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INSPUR INTERNATIONAL LIMITED

浪潮國際有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 596)

CONTINUING CONNECTED TRANSACTIONS — REVISED ANNUAL CAPS

On 7 June 2010, the Company and IPG entered into the Supplemental Agreement pursuant to which the annual caps in respect of the Supply Transactions for the year ending 31 December 2010 and 31 December 2011 will be changed to HK\$730,000,000 and HK\$331,000,000 respectively. The Supplemental Agreement is conditional upon the approval of the Independent Shareholders on the Supplemental Agreement and the transactions contemplated thereunder. The Board proposed to change the said annual caps due to their recent decision on the Group's discontinuance of the business of sale of IT hardware products to Venezuela market.

As IPG is a connected person of the Company, the Supplemental Agreement together with the revised annual caps 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.

A circular containing, among other things, further information about the Supplemental Agreement and the relevant cap amounts, the letter from the independent financial adviser to the independent board committee and the Independent Shareholders and the recommendation from the independent board committee together with the notice of the EGM will be dispatched to the Shareholders in accordance with the Listing Rules.

BACKGROUND OF THE SUPPLY TRANSACTIONS

Reference is made to the Company's announcement dated 12 January 2009 and the Company's circular dated 27 February 2009 in relation to the renewal and integration of continuing connected transactions between the Group and the Inspur Group. On 16 March 2009, the Company has obtained the approval of the independent shareholders of the Company for five categories of continuing connected transactions (including Supply Transactions) between the Group and the Inspur Group under the Framework Agreement and the related annual caps for the three financial years ending 31 December 2011. Under the Supply Transactions, the Group supplies, among others, IT hardware products (including desktop personal computers and notebook personal computers) to Inspur Group for market in Venezuela.

DISCONTINUING THE BUSINESS OF SALE OF IT HARDWARE TO VENEZUELA MARKET

In the year of 2009, the Group turnover of the sale of IT hardware products to South American market amounted to about HK\$145 million (2008 : HK\$171 million, about 15% year-to-year drop) representing about 6.76% of the total turnover of the Group in 2009 and the corresponding segment profit amounted to about HK\$11.5 million, representing about 4% of the net profits of the Group in 2009. After reviewing of the business operations and financial positions of the business of sale of IT products to market in Venezuela, the Board has resolved that the Group would discontinue the business of sale of IT hardware products to Venezuela market in the coming few months in view of the low profit margin, long operating cycle, high after-sales expenditure, further resources required for development of the business on long run basis and inconsistency with the Group's core business as integrated IT services provider. The Group plans to use its best endeavours to fulfil all the outstanding sales orders and commitments with Inspur Group in relation to the Venezuela market and to sell all the existing inventory for this market in the near future. The related outstanding amounts of the business relating to Venezuela market will be settled before the end of this year. Accordingly, there will be a surge in the amounts of the Supply Transactions in the year ending 31 December 2010 and a decrease in amounts of the Supply Transactions in the year ending 31 December 2011. Given that the existing annual cap of the Supply Transactions in 2010 of HK\$460 million being insufficient for the expected transaction volume, the Company will seek Independent Shareholders' approval for the revised annual caps in respect of the Supply Transactions for the two years ending 31 December 2011.

SUPPLEMENTAL AGREEMENT

On 7 June 2010, the Company and IPG entered into the Supplemental Agreement pursuant to which the annual caps in respect of the Supply Transactions for the year ending 31 December 2010 and 31 December 2011 will be changed to HK\$730,000,000 and HK\$331,000,000 respectively. Other than the said revision in the annual caps, the other terms of the Framework Agreement remain in force and unchanged. The Supplemental Agreement is conditional upon the approval of the Independent Shareholders on the Supplemental Agreement and the transactions contemplated thereunder.

REVISED CAPS OF SUPPLY TRANSACTIONS

	Year ended 31 December 2009 (HK\$'000)	Year ending ended 31 December 2010 (HK\$'000)	Year ending 31 December 2011 (HK\$'000)
Original Annual Caps	400,000	460,000	530,000
Historical/Recent Transacted Amount	393,259 (note 2)	420,314 (note 1)	—
Proposed Annual Caps	—	730,000	331,000

Notes:

- (1) The recent transacted amount for 2010 was unaudited figures for the five months ended 31 May 2010.
- (2) The historical transacted amount was audited figures for the year ended 31 December 2009

The factors which have been taken into account by the Company for determination of above the proposed annual caps : (a) original annual caps; (b) recent historical transacted amounts; (c) sale orders which have been fulfilled and sale orders on hand; and (d) expected change in sale orders to be received due to the discontinuance of the business relating to Venezuela market.

REASONS FOR AND BENEFITS OF THE REVISED CAPS

The Group is an integrated IT service provider with services covering ERP , taxation, telecommunication, finance, e-government, software outsourcing sectors. By entering into the Supplemental Agreement, the Group can fulfil the expected increase in the sale volume in the Venezuela market in 2010 due to the Board's decision on the Group's discontinuation of the business in the above market.

The Directors consider that the Supplemental Agreement is entered into in the usual and ordinary course of business of the Group and on normal commercial terms and the terms of the Supplemental Agreement together with the revised annual caps of the Supply Transactions are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

NON-COMPETITION FROM IPG

In order to clearly delineate the business of Inspur Group and the Group, it was agreed between the Inspur Group and the Group that the trading of computers to market outside the PRC will be conducted by the Group (the "Overseas Computers Trading Business) and the Inspur Group will not sell computers in the market outside the PRC. The export and distribution of computers to the Venezuela market is an exception to the above delineation of geographical market and such arrangement was determined at the level of cooperation between the PRC and Venezuela governments. On 8 April 2004, IPG has entered into a deed of non-competition of undertaking (which was later supplemented by the supplemental deed entered into on 20 August 2008) which provided that IPG will not and IPG will procure none of its subsidiaries and any of its associates (other than the Group) be interested in any company or engaged or otherwise be involved in any business which is being carried on or will be carried on by any member of the Group : (i) relating to distribution, reselling and sourcing of computer components; (ii) Overseas Computers Trading (save for the export and distribution of computers to the Venezuela market), computer components, computer products; and (iii) the software related business of the Group (collectively, "Restricted Business"), in Hong Kong, Taiwan and the PRC or any other regions where the Group is engaged in and undertakes the Restricted Business. After the Group discontinues the business of sale of IT hardware products to Venezuela market, Inspur Group will source and purchase the computers from other suppliers for Venezuela Market to continue its fulfillment of its contractual commitment.

IMPLICATION UNDER THE LISTING RULES

IPG is a company established in the PRC and through its wholly owned subsidiary, Inspur Electronics (HK) Limited, being the controlling shareholder of the Company, is interested in approximately 35.92% of the issued share capital of the Company. Under the Listing Rules, IPG is a connected person of the Company and the transactions contemplated under the Supplemental Agreement constitute continuing connected transactions of the Company. IPG's principal activity is investment holding. As the aggregate of the revised annual cap amounts of the Supply Transactions under the Supplemental Agreement are expected to exceed the thresholds set out in Rule 14A.34 of the Listing Rules, the Supply Transactions with the revised annual caps will be subject to the reporting, announcement and Independent Shareholders' approval requirements pursuant to Rules 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.

GENERAL

The Company will seek the approval by the Independent Shareholders by way of a poll in the EGM of the Supplemental Agreement and the proposed revised annual cap amounts in relation to the Supply Transactions for the two financial years ending 31 December 2011.

An independent board committee comprising the independent non-executive Directors will be formed to advise the Independent Shareholders on the terms of the Supplemental Agreement and an independent financial adviser will be appointed to advise the independent board committee in respect of the terms of the Supplemental Agreement and the revised cap amounts in relation to the Supply Transactions.

A circular containing, among other things, further information about the Supplemental Agreement and the revised annual cap amounts, the letter from the independent financial adviser to the independent board committee and the Independent Shareholders and the recommendation from the independent board committee together with the notice of the EGM will be dispatched to the Shareholders in accordance with the Listing Rules.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions having 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 ordinary 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
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened and held for the approving, amongst other things, the Supplemental Agreement, the revised annual caps of the Supply Transactions and transactions contemplated thereunder
“Framework Agreement”	the agreement dated 12 January 2009 between the Company and the IPG in relation to five categories of continuing connected transactions (including without limitation the Supply Transactions)
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Shareholders”	Shareholders other than IPG and its associates
“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 subsidiary, Inspur Electronics (HK) Limited, being the controlling shareholder of the Company, interested in approximately 35.92% of the existing issued ordinary of the Company

“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China
“Preferred Shares”	237,978,957 series A senior redeemable convertible voting preferred shares of HK\$0.01 each in the share capital of the Company attached with rights of conversion to 1,175,097,193 Shares
“Share(s)”	ordinary share(s) of HK\$0.002 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s) and the Preferred Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supplemental Agreement”	the conditional supplemental agreement to the Framework Agreement dated 7 June 2010 between IPG and the Company in relation to revision of the annual cap amounts of the Supply Transactions for the two years ending 31 December 2011
“Supply Transactions”	transactions in relation to supply and provision of products and services by the Group to the Inspur Group under the Framework Agreement (as supplemented by the Supplemental Agreement)
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“%”	per cent

By Order of the Board
Inspur International Limited
Sun Pishu
Chairman

Hong Kong, 7 June 2010

As at the date of this announcement, the Board comprised Mr. Sun Pishu, Mr. Wang Xingshan, Mr. Chen Dongfeng and Mr. Dong Hailong as executive Directors, and Mr. Meng Xiang Xu, Mr. Liu Ping Yuan and Mr. Wong Lit Chor, Alexis as independent non-executive Directors.

** For identification purpose only*