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

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



INSPUR INTERNATIONAL LIMITED

浪潮國際有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 596)

RENEWAL OF CONTINUING CONNECTED TRANSACTIONS WITH INSPUR GROUP

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



FIRST SHANGHAI CAPITAL LIMITED

A letter from the Board is set out on pages 5 to 14 of this circular. The recommendation of the Independent Board Committee to the Independent Shareholders is set out on page 15 of this circular. A letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders is set out on pages 16 to 24 of this circular.

A notice convening an Extraordinary General Meeting (“EGM”) of Inspur International Limited to be held at Flats B&C, 30/F., Tower A, Billion Center, 1 Wang Kwong Road, Kowloon Bay, Kowloon, Hong Kong on Friday, 24 January 2014 at 10:00 a.m. is set out on pages 31 to 32 of this circular. A form of proxy for use at the EGM is enclosed with this circular.

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

9 January 2014

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DEFINITIONS

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

“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Common Services Transactions”	the transactions in relation to the provision of services in respect of use of premises and estate management by the Inspur Group to the Group under the Framework Agreement and the New Framework Agreement
“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
“Continuing Connected Transactions”	the continuing connected transactions of the Company under the Framework Agreement and New Framework Agreement, including the Supply Transactions, Selling Agency Transactions, Purchase Transactions, Common Services Transactions and Processing Transactions.
“controlling shareholder”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened and held for approving, amongst other things, the New Framework Agreement and the proposed New Caps
“Framework Agreement”	the agreement dated 15 July 2011 between the Company and the IPG in relation to the Continuing Connected Transactions for the three financial years ending 31 December 2013 (as supplemented by the Supplemental Agreement)
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China

DEFINITIONS

“Independent Board Committee”	an independent board committee, comprising Mr. Zhang Tiqin, Mr. Wong Lit Chor, Alexis and Ms. Dai Ruimin, all being the independent non-executive directors of the Company, to advise the Independent Shareholders as to the fairness and reasonableness of the New Framework Agreement and the proposed New Caps
“Independent Financial Adviser” or “First Shanghai”	First Shanghai Capital Limited, a licensed corporation to carry on type 6 regulated activity (advising on corporate finance) under the SFO, being the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders on the fairness and reasonableness of the New Framework Agreement, the Transactions and the New Caps
“Independent Shareholders”	Shareholders other than IPG (including its ultimate beneficial owners and their respective associates)
“Inspur Business”	Shandong Inspur Business System Company Limited* (山東浪潮商用系統有限公司), a domestic limited liability company established under the laws of the PRC, a wholly owned subsidiary of the Company
“Inspur Software”	Inspur Software Group Limited* (浪潮軟件集團有限公司), formerly known as Shandong Inspur Cheeloosoft Company Limited* (山東浪潮齊魯軟件產業股份有限公司), a company incorporated in the PRC, a subsidiary of IPG
“Inspur Electronics”	Inspur (HK) Electronics Limited (浪潮(香港)電子有限公司), a company incorporated in Hong Kong
“Inspur Electronics Disposal”	The disposal of 100% of the equity interest in Inspur Electronics by the Company approved by the then shareholders of the Company on 6 June 2013; details of which are set out in the Company’s announcement dated 16 April 2013 and the Company’s circular dated 21 May 2013
“Inspur Group”	IPG and its subsidiaries
“IPG”	Inspur Group Limited* (浪潮集團有限公司), which is a company incorporated in the PRC and through its wholly owned subsidiaries, interested in approximately 31.99% of the existing issued ordinary share capital of the Company
“Latest Practicable Date”	8 January 2014, being the latest practicable date prior to printing of this circular for ascertaining certain information contained herein

DEFINITIONS

“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange
“New Caps”	the new annual caps of the Continuing Connected Transactions to be entered into by the relevant parties for the three financial years ending 31 December 2016 under the following categories: Supply Transactions, Selling Agency Transactions (value of transactions), Selling Agency Transactions (related commission), Purchase Transactions, Common Services Transactions and Processing Transactions
“New Framework Agreement”	the conditional agreement dated 29 November 2013 between the Company and the IPG in relation to the Continuing Connected Transactions for the three financial years ending 31 December 2016
“PRC”	the People’s Republic of China
“Processing Transactions”	transactions in relation to the provision of procurement of raw materials of and assembling and manufacturing tax-collection cashier machines by Inspur Software to Inspur Business under the Framework Agreement and the New Framework Agreement
“Purchase Transactions”	transactions in relation to purchase of IT products by the Group from the Inspur Group under the Framework Agreement and the New Framework Agreement
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	Securities and Futures Ordinance (chapter 571) of the laws of Hong Kong
“Selling Agency Transactions”	transactions in relation to sale of various IT service products by the Group to the Inspur Group who is acting as selling agent of the Group under the Framework Agreement and the New Framework Agreement
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiaries”	has the meaning ascribed to it under the Listing Rules

DEFINITIONS

“Supplemental Agreement”	the supplemental agreement dated 11 September 2012 between the Company and IPG in relation to (1) amendment of certain terms in the Framework Agreement and (2) setting of the revised annual caps of the Supply Transactions for the two financial years ending 31 December 2013
“Supply Transactions”	transactions in relation to supply and provision of products and services by the Group to the Inspur Group under the Framework Agreement and the New Framework Agreement
“Transactions”	the transactions contemplated under the New Framework Agreement
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent

** All the English translation of certain Chinese names or words in this circular is included for identification 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. Wang Xingshan (*Chairman*)

Mr. Chen Dongfeng

Mr. Sun Chengtong

Non-executive Directors:

Mr. Samuel Y. Shen

Mr. Dong Hailong

Independent non-executive Directors:

Mr. Zhang Tiqin

Mr. Wong Lit Chor, Alexis

Ms. Dai Ruimin

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:***

Flats B & C, 30/F.

Tower A, Billion Centre

1 Wang Kwong Road

Kowloon Bay

Kowloon

Hong Kong

9 January 2014

To the Shareholders

Dear Sir or Madam,

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

INTRODUCTION

Reference is made to the Company's announcement dated 29 November 2013. On 29 November 2013, the Company (for itself and on behalf of the other members of the Group) entered into the New Framework Agreement with IPG (for itself and on behalf of the other members of the Inspur Group) relating to the Continuing Connected Transactions for the term of three financial years ending 31 December 2016. The New Framework Agreement is conditional upon the obtaining of the approval of the Independent Shareholders of the New Framework Agreement, the New Caps, and the Transactions on or before 31 January 2014 (or any other later date as agreed by the parties).

LETTER FROM THE BOARD

As IPG is a connected person of the Company, the Transactions constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. Meanwhile, as the aggregate of the annual amounts of the Continuing Connected Transactions under the New Framework Agreement are expected to exceed the thresholds set out in Rule 14A.34 of the Listing Rules, the Company will seek the approval of the Independent Shareholders by way of a poll in the EGM of the New Framework Agreement and the proposed New Caps for the three financial years ending 31 December 2016. IPG, IPG's ultimate beneficial owners and their respective associates will abstain from voting in the EGM to be convened for the approval of the New Framework Agreement and the Transactions.

The purpose of this circular is to provide you with further information regarding, among other things, (i) details of the New Framework Agreement and the New Caps; (ii) the recommendation from the Independent Board Committee to the Independent Shareholders; (iii) the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, and (iv) the notice of the EGM.

INTRODUCTION OF THE NEW FRAMEWORK AGREEMENT

Reference is made to the Company's announcements dated 15 July 2011 and 11 September 2012 and the Company's circulars dated 29 July 2011 and 3 October 2012 regarding the Continuing Connected Transactions between the Group and the Inspur Group. On 15 August 2011, the Company has obtained the Independent Shareholders' approval for the Continuing Connected Transactions and the annual caps assigned to the transactions contemplated thereunder for the three financial years ending 31 December 2013. In order to fulfil the expected increase in the Supply Transactions and to response to the change in market, on 18 October 2012 the Company has obtained the Independent Shareholders' approval of the Supplemental Agreement in relation to certain pricing terms in the Framework Agreement and the revised caps for the Supply Transactions for the two financial years ending 31 December 2013.

As the Framework Agreement will expire after 31 December 2013, on 29 November 2013 the Company (for itself and on behalf of the other members of the Group) has entered into the New Framework Agreement with IPG (for itself and on behalf of the other members of the Inspur Group) in respect of the Continuing Connected Transactions and the New Caps for the three financial years ending 31 December 2016. The New Framework Agreement is conditional upon the obtaining of the approval of the Independent Shareholders of the New Framework Agreement, the New Caps, and the Transactions on or before 31 January 2014 (or any other later date as agreed by the parties), failing which the New Framework Agreement will be terminated after 31 January 2014.

BACKGROUND OF THE CONTINUING CONNECTED TRANSACTIONS

The Continuing Connected Transactions comprises: Supply Transactions, Selling Agency Transactions, Purchase Transactions, Common Services Transactions and Processing Transactions.

1. Supply Transactions

Types of products and services

The members of the Group supply and provide the members of the Inspur Group with various IT products and IT services from time to time including without limitation the following products and services:

- (i) IT products including without limitation circuit boards, electronic products, sourced software, ERP software and server products; and

LETTER FROM THE BOARD

- (ii) IT services without limitation the services related to the development of circuit boards used in personal computers and electronic products, sourced software, ERP software, server products and those software developed by the Group.

Pricing and other terms

The members of the Group supply the IT products and IT services to the members of the Inspur Group. The actual quantity, specification, delivery date and price of the IT products and the amount of fees and detailed terms and conditions of the IT services to be provided by the members of the Group are subject to individual orders placed by the members of the Inspur Group with the relevant member of the Group. The parties have agreed that:

- (a) the supply of products and components by the relevant member of the Group to the Inspur Group shall be on normal commercial terms;
- (b) the price per unit of the IT products and the service fees of the IT services to be supplied or provided by a relevant member of the Group will be agreed between the parties by reference to, among other factors, the prices of such IT products and IT services supplied by the Group to independent third parties at the relevant time; and
- (c) the Group shall not be obliged to accept any terms and conditions (including pricing terms) for the supply or provision of the IT products and IT services which are less favourable than those agreed between any member of the Group and its independent third party customers for those IT products and IT services.

For determination of the prices of the products and the service fees under the Supply Transactions, the management will select at least 2 comparable transactions at the relevant time, under which the same (or similar) products or service are offered to independent third parties, to ensure that the prices of the products and the service fees of IT services to be supplied under the Supply Transactions are not less favorable than the those of the same (or similar) products or service supplied to the independent third party at the relevant time.

Payment terms

The Group gives two-month credit period for the Inspur Group to settle the amount of the IT products after delivery and the service fees of the IT services after completion of the performance of the services.

2. Selling Agency Transactions

The Group appoints the Inspur Group as its selling agent in respect of various IT service products of the Group (such as ERP software, finance software, communication software and terminal products). Some of the business may be generated from public tenders made by the Inspur Group. The Group will be involved in participation in negotiation and finalization of the terms of supply of IT products to the ultimate third party customers and ensure that the supply of IT products is on normal commercial terms. The members of the Inspur Group will place orders with the relevant members of

LETTER FROM THE BOARD

the Group for supply of the products from time to time. After acceptance of the orders by the Group, the Group will directly provide the products to the customers. After the delivery of the products to the customers, the relevant members of the Inspur Group will issue sale invoices to the customers and the relevant members of Group will issue sales invoice to the Inspur Group for settlement by cash of the price of the products.

The Group pays selling agency commission of not more than 1% (calculated on the price of the relevant products payable by the customers) to the Inspur Group. The Inspur Group will deduct the related commission from the price received from the customers and pay back the net proceeds to the Group within five days.

The Inspur Group is the only selling agent appointed by the Group and the Group has not entered into any comparable transactions with independent third parties. Meanwhile, the Company further understands that Inspur Group did not act as selling agent of entities other than members of the Inspur Group and the Group in 2013. As such, the 1% commission is determined with reference to the Qualification Management Policy (資質管理有關規定) of the Inspur Group pursuant to which the Inspur Group will charge a selling agency commission of not more than 1% of the contract amount as general policy. The Company understands that the Qualification Management Policy is an internal control policy used by the Inspur Group for governing the transactions relevant to the Selling Agency Transactions and thus it is fair and reasonable to for the Company to refer to such policy to determine the selling agent commission.

3. Purchase Transactions

Types of products

The Group purchases from the Inspur Group various IT products from time to time including without limitation the IT server under the name of “Inspur” and other IT server accessories, but excluding the IT products under the Supply Transactions such as circuit board, electronic products, ERP software, etc.

Pricing and other terms

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

- (a) the supply of products and components by the relevant member of the Inspur Group to the Group shall be on normal commercial terms;
- (b) the price per unit of the products and components to be supplied by a relevant member of the Inspur Group will be agreed between the parties by reference to, among other factors, the prices of such products supplied by Inspur Group to independent third parties at the relevant time; and

LETTER FROM THE BOARD

- (c) the Group shall not be obliged to accept any terms and conditions (including pricing terms) for the purchase of the products and components which are less favourable than those agreed between any member of the Inspur Group and its independent third party purchasers for those products and components.

For determination of the price of the products and components supplied by Inspur Group and the payment terms, the management refers to at least 2 transactions under which the same (or similar) products and components are supplied with independent third parties at the relevant time. The management will ensure the price of the products and components purchased from the Inspur Group are not less favourable than the quotations or prices of the products and components with independent third parties.

Payment terms

The Inspur Group gives two-month credit period for the Group to settle the price of the products and components after delivery. The Group makes the payment out of the Group's internal resources.

4. Common Services Transactions

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

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

5. Processing Transactions

Inspur Business has appointed Inspur Software to provide services of procurement of raw materials of and assembling and manufacturing of tax-collection cashier machines at a processing fee calculated at 5% of the value of the raw materials and the said fee rate is comparable to the rates in the market. In general, Inspur Business pays the price of the tax-collection cashier machines (including the related processing fees) within 30 days after receipt of the goods by cash out of its own internal resources.

For determination of the processing fee, the management refers to at least 2 comparable processing transactions and the processing fee quoted or charged by independent third manufacturers on market for providing processing service of tax-collection cashier machines at the relevant time. The Directors are of the view that the processing fee calculated at 5% of the value of the raw materials are not less favourable than the processing fees charged by those independent third parties.

LETTER FROM THE BOARD

For the above Supply Transactions, Selling Agency Transactions, Purchase Transactions, Common Services Transactions and Processing Transactions, the Directors (including independent non-executive directors of the Company) will review the pricing terms and the payment terms of transactions between the Group and independent third parties each year so as to confirm that the pricing terms and payment terms under the Transactions are comparable with those of the independent third parties.

ANNUAL CAPS

Set out below are the historical amounts (the “**Historical Amounts**”) of the Continuing Connected Transactions for the two years ended 31 December 2012 and the 10 months ended 31 October 2013 (with the relevant annual caps approved by the Independent Shareholders set out in brackets):

(All amounts in '000)	Year ended 31 December 2011	Year ended 31 December 2012	10 months ended 31 October 2013
Supply Transactions	HK\$340,416 (HK\$345,000)	HK\$412,691 (HK\$425,000)	HK\$350,937 (HK\$467,000) (note)
The amounts in which are:			
— attributable to the trading business disposed in the Inspur Electronics Disposal	HK\$334,713	HK\$408,881	HK\$345,847
— attributable to other types of products and services	HK\$5,703	HK\$3,810	HK\$5,090
Selling Agency Transactions			
— (value of transactions)	RMB332,706 (RMB333,000)	RMB173,602 (RMB366,000)	RMB103,748 (RMB400,000)
— (related commission)	RMB1,432 (RMB3,330)	RMB1,496 (RMB3,660)	RMB470.3 (RMB4,000)
Purchase Transactions	HK\$34,944 (HK\$160,000)	HK\$62,527 (HK\$176,000)	HK\$70,669 (HK\$193,000)
Common Services Transactions	RMB9,909 (RMB13,000)	RMB7,701 (RMB14,300)	RMB7,371 (RMB15,730)
Processing Transactions	RMB74,409 (RMB182,000)	RMB27,982 (RMB200,000)	RMB20,507 (RMB220,000)

Note: the annual cap as amended by the Supplemental Agreement

LETTER FROM THE BOARD

NEW FRAMEWORK AGREEMENT AND NEW CAPS

The New Caps under the New Framework Agreement are:

(All amounts in RMB '000)	Year ended 31 December 2014	Year ended 31 December 2015	Year ended 31 December 2016
Supply Transactions	5,300	5,800	6,400
Selling Agency Transactions			
— (value of transactions)	231,000	254,000	280,000
— (related commission)	2,310	2,540	2,800
Purchase Transactions	73,000	80,000	88,000
Common Services Transactions	9,800	10,800	12,000
Processing Transactions	27,000	27,000	27,000

Note: the above annual cap amounts do not include any tax or duty (such as VAT)

BASIS OF THE NEW CAPS

1. Supply Transactions

Reference is made to the Company's announcement dated 16 April 2013 and the Company's circular dated 21 May 2013. As at the time of the Inspur Electronics Disposal, Inspur Electronics was principally engaged in trading of IT components. Following the Inspur Electronics Disposal, the trading business attributable to Inspur Electronics has been disposed by the Group and the members of the Group no longer act as the sourcing agent of the Inspur Group to supply overseas computer products and components for the Inspur Group as part of the Supply Transactions. Accordingly, the transaction amount of the Supply Transactions under the New Framework Agreement is expected to be significantly smaller than the relevant Historical Amounts.

For determination of the New Caps for the Supply Transactions, the Company has considered the expected amounts of the Supply Transactions for the year ending 31 December 2013 other than those attributable to the trading business disposed in the Inspur Electronics Disposal (such expected amounts are calculated on a pro rata basis having considered the historical transaction amounts for the ten months ended 31 October 2013). Meanwhile, as the operation of the Group and the Supply Transactions are primary based in the PRC and are related to software business, the Company has also considered the expected annual growth rates of the Supply Transaction (approximately 10%) with reference to the industry growth rate (especially the growth rate of IT software and IT service industry) and the PRC annual economic growth rate both of approximately 10%.

2. Selling Agency Transactions

The following factors have been taken into account by the Company in determining the New Caps for the Selling Agency Transactions: (a) the recent Historical Amounts and the expected amounts

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of the Selling Agency Transactions for the year ending 31 December 2013 (the expected transactions amounts are based on the sum of the historical transaction amounts for the ten months ended 31 October 2013 and the expected sales order for the two months ending 31 December 2013); and (b) expected annual growth rates of the relevant transactions with reference to the industry growth rate and the PRC annual economic growth rate (approximately 10%).

3. Purchase Transactions

The following factors have been taken into account by the Company in determining the New Caps for the Purchase Transactions: (a) the recent Historical Amounts and the expected amounts of the Purchase Transactions for the year ending 31 December 2013 (the expected amounts are calculated on a pro rata basis with reference to the historical transaction amounts for the ten months ended 31 October 2013); and (b) expected annual growth rates of the relevant transactions with reference to the industry growth rate and the PRC annual economic growth rate (approximately 10%).

4. Commons Services Transactions

The following factors have been taken into account by the Company in determining the New Caps for the Common Services Transactions: (a) the recent Historical Amounts and the expected amounts of the Common Services Transactions for the year ending 31 December 2013 (the expected amounts are calculated on a pro rata basis with reference to the historical transaction amounts for the ten months ended 31 October 2013); and (b) expected annual growth rates of the relevant transactions with reference to the industry growth rate and the PRC annual economic growth rate (approximately 10%).

5. Processing Transactions

Since the manufacture of tax-collection cashier machines are affected by the change in policies of the relevant industry, the actual revenues for the two years ended 31 December 2012 and for the 10 months ended 31 October 2013 are lower than expected, and the Historical Amounts of Processing Transactions are accordingly lower than the approved annual caps. The New Caps for the Processing Transactions are determined taking into account: (a) the expected amounts of Processing Transactions for the year ending 31 December 2013; and (b) the scale of the Processing Transactions for the three years ending 31 December 2016 shall remain unchanged.

INFORMATION ON THE GROUP AND THE INSPUR GROUP

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

IPG is an investment holding company established in the PRC. The Inspur Group devotes itself to be the leading suppliers of Cloud Computer Solutions in China and provides IT services and products to customers from more than 40 countries, meeting the information-based demands of governments and corporations all-around.

LETTER FROM THE BOARD

REASONS FOR AND BENEFITS OF ENTERING INTO THE NEW FRAMEWORK AGREEMENT

By entering into the New Framework Agreement, the Group can continue to derive benefits from the Continuing Connected Transactions which can capture the synergic advantages of both the Group and the Inspur Group (including the established worldwide client network of the Inspur Group).

The Directors consider that the transactions contemplated under the New Framework Agreement are on normal commercial terms and entered into in the ordinary and usual course of business of the Group. In view of the above, the Directors are of the view that the Continuing Connected Transactions are in the interests of the Company and the Shareholders as a whole.

IMPLICATION UNDER THE LISTING RULES

IPG is a company established in the PRC and is interested in approximately 31.99% of the issued share capital of the Company through its subsidiaries. Under the Listing Rules, IPG is a connected person of the Company and the Transactions therefore constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. As the aggregate of the annual amounts of the Continuing Connected Transactions under the New Framework Agreement are expected to exceed the thresholds set out in Rule 14A.34 of the Listing Rules, the Continuing Connected Transactions will be subject to the reporting, announcement and Independent Shareholders' approval requirements pursuant to Rule 14A.35 of the Listing Rules. IPG, its ultimate beneficial owners and their respective associates will abstain from voting in the EGM to be convened for the approval of the above Continuing Connected Transactions.

EGM

Set out on pages 31 to 32 of this circular is a notice convening the EGM which will be held at Flats B & C, 30/F, Tower A, Billion Centre, 1 Wang Kwong Road, Kowloon Bay, Kowloon, Hong Kong at 10:00 a.m. on Friday, 24 January 2014 for the purpose of considering and if thought fit approving the New Framework Agreement and the Transactions.

The New Framework Agreement and the Transactions are subject to, among other things, the approval by the Independent Shareholders at the EGM to be taken by way of a poll. As mentioned above, IPG, IPG's ultimate beneficial owners and their respective associates will abstain from voting for the relevant resolution at the EGM due to their interest in the concerned transaction. Other than the above, no other Shareholders have material interest in the above transaction and will abstain from voting at the EGM. As at the Latest Practicable Date, IPG (including its associates) is entitled to voting rights of 288,478,000 Shares (representing approximately 31.99% of the total voting rights of the holders of the Shares). IPG (including its associates) controls or is entitled to control over the entire voting right in respect of its Shares. There is (i) no voting trust or other agreement or arrangement or understanding entered into by or binding upon IPG (including its associates); and (ii) no obligation or entitlement of IPG (including its associates) as at the Latest Practicable Date, whereby it has or may have temporarily or permanently passed control over the exercise of the voting right in respect of its Shares to a third party, either generally or on a case-by-case basis.

LETTER FROM THE BOARD

A form of proxy for the EGM is enclosed. Whether or not you wish to attend the EGM, you are requested to complete the form of proxy in accordance with the instructions printed thereon and return the same to the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the EGM (or any adjourned meeting). Completion and delivery of the form of proxy will not preclude you from attending and voting at the EGM (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 New Framework Agreement, the New Caps and the Transactions are fair and reasonable so far as the Independent Shareholders are concerned and the Independent Financial Adviser has been appointed to advise the Independent Board Committee and the Independent Shareholders in that connection.

The text of the letters from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 16 to 24 of this circular and the text of the letters from the Independent Board Committee to the Independent Shareholders is set out on page 15 of this circular.

The Independent Board Committee, having taken into account the advice of the Independent Financial Adviser, is of the opinion that the terms of the New Framework Agreement and the proposed New Caps are fair and reasonable and are in the interest 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 EGM.

The Board considers that the terms of the New Framework Agreement and the proposed New Caps are on normal commercial terms and fair and reasonable and are in the interests of the Company and the Shareholders as a whole. The Board recommends the Independent Shareholders to vote in favour of the resolution to be proposed at 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
Wang Xingshan
Chairman

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



INSPUR INTERNATIONAL LIMITED

浪潮國際有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 596)

9 January 2014

To the Independent Shareholders

Dear Sir or Madam,

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

We refer to the circular dated 9 January 2014 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 New Framework Agreement, the New Caps and the Transactions 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. First Shanghai 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 5 to 14 of the Circular, and the letter from First Shanghai to the Independent Board Committee and the Independent Shareholders which contains its advice to us in respect of the Framework Agreement, as set out on pages 16 to 24 of the Circular.

Having taken into account of the advice of First Shanghai, we consider that (i) the New Framework Agreement to be entered into upon normal commercial terms, and the continuing connected transactions contemplated thereunder to be entered into in the ordinary and usual course of business of the Group and they are fair and reasonable and in the interests of the Company and the Shareholders as whole, and (ii) the proposed New Caps are fair and reasonable insofar as the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM to approve the New Framework Agreement and the proposed New Caps.

Yours faithfully,
the Independent Board Committee

Dai Ruimin
*Independent non-executive
Director*

Zhang Tiqin
*Independent non-executive
Director*

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

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the text of a letter received from First Shanghai setting out its advice to the Independent Board Committee and the Independent Shareholders in respect of the New Framework Agreement, the Transactions and the New Caps for inclusion in this circular.



FIRST SHANGHAI CAPITAL LIMITED

19th Floor, Wing On House
71 Des Voeux Road Central
Hong Kong

9 January 2014

To the Independent Board Committee and the Independent Shareholders

Dear Sir or Madam,

RENEWAL OF CONTINUING CONNECTED TRANSACTIONS WITH INSPUR GROUP

INTRODUCTION

We refer to our engagement to advise the Independent Board Committee and the Independent Shareholders in respect of the New Framework Agreement, the Transactions and the New Caps, details of which are set out in the circular of the Company to the Shareholders dated 9 January 2014 (the “Circular”), of which this letter forms part. Unless the context otherwise requires, terms used in this letter shall have the same meanings as those defined in the Circular.

On 29 November 2013, the Company (for itself and on behalf of the other members of the Group) and IPG (for itself and on behalf of the other members of the Inspur Group) entered into the New Framework Agreement relating to the Continuing Connected Transactions for the three years ending 31 December 2016. IPG is a controlling shareholder of the Company and hence is a connected person of the Company. The Transactions constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules, which are subject to, amongst others, approval by the Independent Shareholders by way of poll at the EGM.

The Independent Board Committee, comprising all the independent non-executive Directors, namely Mr. Zhang Tiqin, Mr. Wong Lit Chor, Alexis and Ms. Dai Ruimin has been established to advise the Independent Shareholders in respect of the New Framework Agreement, the Transactions and the New Caps. We, First Shanghai Capital Limited, have been appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

In putting forth our opinion and recommendation, we have relied on the accuracy of the information and representations included in the Circular and provided to us by the management of the Group, and have assumed that all such information and representations made or referred to in the Circular and provided to us by the management of the Group were true at the time they were made and continued to be true up to the time of the holding of the EGM. We have also assumed that all statements of belief, opinion and intention made in the Circular were reasonably made after due enquiry. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the management of the Group and have been advised that no material facts have been withheld or omitted from the information provided and referred to in the Circular. We consider that we have reviewed sufficient information to reach an informed view and to justify reliance on the accuracy of the information contained in the Circular and to provide a reasonable basis for our advice. We have not, however, conducted any independent verification of the information included in the Circular and provided to us by the management of the Group nor have we conducted any form of investigation into the business, affairs or future prospects of the Group and the Inspur Group.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion in respect of the New Framework Agreement, the Transactions and the New Caps, we have taken into account the following principal factors and reasons:

1. Background of and reasons for the entering into of the New Framework Agreement

The Group is an integrated information technology (“IT”) services provider with services covering taxation, finance, enterprise resource planning, telecommunication and software outsourcing services.

IPG, a controlling shareholder of the Company, is an investment holding company established in the PRC. The Inspur Group devotes itself to be a leading supplier of cloud computer solutions in the PRC and provides IT services and products to customers from more than 40 countries to meet the information-based demands of governments and corporations. According to the website of the Inspur Group, “Inspur” is one of the earliest IT brands in the PRC with over 40 years of experience in the IT industry, where the Inspur Group has earned a number of awards which include, among others, (i) Inspur server has been ranked the first in terms of sales volume among national brands in the PRC for a consecutive of 16 years; (ii) Inspur storage has been ranked the first in terms of sales volume among national brands in the PRC for a consecutive of 8 years; and (iii) Inspur group management software has been ranked the first in terms of market share in the PRC for a consecutive of 9 years.

The Continuing Connected Transactions comprise: (i) the Supply Transactions, which are related to the supply and provision of various IT products and IT services to the Inspur Group by the Group; (ii) the Selling Agency Transactions, which are related to the appointment of the Inspur Group as selling agent of the Group in respect of various IT service products; (iii) the Purchase Transactions, which are related to the purchase of various IT products from the Inspur Group by the Group; (iv) the Common Services Transactions, which are related to the provision of services in respect of use of premises and estate management to the Group by the Inspur Group; and (v) the Processing Transactions, which are related to the provision of services in respect of procurement of raw materials

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

of and assembling and manufacturing of tax-collection cashier machines to Inspur Business (a wholly-owned subsidiary of the Company) by Inspur Software (a subsidiary of IPG). Each of the Continuing Connected Transactions is either revenue in nature or supporting the principal business of the Group. We are advised by the management of the Group that the Group has established long-term strategic business relationship with the Inspur Group, where the Group can leverage on the business platform and network of the Inspur Group to further facilitate the business development of the Group. In view of the expiration of the Framework Agreement on 31 December 2013, the Company (for itself and on behalf of the other members of the Group) entered into the New Framework Agreement with IPG (for itself and on behalf of the other members of the Inspur Group) on 29 November 2013 in respect of the Continuing Connected Transactions for the three years ending 31 December 2016.

Having considered, in particular, (i) the Inspur Group is a leading IT enterprise; (ii) the Transactions are either revenue in nature or supporting the principal business of the Group; (iii) the Group has established long-term strategic business relationship with the Inspur Group and thus can leverage on the business platform and network of the Inspur Group; and (iv) the terms of the New Framework Agreement are fair and reasonable as discussed below, we are of the view that the entering into of the New Framework Agreement is in the ordinary and usual course of business of the Group and is in the interests of the Company and the Shareholders as a whole.

2. Principal terms of the New Framework Agreement

As advised by the management of the Group, for the purpose of determining the terms for each of the Transactions, the Group would generally review at least two other transactions with independent third parties, the selection method of which is that the timing and the product or service nature have to be comparable with those of the subject Transactions, so that the principal terms offered to/by the Inspur Group shall be comparable with those offered to/by the independent third parties. We are also advised by the management of the Group that the comparable transactions reviewed by the Group (i) shall be dated within around six months from the subject Transactions; and (ii) shall have similar product or service characteristics with those of the subject Transactions, such as under the same product type category. We are further advised by the management of the Group that, in the event where there are no sufficient comparable transactions, the Group would review the general pricing policy of the subject products or services to determine whether the terms offered to/by the Inspur Group are comparable with those stated in the policy. In light of the aforementioned assessment mechanism of the Group, we have reviewed, for each category of the Continuing Connected Transactions, (i) at least five sales contracts, purchase orders, processing contracts or quotations with independent third parties, the selection basis of which primarily makes reference to that adopted by the Group described above; or (ii) the general pricing policy of the subject products or services. Based on (i) the aforementioned assessment mechanism of the Group, particularly the procedures in connection with the review of comparable transactions; (ii) the results of our review of the principal terms of the Transactions elaborated below; and (iii) measures are in place as required under the Listing Rules to govern the internal control of the Group and monitor the Transactions as detailed in the section headed “Internal control measures regarding the Transactions” below, we consider the procedures in determining the terms of the Transactions to be fair and reasonable and sufficient. Details of the principal terms for each of the Transactions under the New Framework Agreement are set out below:

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

(i) *Principal terms of the Supply Transactions*

In respect of the Supply Transactions, prices of the IT products and service fees of the IT services shall be agreed between the parties by reference to, among other factors, prices of such IT products and IT services to be supplied by the Group to independent third parties at the relevant time. The Inspur Group shall pay to the Group for the IT products and the IT services within two months after delivery of such products and completion of such services. In addition, the New Framework Agreement stipulates that the Group shall not be obliged to accept any terms and conditions which are less favourable than those with independent third parties for those products and services. As such, we have reviewed sales contracts recently entered into with the Inspur Group and independent third parties, and we note that the pricing terms and the payment terms offered to the Inspur Group were comparable with those offered to independent third parties. We have also reviewed the annual report of the Company for the year ended 31 December 2012 (the “**2012 Annual Report**”), where we note that the Group allowed a credit period of 30 days to 210 days to its customers during the year and, accordingly, the credit period of two months provided by the Group to the Inspur Group falls within the range. Given the pricing terms and the payment terms of the Supply Transactions are comparable with those of the independent third parties transactions, we consider the Supply Transactions to be on normal commercial terms and fair and reasonable to the Company and its shareholders as a whole.

(ii) *Principal terms of the Selling Agency Transactions*

In respect of the Selling Agency Transactions, the Group shall pay a selling agency commission of not more than 1% (based on prices of the relevant products payable by customers) to the Inspur Group. The Inspur Group shall then pay to the Group the net proceeds (after deduction of relevant commission from sales proceeds received from customers) within five days after receipt of the sales proceeds. We are advised by the management of the Group that the Inspur Group is the only selling agent appointed by the Group, therefore the Group has not entered into any comparable transaction with independent third parties. We are also advised by the management of the Group that the Inspur Group did not act as selling agent of entities other than members of the Inspur Group and the Group in 2013. As such, we have reviewed the Qualification Management Policy (資質管理有關規定) of the Inspur Group, which is the internal control policy of the Inspur Group to govern transactions relevant to the Selling Agency Transactions as advised by the management of the Group and is therefore one of the references of the Group to assess the fairness and reasonableness of the terms of the Selling Agency Transactions. We note that it is the general business policy of the Inspur Group to charge a selling agency commission of not more than 1% of the contract amount. We are further advised by the management of the Group that the Inspur Group has been charging the Group selling agency commission of not more than 1% for the past few years, where the Group in return could enjoy the benefits arising from the well-established business platform and network of the Inspur Group to strengthen its revenue stream. We have also reviewed the 2012 Annual Report, where we note that gross profit margin of the Group amounted to approximately 21% for the year ended 31 December 2012, and we further note from the letter from the Board in the Circular that the selling agency commission merely amounted to approximately 0.9% during the same period. Based on the aforementioned factors, particularly (i) the potential enhancement of the sales of the Group through the arrangements; (ii) the minimal percentage charge; and (iii) the reference to the general business policy of the Inspur Group, we consider the Selling Agency Transactions to be on normal commercial terms and fair and reasonable to the Company and its shareholders as a whole.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

(iii) *Principal terms of the Purchase Transactions*

In respect of the Purchase Transactions, prices of the products and components shall be agreed between the parties by reference to, among other factors, prices of such products to be supplied by the Inspur Group to independent third parties at the relevant time. The Group shall pay to the Inspur Group for the products and components within two months after delivery of such products. In addition, the New Framework Agreement stipulates that the Group shall not be obliged to accept any terms and conditions which are less favourable than those with independent third parties for those products and components. As such, we have reviewed purchase orders recently entered into with the Group and independent third parties for similar products, and we note that the pricing terms and the payment terms for the Group were comparable with those for independent third parties. In addition, we have also reviewed the 2012 Annual Report, where we note that the average credit period taken for trade purchases of the Group during the year was 30 days to 120 days and, accordingly, the credit period of two months provided by the Inspur Group to the Group falls within the range. Given the pricing terms and the payment terms of the Purchase Transactions are comparable with those of the independent third parties transactions, we consider the Purchase Transactions to be on normal commercial terms and fair and reasonable to the Company and its shareholders as a whole.

(iv) *Principal terms of the Common Services Transactions*

In respect of the Common Services Transactions, fees are determined with reference to the prevailing market rates and by arm's length negotiation. In general, the fees are billed on a monthly basis. As such, we have reviewed the fee quotation comparison schedule prepared by the Group, and we note that the pricing terms and the payment terms of the common services offered by the Inspur Group were comparable with those offered by independent third parties. Given the pricing terms and the payment terms of the Common Services Transactions are comparable with those of the independent third parties quotations, we consider the Common Services Transactions to be on normal commercial terms and fair and reasonable to the Company and its shareholders as a whole.

(v) *Principal terms of the Processing Transactions*

In respect of the Processing Transactions, processing fees are calculated at 5% of the value of the raw materials. In general, Inspur Business pays the price of the tax-collection cashier machines (including the relevant processing fees) within 30 days after receipt of the goods. As such, we have reviewed processing contracts and price quotation lists with independent third parties, and we note that the pricing terms and the payment terms offered by the Inspur Group were comparable with those offered by independent third parties. In addition, we have also reviewed the 2012 Annual Report, where we note that the average credit period taken for trade purchases of the Group during the year was 30 days to 120 days and, accordingly, the credit period of 30 days for the Processing Transactions falls within the range. Given the pricing terms and the payment terms of the Processing Transactions are comparable with those of the independent third parties transactions, we consider the Processing Transactions to be on normal commercial terms and fair and reasonable to the Company and its shareholders as a whole.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

(vi) *Conclusion*

Taking into account the above factors, we are of the view that the terms of the New Framework Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned.

3. New Caps under the New Framework Agreement

Set out in the table below is a summary of the historical transaction amounts and the New Caps for each of the Continuing Connected Transactions:

	Historical transaction amounts under the Framework Agreement			New Caps under the New Framework Agreement		
	For the year ended 31 December 2011 (in '000)	For the year ended 31 December 2012 (in '000)	For the ten months ended 31 October 2013 (in '000)	For the year ending 31 December 2014 (in '000)	For the year ending 31 December 2015 (in '000)	For the year ending 31 December 2016 (in '000)
Supply Transactions (Excluding the trading business disposed in the Inspur Electronics Disposal)	HK\$5,703	HK\$3,810	HK\$5,090	RMB5,300	RMB5,800	RMB6,400
Selling Agency Transactions						
— Value of transactions	RMB332,706	RMB173,602	RMB103,748	RMB231,000	RMB254,000	RMB280,000
— Commission	RMB1,432	RMB1,496	RMB470	RMB2,310	RMB2,540	RMB2,800
Purchase Transactions	HK\$34,944	HK\$62,527	HK\$70,669	RMB73,000	RMB80,000	RMB88,000
Common Services Transactions	RMB9,909	RMB7,701	RMB7,371	RMB9,800	RMB10,800	RMB12,000
Processing Transactions	RMB74,409	RMB27,982	RMB20,507	RMB27,000	RMB27,000	RMB27,000

The New Caps were primarily calculated by (i) estimating the transaction amount for the year ending 31 December 2013 (except for the commission under the Selling Agency Transactions, the annual caps of which equal 1% of the value of transactions, being the maximum percentage charge pursuant to the New Framework Agreement); and (ii) applying the general annual growth rate of approximately 10% (the “**General Growth Rate**”) for each of the three years ending 31 December 2016 (except for the Processing Transactions, the annual caps of which equal the estimated transaction amount for the year ending 31 December 2013).

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In respect of the estimations of transaction amounts for the year ending 31 December 2013, we are advised by the management of the Group that (i) other than the Selling Agency Transactions, the estimated amounts were calculated on a pro rata basis with reference to the historical transaction amounts for the ten months ended 31 October 2013; and (ii) for the Selling Agency Transactions, the estimated transaction amount was based on the sum of the historical transaction amounts for the ten months ended 31 October 2013 and the expected sales order for the two months ending 31 December 2013. Accordingly, we have reviewed the relevant calculations and the schedule of sales orders prepared by the Group in respect of the Selling Agency Transactions related to the two months ending 31 December 2013 and we consider the estimations of transaction amounts for the year ending 31 December 2013 to be acceptable.

According to the letter from the Board in the Circular, the General Growth Rate makes reference to the expected industry growth and the economic growth in the PRC. We are also advised by the management of the Group that the operations of the Group and the Transactions are primarily based in the PRC and relate to the software business, where we understand that industry growth and economic growth in the PRC could be factors affecting the amounts of the Transactions (except for the Processing Transactions given the manufacture of tax-collection cashier machines are affected by the change in policies and the scale of the Processing Transactions for the three years ending 31 December 2016 shall remain unchanged as stated in the letter from the Board in the Circular). For our assessment of the General Growth Rate, we have reviewed the website of International Data Corporation (the “**IDC Website**”), a global provider of market intelligence, advisory services and events for the IT, telecommunications and consumer technology markets with more than 1,000 analysts in over 110 countries worldwide. According to the article titled “*China Software Market to reach US\$13.1B by 2017; Third Platform Technologies Integration Boost Innovation*” dated 8 July 2013 published on the IDC Website, the PRC software market is expected to grow at a compound annual growth rate of approximately 11% from 2012 to 2017. We have also reviewed the *World Economic Outlook Database* managed by the International Monetary Fund (the “**IMF Database**”), an organisation of 188 countries working to foster global monetary cooperation, secure financial stability, facilitate international trade and promote sustainable economic growth around the world. According to the IMF Database (October 2013 Edition), the nominal gross domestic product of the PRC is estimated to grow at the rate of approximately 10% for each of the three years ending 31 December 2016. Based on the foregoing, particularly the General Growth Rate is in line with the expected industry growth and the economic growth in the PRC, we consider the growth rates adopted for the calculation of the New Caps to be acceptable.

Taking into account the above factors and measures are in place as required under the Listing Rules to govern the internal control of the Group and monitor the Transactions as detailed in the section headed “Internal control measures regarding the Transactions” below, we are of the view that the New Caps of the New Framework Agreement are fair and reasonable so far as the Independent Shareholders are concerned.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

4. Internal control measures regarding the Transactions

In compliance with the annual review requirements under Chapter 14A of the Listing Rules, the Company will comply with the following during the term of the New Framework Agreement:

- (i) each year the independent non-executive Directors must review the Transactions and confirm in the Company's annual report and accounts that the Transactions have been entered into (a) in the ordinary and usual course of business of the Company; (b) either on normal commercial terms or, if there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to the Group than terms available to or from (as appropriate) independent third parties; and (c) in accordance with the New Framework Agreement on terms that are fair and reasonable and in the interests of the Shareholders as a whole;
- (ii) each year the auditors of the Company must provide a letter to the Board (with a copy provided to the Stock Exchange at least 10 business days prior to the bulk printing of the annual report of the Company) confirming that the Transactions (a) have received the approval of the Board; (b) are in accordance with the pricing policies of the Company if the Transactions involve provision of goods or services by the Company; (c) have been entered into in accordance with the New Framework Agreement; and (d) have not exceeded the New Caps;
- (iii) the Group will allow, and will procure that the Inspur Group will provide the auditors of the Company with sufficient access to the relevant records of the Transactions for the purpose of reporting on the Transactions. The Board must state in the annual report whether its auditors have confirmed the matters stated in paragraph (ii) above; and
- (iv) the Company shall promptly notify the Stock Exchange and publish an announcement in accordance with the Listing Rules if it knows or has reason to believe that the independent non-executive Directors and/or auditors of the Company will not be able to confirm the matters set out in paragraphs (i) and/or (ii) above respectively.

We are further advised by the management of the Group that, for the performance of the annual review under Rule 14A.37 of the Listing Rules, the independent non-executive Directors will (i) review relevant documents of independent third parties transactions, such as contracts and invoices, which are comparable to the Transactions under the New Framework Agreement; and (ii) assess and confirm whether the pricing terms and the payment terms for each of the Transactions under the New Framework Agreement are comparable with those of the independent third parties transactions.

In light of the reporting requirements attached to the Transactions, in particular, (i) the restriction of the value of the Transactions by way of the New Caps; and (ii) the ongoing review by the independent non-executive Directors and the auditors of the Company of the terms of the Transactions and the New Caps not being exceeded, we are of the view that appropriate measures will be in place to govern the conduct of the Transactions and safeguard the interests of the Independent Shareholders.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

RECOMMENDATION

Having taken into account the above principal factors, we are of the view that (i) the entering into of the New Framework Agreement is in the ordinary and usual course of business of the Group and is in the interests of the Company and the Shareholders as a whole; and (ii) the terms of the New Framework Agreement are on normal commercial terms, and together with the New Caps, are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we advise the Independent Board Committee to recommend, and we ourselves advise, the Independent Shareholders to vote in favour of the ordinary resolutions to approve the New Framework Agreement, the Transactions and the New Caps at the EGM.

Yours faithfully,
For and on behalf of

First Shanghai Capital Limited

Eric Lee
Managing Director

Fanny Lee
Managing Director

1. RESPONSIBILITY STATEMENT

This document, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS**(a) Interests and short positions of the Directors and the chief executive of the Company in the securities of the Company and its associated corporations**

As at the Latest Practicable Date, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the “**Model Code**”) contained in the Listing Rules, were as follows:

(i) Long positions in shares

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

(ii) Long positions in underlying shares of the Company

Name of Director	Type of interests	Description of equity derivatives	Number of underlying shares	Percentage of the issued share capital of the Company
Wang Xingshan	Beneficial owner	share option (Note 1)	1,000,000	0.12%
Chen Dongfeng	Beneficial owner	share option (Note 1)	800,000	0.09%
Dong Hailong	Beneficial owner	share option (Note 1)	400,000	0.05%
Wong Lit Chor, Alexis	Beneficial owner	share option (Note 1)	40,000	0.01%
Sun Chengtong	Beneficial owner	share option (Note 1)	800,000	0.09%

Note 1: The share options were granted on 10 December 2010 under the 2008 share option scheme adopted by the Company on 10 November 2008 at a subscription price of HK\$3.410 per Share (as adjusted as a result of share consolidation effective on 18 November 2013, details are set out in the Company’s announcement dated 15 November 2013). 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 and the chief executive of the Company had or was deemed to have any interests or short positions in the Shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) to be notified to the Company and the Stock Exchange pursuant to the Model Code.

(b) Persons who have an interest or short position which is discloseable under Divisions 2 and 3 of Part XV of the SFO 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 interests
Inspur Group Limited	Interest in a controlled corporation (Note)	288,478,000	31.99%
Jinan Inspur Wireless Communication Limited [#] (濟南浪潮無線通信有限公司)	Interest in a controlled corporation (Note)	288,478,000	31.99%
Inspur Software Group Limited [#] (浪潮軟件集團有限公司)	Interest in a controlled corporation (Note)	288,478,000	31.99%
Inspur Cheeloo Overseas Investment And Development Co., Limited (浪潮齊魯海外投資發展有限公司)	Interest in a controlled corporation and beneficial owner (Note)	288,478,000	31.99%
Inspur Overseas Investment Limited (浪潮海外投資有限公司)	Beneficial owner (Note)	288,478,000	31.99%

Note: Inspur Overseas Investment has reported to be the beneficial owner of 288,478,000 Shares. Inspur Group Limited, Jinan Inspur Wireless Communication Limited, Inspur Software Group Limited, and Inspur Cheeloo Overseas Investment And Development Co., Limited are holding companies of Inspur Overseas Investment Limited and thus are taken to be interested in 288,478,000 Shares.

Long positions in members of the Group

Name of shareholders	Types of Interest	Equity interest held	Approximate percentage of shareholding in the members of the Group
Wu Xi Yi Jie Xin Cheng Information Technology Company Limited [#] (無錫易捷信誠資訊技術有限公司)	Beneficial owner	RMB200,000 in the registered capital of Wuxi Inspur Business Technology Company Limited [#] (無錫浪潮商服技術有限公司)	10%
Fang Wensheng	Beneficial owner	RMB690,000 in the registered capital of Inspur Fangzhi	34.5%
Bao Jianhua	Beneficial owner	RMB300,000 in the registered capital of Inspur Fangzhi	15%
Shanghai Huili Co. Ltd [#] (上海滙力有限公司)	Beneficial owner	RMB50,000 in the registered capital of Shanghai Guoqiang Genersoft Incorporation [#] (上海國強通用軟件有限公司)	10%
Webgroup Co.	Beneficial owner	US\$14,504 in the registered capital of Langchao Gaoyou (Shanghai) Services Incorporation [#] 高優(上海)信息科技有限公司	10.36%
Zheng Jianyang	Beneficial owner	RMB5,000,000 in registered capital of Shangdong Inspur Financial Software Information Company Limited [#] (山東浪潮金融軟件資訊有限公司)	14.29%

[#] English names are for identification purpose only

Save as disclosed above, as at the Latest Practicable Date, the Directors were not aware of any other person (other than the Directors and the chief executive of the Company) who had, or was deemed to have, interests or short positions in the shares or underlying shares (including any interests in options in respect of such capital), which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was expected, directly or indirectly, to be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group.

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

3. DIRECTORS' OTHER INTERESTS

As at the Latest Practicable Date, so far as the Directors are aware of, none of themselves or their respective associates had any interest in a business which competes or may compete with the business of the Group or any other conflicts of interest with the Group.

As at the Latest Practicable Date, none of the Directors has any interest, either direct or indirect, in any assets which have been acquired or disposed of by or leased to or are proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2012, being the date to which the latest published audited financial statements of the Company were made up.

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

4. LITIGATION

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

5. SERVICE CONTRACTS

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

6. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 December 2012, being the date to which the latest audited financial statements of the Company were made up.

7. EXPERT

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

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

Name	Qualification
First Shanghai	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, First Shanghai was not beneficially interested in the share capital of any member of the Group nor did it have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any shares, convertible securities, warrants, options or derivatives which carry voting rights in any member of the Group nor did it have any interest, either direct or indirect, in any assets which have been, since the date to which the latest published audited financial statements of the Company were made up (i.e. 31 December 2012), acquired or disposed of by or leased to or are proposed to be acquired or disposed of by or leased to any member of the Group.

8. MISCELLANEOUS

- (a) The registered office of the Company is at Century Yard, Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands, and the head office and principal place of business in Hong Kong of which is at Flats B & C, 30/F, Tower A, Billon Centre, 1 Wang Kwong Road, Kowloon Bay, Kowloon.
- (b) The principal share registrar and transfer office of the Company is Butterfield Fulcrum Group (Cayman) Limited at Butterfield House, 68 Fort Street, P.O. Box 609, 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 17M Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong.
- (c) Ms. Chan Wing and Mr. Zou Bo are joint company secretaries of the Company. Ms. Chan is a member of the Hong Kong Institute of Certified Public Accountants and a member of the Chinese Institute of Certified Public Accountants, and Mr. Zou is a non-practising member of the Chinese Institute of Certified Public Accountants and a member of the China Certified Tax Agents Association.
- (d) The English text of this circular and the accompanying form of proxy shall prevail over their respective Chinese texts in case of inconsistency.

9. DOCUMENTS AVAILABLE FOR INSPECTION

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

- (a) the New Framework Agreement;
- (b) the Framework Agreement; and
- (c) the Supplemental Agreement.

NOTICE OF THE EGM



INSPUR INTERNATIONAL LIMITED

浪潮國際有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 596)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the “**EGM**”) of Inspur International Limited (the “**Company**”) will be held at Flats B& C , 30/F., Tower A, Billion Center, 1 Wang Kwong Road, Kowloon Bay, Kowloon, Hong Kong, on Friday, 24 January 2014 at 10:00 a.m. for the purpose of considering and, if thought fit, passing, with or without modifications, the following resolution as the ordinary resolution of the Company:

ORDINARY RESOLUTION

“THAT:

- (a) the new framework agreement dated 29 November 2013 (the “**New Framework Agreement**”) entered into by the Company (for itself and on behalf of its subsidiaries) and Inspur Group Limited (浪潮集團有限公司) (for itself and on behalf of its subsidiaries) in relation to the continuing connected transactions (the “**Continuing Connected Transactions**”) between the Company and its subsidiaries of one part and Inspur Group Limited and its subsidiaries of another part for the three years ending 31 December 2016 (details of the New Framework Agreement are set out in the Company’s circular dated 9 January 2014 (the “**Circular**”) and copies of the New Framework Agreement and the Circular have been tabled at the meeting and marked “A” and “B” respectively signed 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) the proposed New Caps (as defined and more particularly described in the Circular) in respect of the Continuing Connected Transactions be and are hereby approved and confirmed; and
- (c) the directors of the Company be and are hereby authorized to do such acts and execute such other documents as they may consider necessary, desirable or expedient to carry out or give effect to or otherwise in connection with or in relation to the New Framework Agreement, the proposed New Caps and all transactions contemplated thereunder.”

By order of the Board
Inspur International Limited
Wang Xingshan
Chairman

Hong Kong, 9 January 2014

NOTICE OF THE EGM

Registered office:

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

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

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

Notes:

1. A form of proxy for use at the EGM or any adjournment thereof is enclosed.
2. A member entitled to attend and vote at the EGM is entitled to appoint one or more proxy to attend and, subject to the provisions of the articles of association of the Company, to vote on his behalf. A proxy need not be a member of the Company but must be present in person at the annual general meeting to represent the member. If more than one proxy is so appointed, the appointment shall specify the number and class of Shares in respect of which each such proxy is so appointed.
3. In order to be valid, the form of proxy must be duly completed and signed in accordance with the instructions printed thereon and deposited together with a power of attorney or other authority, if any, under which it is signed, or a certified copy of such power or authority, at the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof. Completion and return of a form of proxy will not preclude a member from attending in person and voting at the EGM or any adjournment thereof, should he so wish.
4. 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.
5. The voting on the resolution at the EGM will be conducted by way of a poll.

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