividend Preferred Shares are set out in the Company’s circular dated 15 October 2009 (“**Circular**”), copies of the Supplemental Deed and the Circular have been tabled at the meeting and marked “A” and “B” respectively initialled by the Chairman of the meeting for the purpose of identification) and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;
 - (b) conditional upon The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) granting the approval for the issue of the Scrip Dividend Preferred Shares (if required) and the Listing Committee of the Stock Exchange granting the listing of and permission to deal in the ordinary shares of HK\$0.002 (“**Shares**”) issuable upon the exercise of the conversion rights attaching to the Scrip Dividend Preferred Shares in accordance with Articles of Association of the Company, the allotment and issue of the Preferred Shares and any Shares (“**Scrip Dividend Ordinary Shares**”) which may fall to be issued upon the exercise of the conversion rights attaching to the Scrip Dividend Preferred Shares to the holder of such shares pursuant to the terms of the Supplemental Deed and the transactions contemplated thereby be and are hereby approved and further that the directors of the Company (the “**Directors**”) be and are hereby granted a specific mandate to exercise powers of the

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Company to allot and issue Scrip Dividend Preferred Shares and the Scrip Dividend Ordinary Shares pursuant to the Supplemental Deed; the specific mandate is in addition to, and shall not prejudice nor revoke any general or specific mandate(s) which has/have been granted or may from time to time be granted to the Directors prior to the passing of this resolution; and

- (c) the Directors, acting together, individually or by committee, be and are hereby authorised to take such actions, do such things and execute such further documents or deeds which in their opinion may be necessary, desirable or expedient for the purpose of giving effect to and/or to implement the transactions contemplated in this resolution.”

SPECIAL RESOLUTIONS

2. “**THAT**, subject to the passing of resolution numbered 1 above, the Articles of Association of the Company be and are hereby amended in the following manner:

- (a) Article 9A(1) — Definition

By deleting the definition of “Companies Law” in its entirety and substituting thereof with the following definition:

““Companies Law” the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands;”

By adding the following definition immediately after the definition of “Dividend”:

““Dividend Payment the 31st of March, the 30th of June, the 30th of September and
Date” the 31st of December in each year;”

By deleting the definition of “Issue Date” in its entirety and substituting thereof with the following definition:

““Issue Date” the date of allotment and issue of the relevant Preferred Shares (i.e., the Initial Completion Date, the Milestone A Completion Date, the Milestone B Completion Date or the relevant Scrip Dividend Preferred Shares Issue Date (as the case may be));”

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By deleting the definition of “Principal Amount” in its entirety and substituting thereof with the following definition:

- ““Principal Amount”
- (a) in relation to the Initial Preferred Shares, the Initial Subscription Price;
 - (b) in relation to the Milestone A Preferred Shares, the Milestone A Subscription Price;
 - (c) in relation to the Milestone B Preferred Shares, the Milestone B Subscription Price; and
 - (d) in relation to the Scrip Dividend Preferred Shares, the relevant Scrip Dividend Preferred Shares Issue Price;”

By adding the following definitions immediately after the definition of “Redemption Date”:

- ““Scrip Dividend” has the meaning ascribed hereto in Article 9A(2A)(a);
- “Scrip Dividend Preferred Shares” the further Preferred Shares to be allotted and issued by the Company to the Preferred Shareholders in part payment of the Dividend according to Article 9A(2)(a);
- “Scrip Dividend Preferred Shares Issue Date” in relation to a Scrip Dividend Preferred Share, the date on which such Scrip Dividend Preferred Share is allotted and issued according to Article 9A(2)(a);
- “Scrip Dividend Preferred Shares Issue Price” in relation to a Scrip Dividend Preferred Share allotted and issued or to be allotted and issued on a Dividend Payment Date according to Article 9A(2)(a), 100% of the average closing price for an Ordinary Share as shown on the Daily Quotation Sheet of the Hong Kong Stock Exchange for the 10 consecutive trading days immediately prior to such Dividend Payment Date,
- where “trading day” means any day on which the Hong Kong Stock Exchange is open for the business of dealing in securities and on which the Ordinary Shares can be traded on the Hong Kong Stock Exchange;

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(b) Article 9A(2A) — Scrip Dividend

By adding the following Article as new Article 9A(2A) immediately after the existing Article 9A(2):

“(2A) SCRIP DIVIDEND

- (a) Subject to Article 9A(2A)(b), the Dividend on all outstanding Preferred Shares (including those to be issued pursuant to this Article 9A(2A)(a) as Scrip Dividend Preferred Shares) for the period commencing from 1 October 2009 shall, instead of wholly by cash in US\$ as provided for in Article 9A(2)(b), be paid and satisfied by the Company on each Dividend Payment Date to the Preferred Shareholders (i) as to one-third (1/3) thereof by cash in US\$ as provided for in Article 9(2)(b) and (ii) as to two-thirds (2/3) thereof (“Scrip Dividend”) by the allotment and issue to the Preferred Shareholders (or their nominees) on such Dividend Payment Date of further Preferred Shares in such number to be calculated by dividing (i) the amount of such Scrip Dividend by (ii) the amount of the Scrip Dividend Preferred Shares Issue Price applicable on such Dividend Payment Date (which quotient shall be rounded down to the nearest whole number).
- (b) The Scrip Dividend Preferred Shares (i) shall be issued to a Preferred Shareholder only to the extent that the total voting rights of the Company held by such Preferred Shareholder (and the parties acting in concert with such Preferred Shareholder) shall not be or more than 28% (or such other lower percentage as may from time to time be specified in the Takeovers Code as being the level for triggering a mandatory general offer) taking into account the issuance of such number of the Scrip Dividend Preferred Shares to such Preferred Shareholder; and (ii) shall not be issued at a Scrip Dividend Preferred Shares Issue Price of less than HK\$0.40. Any Scrip Dividend payable and to be satisfied by the issue of Scrip Dividend Preferred Shares but is not satisfied as such by reason of this Article 9A(2A)(b) shall be satisfied by cash in US\$ as provided for in Article 9A(2)(b) to ensure the aggregate of Dividend payable by cash and the Scrip Dividend (if any) represents 6% per annum on the Principal Amount.
- (c) No fraction of a Preferred Share shall be issued pursuant to Article 9A(2A)(a) as Scrip Dividend Preferred Shares and any amount of the Scrip Dividend remaining shall be paid by the Company to the Preferred Shareholders in cash in US\$ as provided for in Article 9A(2)(b).
- (d) Each Preferred Share to be allotted and issued pursuant to Article 9A(2A)(a) as Scrip Dividend Preferred Share shall be issued free from all Encumbrances, credited as fully paid up and shall rank pari passu in all respect with and has all the rights set out in Article 9A as all other outstanding Preferred Shares.

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- (e) The Company shall ensure that at all times there is a sufficient number of unissued Preferred Shares in its authorized share capital to be issued for the purpose of Article 9A(2A)(a).
- (f) For each payment of Scrip Dividend by the issue and allotment of Preferred Shares on a Dividend Payment Date according to Article 9A(2A)(a) as Scrip Dividend Preferred Shares, the Company shall promptly and in any event no later than 5 Business Days after such Dividend Payment Date deliver to each Preferred Shareholder certificate(s) evidencing the number of Preferred Shares so issued and allotted to such Preferred Shareholder (or its nominee) on such Dividend Payment Date according to Article 9A(2A)(a) together with cash in lieu of any fraction of a Preferred Share in accordance with Article 9A(2A)(c) failing which such Preferred Shareholder shall have the right at anytime thereafter to require the Company to pay the whole of such Scrip Dividend by cash in US\$ as provided for in Article 9A(2)(b) together with interest thereon at the rate of 6% per annum from the Dividend Payment Date to the date when such Scrip Dividend is paid in full pursuant to Article 9A(2)(b) together with interest thereon to such Preferred Shareholder but without prejudice to any other rights such Preferred Shareholder may have against the Company.
- (g) This Article 9A(2A) shall not apply to any payment of accrued Dividend upon the return of capital, conversion or redemption of the relevant Preferred Shares as mentioned in Articles 9A(3), 9A(5) and 9A(6).”

(c) Article 9A(7)(i)

By deleting the existing Article 9A(7)(i) in its entirety and substituting thereof the following new Article 9A(7)(i):

- “(i) (a) Notwithstanding anything to the contrary herein contained, the Company shall not cause any event giving rise to any adjustment under Article 9A(7)(a) or any adjustment pursuant to Article 9A(7)(e) to occur without the prior written consent from a Preferred Shareholder if such adjustment shall result in the total voting rights of the Company held by such Preferred Shareholder (and the parties acting in concert with such Preferred Shareholder) to exceed the threshold which may trigger off a mandatory general offer obligation under Rule 26 of the Takeovers Code.
- (b) Without prejudice to paragraph (a) of this Article 9A(7)(i), the Company shall at least 30 days prior to causing any event giving rise to any adjustment under Article 9A(7)(a) (other than Article 9A(7)(a)(i)) or any adjustment pursuant to Article 9A(7)(e) to occur notify each Preferred Shareholder in writing stating the proposed event giving rise to the adjustment or the proposed adjustment (if it is pursuant to Article 9A(7)(e)), the proposed effective date of such adjustment, the applicable Conversion Price in effect prior to such adjustment and the applicable Conversion Price in effect after such adjustment, (all the above information is

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prepared based on the latest available information) together with a certificate issued by the Independent Financial Adviser (or such other adviser as such Preferred Shareholder may approve) appointed by the Company at the Company's cost that such applicable Conversion Price after such adjustment is calculated in accordance with the provisions of Article 9A(7), in form and substance reasonably satisfactory to such Preferred Shareholder.

- (c) Subject to paragraphs (a) and (b) of this Article 9A(7)(i), whenever the Conversion Price is adjusted pursuant to Article 9A(7), the Company shall give notice to the Preferred Shareholders that the Conversion Price has been adjusted (setting forth the event giving rise to the adjustment, the Conversion Price in effect prior to such adjustment, and the adjusted Conversion Price and the effective date thereof)."

- 3. **“THAT**, the Articles of Association of the Company be and are hereby amended in the following manner:

- (a) Article 103(5)

By deleting the existing Article 103(5) in its entirety and substituting thereof the following new Article 103(5):

“Without affecting the generality of Article 103(1), for so long Lang Chao Group remains a controlling shareholder (as defined in the rules of the Designated Stock Exchange) of the Company, the Overlapping Directors (as defined below) shall not vote or be counted in the quorum in any meeting or part of a meeting of the Board approving any contract or arrangement or any other proposal involving Lang Chao Group (as defined below). The Overlapping Directors may attend the aforesaid meeting of the Board.”

- (b) Article 103(6)

By adding the words “from time to time” after the words “(as defined in the rules of the Designated Stock Exchange) of the Company” in the first paragraph of the existing Article 103(6).

- 4. **“THAT** subject to the passing of resolutions numbered 3 and/or 2 above, the amended and restated Articles of Association, consolidating all of the proposed amendments referred to in resolution numbered 3 above (in the event that resolution numbered 3 has been duly passed by the shareholders as a special resolution) and resolution numbered 2 above (in the event that resolution numbered 2 has been duly passed by the shareholders as a special resolution) and all

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previous amendments made in compliance with applicable laws in the form produced to the meeting be and are hereby adopted as the amended and restated Articles of Association of the Company with immediate effect in replacement of the existing Articles of Association.”

By Order of the Board
Inspur International Limited
Sun Pishu
Chairman

Hong Kong, 15 October 2009

Registered Office:

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Head office and Principal place of business in Hong Kong:

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

Notes:

1. A member entitled to attend and vote at the EGM is entitled to appoint one or more proxy to attend and, subject to the provisions of the articles of association of the Company, to vote on his behalf. A proxy need not be a member of the Company but must be present in person at the EGM to represent the member. If more than one proxy is so appointed, the appointment shall specify the number and class of shares in respect of which each such proxy is so appointed.
2. In order to be valid, the form of proxy must be duly completed and signed in accordance with the instructions printed thereon and deposited together with a power of attorney or other authority, if any, under which it is signed, or a certified copy of such power or authority, at the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof. Completion and return of a form of proxy will not preclude a member from attending in person and voting at the EGM or any adjournment thereof, should he so wish.

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3. In the case of joint holders of shares, any one of such holders may vote at the EGM, either personally or by proxy, in respect of such share as if he was solely entitled thereto, but if more than one of such joint holder are present at the EGM personally or by proxy, that one of the said persons so present whose name stands first on the register of members of the Company in respect of such shares shall alone be entitled to vote in respect thereof.

4. The voting on all the resolutions at the EGM will be conducted by way of a poll.