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## THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

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

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# **inspur** 浪潮

## INSPUR INTERNATIONAL LIMITED

### 浪潮國際有限公司

*(incorporated in the Cayman Islands with limited liability)*

(Stock Code: 596)

## DISCLOSEABLE AND CONNECTED TRANSACTION DISPOSAL OF FINANCE BUSINESS

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



**FIRST SHANGHAI CAPITAL LIMITED**

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A letter from the Board is set out on pages 4 to 10 of this circular. The recommendation of the Independent Board Committee to the Independent Shareholders is set out on pages 11 to 12 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 13 to 21 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 Wednesday, 26 August 2015 at 10:00 a.m. is set out on pages 32 to 33 of this circular. A form of proxy for use at the EGM is enclosed with this circular. Such form of proxy is also published on the website of The Stock Exchange of Hong Kong Limited at [www.hkex.com.hk](http://www.hkex.com.hk).

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

5 August 2015

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## DEFINITIONS

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*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
“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
“Completion”	the completion of the Disposal
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“controlling shareholder”	has the meaning ascribed to it under the Listing Rules
“Consideration”	the sum payable by the Purchaser to the Vendor under the Disposal Agreement for the Disposal.
“Director(s)”	the director(s) of the Company
“Disposal”	the disposal of the Target Business by the Vendor to the Purchaser pursuant to the terms and subject to the conditions set out in the Disposal Agreement
“Disposal Agreement”	the sale and purchase agreement dated 9 July 2015 entered into between the Vendor and the Purchaser in relation to the Disposal
“EGM”	the extraordinary general meeting of the Company to be convened and held for the approving, among other things, the Disposal Agreement and the Disposal contemplated thereunder
“First Shanghai” or “Independent Financial Adviser”	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 Disposal Agreement and the Disposal contemplated thereunder
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

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## DEFINITIONS

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“Independent Board Committee”	an independent board committee, comprising Ms. Zhang Ruijun, Mr. Wong Lit Chor, Alexis and Mr. Geng Yushui, all being the independent non-executive directors, to advise the Independent Shareholders as to the fairness and reasonableness of the Disposal Agreement and the Disposal contemplated thereunder
“Independent Shareholders”	Shareholders other than IPG (including its ultimate beneficial owners and their respective associates)
“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 shares of the Company
“Latest Practicable Date”	3 August 2015, being the latest practicable date prior to printing of this circular for ascertaining certain information contained herein
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange
“Purchaser”	Inspur Software Group Company Limited* (浪潮軟件集團有限公司), a company incorporated in the PRC, which is wholly owned by the IPG
“PRC”	the People’s Republic of China
“SFO”	Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong)
“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
“Target Business”	the relevant assets, other than the account receivables, other receivables, prepayments and (except any employee salary payables) the liabilities as listed on the financial statement as at the Effective Date (defined below in this circular), of the finance business wholly owned by the Vendor as set out in the Disposal Agreement
“Vendor”	Inspur (Shandong) Electronics Information Limited* (浪潮(山東)電子信息有限公司), a company incorporated in the PRC and is a wholly owned subsidiary of the Company

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## DEFINITIONS

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“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“%”	per cent

*For the purpose of this circular, unless otherwise stated, the conversion of RMB into HK\$ is based on the exchange rate of RMB1.00 to HK\$1.25. The exchange rate has been used, where applicable, for the purpose of illustration only and do not constitute a representation that any amount was or may have been exchanged at this or any other rate or at all.*

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

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LETTER FROM THE BOARD

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**INSPUR INTERNATIONAL LIMITED**

**浪潮國際有限公司**

*(incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 596)**

***Executive Directors:***

Mr. Wang Xingshan (*Chairman*)

Mr. Sun Chengtong

***Non-executive Directors:***

Mr. Dong Hailong

Mr. Samuel Y. Shen

***Independent non-executive Directors:***

Mr. Wong Lit Chor, Alexis

Ms. Zhang Ruijun

Mr. Geng Yushui

***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

5 August 2015

*To the Shareholders*

Dear Sir or Madam,

**DISCLOSEABLE AND CONNECTED TRANSACTION  
DISPOSAL OF FINANCE BUSINESS**

**INTRODUCTION**

Reference is made to the Company's announcement dated 9 July 2015.

On 9 July 2015, the Vendor, a wholly owned subsidiary of the Company, and the Purchaser entered into the Disposal Agreement, pursuant to which the Vendor agrees to sell and the Purchaser agrees to acquire the Target Business for a total consideration of RMB49,180,000 (equivalent to HK\$61,475,000).

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## LETTER FROM THE BOARD

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As certain applicable ratios in respect of the Disposal under the Disposal Agreement are over 5% but all of which are below 25%, the Disposal constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules. In addition, as the Purchaser is an associate of IPG, a controlling shareholder of the Company, the Disposal constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules and is subject to the reporting, announcement and shareholders' approval requirements under Chapter 14A 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 Disposal Agreement and the Disposal contemplated thereunder.

The purpose of this circular is to provide you with further information regarding, among other things, (i) further details of the Disposal Agreement and the Disposal contemplated thereunder; (ii) the recommendation of the Independent Board Committee to the Independent Shareholders; (iii) the letter of advice from First Shanghai to the Independent Board Committee and the Independent Shareholders; (iv) the notice of the EGM, and (v) other information as required by the Listing Rules.

### THE DISPOSAL AGREEMENT

#### Parties

Purchaser: Inspur Software Group Company Limited  
(浪潮軟件集團有限公司)

Vendor: Inspur (Shandong) Electronics Information Limited  
(浪潮(山東)電子信息有限公司)

The Purchaser is considered to be an associate of IPG, a controlling shareholder of the Company (please refer to paragraph headed "Information of the Vendor, the Purchaser, the Target Business and IPG" below for further information).

#### Asset to be disposed of under the Disposal Agreement

The asset to be disposed of under the Disposal Agreement is the assets, including without limitation the fixed assets, equipment, inventory (other than the account receivables, other receivables, prepayments (except any employee salary payables) and liabilities) as listed on the financial statement as at the Effective Date (defined below), in the Target Business owned by the Vendor.

#### Consideration under the Disposal Agreement

The consideration payable by the Purchaser to the Vendor under the Disposal Agreement amounts to RMB49,180,000 (equivalent to approximately HK\$61,475,000), which will be paid by the Purchaser to the Vendor or its nominee in a lump sum payment within 15 working days after the Effective Date (defined below) of the Disposal Agreement.

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## LETTER FROM THE BOARD

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In the event that the Purchaser fails to make payment of the Consideration to the Vendor as specified above, the Purchaser shall pay to the Vendor, the entire amount of the Consideration as soon as practicable and together with an interest incurred at an interest rate, being double of the annual lending rate of the People's Bank of China as it is at the time of default, from the time of default to the date of the repayment of the entire amount of the Consideration and interests incurred thereon.

The Consideration was arrived at arm's length negotiation between the parties to the Disposal Agreement with reference to, among other things, the net asset value of the Target Business as of 31 May 2015 being approximately RMB49 million; and the audited net loss as at 31 December 2014 being approximately RMB9.65 million.

### **Effective Date of the Disposal Agreement**

The Disposal Agreement will come into effect ("**Effective Date**") upon:-

- (i) the approval by the Vendor's board of directors for the Disposal Agreement and the Disposal having been obtained;
- (ii) the approval by the Purchaser's board of directors for the Disposal Agreement and the Disposal having been obtained;
- (iii) the Disposal Agreement and the Disposal being approved by the Board at the Board meeting and the Independent Shareholders at the EGM; and
- (iv) all approvals or consents in respect of the Disposal Agreement and the Disposal (including without limitation all necessary approvals or consents from relevant authorities) having been obtained and continuing to take effect.

In the event that the above conditions are not fulfilled on or before 30 September 2015 or such a later date as the parties of the Disposal Agreement may agree in writing, all the rights and obligations of the parties under the Disposal Agreement shall forthwith be terminated. The parties shall not make any claim against the other party save for any antecedent breach of terms of the Disposal Agreement and fault committed by any party resulting in any damage to the other party.

The Completion shall take place within 15 business days after the Effective Date or any other date as the parties may agree in writing.

### **INFORMATION OF THE VENDOR, THE PURCHASER, THE TARGET BUSINESS AND IPG**

The Vendor is a limited company incorporated in the PRC and is a wholly owned subsidiary of the Company. It is principally engaged in developing and manufacturing computer software and hardware products and providing related technology consulting and technical services.

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## LETTER FROM THE BOARD

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The Purchaser is a company incorporated in the PRC and is principally engaged in value-added telecommunication business (within authorized scope), the development, manufacturing and sales of computer software and hardware, wireless data terminal, smart TV, digital set-top boxes, ground receiving facilities of satellite television broadcasting, fiscal cash register and communication facilities, etc.

The Target Business is the finance business of the Vendor and is principally engaged in the development and providing services in relation to self-help banking facilities and related software. The self-service devices are designed and developed independently by the Vendor through the Target Business, and are applied and used in offices of and in providing counter services for bank branches and other financial institutions and also in expanding bank services. Main clientele of the Target Business consists of all major state-owned commercial banks, joint equity banks and all regional rural credit unions and municipal commercial banks.

The following table shows the turnover, net profit before tax and net profit after tax of the Target Business based on its audited financial statements for the year ended 31 December 2014 and its unaudited financial statements for the year ended 31 December 2013 respectively.

	<b>For the year ended 31 December 2014 (audited) RMB'000</b>	<b>For the year ended 31 December 2013 (unaudited) RMB'000</b>
Turnover	250,163	153,302
Net profit before tax	(9,654)	(24,065)
Net profit after tax	(9,654)	(24,065)

The audited net asset value of the Target Business as of 31 May 2015 amounted to approximately RMB49,053,000 (equivalent to approximately HK\$61,316,250) based on its management accounts for the period ended 31 May 2015.

IPG is an investment holding company established in the PRC. IPG (including its subsidiaries) devotes itself to be the leading suppliers of cloud computer solutions in the PRC. IPG (including its subsidiaries) provides IT services and products to the customers in more than 50 countries/regions, meeting the information-based demands of governments and corporations all-around. IPG, through its wholly owned subsidiaries, is interested in approximately 31.99% of the issued ordinary share capital of the Company as at the Latest Practicable Date and is therefore a controlling shareholder of the Company. Since the Purchaser is wholly owned by IPG, the Purchaser is considered to be an associate of IPG.

### FINANCIAL EFFECT OF THE DISPOSAL

The Group expects no gain from the Disposal, of which is calculated based on the sale proceeds from the Disposal in the total amount of RMB49,053,000 less the carrying amount of the net asset value of the Target Company of RMB49,053,000 as of 31 May 2015. The Group intends to apply the sale proceeds from the Disposal to supplement working capital and reserve funds for potential merger and acquisition and venture into new software product areas.

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## LETTER FROM THE BOARD

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Upon Completion, the Target Business will cease to be a business of the Vendor and the Vendor's remaining principal business in operation will be on ERP and software outsourcing.

### REASONS FOR AND BENEFITS OF THE DISPOSAL

Prior to Completion, the Vendor, as a wholly owned subsidiary of the Company, conducts part of its business through the members of IPG with qualifications that meet the tender requirements, which constitutes continuing connected transactions. The Company is of a view that the current Disposal can effectively reduce the continuing connected transactions in the future and increase the independency of the Company as a whole. On the other hand, the Company intends to focus on the development of products and services in respect of cloud computer software, ERP and software outsourcing in the future.

In view of the above, the Directors (including the independent non-executive Directors) are of the view that the Disposal Agreement and the Disposal are in the interests of the Company and the Shareholders as a whole. The Directors (including the independent non-executive Directors) also consider that the terms of the Disposal Agreement are fair and reasonable and on normal commercial terms.

None of the Directors has any material interest in the Disposal or needs to abstain from voting on the Board resolution approving the Disposal Agreement and the Disposal.

### USE OF PROCEEDS

The Group intends that the sale proceeds of the Disposal will be used as working capital of the Group and as reserve funds for potential merger and acquisition and venture into new software product areas. Currently the Group is planning to identify and explore suitable projects and/or acquisitions regarding cloud service with good profit potential for acquisition so as to bring return to the Shareholders. However, as at the Latest Practicable Date, the Group has not commenced any negotiation or entered into any agreement, arrangement or understanding with any party in relation to such projects and/or acquisitions. Further announcement(s) in respect of such projects and/or acquisitions will be made by the Company in accordance with all applicable requirements of the Listing Rules as and when appropriate.

### IMPLICATION UNDER THE LISTING RULES

As certain applicable ratios in respect of the Disposal Agreement are over 5% but all of which are below 25%, the Disposal constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules. In addition, as the Purchaser is an associate of IPG, a controlling shareholder of the Company, the Disposal constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules and is subject to the reporting, announcement and shareholders' approval requirements under Chapter 14A 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 Disposal Agreement and the Disposal.

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## LETTER FROM THE BOARD

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### EGM

Set out on pages 32 to 33 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 Wednesday, 26 August 2015 for the purpose of considering and if thought fit approving the Disposal Agreement and the Disposal.

The Disposal Agreement and the Disposal is 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 and its associates shall, at the EGM, abstain from voting for the relevant resolution approving the Disposal Agreement and the Disposal due to their interests in the concerned transaction. Other than the above, no other Shareholder has material interests 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 Shareholders). IPG (including its associates) controls or is entitled to control over the entire voting rights 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 rights in respect of its Shares to a third party, either generally or on a case-by-case basis.

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

### RECOMMENDATIONS

The Independent Board Committee has been established to advise the Independent Shareholders whether the Disposal Agreement was entered into in the ordinary and usual course of business and the terms of the Disposal Agreement were agreed on normal commercial terms and are fair and reasonable and in the interests of the Company and the Shareholders as a whole, so far as the Independent Shareholders are concerned and First Shanghai has been appointed to advise the Independent Board Committee and the Independent Shareholders in that connection.

The text of the letters from First Shanghai containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 13 to 21 of this circular and the text of the letters from the Independent Board Committee to the Independent Shareholders is set out on pages 11 to 12 of this circular.

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## LETTER FROM THE BOARD

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The Independent Board Committee, having taken into account the advice of First Shanghai, is of the opinion that the Disposal Agreement was entered into in the ordinary and usual course of business and the terms of the Disposal Agreement were agreed on normal commercial terms and are fair and reasonable and in the interests of the Company and the Shareholders as a whole. The Independent Board Committee recommends the Independent Shareholders to vote in favour of the relevant resolution to be proposed at EGM.

The Board considers that the Disposal Agreement was entered into in the ordinary and usual course of business and the terms of the Disposal Agreement were agreed on normal commercial terms and are fair and reasonable and 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 appendices to this circular.

By Order of the Board  
**Inspur International Limited**  
**Wang Xingshan**  
*Chairman*



**INSPUR INTERNATIONAL LIMITED**

**浪潮國際有限公司**

*(incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 596)**

5 August 2015

*To the Independent Shareholders*

Dear Sir or Madam,

**DISCLOSEABLE AND CONNECTED TRANSACTION  
DISPOSAL OF FINANCE BUSINESS**

We refer to the circular dated 5 August 2015 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 Disposal Agreement and the Disposal contemplated thereunder 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 4 to 10 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 Disposal Agreement, as set out on pages 13 to 21 of the Circular.

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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Having taken into account of the advice of First Shanghai, we consider that the Disposal Agreement was entered into upon normal commercial terms following arm's length negotiations between the parties thereto, and that the terms of the Disposal Agreement were agreed on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned, and the Disposal Agreement is in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM to approve the Disposal Agreement and the Disposal.

Yours faithfully,  
the Independent Board Committee

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

**Zhang Ruijun**  
*Independent non-executive  
Director*

**Geng Yushui**  
*Independent non-executive  
Director*

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## LETTER FROM FIRST SHANGHAI

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*The following is the text of the letter of advice to the Independent Board Committee and the Independent Shareholders from First Shanghai for the purpose of incorporation into this circular.*



### FIRST SHANGHAI CAPITAL LIMITED

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

5 August 2015

*To the Independent Board Committee and the Independent Shareholders*

Dear Sir or Madam,

## DISCLOSEABLE AND CONNECTED TRANSACTION DISPOSAL OF FINANCE BUSINESS

### INTRODUCTION

We refer to our engagement to advise the Independent Board Committee and the Independent Shareholders in respect of the Disposal Agreement and the Disposal contemplated thereunder, details of which are set out in the circular of the Company to the Shareholders dated 5 August 2015 (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 9 July 2015, the Vendor (a wholly-owned subsidiary of the Company) entered into the Disposal Agreement with the Purchaser, pursuant to which the Vendor agreed to sell and the Purchaser agreed to acquire the Target Business at the consideration of approximately RMB49 million (the “**Consideration**”).

The Purchaser is wholly-owned by IPG, which is a controlling shareholder of the Company. Pursuant to the Listing Rules, the Purchaser is a connected person of the Company and, therefore, the Disposal contemplated under the Disposal Agreement constitutes a connected transaction for the Company. Accordingly, the Disposal Agreement and the Disposal contemplated thereunder are subject to, among other requirements, the approval by the Independent Shareholders at the EGM.

The Independent Board Committee, comprising all the independent non-executive Directors, namely Mr. Wong Lit Chor, Alexis, Ms. Zhang Ruijun and Mr. Geng Yushui, has been formed to advise the Independent Shareholders in respect of the Disposal Agreement and the Disposal contemplated thereunder. We, First Shanghai Capital Limited, have been appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

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## LETTER FROM FIRST SHANGHAI

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The Independent Shareholders should note that, within the past two years from the Latest Practicable Date, apart from the engagement as the independent financial adviser in relation to the Disposal Agreement, we acted as the independent financial adviser for the connected transactions of the Company for various occasions, the details of which are set out in the circulars of the Company dated 5 October 2013, 9 January 2014, 16 October 2014 and 14 May 2015 and the announcement of the Company dated 29 May 2015. Given (i) our independent role in these previous engagements; and (ii) our fees for these previous engagements represented an insignificant percentage of the revenue of our parent group, we consider these previous engagements would not affect our independence to form our opinion in respect of the Disposal Agreement and the Disposal contemplated thereunder.

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. We 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 continue 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 (including the Target Business) and the Purchaser.

### PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion and recommendation on the Disposal Agreement and the Disposal contemplated thereunder, we have taken into account the following principal factors and reasons:-

#### 1. **Background and benefits of the Disposal Agreement**

##### a) *Background information on the Group*

The Group is principally engaged in the provision of all-round information technology (“IT”) service products with business coverage including the finance, enterprise resources project (ERP) and software outsourcing sectors.

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## LETTER FROM FIRST SHANGHAI

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The following table sets out a summary of the recent financial performance of the continuing operations of the Group based on the annual report of the Company for the year ended 31 December 2014 (the “2014 Annual Report”).

	<b>Continuing operations</b>	
	<b>for the year ended</b>	
	<b>31 December</b>	
	<b>2013</b>	<b>2014</b>
	<i>HK\$ million</i>	<i>HK\$ million</i>
	(audited)	(audited)
Revenue	1,301	1,703
Cost of sales	<u>(857)</u>	<u>(1,149)</u>
Gross profit	444	554
Administrative and other operating expenses	(357)	(346)
Selling and distribution expenses	(304)	(373)
Other items	<u>66</u>	<u>103</u>
Loss before tax	(151)	(62)
Income tax expense	<u>(1)</u>	<u>(8)</u>
Loss for the year	(152)	(70)
Loss for the year attributable to shareholders	(150)	(69)

Revenue of the Group from continuing operations increased from approximately HK\$1,301 million for the year ended 31 December 2013 to approximately HK\$1,703 million for the year ended 31 December 2014, representing an annual growth of approximately 31%. Software development and solution contributed approximately 85% of the revenue of the Group from continuing operations for each of the years ended 31 December 2013 and 2014. Gross profit margin from continuing operations of the Group maintained at approximately 34% and approximately 33% for each of the years ended 31 December 2013 and 2014, respectively. Loss for the year attributable to shareholders from continuing operations of the Group narrowed from approximately HK\$150 million for the year ended 31 December 2013 to approximately HK\$69 million for the year ended 31 December 2014 due to, among other factors, (i) the increase in revenue, particularly for the sales of IT peripherals and software; (ii) the decrease in administrative and other operating expenses as a percentage of revenue; and (iii) the increase in other income, particularly from interest income and value added tax refund.

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## LETTER FROM FIRST SHANGHAI

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The following table sets out a summary of the recent financial position of the Group based on the 2014 Annual Report.

	<b>As at 31 December 2014</b>
	<i>HK\$ million</i>
	(audited)
Non-current assets	934
Current assets	<u>1,992</u>
Total assets	2,926
Current liabilities	1,043
Non-current liabilities	<u>48</u>
Total liabilities	1,091
Equity attributable to shareholders	1,832
Non-controlling interests	<u>3</u>
Total equity	1,835

As at 31 December 2014, the Group had (i) non-current assets of approximately HK\$934 million, which mainly comprised property, plant and equipment of approximately HK\$522 million; (ii) current assets of approximately HK\$1,992 million, which mainly comprised bank balances and cash of approximately HK\$1,016 million and trade and bills receivables of approximately HK\$375 million; (iii) current liabilities of approximately HK\$1,043 million, which mainly comprised trade and bills payables and other payables, deposits received and accrued expenses of approximately HK\$695 million; and (iv) equity attributable to shareholders of approximately HK\$1,832 million.

b) *Background information on the Vendor and the Target Business*

The Vendor is a wholly-owned subsidiary of the Company and is principally engaged in the development and manufacturing of computer software and hardware products and the provision of related technology consulting and technical service. The Target Business is part of the businesses of the Vendor and involves the development and provision of services in relation to self-help banking facilities and related software.

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## LETTER FROM FIRST SHANGHAI

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The following table sets out a summary of the recent financial performance of the Target Business based on (i) the unaudited management accounts of the Target Business for the year ended 31 December 2013; and (ii) the audited financial statements of the Target Business for the year ended 31 December 2014 and the five months ended 31 May 2015 (the “**Target Accounts**”).

	<b>For the year ended</b>		<b>For the five</b>
	<b>31 December</b>		<b>months ended</b>
	<b>2013</b>	<b>2014</b>	<b>31 May</b>
	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>
	(unaudited)	(audited)	(audited)
Revenue	153	250	92
Cost of sales	(100)	(157)	(68)
Gross profit	53	93	24
Selling expenses	(64)	(95)	(56)
Administrative expenses	(10)	(10)	(3)
Other items	(11)	(6)	(2)
Operating profit	(32)	(18)	(37)
Government subsidy and others	8	8	1
Loss before and after tax	(24)	(10)	(36)

Gross profit of the Target Business amounted to approximately RMB53 million and RMB93 million, representing gross profit margins of approximately 35% and 37%, for each of the years ended 31 December 2013 and 2014, respectively. The Target Business incurred significant selling expenses of approximately RMB64 million and RMB95 million for each of the years ended 31 December 2013 and 2014, respectively. Loss after tax of the Target Business amounted to approximately RMB24 million and RMB10 million for each of the years ended 31 December 2013 and 2014, respectively.

Gross profit of the Target Business amounted to approximately RMB24 million, representing a gross profit margin of approximately 26%, for the five months ended 31 May 2015. The lower gross profit margin for the five months ended 31 May 2015 as compared with that for the year ended 31 December 2014 was mainly due to the increase in the cost of hardware as a percentage of revenue. The Target Business continued to incur significant selling expenses for the five months ended 31 May 2015, which amounted to approximately RMB56 million. Staff cost was the largest selling expense for the year ended 31 December 2014 and for the five months ended 31 May 2015. Loss after tax of the Target Business amounted to approximately RMB36 million for the five months ended 31 May 2015, which was higher than that for each of the years ended 31 December 2013 and 2014.

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## LETTER FROM FIRST SHANGHAI

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Based on the audited figures in the Target Accounts and the advices by the management of the Group, the following table summarises the book value of the Target Business (the “**Target Book Value**”), which excludes account receivables, other receivables, prepayments and (except any employee salary payables) liabilities (the “**Excluded Items**”), as at 31 May 2015:-

	<b>As at 31 May 2015 RMB</b>
Inventories	56,776,340
Bank balances and cash	2,511,884
Fixed assets	1,004,380
Employee salary payables	<u>(9,361,448)</u>
<b>Target Book Value</b>	<b>50,931,156</b>
The Excluded Items	<u>(1,877,855)</u>
Net book value (including the Excluded Items)	49,053,301

As at 31 May 2015, the Target Book Value (i) comprised inventories, bank balances and cash, fixed assets and employee salary payables; and (ii) was comparable with the net book value of the Target Business after the inclusion of the Excluded Items.

c) *Background information on the Purchaser*

The Purchaser is wholly-owned by IPG, which is a controlling shareholder of the Company. The Purchaser is principally engaged in, among other businesses, value-added telecommunication business (within the authorised scope), the development, manufacturing, and sales of computer software and hardware, wireless data terminal, smart TV, digital set-top boxes, ground receiving facilities of satellite television broadcasting, fiscal cash register and communication facilities.

d) *Reasons for and benefits of the Disposal Agreement*

We have reviewed the 2014 Annual Report, where we note that the Company has continued to transform and upgrade itself into a software as a service (“**SaaS**”) cloud computing solution provider. We are advised by the management of the Group that the business of the Target Business is focused on a more traditional IT market for the banking industry in the PRC and is not related to SaaS cloud computing.

On 9 July 2015, the Vendor (a wholly-owned subsidiary of the Company) entered into the Disposal Agreement with the Purchaser, pursuant to which the Vendor agreed to sell and the Purchaser agreed to acquire the Target Business. We understand the Disposal allows the Group to (i) discontinue the Target Business and stop bearing further losses associated with the Target Business; (ii) realise its investment in the Target Business and apply the sales proceeds to supplement working capital and reserve funds for expansion; and (iii) better focus on its core business as an SaaS cloud computing solution provider.

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## LETTER FROM FIRST SHANGHAI

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We are advised the management of the Group that, given (i) the Target Business is part of the businesses of the Vendor and is not a company; (ii) the Excluded Items mainly comprise payables and receivables with business partners, including suppliers and customers, based on contracts entered into by the Vendor, which is a company; and (iii) the Target Business comprises inventories, bank balances and cash, fixed assets and employee salary payables, which are not directly based on contracts entered into with business partners by the Vendor, therefore the Disposal does not involve the Excluded Items so the Vendor can maintain and complete the established contractual relationships with its business partners.

We have reviewed industry information stated in the report titled *Cisco Global Cloud Index: Forecast and Methodology, 2013-2018* (the “**Cisco Report**”) released in November 2014 by Cisco Systems, Inc, which is a leading company in the IT industry and is listed on NASDAQ. We understand from the Cisco Report that, for the period from 2013 to 2018, (i) the global installed workloads of cloud computing as a whole is expected to grow at a compound annual growth rate of approximately 24%; and (ii) the global installed workloads of cloud computing under the SaaS category is expected to grow at a compound annual growth rate of approximately 33%.

We have also reviewed industry information mentioned in an article titled *Worldwide SaaS and Cloud Software 2014-2018 Forecast and 2013 Vendor Shares* (the “**IDC Article**”) dated July 2014 by International Data Corporation, which is a global provider of market intelligence, advisory services and events for the IT, telecommunications and consumer technology markets with more than 1,100 analysts. With reference to the IDC Article, we understand that, for the period from 2013 to 2018, (i) the revenue of the cloud software market reached US\$39.3 billion in 2013 and is expected to surpass US\$100 billion by 2018 at a compound annual growth rate of approximately 21%; and (ii) SaaS delivery will significantly outpace traditional software delivery, growing nearly five times faster than the software market as a whole.

Having principally considered (i) the Disposal allows the Group to discontinue the Target Business, stop bearing further losses associated with the Target Business and realise its investment in the Target Business; (ii) the Disposal is in line with the business strategy of the Group to better focus on its core business as an SaaS cloud computing solution provider, where the Target Business is not related to SaaS cloud computing; (iii) the expected growth of the SaaS cloud computing industry; and (iv) the terms of the Disposal Agreement are fair and reasonable as discussed below, we are of the view that the entering into of the Disposal Agreement and the Disposal contemplated thereunder 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 Disposal Agreement

Pursuant to the Disposal Agreement, the Vendor agreed to sell and the Purchaser agreed to acquire the Target Business at the Consideration of approximately RMB49 million, which shall be paid within 15 working days after the Effective Date (as defined in the letter from the Board in the Circular).

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## LETTER FROM FIRST SHANGHAI

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We are advised by the management of the Group that (i) the Consideration was determined with reference to the unaudited net book value of the Target Business including the Excluded Items as at 31 May 2015, which is comparable with the Target Book Value as at 31 May 2015; (ii) bank balances and cash is expected to represent a higher proportion of the Target Book Value on the Effective Date as compared with that on 31 May 2015 given certain inventories would be sold and cash would be received; and (iii) the Group will, if applicable, adjust the amount of bank balances and cash underlying the Target Book Value so that the Target Book Value as at the Effective Date will equal the Consideration.

After taking into account (i) the Target Business comprises several balance sheet items; (ii) the Target Book Value as at the Effective Date is expected to equal the Consideration; (iii) the full amount of the Consideration shall be paid soon after the Effective Date; (iv) the Target Business recorded loss after tax of approximately RMB10 million for the year ended 31 December 2014 and approximately RMB36 million for the five months ended 31 May 2015; and (v) the benefits of the Disposal, particularly the Disposal allows the Group to discontinue the Target Business and stop bearing further losses associated with the Target Business, we are of the view that the terms of the Disposal Agreement and the Disposal contemplated thereunder are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned.

### 3. Possible financial effects of the Disposal

#### I. *Earnings*

According to the 2014 Annual Report, the Group recorded loss for the year attributable to shareholders of approximately HK\$69 million for the year ended 31 December 2014. Based on the Target Accounts, the Target Business recorded loss after tax of approximately RMB10 million for the year ended 31 December 2014 and approximately RMB36 million for the five months ended 31 May 2015. We are advised by the management of the Group that the Group is not expected to record any disposal gain on the books upon completion of the Disposal given the Consideration is expected to equal the Target Book Value as at the Effective Date. Following Completion, the Company would no longer be interested in the Target Business, where the profits or losses in connection with the Target Business would no longer be accounted for in the statement of profit or loss of the Group.

#### II. *Net assets*

According to the 2014 Annual Report, the Group had net assets attributable to shareholders of approximately HK\$1,832 million as at 31 December 2014. Based on the Target Accounts, the Target Book Value was approximately RMB51 million as at 31 May 2015. We are advised by the management of the Group that the Group is not expected to record any material change in the net assets of the Group upon completion of the Disposal given the Consideration is expected to equal the Target Book Value as at the Effective Date. Following Completion, the Company would no longer be interested in the Target Business, where the assets and liabilities of the Target Business would no longer be accounted for in the statement of financial position of the Group.

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## LETTER FROM FIRST SHANGHAI

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### III. *Working capital*

According to the 2014 Annual Report, the Group had bank balances and cash of approximately HK\$1,016 million as at 31 December 2014. Based on the Target Accounts, the amount of bank balances and cash under the Target Business was approximately RMB3 million as at 31 May 2015. Given that the consideration of the Disposal shall be entirely settled in cash, the Disposal is expected to improve the working capital of the Group.

### IV. *Conclusion*

After primarily taking into account (i) the Disposal allows the Group to discontinue the Target Business and stop bearing further losses associated with the Target Business; (ii) the Target Business recorded loss after tax of approximately RMB10 million for the year ended 31 December 2014 and approximately RMB36 million for the five months ended 31 May 2015; and (iii) the Group could improve its working capital, we consider the possible financial effects of the Disposal to be acceptable.

### **RECOMMENDATION**

Having considered the above principal factors and reasons, we are of the view that the entering into of the Disposal Agreement and the Disposal contemplated thereunder 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 the terms of the Disposal Agreement and the Disposal contemplated thereunder are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we advise the Independent Board Committee to recommend, and we ourselves recommend, the Independent Shareholders to vote in favour of the relevant resolution to be proposed at the EGM to approve the Disposal Agreement and the Disposal contemplated thereunder.

Yours faithfully,

For and on behalf of

**First Shanghai Capital Limited**

**Fanny Lee**

*Managing Director*

**Allen Wang**

*Director*

*Note: Ms. Fanny Lee and Mr. Allen Wang have been responsible officers of Type 6 (advising on corporate finance) regulated activity under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) since 2006 and 2014, respectively. Both of them have participated in the provision of independent financial advisory services for various connected transactions involving companies listed in Hong Kong.*

**AUDITED CONSOLIDATED FINANCIAL STATEMENT OF THE GROUP**

The Company sets out in this circular the information for the last three financial years with respect to the profits and losses, financial record and position, set out as a comparative table and the latest published audited statement of financial position together with the notes on the annual accounts for the last financial year for the Group.

The audited consolidated financial statements of the Group for the year ended 31 December 2014 have been set out in the Annual Report 2014 of the Company which was posted on 24 April 2015 on the Stock Exchange's website (<http://www.hkexnews.hk>). Please also see below quick link to the Annual Report 2014:

<http://www.hkexnews.hk/listedco/listconews/SEHK/2015/0424/LTN20150424847.pdf>

The audited consolidated financial statements of the Group for the year ended 31 December 2013 have been set out in the Annual Report 2013 of the Company which was posted on 25 April 2014 on the Stock Exchange's website (<http://www.hkexnews.hk>). Please also see below quick link to the Annual Report 2013:

<http://www.hkexnews.hk/listedco/listconews/SEHK/2014/0425/LTN20140425406.pdf>

The audited consolidated financial statements of the Group for the year ended 31 December 2012 have been set out in the Annual Report 2012 of the Company which was posted on 18 April 2013 on the Stock Exchange's website (<http://www.hkexnews.hk>). Please also see below quick link to the Annual Report 2012:

<http://www.hkexnews.hk/listedco/listconews/SEHK/2013/0418/LTN20130418717.pdf>

The three auditors' reports for the consolidated financial statements of the Group for the years ended 31 December 2014, 2013 and 2012 are unqualified reports.

**INDEBTEDNESS STATEMENT****Debts and Borrowings**

At the close of business on 3 August 2015, being the latest practicable date for the purpose of this statement of indebtedness prior to the printing of this circular, the Group did not have any outstanding mortgages, charges, debenture, loan capital issued and outstanding or agreed to be issued, bank loan and overdraft or other similar indebtedness, finance leases or hire purchase commitments, liabilities under acceptances or acceptance credits or any guarantee or other material contingent liabilities.

**Contingent liabilities**

As at 3 August 2015, being the latest practicable date prior to the printing of this circular for the purpose of this indebtedness statement, the Group had no material contingent liabilities.

**Disclaimer**

Save as otherwise disclosed in this circular, the Group did not, as at 31 December 2014, have any outstanding loan capital issued and outstanding or agreed to be issued, bank overdrafts, charges or debentures, mortgages, loans, or other similar indebtedness or any finance lease commitments, hire purchase commitments, liabilities under acceptance (other than normal trade bills), acceptance credits or any guarantees or other material contingent liabilities.

**FINANCIAL AND TRADING PROSPECT**

The Company will refine the strategy of focusing on the development of businesses with technical advantages, and continue to pursue active market expansion strategies, in order to realize rapid growth in our business. The Company will realize rapid development by focusing on strengthening the establishment in regions, consolidating the existing regions, and undertaking merger and acquisition in weak regions; as well as developing with partners and establishing more sales channel. The Company will enhance the function of business lines as sales generator, through establishing the mechanism of business planning-driven overall budget, which not only boosts our sales but also pull the product demand. In respect of products, the Company will insist on the development model with the combination of self-innovation and external co-operation, speed up the launch of products, continue to consolidate existing products, and self-develop the products of next generation. The Company will pursue new business growth point by innovating new cloud computing service model and promoting enterprises to use cloud computing. The Company will further enhance the incentive mechanism, which improves the objectives and responsibilities system with the core of combination with responsibility, right and interest, so as to promote the enthusiasm of our staffs. It is believed that with a gradual improvement in the economic environment, the software and service business will maintain a relatively fast growth speed. The Company will continue to adjust its development strategy and persist in change and continue to transform into a supplier of cloud computing Software-as-a-Service (SaaS) products and solution services. The Company insists on the strategy of focusing on the development of businesses with technical advantages. The Company aims to restructure its business model so as to swiftly reverse the loss position and generate better returns for our shareholders.

**WORKING CAPITAL STATEMENT**

The Directors are of the opinion that, after taking into account of the Disposal as mentioned in this circular and the financial resources available to the Group (including internal resources and available banking facilities), the Group will have sufficient working capital for its present requirements for at least the next 12 months from the date of this circular.

**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 regards 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**

<b>Name of Director</b>	<b>Type of interests</b>	<b>Number of Shares</b>	<b>Percentage of issued share capital of the Company</b>
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 ( <i>Note 1</i> )	4,000,000	0.44
Dong Hailong	Beneficial owner	share option ( <i>Note 1</i> )	600,000	0.07
Wong Lit Chor, Alexis	Beneficial owner	share option ( <i>Note 1</i> )	440,000	0.05
Sun Chengtong	Beneficial owner	share option ( <i>Note 1</i> )	800,000	0.09
Samuel Y. Shen	Beneficial owner	share option ( <i>Note 1</i> )	200,000	0.02
Zhang Ruijun	Beneficial owner	share option ( <i>Note 1</i> )	200,000	0.02

*Note 1:* The share options were granted on 10 December 2010 and 16 July 2015 respectively under the 2008 share option scheme adopted by the Company on 10 November 2008. Details of the grant are set out in the Company's announcements dated 10 December 2010 and 16 July 2015 respectively. 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
IPG	Interest in a controlled corporation ( <i>Note</i> )	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 ( <i>Note</i> )	288,478,000	31.99%
Inspur Software Group Company Limited* (浪潮軟件集團有限公司)	Interest in a controlled corporation ( <i>Note</i> )	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 ( <i>Note</i> )	288,478,000	31.99%
Inspur Overseas Investment Limited (浪潮海外投資有限公司)	Beneficial owner ( <i>Note</i> )	288,478,000	31.99%

*Note:* Inspur Overseas Investment Limited has reported to be the beneficial owner of 288,478,000 Shares. IPG, Jinan Inspur Wireless Communication Limited, Inspur Software Group Company 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* (無錫易捷信誠信息技術有限公司)	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 Gensoft 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	RMB3,868,500 in registered capital of Shangdong Inspur Financial Software Information Company Limited* (山東浪潮金融軟件信息有限公司)	11.05%
Jinan Huanlecheng Technology Development Company Limited* (濟南歡樂城科技發展有限公司)	Beneficial owner	RMB2,450,000 in registered capital of Yunnan Inspur General Soft Information Technology Limited* (雲南浪潮通軟信息科技有限公司)	49%

\* *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 has any interest in a business which competes or may compete with the business of the Group or any other conflicts of interests 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 2014, 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**

In the Company's announcement dated 15 July 2015, the Company disclosed that the Group expected an increase of approximately 50% in the loss from continuing operations for the six months ended 30 June 2015 and a decrease in the loss attributable to the owners of the Company for the six

months ended 30 June 2015, when compared with the same period in 2014. Details are set out in the announcement of the Company dated 15 July 2015.

Save as disclosed above and 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 2014, 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:

<b>Name</b>	<b>Qualification</b>
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 2014), 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. MATERIAL CONTRACTS**

The following contracts (not being contracts in the ordinary course of business) have been entered into by members of the Group during the two years immediately preceding the Latest Practicable Date and are or may be material:

- (a) the disposal agreement dated 22 August 2013 entered into between Inspur (Shandong) Electronics Information Limited and Inspur Cheeloo Software Industry Company Limited\* (浪潮齊魯軟件產業有限公司) in relation to the disposal of the entire assets of the digital media business;
- (b) the new framework agreement dated 29 November 2013 between the Company and IPG relating to the renewal of the continuing connected transactions with IPG and/or its subsidiaries for the term of three financial years ending 31 December 2016;

- (c) the disposal agreement dated 28 August 2014 between Inspur (Shandong) Electronics Information Limited (浪潮(山東)電子信息有限公司) and Inspur Software Group Company Limited (浪潮軟件集團有限公司) in relation to the disposal of entire share equity of the Shandong Inspur Commercial System Company Limited\* (山東浪潮商用系統有限公司);
- (d) the capital increase agreement dated 29 August 2014 between Inspur Electronic Information Industry Co., Ltd.\* (浪潮電子信息產業股份有限公司), Inspur Software Co., Ltd.\* (浪潮軟件股份有限公司), Inspur (Shandong) Electronics Information Limited\* (浪潮(山東)電子信息有限公司), and Shandong Inspur Cloud Computing Investment Co., Ltd.\* (山東浪潮雲海雲計算產業投資有限公司) relating to the increase in the registered capital of Shandong Inspur Cloud Computing Investment Co., Ltd;
- (e) the framework agreement dated 29 August 2014 between Inspur (Shandong) Electronics Information Limited (浪潮(山東)電子信息有限公司) and Inspur Electronic Information Industry Co., Limited\* (浪潮電子信息產業股份有限公司) in relation to continuing connected transactions to provide entrustment loans to Inspur Electronic Information Industry Co., Limited for a term of two years;
- (f) the framework agreement dated 29 August 2014 between Inspur (Shandong) Electronics Information Limited (浪潮(山東)電子信息有限公司) and Inspur Software Co., Limited\* (浪潮軟件股份有限公司) in relation to continuing connected transactions to provide entrustment loans to Inspur Software Co., Limited for a term of two years;
- (g) the agreement dated 29 November 2013 between the Company and IPG in relation to five categories of continuing connected transactions with IPG for the three financial years ending 31 December 2016;
- (h) the share transfer agreement dated 10 April 2015 between entered into between the Vendor and Ambition Lead Limited (致優有限公司) in relation to the disposal of 49% share equity interest in Inspur Communication Information System Limited\* (浪潮通信信息系統有限公司);
- (i) the share transfer agreement dated 10 April 2015 between entered into between Shine Victory International Limited (耀凱國際有限公司) and the Purchaser in relation to the disposal of 51% share equity interest in Inspur Communication Information System Limited\* (浪潮通信信息系統有限公司);
- (j) the framework leasing agreement dated 29 May 2015 between Jinan Inspur Minda Information Technology Limited\* (濟南浪潮銘達信息科技有限公司) and IPG (for and on behalf of other members of IPG and its subsidiaries) in relation to the continuing connected transaction to lease a building to IPG and its subsidiaries as office premises for a term of three years ending 31 December 2017; and
- (k) the Disposal Agreement.

**9. MISCELLANEOUS**

- (a) The registered office of the Company is at Century Yard, Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands, and the head office and principal place of business in Hong Kong of which is at Flats B & C, 30/F., Tower A, Billon Centre, 1 Wang Kwong Road, Kowloon Bay, Kowloon.
- (b) The principal share registrar and transfer office of the Company is Royal Bank of Canada Trust Company (Cayman) Limited at 4th Floor, Royal Bank House, 24 Shedden Road, George Town, Grand Cayman KY1-1110, Cayman Islands and the Hong Kong branch share registrar and transfer office of which is Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong.
- (c) Ms. Chan Wing and Mr. Zou Bo are joint company secretaries of the Company. Ms. Chan is a 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.

**10. 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 memorandum and articles of association of the Company;
- (b) the audited consolidated financial statements of the Group for the two financial years ended 31 December 2013 and 31 December 2014;
- (c) the contracts referred to in the section headed "Material Contracts" of this Appendix;
- (d) the letter from the Independent Board Committee, as set out on pages 11 to 12 of this circular;
- (e) the letter from the Independent Financial Adviser, as set out on pages 13 to 21 of this circular;
- (f) the written consent referred to in the section headed "Expert" of this Appendix; and
- (g) this circular.

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NOTICE OF THE EGM

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**INSPUR INTERNATIONAL LIMITED**

**浪潮國際有限公司**

*(incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 596)**

**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 Wednesday, 26 August 2015 at 10:00 a.m. for the purpose of considering and, if thought fit, passing, with or without modifications, the following resolution as an ordinary resolution of the Company:

**ORDINARY RESOLUTION**

**“THAT:**

- (a) the conditional Disposal Agreement (as defined in the circular of the Company dated 5 August 2015 (the “Circular”), a copy of which is tabled at the meeting and marked “A” and signed by the chairman of the meeting for the purpose of identification) and the Disposal (as defined in the Circular) be and are hereby approved, confirmed and ratified; and
- (b) the Directors of the Company be and are hereby authorized to take such actions and execute such documents as they may consider appropriate and expedient to carry out or give effect to or otherwise in connection with or in relation to the Disposal Agreement and the Disposal.”

By order of the Board  
**Inspur International Limited**  
**Wang Xingshan**  
*Chairman*

Hong Kong, 5 August 2015

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## NOTICE OF THE EGM

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***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 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.
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 comprises Mr. Wang Xingshan and Mr. Sun Chengtong as executive Directors, Mr. Dong Hailong and Mr. Samuel Y. Shen as non-executive Directors, and Ms. Zhang Ruijun, Mr. Wong Lit Chor, Alexis and Mr. Geng Yushui as independent non-executive Directors.*