
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

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 transferee or the licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or 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)

CONTINUING CONNECTED TRANSACTIONS:

**(I) EXTENSION OF TERM FOR THE FRAMEWORK
FINANCIAL SERVICES AGREEMENT;**

**(II) EXTENSION OF TERM AND REVISION OF THE ANNUAL CAPS
FOR THE SUPPLY TRANSACTIONS; AND**

**(III) EXTENSION OF TERM AND REVISION OF THE ANNUAL CAPS
FOR THE PURCHASE TRANSACTIONS AND THE COMMON
SERVICES TRANSACTIONS**

AND

NOTICE OF EXTRAORDINARY GENERAL MEETING

**Independent Financial Adviser to the Independent Board Committee
and the Independent Shareholders**



瓏盛資本有限公司
Draco Capital Limited

A letter from the Board is set out on pages 6 to 28 of this circular. The recommendation of the Independent Board Committee to the Independent Shareholders is set out on pages 29 to 30 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 31 to 66 of this circular.

A notice convening the Extraordinary General Meeting (“EGM”) of **Inspur International Limited** to be held at Meeting Room no. 315, S06 Langchao Science Park, No. 1036, Lang-Chao Road, High-tech Zone, Jinan, Shandong, the PRC on Friday, 16 September, 2022 at 10:00 a.m. is set out on pages EGM-1 to EGM-3 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.

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.

31 August 2022

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DEFINITIONS

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

“2019 Framework Leasing Agreement”	the framework leasing agreement entered into between Inspur Mingda and IPG (for itself and on behalf of the other members of Inspur Group) on 31 December 2019, pursuant to which Inspur Mingda (as the lessor) agrees to provide property leasing and management facilities to Inspur Group (as the lessee) in relation to the leasing of office premises at the Building owned by Inspur Mingda
“2020 Framework Agreement”	the framework agreement dated 31 December 2020 between the Company and the IPG in relation to the Continuing Connected Transactions for the three financial years ending 31 December 2023
“2020 Framework Financial Services Agreement”	the framework financial services agreement entered into between the Company with Inspur Finance on 27 February 2020
“Agreements”	collectively, the Framework Financial Services Agreement, the Third Supplemental Agreement and the Supplemental 2020 Framework Agreement
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Building”	S01 Scientific Research Activities Building* (浪潮科技園S01 科研樓), a building located in Jinan City, Shandong Province, the PRC
“Chief Financial Officer”	chief financial officer of the Company
“Company”	Inspur International Limited (浪潮國際有限公司), a company incorporated in the Cayman Islands with limited liability, whose Shares are listed and traded on the main board of the Stock Exchange (Stock Code: 596)
“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 2020 Framework Agreement
“connected person(s)”	has the meaning ascribed to it under the Listing Rules

DEFINITIONS

“Continuing Connected Transactions”	the continuing connected transactions of the Company under the Supplemental 2020 Framework Agreement, comprising the Purchase Transactions and the Common Services Transactions
“controlling shareholder”	has the meaning ascribed to it under the Listing Rules
“Deposit Services”	the deposit services to be provided by Inspur Finance to the Group under the Framework Finance Services Agreement
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened and held on Friday, 16 September 2022 for the Independent Shareholders to consider and, if thought fit, to approve (i) the Framework Financial Services Agreement; (ii) the Third Supplemental Agreement; and (iii) the Supplemental 2020 Framework Agreement, and the transactions contemplated respectively thereunder (including the respectively proposed annual caps)
“Framework Agreement”	the framework agreement dated 9 May 2018 between the Company and IPG in relation to the Supply Transactions for the three financial years ending 31 December 2020
“Framework Finance Services Agreement”	the agreement entered into between the Company and Inspur Finance on 28 July 2022, pursuant to which Inspur Finance will provide several categories of financial services to the Group
“Framework Leasing Agreement”	the framework leasing agreement to be dated 28 July 2022 between the Company and IPG, pursuant to which Inspur Mingda (as the lessor) agrees to provide property leasing and management facilities to IPG (as the lessee) in relation to the leasing of office premise at the Building owned by Inspur Mingda
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“HKD”	Hong Kong dollar, the lawful currency of Hong Kong

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“Independent Board Committee”	an independent committee of the Board, comprising all of the independent non-executive Directors, established by the Company to advise the Independent Shareholders in respect of (i) the Framework Financial Services Agreement; (ii) the Third Supplemental Agreement; and (iii) the Supplemental 2020 Framework Agreement, and the transactions contemplated respectively thereunder (including the respectively proposed annual caps)
“Independent Financial Adviser”	Draco Capital Limited, a corporation licensed to carry on Type 6 (advising on corporate finance) regulated activity under the SFO
“Independent Shareholders”	Shareholders who are not required to abstain from voting on the relevant resolutions at the EGM due to their material interests in the transactions contemplated under (i) the Framework Financial Services Agreement; (ii) the Third Supplemental Agreement; and (iii) the Supplemental 2020 Framework Agreement, and the transactions contemplated respectively thereunder (including the respectively proposed annual caps)
“Independent Third Party(ies)”	party(ies) not connected with any of the Directors, chief executive, substantial shareholders of the Company or any of its subsidiaries or any of their respective associates
“Inspur Finance”	Inspur Group Finance Limited (浪潮集團財務有限公司*), a limited company incorporated in PRC and directly non-wholly owned by IPG
“Inspur Group”	IPG and its subsidiaries (other than the Group), unless otherwise specified
“Inspur Mingda”	Jinan Inspur Mingda Information Technology Limited* (濟南浪潮銘達信息科技有限公司), which is a company incorporated in the PRC and is a wholly-owned subsidiary of the Company
“IPG”	Inspur Group Limited* (浪潮集團有限公司), a company established in the PRC with limited liability and through its wholly owned subsidiaries being the controlling shareholder of the Company, interested in approximately 54.44% of the existing issued ordinary shares of the Company
“Latest Practicable Date”	29 August 2022, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained in this circular

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“Loan Facility Services”	the loan facility services to be provided by Inspur Finance to the Group under the Framework Finance Services Agreement
“Listing Rules”	the Rules Governing the Listing of Securities on Stock Exchange
“Other Financial Services”	other financial services such as adviser services, consulting services and agency services, etc. to be provided by Inspur Finance to the Group under the Framework Finance Services Agreement
“PRC” or “China”	the People’s Republic of China which, for the purposes of this circular, excludes the Hong Kong Special Administrative Region, the Macau Special Administrative Region and Taiwan
“Purchase Transactions”	transactions in relation to purchase of IT products by the Group from the Inspur Group under the Supplemental 2020 Framework Agreement
“RMB”	Renminbi, the lawful currency of the PRC
“Second Supplemental Agreement”	the second supplemental agreement to the Framework Agreement entered into by the Company and IPG dated 3 September 2020 in relation to the Supply Transactions
“Settlement Services”	The settlement related services to be provided by Inspur Finance to the Group under the Framework Finance Services Agreement
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of HKD0.01 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
“Supplemental 2020 Framework Agreement”	the supplemental agreement to the 2020 Framework Agreement entered into by the Company and IPG dated 28 July 2022 in relation to the Continuing Connected Transactions
“Supply Transactions”	transactions in relation to supply and provision of products and services by the Group to the Inspur Group under the Third Supplemental Agreement

DEFINITIONS

“Third Supplemental Agreement” the third supplemental agreement to the Framework Agreement entered into by the Company and IPG dated 28 July 2022 in relation to the Supply Transactions

“%” per cent

* *For identification purposes only*



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. Wang Yusen

Mr. Cui Hongzhi

Non-executive Director

Ms. Li Chunxiang

Independent non-executive Directors

Mr. Wong Lit Chor, Alexis

Ms. Zhang Ruijun

Mr. Ding Xiangqian

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***

Flat B&C, 30/F.

Tower A, Billion Centre

1 Wang Kwong Road

Kowloon Bay

Kowloon

Hong Kong

31 August 2022

To the Shareholders

Dear Sir/Madam,

**CONTINUING CONNECTED TRANSACTIONS:
(I) EXTENSION OF TERM FOR THE FRAMEWORK
FINANCIAL SERVICES AGREEMENT;
(II) EXTENSION OF TERM AND REVISION OF THE ANNUAL CAPS
FOR THE SUPPLY TRANSACTIONS; AND
(III) EXTENSION OF TERM AND REVISION OF THE ANNUAL CAPS
FOR THE PURCHASE TRANSACTIONS AND THE COMMON
SERVICES TRANSACTIONS
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

INTRODUCTION

Reference is made to the Company's announcement dated 28 July 2022 in relation to, amongst other things, the renewal and extension of terms, and/or the revision of the relevant annual caps (where applicable) for the transactions contemplated under the Framework Leasing Agreement,

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Framework Financial Service Agreement, the Third Supplemental Agreement, and the Supplemental 2020 Framework Agreement respectively, which are existing continuing connected transactions of the Company and the Agreements (i.e. Framework Financial Services Agreement, the Third Supplemental Agreement, and the Supplemental 2020 Framework Agreement) are subject to the reporting, annual review, announcement, circular and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The purposes of this circular are to provide you with, amongst other things, (i) further details of the Agreements (i.e. Framework Financial Services Agreement, the Third Supplemental Agreement, and the Supplemental 2020 Framework Agreement) and the respectively proposed annual caps; (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders in respect of the Agreements and the respectively proposed annual caps; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Agreements and the respectively proposed annual caps; and (iv) the notice of the EGM and other information as required under the Listing Rules.

(I) RENEWAL OF FRAMEWORK FINANCIAL SERVICES AGREEMENT

With reference made to the announcement of the Company dated 27 February 2020 in relation to, amongst other things, the 2020 Framework Financial Services Agreement, Inspur Finance agreed to provide several categories of financial services including Deposit Services, Loan Facility Services, Settlement Services, and Other Financial Services on a non-exclusive basis to the Group. As the 2020 Framework Financial Services Agreement has a term of three years and expires on 31 December 2022, the Board proposes to renew the 2020 Framework Financial Services Agreement and that the Company shall enter into the new Framework Financial Services Agreement for a term of three years commencing on 1 January 2023 and ending on 31 December 2025 with Inspur Finance.

PRINCIPLE TERMS OF THE FRAMEWORK FINANCIAL SERVICES AGREEMENT

Date:

28 July 2022

Parties:

- (a) the Company; and
- (b) Inspur Finance

Under the Framework Financial Services Agreement, Inspur Finance will provide Deposit Services, Loan Facility Services, Settlement Services, and Other Financial Services to the Group. The Framework Financial Services Agreement will come into effect upon all necessary consent and approval having been obtained by the parties (including the Independent Shareholders' approval of the Company at the EGM).

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Deposit Services

With Inspur Finance ensuring the safety of the deposit fund, the Company has opened a deposit account with Inspur Finance and placed time deposit or demand deposit into the account. The deposit interest rates offered by Inspur Finance to the Group shall be benchmarked against the deposit interest rates promulgated by the People's Bank of China from time to time and the deposit interest rates offered by six major cooperative commercial banks of the Group, namely Industrial and Commercial Bank of China, China Construction Bank, Bank of Communication, Agricultural Bank of China, Bank of China and China Merchants Bank (the "**Comparable Banks**") in the same period and of the same type. The finance department of the Group will review and compare the deposit interest rates offered by the People's Bank of China and the Comparable Banks and then report to Chief Financial Officer in a quarterly manner, and the Company will negotiate with Inspur Finance to determine the deposit interest rates at a level not lower than the highest among these benchmark deposit interest rates.

The deposit interest rates offered by Inspur Finance is expected to be in the range of 1.54% to 3.50% per annum for fixed deposit and 1.61% per annum for agreed deposit, the level of which is in line with the existing deposit interest rates offered by other PRC commercial banks.

Existing Annual Caps

The existing annual caps in respect of the maximum daily deposit balance (including any interest accrued therefrom) with Inspur Finance under the Deposit Services pursuant to the 2020 Framework Financial Services Agreement is as follows:

Period	Deposit amount <i>(RMB'000)</i>
From the effective date of the 2020 Framework Financial Services Agreement to 31 December 2020	500,000
From 1 January 2021 to 31 December 2021	500,000
From 1 January 2022 to 31 December 2022	500,000

Historical Transaction Amounts

The historical transaction amounts relating to the previous Deposit Services, being the maximum daily deposit balance (including any interest accrued therefrom) with Inspur Finance, are approximately:

(All amounts in RMB'000)	From the effective date of the 2020 Framework Financial Services Agreement to 31 December 2020	Year ended 31 December 2021	For the six months ended 30 June 2022
Deposit Services (maximum daily deposit balance)	494,207	498,574	495,197

LETTER FROM THE BOARD

The Directors confirm that the annual cap in respect of the maximum daily deposit balance (including any interest accrued therefrom) with Inspur Finance under the Deposit Services pursuant to the 2020 Framework Financial Services Agreement for the year ending 31 December 2022 has not been exceeded as at the Latest Practicable Date.

Proposed Annual Caps

The proposed annual caps in respect of the maximum daily deposit balance (including any interest accrued therefrom) with Inspur Finance under the Deposit Services for the extended period contemplated under the Framework Financial Services Agreement remains the same as those during the period between the effective date of the 2020 Framework Financial Services Agreement to 31 December 2022 contemplated under the 2020 Framework Financial Services Agreement, which is as follows:

Period	Transaction amount <i>(RMB'000)</i>
From 1 January 2023 to 31 December 2023	500,000
From 1 January 2024 to 31 December 2024	500,000
From 1 January 2025 to 31 December 2025	500,000

The above proposed caps in respect of Deposit Services were determined after taking into account of, *inter alia*, the historical transaction amounts and expected net cash flow from operating activities of the Group in the next three years.

The cash and cash equivalent of the Group for the financial year ended 31 December 2020 and 31 December 2021 and six months ended 30 June 2022 amounted to HK\$1,033,672,000, HK\$1,266,356,000 and HK\$1,102,128,000 respectively. The net cash flow generated from operating activities of the Group is expected to grow in the coming three years as the business scale of management software, cloud services, and internet of things will continue to expand, which will increase the demand for deposit services.

(i) Cash and cash equivalent of the Group:

the cash and cash equivalent of the Group increased by approximately 22.51% from approximately HK\$1,033,672,000 for the year ended 31 December 2020 to HK\$1,266,356,000 for the year ended 31 December 2021. The level of cash and cash equivalent of the Group during the period remains higher than the proposed annual caps for the Deposit Services;

(ii) Net cash generated from operating activities:

the Group's net cash generated from operating activities increased by approximately 26.44% from approximately HK\$84,084,000 for the year ended 31 December 2020 to approximately HK\$106,312,000 for the year ended 31 December 2021;

(iii) Historical deposit interest rates:

it is anticipated that the interest income generated under the Deposit Services would increase as compared to that generated from other commercial banks in PRC, which attracts the Group into depositing more cash with Inspur Finance; and

LETTER FROM THE BOARD

(iv) Expected cash flow:

it is anticipated that the cash flow movement of the Group for the three years ending 31 December 2025 will be increased having considered the business operations needs and expected development of the Group.

Having considered the above factors, the Group will deposit a portion of its cash balance with Inspur Finance with a view to secure a balance of risk management and liquidity management practices, and on the other hand, maximizing the benefit from higher deposit interest rates. The Board of Directors (including the independent non-executive Directors) is of the view that the proposed annual caps for the Deposit Services would be sufficient to meet its business needs and the level of which to be fair and reasonable.

Loan Facility Services

Inspur Finance will provide Loan Facility Services to the Group from time to time under the Loan Facility Services. The aggregate outstanding amount under the Loan Facility Services shall not be more than RMB500,000,000 and the interest rates shall not be higher than those charged by the major PRC commercial banks at the same period. Since the loan facility to be provided by Inspur Finance to the Company are on normal commercial terms which are similar to or even more favourable than those offered by other major commercial banks in the PRC, and that no security over the assets of the Company will be granted in respect of the loan services, the loan services are exempt under Rule 14A.90 of the Listing Rules from all reporting, announcement and Independent Shareholders' approval requirements.

The Directors (including the independent non-executive Directors) consider that the Loan Facility Services to be provided under the Financial Services Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Settlement Services

Inspur Finance shall, at the request of the Group, provide payment and collection settlement services and related settlement services to the Group. The settlement fees to be charged by Inspur Finance shall not be higher than the charging rate (i) for the similar settlement services published by the People's Bank of China at the same period; or (ii) for most PRC commercial banks for providing similar services at the same period.

The Company expects that each of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) of the settlement fees payable by the Group to Inspur Finance for the provision of the Settlement Services under the Framework Financial Services Agreement will fall within the de minimis threshold (i.e. less than 0.1%) as stipulated under Rule 14A.76(1) of the Listing Rules. The Company will comply with the reporting, announcement and Independent Shareholders' approval requirements (where applicable) under Chapter 14A of the Listing Rules if the fees payable by the Group to Inspur Finance for the provision of the Settlement Services under the Financial Services Agreement exceed the relevant de minimis threshold.

Other Financial Services

Apart from the Deposit Services, Loan Facility Services, and Settlement Services, Inspur Finance shall from time to time, at the request of the Group, provide other financial services (including without limitation the adviser services, consulting services and agency services, etc.)

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which fall within the business scope of Inspur Finance. The service fees to be charged by Inspur Finance shall not be higher than the charging rate (i) for the similar settlement services published by the People's Bank of China at the same period; or (ii) for most PRC commercial banks for providing similar financial services at the same period.

The Company expects that each of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) of the fees payable by the Group to Inspur Finance for the provision of the Other Financial Services under the Framework Financial Services Agreement will fall within the de minimis threshold (i.e. less than 0.1%) as stipulated under Rule 14A.76(1) of the Listing Rules. The Company will comply with the reporting, announcement and Independent Shareholders' approval requirements (where applicable) under Chapter 14A of the Listing Rules if the fees payable by the Group to Inspur Finance for the provision of Other Financial Services under the Financial Services Agreement exceed the relevant de minimis threshold.

It is expected that the range of service fees charged by Inspur Finance on the Other Financial Services will be in line with the rates offered by the People's Bank of China and other PRC commercial banks. The aggregate service fees charged by Inspur Finance under the Other Financial Services shall be not more than RMB2,000,000 per year.

The Board is of the view that the Settlement Services and the Other Financial Services shall not be aggregated on the basis that although both of the Settlement Services and the Other Financial Services involve payment from the Group to Inspur Finance, the nature of services provided under the Settlement Services and the Other Financial Services are substantially different from one another. The Settlement Services involve clearing and settlement of receivables and payables with third party through Inspur Finance whereas the Other Financial Services involve rendering of advisory and financial services other than placing deposit, providing loan facility and any form of settlement services.

INTERNAL CONTROL MEASURES ON THE FRAMEWORK FINANCIAL SERVICES AGREEMENT

Regarding the Framework Financial Services Agreement, the (a) interest rates for (i) the Deposit Services; and (ii) the Loan Facility Services; and (b) fees for (i) the Settlement Services; and (ii) the Other Financial Services are arrived at after considering the interest rates and service fees charged or offered by other independent commercial banks or financial institutions in PRC for provision of similar services.

The Company has adopted the following monitoring and internal control measures to monitor the pricing standard and ensure the terms of the Framework Financial Services Agreement are fair and reasonable:

1. Day-to-day management by the finance department of the Company:

The finance department of the Company is responsible for the day-to-day management of the financial services contemplated under the Framework Financial Services Agreement, including but not limited to:

- (a) preparing, adjusting and disseminating of budget for the financial services provided under the Framework Financial Services Agreement;

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- (b) supervising, reviewing and assessing the pricing standard, execution and implementation of the financial services provided under the Framework Financial Services Agreement;
- (c) comparing interest rates for deposit and loan facilities, and the fees for settlement services and other financial services quoted from Inspur Finance with the terms from the Comparable Banks to ensure that the most favourable terms are obtained from Inspur Finance;
- (d) reviewing the market interest rates on a monthly basis with respect to the Deposit Services and Loan Facility Services;
- (e) reviewing the service fees quotations for the Settlement Services and the Other Financial Services on a monthly basis; and
- (f) monitoring the balance of the deposits placed with Inspur Finance on a daily basis to ensure the maximum daily deposit balance will not exceed the proposed annual caps for the Deposit Services. The Company will put into place a threshold reporting system under which Inspur Finance will be required to alert the finance department of the Company upon the amount of bank deposit reaching the threshold of RMB1,000,000 or its multiple. In the event that the finance department anticipates that the balance of the deposits placed with Inspur Finance will exceed the proposed annual caps for the Deposit Services, the Group will not deposit further amount with Inspur Finance so as to ensure the deposits placed with Inspur Finance will not exceed the existing annual cap or the proposed annual cap under the Deposit Services, as provided under the 2020 Framework Financial Services Agreement or the Framework Financial Services Agreement.

2. Annual Review by the Independent non-Executive Directors and the Auditor

The Group will also comply with the annual review requirements in respect of the transactions contemplated under the Framework Financial Services Agreement in accordance with Chapter 14A of the Listing Rules by adopting the following measures:

- (A) the independent non-executive Directors shall annually review the transactions contemplated under the Framework Financial Services Agreement, and confirm in the Company's annual report that those transactions have been entered into (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms and in any event, no less favourable than the price offered to the Group by Independent Third Parties; and (iii) in accordance with the Framework Financial Services Agreement, and those terms being fair, reasonable, and in the interests of the Company and the Shareholders as a whole; and
- (B) the Company's auditor shall be engaged to annually report on the transactions contemplated under the Framework Financial Services Agreement and provide a letter to the Board that nothing has come to their attention that causes them to believe that those transactions (i) have not been approved by the Board; (ii) were not, in material respects, consistent with the pricing policies adopted for the Supply Transactions;

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(iii) were not entered into, in material respects, in accordance with the Framework Financial Services Agreement; and (iv) exceeded the proposed annual caps for the services provided by Inspur Finance under the Framework Financial Services Agreement.

By adopting the policy set out above, the Directors (including the independent non-executive Directors) consider that the Company has sufficient internal control and procedures to ensure that (i) the interest rate payable for the Company's deposits shall not be lower than the highest deposit interest rates offered by the People's Bank of China and the Comparable Banks in the same period and of the same type; and (ii) the interest rates for Loan Facility Services and the fees for the Settlement Services and Other Financial Services to be charged by Inspur Finance shall not be higher than those charged by the People's Bank of China and other commercial banks for providing comparable services in the PRC; and (iii) the financial services under the Framework Financial Services Agreement and the transactions contemplated thereunder are conducted on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

REASONS FOR AND BENEFITS OF ENTERING INTO THE FRAMEWORK FINANCIAL SERVICES AGREEMENT

Before entering into the Framework Financial Services Agreement as a renewal to the 2020 Framework Financial Services Agreement, the Board has considered the following reasons and benefits:

1. The interest rates on deposits and loans under the Deposit Services and the Loan Facility Services, and the service fees for the Settlement Services and the Other Financial Services to be offered by Inspur Finance to the Group will be equal to or more favourable than those offered by other independent commercial banks in the PRC in respect of comparable services;
2. The Company is expected to benefit from Inspur Finance's better understanding of the operations of the Group, which will allow more expedient and efficient services than those rendered by other PRC independent commercial banks. For example, in the event that the Company considers that it is necessary to obtain loans from Inspur Finance in view of its actual business and financial needs, it is expected that the time required for the examination and approval of such loans will be shorter than that required by other PRC independent commercial banks; and
3. By entering into the Framework Financial Services Agreement, the Company will be able to centralise its control and management over its financial resources, and therefore improve the utilisation and efficiency of fund usage. It can also accelerate the turnover of funds and reduce transaction costs and expenses, thereby further enhancing the amount and efficiency of funds utilisation.

While the continuous engagement of Inspur Finance for its financial services by entering into the Framework Financial Services Agreement may seem to confine the Company's options of financial service providers, the cooperation between the Company and Inspur Finance under the Framework Financial Services Agreement is on non-exclusive basis with no restrictions on the Company's options to engage other financial service providers. Inspur Finance will be engaged when the interest rates offered or the service fees charged by Inspur Finance are equivalent to or not less favorable than those offered by the People's Bank of China, the Comparable Banks or other independent commercial banks

LETTER FROM THE BOARD

in the PRC. Taking into account different factors such as interest rates or service fees (where applicable), the Company may engage other financial service providers where the board and the management see fit. Therefore, the entering into the Framework Financial Services Agreement allows the Company to access to one additional financial service provider and encourage other financial service providers to offer more competitive terms to the Group.

In view of the above, the Directors (including the independent non-executive Directors, whose view is expressed in the Letter from the Independent Board Committee contained in this circular, after taking into account the advice from the Independent Financial Adviser) are of the view that the terms of the Framework Financial Services Agreement (including the proposed annual caps and the services to be provided thereunder) are fair and reasonable and the Framework Financial Services Agreement is entered into on normal commercial terms, and on terms no less favourable than those available from Independent Third Parties under the prevailing local market conditions, in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole.

None of the Directors has any material interest in the transaction contemplated under the Framework Financial Services Agreement or is required to abstain from voting on the Board resolutions for considering and approving the Framework Financial Services Agreement and the transactions contemplated thereunder.

IMPLICATIONS UNDER THE LISTING RULES FOR THE FRAMEWORK FINANCIAL SERVICES AGREEMENT

As at the Latest Practicable Date, IPG, is the a controlling shareholder of the Company, is interested in approximately 54.44% of the issued share capital of the Company, and is thus a connected person of the Company for the purposes of the Listing Rules. As at the Latest Practicable Date, IPG is directly holding 60% of the equity interests of Inspur Finance, and therefore Inspur Finance is a direct subsidiary of IPG and an associate of IPG under Chapter 14A of the Listing Rules. Accordingly, the transactions contemplated under the Framework Financial Services Agreement will constitute continuing connected transactions for the Company pursuant to Chapter 14A of the Listing Rules.

Deposit Services

The transactions under the Deposit Services will constitute financial assistance to be provided by the Group to a connected person. As one or more of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the Deposit Services exceed 5%, the Deposit Services and the transactions contemplated thereunder (including the proposed annual caps) are subject to the reporting, announcement, annual review, circular and Independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

Loan Facility Services

The transactions under the Loan Facility Services will constitute financial assistance to be received by the Group from a connected person. As the Loan Facility Services is conducted on normal commercial terms or better and it is not secured by the assets of the Group, the transactions under the Loan Facility Services is fully exempted from the Independent Shareholders' approval, annual review and all disclosure requirements under Rule 14A.90 of the Listing Rules.

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Settlement Services

The Company expects that each of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) of the fees payable by the Company to Inspur Finance in respect of the provision of Settlement Services under the Framework Financial Services Agreement will fall within the de minimis threshold of less than 0.1% as stipulated under Rule 14A.76(1) of the Listing Rules and therefore is fully exempt from independent shareholders' approval, annual review and all disclosure requirements under Chapter 14A of the Listing Rules.

Other Financial Services

The Company expects that each of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) of the fees payable by the Company to Inspur Finance in respect of the provision of Other Financial Services under the Framework Financial Services Agreement will fall within the de minimis threshold of less than 0.1% as stipulated under Rule 14A.76(1) of the Listing Rules and therefore is fully exempt from independent shareholders' approval, annual review and all disclosure requirements under Chapter 14A of the Listing Rules.

The Company will, if necessary, comply with the reporting, announcement and Independent Shareholders' approval requirements (where applicable) under Chapter 14A of the Listing Rules if the fees payable by the Company to Inspur Finance for the provision of the Settlement Services and the Other Financial Services under the Financial Services Agreement exceed the relevant de minimis threshold.

The Company will also disclose the relevant details of the Framework Financial Services Agreement in its next published annual report and accounts in accordance with the relevant requirements as set out in Rule 14A.49 of the Listing Rules.

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, no Director has a material interest in the transactions contemplated under the Framework Financial Services Agreement and there are no common directors between the Company and IPG. Meanwhile, no Director has any interests in IPG which would lead to any material interest of such Director in the transactions contemplated under the Framework Financial Services Agreement. Therefore, no Director was required to abstain from voting on the Board resolutions of the Company for considering and approving the Framework Financial Services Agreement and the transactions contemplated thereunder.

(II) EXTENSION OF THE TERM AND REVISION OF THE ANNUAL CAPS OF THE SUPPLY TRANSACTIONS

Reference is made to the Company's announcement dated 3 September 2020 in relation to, amongst other things, the entering into of the Second Supplemental Agreement to the Framework Agreement between the Company and the IPG regarding the Supply Transactions.

Pursuant to the Second Supplemental Agreement, the Company and IPG agreed to (i) extend the term of the Supply Transactions for a further two years from 31 December 2020 to 31 December 2022; and (ii) revise the annual caps of the Supply Transactions to RMB105,000,000 for the three financial years ending 31 December 2020, 31 December 2021 and 31 December 2022.

LETTER FROM THE BOARD

As it is expected that the transaction amounts of the Supply Transactions will increase and the parties will continue to conduct the Supply Transactions beyond 31 December 2022 due to demand for new management software business and the forecast for service outsourcing business, the Company and IPG (for itself and on behalf of the other members of the Inspur Group) entered into the Third Supplemental Agreement on 28 July 2022 to (i) extend the term of providing the Supply Transactions for a further two years from 31 December 2022 to 31 December 2024; and (ii) revise the annual caps of the Supply Transactions to RMB360,000,000, RMB439,200,000 and RMB570,960,000 for the three financial years ending 31 December 2022, 31 December 2023 and 31 December 2024 respectively.

SUPPLY TRANSACTIONS

Types of services

The Group supplies and provides the Inspur Group from time to time with software and cloud services including software outsourcing, enterprise resource management software and those software developed by the Group.

Pricing Policy and other terms

The Group supplies software and cloud services to the Inspur Group. The actual terms and conditions of such services to be provided by the Group are subject to individual orders placed by the Inspur Group. The parties have agreed that:

- (a) the supply of such software and cloud services by the Group to the Inspur Group shall be on normal commercial terms;
- (b) the service fees of such services or the prices of software to be supplied or provided by the Group will be agreed between the parties by reference to the prices of such 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 of such services which are less favourable than those agreed between any member of the Group and its Independent Third Party customers for such services.

Payment terms

The Group gives two-month credit period for the Inspur Group to settle the service fees charged for the software and cloud services rendered. Such credit period is a common industry practice for services provision of the similar nature, and is therefore, on normal commercial terms and no more favourable than that offered to Independent Third Parties.

LETTER FROM THE BOARD

Existing Annual Caps

According to the Framework Agreement and the Second Supplemental Agreement, the annual cap amount in relation to the Supply Transactions for the three financial years ending 31 December 2020, 2021 and 2022 is RMB105,000,000.

Historical Transaction Amounts

The historical transaction amounts relating to the Supply Transactions are approximately:—

(All amounts in RMB'000)	Year ended 31 December 2020	Year ended 31 December 2021	For the six months ended 30 June 2022
Supply Transactions	98,586	101,090	86,745

The actual transaction amount of the Supply Transactions provided under the Framework Agreement and the Second Supplemental Agreement between January to June 2022 was RMB86,745,000. It is expected that the total transaction amount of the Supply Transactions for the year ending 31 December 2022 may exceed the annual cap for the year ending 31 December 2022 as provided under the Second Supplemental Agreement.

The Directors confirm that the annual cap of the Supply Transactions provided under the Framework Agreement for the year ending 31 December 2022 has not been exceeded as at the Latest Practicable Date.

PROPOSED ANNUAL CAPS

The proposed annual caps under the Third Supplemental Agreement are:

(All amounts in RMB'000)	Year ending 31 December 2022	Year ending 31 December 2023	Year ending 31 December 2024
Supply Transactions	360,000	439,200	570,960

The factors taken into account for the proposed annual caps to be revised under the Supply Transactions are elaborated under the paragraph headed “Reasons for and Benefits of Revising the Annual Caps of The Supply Transactions and Entering into The Third Supplemental Agreement”.

INTERNAL CONTROL MEASURES UNDER THE SUPPLY TRANSACTIONS

As a general principle as a supplier of software and services and pursuant to the Third Supplemental Agreement, the price or service fees to be charged on Inspur Group for the software supplied and cloud services rendered shall be no more favourable than the price offered by the Group to Independent Third Parties at the relevant times, and the transactions contemplated under the Supply Agreement shall be on normal commercial terms.

LETTER FROM THE BOARD

In order to safeguard the interests of the Company and the Shareholders as a whole, the Company has adopted the following measures to monitor the Supply Transactions between the Group and the Inspur Group pursuant to the Third Supplemental Agreement and to ensure that the transactions are conducted in accordance with the Third Supplemental Agreement:

- (I) sales department of the Company is responsible for contacting customers, entering into the contracts for services and maintaining records regarding the terms of those contracts;
- (II) sales department is also responsible to communicate with the operations department of the Company when a request of fee quotations is received; and the operations department, on top of its duty to determine market strategies such as pricing mechanisms, is responsible for the provision of such fee quotations on the services to be rendered, and with reference to the previous record for the same or similar services rendered, the prevailing pricing terms for the services and the duration of the services to be rendered, it may adjust the pricing and commercial terms accordingly for the staff in the sales department to negotiate with potential clients;
- (III) the finance department of the Company shall monitor monthly on the transaction amounts of the Supply Transactions, so as to ensure that the proposed annual caps for the Supply Transactions will not be exceeded;
- (IV) the finance department of the Company shall also monitor continuously the entire procedures (including but not limited to the fee quotation) by supervising, reviewing and assessing the pricing standard for the services to be rendered under the Supply Transactions, especially given that the Group has other customers, for comparison purposes, at least two comparable transactions that are entered into with Independent Third Parties and of similar subject matter to the relevant Supply Transactions will be taken into account when determining the prices, to ensure that the price of the software or service fees of the services to be supplied under the Supply Transactions are not more favourable than those of the same (or similar) software or services supplied to Independent Third Parties at the relevant times; and
- (V) the operations department will review and conduct internal audit to trace, monitor and evaluate the transaction amounts under the Supply Transactions on a monthly basis to ensure that the proposed annual caps under the Supply Transactions will not be exceeded.

In addition to the above, the Group will comply with the annual review requirements in respect of the transactions contemplated under the Third Supplemental Agreement in accordance with Chapter 14A of the Listing Rules by adopting the following measures:

- (A) the independent non-executive Directors shall annually review the transactions contemplated under the Third Supplemental Agreement, and confirm in the Company's annual report that those transactions have been entered into (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms and in any event, no more favourable than the price offered by the Group to Independent Third Parties; and (iii) in accordance with the Third Supplemental Agreement, and those terms being fair, reasonable, and in the interests of the Company and the Shareholders as a whole; and

LETTER FROM THE BOARD

- (B) the Company's auditor shall be engaged to annually report on the transactions contemplated under the Third Supplemental Agreement and provide a letter to the Board that nothing has come to their attention that causes them to believe that those transactions (i) have not been approved by the Board; (ii) were not, in material respects, consistent with the pricing policies adopted for the Supply Transactions; (iii) were not entered into, in material respects, in accordance with the Third Supplemental Agreement; and (iv) exceeded the proposed annual caps for the Supply Transactions.

By implementing the above measures, the Directors (including the independent non-executive Directors) consider that the Company has sufficient internal control and procedures to ensure that the pricing basis for the services to be rendered by the Group to the Inspur Group under the Third Supplemental Agreement will be in accordance with its terms, on normal commercial terms or no more favourable than those offered to the Independent Third Parties, the relevant pricing terms and payment terms being fair and reasonable, and in the interests of the Company and Shareholders as a whole.

REASONS FOR AND BENEFITS OF REVISING THE ANNUAL CAPS OF THE SUPPLY TRANSACTIONS AND ENTERING INTO THE THIRD SUPPLEMENTAL AGREEMENT

As a result of the increase in demand for the Company's management software and software outsourcing business, the transaction amount of the Supply Transactions provided under the Framework Agreement for the six months ended 30 June 2022 has reached an amount of approximately RMB86,745,000. The Company expects that the growth in demand for its management software and software outsourcing business will continue in the second half of 2022, since the Group (i) anticipates the businesses conducted under the Supply Transactions will reflect compensatory gain and revive in the second half of 2022 owing to the lifting of restrictive measures in respect of COVID-19 pandemic in the PRC; (ii) expects that the demand for smart office solutions such as cloud services to boom as different industries strive to adopt the same to manage their operations virtually and efficiently due to the impact of COVID-19, smart office solutions and software have become crucial to maintaining business operations and flexibility; and (iii) has already received five orders from the Inspur Group regarding the provision of services contemplated under the Supply Transactions, and those orders, which shall come into effect subject to the approval to be sought in the EGM from the Independent Shareholders, are large in scale and have their respective service fees to be billed on a time basis. In light of the above, the total transaction volume is estimated to be approximately RMB270,000,000 according to the operations department of the Company and correspondingly, the existing annual caps of the Supply Transactions for 2022 might not be sufficient for the expected transaction volume, therefore, the Company would like to revise the annual caps in respect of the Supply Transactions for the year ending 31 December 2022. The Company would also like to continue to conduct the Supply Transactions with Inspur Group for the two years ending 31 December 2023 and 2024, as the Company expects to see a continuing increase in demand for the Company's management software and software outsourcing business in 2023 and 2024.

The proposed revised annual caps of the Supply Transactions provided for the year ending 31 December 2022 and the proposed new annual caps of the Supply Transactions provided for the two years ending 31 December 2023 and 2024 are determined after taking into account the following factors and assumption: (i) recent historical transaction amount of the Supply Transactions; (ii) orders which have been fulfilled and sale orders on hand; and (iii) an expected annual growth rate of 30% (assuming that (a) the growth in revenue for the year ended 31 December 2021 will continue and be reflected in the Supply Transactions; and (b) the increase in Producer Price Index (a family of indices which measures and tracks the average change in selling prices of various goods and services provided by producers and suppliers) at approximately 9.38% for the 12-month period between 30 June 2021 and 30 June 2022 in the PRC will persist).

LETTER FROM THE BOARD

The Company's finance department provides guidance and advice to the Company's operation department on the amount incurred under the Supply Transactions each year. By monitoring the Supply Transactions, the finance department will analyse the implementation of the Supply Transactions monthly and ensure the compliance of the revised and new annual caps and the terms provided under the Third Supplemental Agreement.

Apart from the aforementioned revisions, all the terms under the Framework Agreement remain unchanged.

In view of the above, the Directors (including the independent non-executive Directors, whose view is expressed in the Letter from the Independent Board Committee contained in this circular, after taking into account the advice from the Independent Financial Adviser) are of the view that the Third Supplemental Agreement was entered into on normal commercial terms and in the ordinary and usual course of business of the Group, the terms of the Third Supplemental Agreement together with the transactions contemplated thereunder are fair and reasonable and in the interests of the Company and the Shareholders as a whole, and that the proposed annual caps for the Supply Transactions contemplated under the Third Supplemental Agreement are fair and reasonable.

None of the Directors has any material interest in the transactions contemplated under the Third Supplemental Agreement, and is required to abstain from voting on the Board resolutions for considering and approving the Third Supplemental Agreement and the transactions contemplated thereunder.

IMPLICATIONS UNDER THE LISTING RULES REGARDING THE REVISED AND NEW ANNUAL CAPS

IPG, being a controlling shareholder of the Company, is interested in approximately 54.44% of the issued share capital of the Company, and is thus a connected person of the Company for the purposes of the Listing Rules. Accordingly, the transactions contemplated under the Third Supplemental Agreement will constitute continuing connected transactions of the Company pursuant to Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratio under the Rule 14.07 of the Listing Rules in respect of the proposed revised and new annual cap of each of the Supply Transactions is expected to be more than 5%, the proposed revised and new annual caps of the Supply Transactions are subject to the reporting, announcement, annual review, circular, and Independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

(III) EXTENSION OF THE TERM AND REVISION OF THE ANNUAL CAPS OF THE FRAMEWORK AGREEMENT OF THE PURCHASE TRANSACTIONS AND THE COMMON SERVICES TRANSACTIONS WITH INSPUR GROUP LIMITED

Reference is made to the announcement of the Company dated 31 December 2020, in relation to, amongst other things, the 2020 Framework Agreement entered into between the Company and IPG relating to the Purchase Transactions and the Common Services Transactions (collectively, the "Continuing Connected Transactions") for the three financial years ending 31 December 2023.

LETTER FROM THE BOARD

The Board announces that, on 28 July 2022, the Company entered into a Supplemental 2020 Framework Agreement with IPG (for itself and on behalf of the other members of the Inspur Group) relating to the Purchase Transactions and Common Services Transactions to (i) extend the term for 1 year from ending on 31 December 2023 to 31 December 2024; and (ii) revise the annual caps of the Purchase Transactions and Common Services Transactions under the 2020 Framework Agreement.

BACKGROUND OF THE CONTINUING CONNECTED TRANSACTIONS

The Continuing Connected Transactions comprises the Purchase Transactions and the Common Services Transactions.

1. 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”, storage products and other accessories.

Pricing Policy 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 price per unit of such products supplied by Inspur Group to Independent Third Parties; and
- (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 the same or similar products and components.

Payment terms

The IPG gives one-month credit period similar to the credit period granting to other customers for the Group to settle the payment of the products and components after delivery (which is a common industry practice for payment in transactions of the similar nature, and is therefore, on normal commercial terms and no less favourable than that offered by Independent Third Parties). The Group will make the payment out of the Group’s internal resources.

LETTER FROM THE BOARD

2. Common Services Transactions

Services under the Common Services Transactions include services in respect of the use of premises and estate management to various members of the Group provided by IPG, the fees to be charged for the aforesaid services will be determined after arm's length negotiations with reference to, where applicable, the prevailing market price (taking into account the location of the premises, the scope of the services and the anticipated operation costs including but not limited to labour costs and administration costs), historical transaction amounts and the fees charged by IPG compared to such similar services provided by Independent Third Parties.

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.

EXISTING ANNUAL CAPS AND HISTORICAL AMOUNTS

Set out below are the historical transaction amounts of the Continuing Connected Transactions for the three years ended 31 December 2023 (with the relevant annual caps set out in brackets):

(All amounts in RMB'000)	Year ended 31 December 2021	Year ending 31 December 2022	Year ending 31 December 2023
Purchase Transactions	58,326 (65,000)	59,258 (transaction amount from January to June) (65,000)	(65,000)
Common Services Transactions	9,969 (10,000)	7,230 (transaction amount from January to June) (11,100)	(12,100)

PROPOSED ANNUAL CAPS

The proposed annual caps under the Supplemental Framework Agreement are:

(All amounts in RMB'000)	Year ending 31 December 2022	Year ending 31 December 2023	Year ending 31 December 2024
Purchase Transactions	320,000	416,000	540,800
Common Services Transactions	12,210	13,431	14,777

LETTER FROM THE BOARD

BASIS OF THE PROPOSED ANNUAL CAPS

1. Purchase Transactions

The following factors have been taken into account by the Company in determining the proposed annual caps for the Purchase Transactions: (a) the recent historical and the expected transaction amounts of the Purchase Transactions for the year ending 31 December 2022 (in view of which, the transaction amount for the six months ended 30 June 2022 was larger than that for the year ended 31 December 2021, and with expectation to grow continuously, the existing annual caps for the Purchase Transactions may be exceeded); (b) the Group's recent order to purchase no less than 3,400 hardware server, which shall come into effect subject to the approval to be sought in the EGM from the Independent Shareholders, is anticipated to have an transaction amount exceeding RMB100,000,000.00; (c) anticipates the businesses conducted under the Purchase Transactions will revive in the second half of 2022 owing to the compensatory gain with the expansion of operations of the Group; and (d) expects that the demand for various IT products and accessories pursuant to the Purchase Transactions to surge in light of the emphasis in the PRC to undergo industrial digital transformation, prompting the Group to accelerate the construction of information network infrastructure and utilise networking tools to enhance corporate connectivity.

2. Common Services Transactions

The following factors have been taken into account by the Company in determining the proposed annual caps for the Common Services Transactions: (a) the recent historical and the expected transaction amounts of the Common Services Transactions for the year ending 31 December 2022 (in view of which, the transaction amount for the six months ended 30 June 2022 had exceeded 70% of that for the year ended 31 December 2021, and with expectation to the Group's expansion, the existing annual caps for the Common Services Transactions may be exceeded); and (b) the expected annual growth rates (approximately 10%) of the expected usage of the common services because of the Company's anticipated increase of investment in product development and anticipated increase of employees.

The Directors confirm that the existing annual caps in respect of each of the Continuing Connected Transactions for the year ending 31 December 2022 has not been exceeded as at the Latest Practicable Date.

INTERNAL CONTROL MEASURES UNDER THE CONTINUING CONNECTED TRANSACTIONS

As a general principle, being a customer of products and a recipient of services, and pursuant to the Supplemental 2020 Framework Agreement, the price of the products (under the Purchase Transactions) and/or the service fees (under the Common Services Transaction) to be charged by IPG shall be no less favourable than the price offered to the Group by Independent Third Parties at the relevant times, and the transactions contemplated under the Supplemental 2020 Framework Agreement shall be on normal commercial terms.

LETTER FROM THE BOARD

In order to safeguard the interests of the Company and the Shareholders as a whole, the Company has adopted the following measures to monitor the each of the Continuing Connected Transactions between the Group and IPG pursuant to the Supplemental 2020 Framework Agreement and to ensure that the transactions are conducted in accordance with the Supplemental 2020 Framework Agreement:

- (I) purchase department of the Company is responsible for contacting suppliers, entering into the contracts for goods or services and maintaining records regarding the terms of those contracts;
- (II) purchase department is also responsible to communicate with the operations department of the Company when a request of fee quotations is received; and the operations department, on top of its duty to determine market strategies such as pricing mechanisms, is responsible for the provision of such fee quotations on the products to be acquired or services to be rendered to the Group under each of the Continuing Connected Transactions, and with reference to the previous record for the same or similar transactions, the prevailing pricing terms and size of the order for goods or the duration of the services to be rendered, it may adjust the pricing and commercial terms accordingly for the staff in the purchase department to negotiate;
- (III) the finance department of the Company shall monitor monthly on the transaction amounts of both the Purchase Transactions and the Common Services Transactions, so as to ensure that the proposed annual caps for each of the Continuing Connected Transactions will not be exceeded;
- (IV) the finance department of the Company shall also monitor continuously the entire procedures (including but not limited to the fee quotation) by supervising, reviewing and assessing the pricing standard for (a) products to be acquired under the Purchase Transactions; and (b) the services to be rendered to the Group under the Common Services Transactions, especially given that the Group has other suppliers, for comparison purposes, at least two comparable transactions that are entered into with Independent Third Parties and of similar subject matter to the relevant Continuing Connected Transactions will be taken into account when determining the prices, to ensure that (i) the prices of the products to be acquired under the Purchase Transactions; and (ii) the service fees of the premise renting and management services to be rendered to the Group under the Common Services Transactions are no less favourable than those of the same (or similar) products or services offered by Independent Third Parties to the Group at the relevant times; and
- (V) the operations department will review and conduct internal audit to trace, monitor and evaluate the transaction amounts under each of the Continuing Connected Transactions on a monthly basis to ensure that the proposed annual caps under each of the Continuing Connected Transactions will not be exceeded.

In addition to the above, the Group will comply with the annual review requirements in respect of the transactions contemplated under the Supplemental 2020 Framework Agreement in accordance with Chapter 14A of the Listing Rules by adopting the following measures:

- (A) the independent non-executive Directors shall annually review the transactions contemplated under the Supplemental 2020 Framework Agreement, and confirm in the Company's annual report that those transactions have been entered into (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms and in any

LETTER FROM THE BOARD

event, no less favourable than the price offered to the Group by Independent Third Parties; and (iii) in accordance with the Supplemental 2020 Framework Agreement, and those terms being fair, reasonable, and in the interests of the Company and the Shareholders as a whole; and

- (B) the Company's auditor shall be engaged to annually report on the transactions contemplated under the Supplemental 2020 Framework Agreement and provide a letter to the Board that nothing has come to their attention that causes them to believe that those transactions (i) have not been approved by the Board; (ii) were not, in material respects, consistent with the pricing policies adopted for the Supply Transactions; (iii) were not entered into, in material respects, in accordance with the Supplemental 2020 Framework Agreement; and (iv) exceeded the proposed annual caps for each of the Continuing Connected Transactions.

By implementing the above measures, the Directors (including the independent non-executive Directors) consider that the Company has sufficient internal control and procedures to ensure that the pricing basis for (a) products to be acquired under the Purchase Transactions; and (b) the services to be rendered to the Group under the Common Services Transactions under the Supplemental 2020 Framework Agreement will be in accordance with its terms, on normal commercial terms or no less favourable than those offered by the Independent Third Parties, the relevant pricing terms and payment terms being fair and reasonable, and in the interests of the Company and Shareholders as a whole.

REASONS FOR AND BENEFITS OF ENTERING INTO THE SUPPLEMENTAL 2020 FRAMEWORK AGREEMENT

For Purchase Transactions, Inspur Group ranked 12th in the list of Top 100 Enterprises for Software and Information Technology Services Competitiveness 2021 issued by China Federation of Electronics and Information Industry for the year ended 31 December 2021. With good reputation in the IT area, the IT products supplied by IPG represent a guarantee of high quality and reliable after-sales service. Cooperation in the Purchase Transactions can bring more supply channels to the Group and bring more revenue and profits to the Group as well.

For Common Services Transactions, it is mainly for the Group's need in office premises and the relevant estate management. As IPG owns vacant premises with good estate management and the Group has such need, it is a win-win situation for both sides to conduct this transaction.

The Directors (including the independent non-executive Directors, whose view is expressed in the Letter from the Independent Board Committee contained in this circular, after taking into account the advice from the Independent Financial Adviser) are of the view that the Supplemental 2020 Framework Agreement was entered into on normal commercial terms and in the ordinary and usual course of business of the Group, and the terms of the Supplemental 2020 Framework Agreement together with the transactions contemplated thereunder are fair and reasonable and in the interests of the Company and the Shareholders as a whole, and that the proposed annual caps for each of the Continuing Connected Transactions contemplated under the Supplemental 2020 Framework Agreement are fair and reasonable.

None of the Directors has any material interest in the transactions contemplated under the Supplemental 2020 Framework Agreement, and was required to abstain from voting on the Board resolution for considering and approving the Supplemental 2020 Framework Agreement.

LETTER FROM THE BOARD

IMPLICATIONS UNDER THE LISTING RULES

IPG, being a controlling shareholder of the Company, is interested in approximately 54.44% of the issued share capital of the Company, and is thus a connected person of the Company for the purposes of the Listing Rules. Accordingly, the transactions contemplated under the Supplemental 2020 Framework Agreement will constitute continuing connected transactions for the Company pursuant to Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratio under the Rule 14.07 of the Listing Rules in respect of the revised annual cap of the Purchase Transactions is expected to be more than 5%, the Purchase Transactions are subject to the reporting, announcement, annual review, circular and Independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratio under the Rule 14.07 of the Listing Rules in respect of the revised annual cap of the Common Services Transactions is expected to more than 0.1% but less than 5%, the Common Services Transactions are subject to the reporting, annual review, and announcement requirements, but exempt from circular and Independent Shareholders' approval requirements under Rule 14A.76(2) of the Listing Rules.

INFORMATION ON THE GROUP

The Group is principally engaged in the provision for software development, cloud services and Internet of Things (IoT) solution. Inspur Mingda is a wholly-owned subsidiary of the Company.

INFORMATION ON IPG AND INSPUR FINANCE

IPG is an investment holding company established in the PRC. Inspur Group is a leading cloud computing and big data provider in the PRC. IPG, through its wholly-owned subsidiaries, is interested in approximately 54.44% of the issued ordinary share capital of the Company as at the Latest Practicable Date and is therefore a controlling shareholder and a connected person of the Company.

Inspur Finance is a limited company incorporated in PRC and is principally engaged in providing financial services business in PRC. As at the Latest Practicable Date, 20% of share equity of Inspur Finance is directly held by the Company and 60% of the share equity is directly held by IPG, the remaining 20% share equity is held by Inspur Software Co., Ltd.* (浪潮软件股份有限公司).

GENERAL

The Independent Board Committee, consisting of Mr. Wong Lit Chor, Alexis, Ms. Zhang Ruijun and Mr. Ding Xiangqian, all being independent non-executive Directors, has been established to advise the Independent Shareholders in respect of (i) the Deposit Services pursuant to the Framework Financial Services Agreement; (ii) the Third Supplemental Agreement in connection with the Supply Transactions; and (iii) the Purchase Transactions pursuant to the Supplemental 2020 Framework Agreement, the Agreements' respective terms and the transactions contemplated respectively thereunder (including the respectively proposed annual caps). Draco Capital Limited, being the Independent Financial Adviser has been appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

LETTER FROM THE BOARD

EGM

The EGM will be convened by the Company for the Independent Shareholders to consider and, if thought fit, approve (i) the Deposit Services pursuant to the Framework Financial Services Agreement; (ii) the Third Supplemental Agreement in connection with the Supply Transactions; and (iii) the Purchase Transactions pursuant to the Supplemental 2020 Framework Agreement, the Agreements' respective terms and the transactions contemplated respectively thereunder (including the respectively proposed annual caps).

A notice convening the EGM to be held at Meeting Room no. 315, S06 Langchao Science Park, No. 1036, Lang-Chao Road, High-tech Zone, Jinan, Shandong, the PRC on Friday, 16 September 2022 at 10:00 a.m. is set out on pages EGM-1 to EGM-3 of this circular.

Pursuant to Rule 14A.36 of the Listing Rules, any Shareholder with a material interest in the transactions and its associates will abstain from voting at the EGM to be held by the Company for considering and approving the Agreements and the transactions respectively contemplated thereunder. Therefore, IPG and its associates controlled, and were entitled to exercise control, over the voting rights in respect of 621,679,686 Shares, representing approximately 54.44% of the issued share capital of the Company. IPG and its associates shall, therefore, abstain from voting on the resolutions for approving (i) the Deposit Services pursuant to the Framework Financial Services Agreement; (ii) the Third Supplemental Agreement in connection with the Supply Transactions; and (iii) the Purchase Transactions pursuant to the Supplemental 2020 Framework Agreement, the Agreements' respective terms and the transactions contemplated respectively thereunder (including the respectively proposed annual caps). There is (i) no voting trust or other agreement or arrangement or understanding entered into by or binding upon IPG and its associates; and (ii) no obligation or entitlement of IPG and 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.

To the best of the Directors' knowledge and information after having made all reasonable enquiries, other than IPG and its associates, no other Shareholder is required to abstain from voting at the EGM for the proposed resolutions in this circular.

The votes to be taken at the EGM will be taken by poll, the results of which will be announced after the EGM.

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 in person at the EGM (or any adjourned meeting) if you so wish, and in such event, the instrument appointing a proxy shall be deemed to be revoked.

LETTER FROM THE BOARD

RECOMMENDATIONS

Your attention is drawn to the letter from the Independent Board Committee as set out on pages 29 to 30 of this circular which contains its recommendation to the Independent Shareholders on the terms of each of the Agreements, their respectively proposed annual caps and the transactions contemplated thereunder. Your attention is also drawn to the letter of advice received from Draco Capital Limited, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders as set out on pages 31 to 66 of this circular which contains, among others, its advice to the Independent Board Committee and the Independent Shareholders in relation to the terms of each of the Agreements, their respectively proposed annual caps and the transactions contemplated thereunder, the casting of votes for or against the resolution(s) approving the above, as well as the principal factors and reasons considered by it in concluding its advice.

The Directors (including the independent non-executive Directors, whose opinions and recommendation, after considering the advice from the Independent Financial Adviser, are set out in the section headed “Letter from the Independent Board Committee” in this circular) are of the view that the terms of the Agreements, the transactions respectively contemplated thereunder and their respectively proposed annual caps are fair and reasonable, have been entered into after arm’s length negotiation between all parties thereto, are on normal commercial terms and in the ordinary and usual course of business of the Group, and are in the interests of the Company and its Shareholders as a whole, and they recommend the Shareholders to vote in favour of the resolution(s) at the EGM.

ADDITIONAL INFORMATION

Your attention is drawn to the letter of recommendation from the Independent Board Committee to the Independent Shareholders, the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, and additional information set out in the appendix to this circular.

By Order of the Board
Inspur International Limited
Mr. 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)

31 August 2022

To the Independent Shareholders of Inspur International Limited

Dear Sir/Madam,

CONTINUING CONNECTED TRANSACTIONS:

- (I) RENEWAL OF FRAMEWORK FINANCIAL SERVICE AGREEMENT;
(II) EXTENSION OF THE TERM AND REVISION OF THE ANNUAL CAPS OF
THE SUPPLY TRANSACTIONS; AND
(III) EXTENSION OF THE TERM AND REVISION OF THE ANNUAL CAPS OF
THE FRAMEWORK AGREEMENT OF THE PURCHASE TRANSACTIONS
AND THE COMMON SERVICES TRANSACTIONS**

We refer to the circular dated 31 August 2022 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 respective terms of the Agreements and the transactions contemplated thereunder, and the respectively proposed annual caps and to advise the Independent Shareholders as to the fairness and reasonableness of the aforesaid matters, whether the transactions are in the interests of the Company and the Shareholders as a whole and to recommend how the Independent Shareholders should vote at the EGM. Draco Capital Limited has been appointed as the Independent Financial Advisor 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 6 to 28 of the Circular, and the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders which contains its advice to us in respect of the respective terms of the Agreements and the transactions contemplated thereunder, and the respectively proposed annual caps, as set out on pages 31 to 66 of the Circular.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Having taken into account of the advice of the Independent Financial Adviser, we consider that the Agreements (including the respectively proposed annual caps) were entered into on normal commercial terms in the ordinary and usual course of business of the Group, and that the transactions contemplated under the Agreements are entered in the interests of the Company and the Shareholders as a whole. We also consider that the terms of the Agreements (including the respectively proposed annual caps) are fair and reasonable so far as the Company and the Independent Shareholders are concerned. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM to approve the Agreements, the transactions contemplated thereunder and the respectively proposed annual caps.

Yours faithfully,
the Independent Board Committee

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

Ms. Zhang Ruijun
*Independent non-executive
Director*

Mr. Ding Xiangqian
*Independent non-executive
Director*

LETTER FROM INDEPENDENT FINANCIAL ADVISER

The following is the full text of the letter from Draco Capital Limited setting out their advice to the Independent Board Committee and the Independent Shareholders, which has been prepared for the purpose of inclusion in this circular.



4/F Connaught Harbourfront House
35 Connaught Road West,
Sheung Wan, Hong Kong

31 August 2022

*To the Independent Board Committee and the Independent Shareholders of
Inspur International Limited*

Dear Sir or Madam,

**CONTINUING CONNECTED TRANSACTIONS:
(I) EXTENSION OF TERM FOR
THE FRAMEWORK FINANCIAL SERVICE AGREEMENT;
(II) EXTENSION OF TERM AND REVISION OF THE ANNUAL CAPS
FOR THE SUPPLY TRANSACTIONS; AND
(III) EXTENSION OF TERM AND REVISION OF THE ANNUAL CAPS
FOR THE PURCHASE TRANSACTIONS
AND THE COMMON SERVICES TRANSACTIONS**

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the entering into of the Agreements (i.e. Framework Financial Service Agreement, the Third Supplemental Agreement, and the Supplemental 2020 Framework Agreement) and the respectively proposed annual caps, details of which are set out in the letter from the Board (the “**Board Letter**”) contained in the circular dated 31 August 2022 issued by the Company to the Shareholders (the “**Circular**”), of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

Reference is made to the Company’s announcement dated 28 July 2022 in relation to, amongst other things, the renewal or extension of terms for the Framework Leasing Agreement, Framework Financial Service Agreement, the Third Supplemental Agreement, and the Supplemental 2020 Framework Agreement, which are existing continuing connected transactions of the Company and subject to the reporting, annual review, announcement, circular and Independent Shareholders’ approval requirements under Chapter 14A of the Listing Rules.

LETTER FROM INDEPENDENT FINANCIAL ADVISER

LISTING RULES IMPLICATIONS

(I) IMPLICATIONS UNDER THE LISTING RULES FOR THE FRAMEWORK FINANCIAL SERVICES AGREEMENT

As at the Latest Practicable Date, IPG, is the controlling shareholder of the Company, is interested in approximately 54.44% of the issued share capital of the Company and is thus a connected person of the Company for the purposes of the Listing Rules. As at the Latest Practicable Date, IPG is directly holding 60% of the equity interests of Inspur Finance, and therefore Inspur Finance is a direct subsidiary of IPG and an associate of IPG under Chapter 14A of the Listing Rules. Accordingly, the transactions contemplated under the Framework Financial Services Agreement will constitute continuing connected transactions for the Company pursuant to Chapter 14A of the Listing Rules.

Deposit Services

The transactions under the Deposit Services will constitute financial assistance to be provided by the Group to a connected person. As one or more of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the Deposit Services exceed 5%, the Deposit Services and the transactions contemplated thereunder (including the proposed annual caps) are subject to the reporting, announcement, annual review, circular and Independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

Loan Facility Services

The transactions under the Loan Facility Services will constitute financial assistance to be received by the Group from a connected person. As the Loan Facility Services is conducted on normal commercial terms or better and it is not secured by the assets of the Group, the transactions under the Loan Facility Services are fully exempted from the Independent Shareholders' approval, annual review and all disclosure requirements under Rule 14A.90 of the Listing Rules.

Settlement Services

The Company expects that each of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) of the fees payable by the Company to Inspur Finance in respect of the provision of Settlement Services under the Framework Financial Services Agreement will fall within the de minimis threshold of less than 0.1% as stipulated under Rule 14A.76(1) of the Listing Rules and therefore is fully exempt from independent shareholders' approval, annual review and all disclosure requirements under Chapter 14A of the Listing Rules.

Other Financial Services

The Company expects that each of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) of the fees payable by the Company to Inspur Finance in respect of the provision of Other Financial Services under the Framework Financial Services Agreement will fall within the de minimis threshold of less than 0.1% as stipulated under Rule 14A.76(1) of the Listing Rules and therefore is fully exempt from independent shareholders' approval, annual review and all disclosure requirements under Chapter 14A of the Listing Rules.

LETTER FROM INDEPENDENT FINANCIAL ADVISER

The Company will, if necessary, comply with the reporting, announcement and Independent Shareholders' approval requirements (where applicable) under Chapter 14A of the Listing Rules if the fees payable by the Company to Inspur Finance for the provision of the Settlement Services and the Other Financial Services under the Financial Services Agreement exceed the relevant de minimis threshold.

The Company will also disclose the relevant details of the Framework Financial Services Agreement in its next published annual report and accounts in accordance with the relevant requirements as set out in Rule 14A.49 of the Listing Rules.

(II) IMPLICATIONS UNDER THE LISTING RULES REGARDING THE THIRD SUPPLEMENTAL AGREEMENT

IPG, being a controlling shareholder of the Company, is interested in approximately 54.44% of the issued share capital of the Company, and is thus a connected person of the Company for the purposes of the Listing Rules. Accordingly, the transactions contemplated under the Third Supplemental Agreement will constitute continuing connected transactions of the Company pursuant to Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios under the Rule 14.07 of the Listing Rules in respect of the proposed revised and new annual cap of each of the Supply Transactions is expected to be more than 5%, the proposed revised and new annual caps of the Supply Transactions are subject to the reporting, announcement, annual review, circular, and Independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

(III) IMPLICATIONS UNDER THE LISTING RULES REGARDING THE SUPPLEMENTAL 2020 FRAMEWORK AGREEMENT

IPG, being a controlling shareholder of the Company, is interested in approximately 54.44% of the issued share capital of the Company and is thus a connected person of the Company for the purposes of the Listing Rules. Accordingly, the transactions contemplated under the Supplemental 2020 Framework Agreement will constitute continuing connected transactions for the Company pursuant to Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios under the Rule 14.07 of the Listing Rules in respect of the revised annual cap of the Purchase Transactions is expected to be more than 5%, the Purchase Transactions are subject to the reporting, announcement, annual review, circular and Independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios under the Rule 14.07 of the Listing Rules in respect of the revised annual cap of the Common Services Transactions is expected to be more than 0.1% but less than 5%, the Common Services Transactions are subject to the reporting, annual review, and announcement requirements, but exempt from circular and Independent Shareholders' approval requirements under Rule 14A.76(2) of the Listing Rules.

LETTER FROM INDEPENDENT FINANCIAL ADVISER

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, no Director has a material interest in the transactions contemplated under the Framework Financial Services Agreement and there are no common directors between the Company and IPG. Meanwhile, no Director has any interests in IPG which would lead to any material interest of such Director in the transactions contemplated under the Framework Financial Services Agreement, the Third Supplemental Agreement, and the Supplemental 2020 Framework Agreement. Therefore, no Director is required to abstain from voting on the Board resolutions of the Company for considering and approving the Framework Financial Service Agreement, the Third Supplemental Agreement, and the Supplemental 2020 Framework Agreement and the transactions contemplated thereunder.

Inspur Overseas Investment Limited and its associate, Inspur Cloud Computing Investment Limited, being the controlling shareholders of the Company interested in the transactions contemplated under the Framework Financial Services Agreement, the Third Supplemental Agreement, and the Supplemental 2020 Framework Agreement, will abstain from voting at the EGM. To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, save for Inspur Overseas Investment Limited and its associate, no Shareholder (or its associates) has any material interest in the transactions contemplated under the Framework Financial Services Agreement, the Third Supplemental Agreement, and the Supplemental 2020 Framework Agreement.

INDEPENDENT BOARD COMMITTEE

The Independent Board Committee, consisting of Mr. Wong Lit Chor, Alexis, Ms. Zhang Ruijun and Mr. Ding Xiangqian, all being independent non-executive Directors, has been established to advise the Independent Shareholders in respect of (i) the Deposit Services pursuant to the Framework Financial Services Agreement; (ii) the Third Supplemental Agreement in connection with the Supply Transactions; and (iii) the Purchase Transactions pursuant to the Supplemental 2020 Framework Agreement, the Agreements' respective terms and the transactions contemplated respectively thereunder (including the respectively proposed annual caps). Draco Capital Limited, being the Independent Financial Adviser has been appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

OUR INDEPENDENCE

During the past two years immediately preceding the Latest Practicable Date, Draco Capital Limited was engaged as the independent financial adviser to the independent board committee and independent shareholders of the Company in relation to continuing connected transactions (details of which are set out in the Company's circular dated 11 April 2022). Save for the aforesaid engagements, there was no engagement between the Company or the Inspur Group and us. Apart from normal professional fee payable to us by the Company in connection with this appointment, no arrangement exists whereby we will receive any fees or benefits from the Group or the Directors, chief executive and substantial Shareholders or the IPG or any of its subsidiaries or their respective associates, and any parties acting in concert with them. As at the Latest Practicable Date, there were no relationships or interests between (a) the Group, the IPG and their respective subsidiaries and associates; and (b)

LETTER FROM INDEPENDENT FINANCIAL ADVISER

us that could reasonably be regarded as a hindrance to our independence as defined under Rule 13.84 of the Listing Rules to act as the Independent Financial Adviser. Therefore, we consider ourselves eligible to act as the Independent Financial Adviser to the Company under the requirements of the Listing Rules.

BASIS OF OUR OPINION

In formulating our opinion and advice, we have relied on (i) the information and facts contained or referred to in the Circular; (ii) the information supplied by the Group and its advisers; (iii) the opinions expressed by and the representations of the Directors and the management of the Group (the “**Management**”); and (iv) our review of the relevant public information.

We have assumed that all the information provided and representations and opinions expressed to us or contained or referred to in the Circular were true, accurate and complete in all respects as at the date thereof and may be relied upon and continue to be so up to the date of the EGM. We have also assumed that all statements contained and representations made or referred to in the Circular are true at the time they were made and continue to be true as at the Latest Practicable Date and continue to be so up to the date of the EGM and all such statements of belief, opinions and intentions of the Directors and the Management and those as set out or referred to in the Circular were reasonably made after due and careful enquiry. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors and the Management. We have also sought and received confirmation from the Directors that no material facts have been withheld or omitted from the information provided and referred to in the Circular and that all information or representations provided to us by the Directors and the Management are true, accurate, complete and not misleading in all respects at the time they were made and continued to be so until the date of the EGM. Independent Shareholders will be informed of any material change of information and the representations made or referred to in the Circular as soon as possible up to the date of the EGM.

We consider that we have reviewed the relevant information currently available to reach an informed view and to justify our reliance on the accuracy of the information contained in the Circular so as to provide a reasonable basis for our recommendation. In formulating our recommendation in relation to the Agreements and pursuant to Rule 13.80(2), we have obtained and reviewed the relevant information in relation to the Agreements and the transactions contemplated thereunder, among others, (i) the Agreements; (ii) the annual report for the year ended 31 December 2021 of the Company; and (iii) the announcements of the Company in relation to the Agreements during the past two years up to the Latest Practicable Date.

We, as the Independent Financial Adviser, take no responsibility for the contents of any part of the Circular, save and except for this letter. We consider that we have reviewed sufficient information currently available to reach an informed view and to justify our reliance on the accuracy of the information contained in the Circular so as to provide a reasonable basis for our recommendation. We have not, however, carried out any independent verification of the information provided, representations made or opinion expressed by the Directors and the Management, nor have we conducted any form of in-depth investigation into the business, affairs, operations, financial position or future prospects of the Group, or any of its respective substantial shareholders, subsidiaries or associates.

LETTER FROM INDEPENDENT FINANCIAL ADVISER

This letter is issued for the information for the Independent Board Committee and the Independent Shareholders solely in connection with their consideration of the Agreements and the transactions contemplated thereunder (including the respectively proposed annual caps) and, except for its inclusion in the Circular, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes, without our prior written consent.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion and recommendations to the Independent Shareholders, we have taken into consideration the following principal factors and reasons. Our conclusions are based on the results of all analyses taken as a whole.

1 BACKGROUND INFORMATION OF THE PARTIES TO THE AGREEMENTS

1.1 INFORMATION ON THE GROUP

The Company is a company incorporated in the Cayman Islands with limited liability, whose Shares are listed and traded on the main board of the Stock Exchange (Stock Code: 596). The Group is principally engaged in the provision for software development, cloud services and Internet of Things (IoT). Inspur Mingda is a wholly-owned subsidiary of the Company.

1.2 FINANCIAL PERFORMANCE ON THE GROUP

With reference to the annual report of the Company for the year ended 31 December 2021 (“FY2021”), the Group recorded a revenue of HK\$3,915,821,000 (for the year ended 31 December 2020 (“FY2020”): HK\$ 2,556,750,000) representing an increase of 53.2% as compared with last year. The revenue mainly came from the business in China and operated in Renminbi. The revenue if accounted in RMB represented 42.9% increase comparatively. Among them, the revenue of cloud service business was HK\$906,626,000 (FY2020: HK\$506,337,000), recorded 79.1% growth (67.0% growth accounted in RMB). Compared with last corresponding period, the revenue of cloud service business weighted 23.2% of total revenue and became new growth driven. Revenue of management software for FY2021 was HK\$2,241,569,000 (FY2020: HK\$1,617,991,000), representing an increase of 38.5% (29.2% increase accounted in RMB). The revenue of the Internet of things (IoT) was HK\$767,626,000 (FY2020: HK\$432,422,000), representing an increase of 77.5% (65.6% increase accounted in RMB) as compared with last year.

During FY2021, gross profit of the Group was HK\$1,241,812,000 (FY2020: HK\$749,940,000), an increase of 65.6% (54.5% increase accounted in RMB) as compared with last year. The Group’s gross profit margin was 31.7% (FY2020: 29.3%), representing an increase of 2.4%. The reason for improvement in gross profit margin was although the Group are still facing fierce market competition, the management software business recovered rapidly and gross profit margin increased comparatively.

LETTER FROM INDEPENDENT FINANCIAL ADVISER

During FY2021, profit attributable to owners of the Company for the year was approximately HK\$64,769,000 (FY2020: losses of HK157,044,000), representing a significant increase compared with last year. Main reasons were: Although the cloud service business kept steady growth, it was still in expansion period and loss-making. In the period, management software operation profit of this segment increased sharp.

1.3 INFORMATION ON IPG AND INSPUR FINANCE

IPG is an investment holding company established in the PRC. Inspur Group is a leading cloud computing and big data provider in the PRC. IPG, through its wholly-owned subsidiaries, is interested in approximately 54.44% of the issued ordinary share capital of the Company as at the Latest Practicable Date and is therefore a controlling shareholder and a connected person of the Company.

Inspur Finance is a limited company incorporated in PRC and is principally engaged in providing financial services business in PRC. As at the Latest Practicable Date, 20% of share equity of Inspur Finance is directly held by the Company and 60% of the share equity is directly held by IPG, the remaining 20% share equity is held by Inspur Software Co., Ltd.* (浪潮软件股份有限公司).

2 RENEWAL OF FRAMEWORK FINANCIAL SERVICES AGREEMENT

With reference made to the announcement of the Company dated 27 February 2020 in relation to, amongst other things, the 2020 Framework Financial Services Agreement, Inspur Finance agreed to provide several categories of financial services including Deposit Services, Loan Facility Services, Settlement Services, and Other Financial Services on a non-exclusive basis to the Group. As the 2020 Framework Financial Services Agreement has a term of three years and expires on 31 December 2022, the Board proposes to renew the 2020 Framework Financial Services Agreement and that the Company shall enter into the new Framework Financial Services Agreement for a term of three years commencing on 1 January 2023 and ending on 31 December 2025 with Inspur Finance.

2.1 THE PRINCIPAL TERMS

Date

28 July 2022

Parties

1. The Company; and
2. Inspur Finance

Under the Framework Financial Services Agreement, Inspur Finance will provide Deposit Services, Loan Facility Services, Settlement Services, and Other Financial Services to the Group. The Framework Financial Services Agreement will come into effect upon all necessary consent and approval having been obtained by the parties (including the Independent Shareholders' approval of the Company at the EGM).

LETTER FROM INDEPENDENT FINANCIAL ADVISER

Subject and Pricing of the Financial Services Agreement

Deposit Services

The Company has opened a deposit account with Inspur Finance and placed time deposit or demand deposit into the account. With Inspur Finance ensuring the safety of the deposit fund, the Company has opened a deposit account with Inspur Finance and placed time deposit or demand deposit into the account. The deposit interest rates offered by Inspur Finance to the Group shall be benchmarked against the deposit interest rates promulgated by the People's Bank of China from time to time and the deposit interest rates offered by six major cooperative commercial banks of the Group, namely Industrial and Commercial Bank of China, China Construction Bank, Bank of Communication, Agricultural Bank of China, Bank of China and China Merchants Bank (the "**Comparable Banks**") in the same period and of the same type. The finance department of the Group will review and compare the deposit interest rates offered by the People's Bank of China and the Comparable Banks and then report to Chief Financial Officer in a quarterly manner, and the Company will negotiate with Inspur Finance to determine the deposit interest rates at a level not lower than the highest among these benchmark deposit interest rates.

The deposit interest rates offered by Inspur Finance is expected to be in the range of 1.54% to 3.50% per annum for fixed deposit and 1.61% per annum for agreed deposit, the level of which is in line with the existing deposit interest rates offered by other PRC commercial banks.

Loan Facility Services

Inspur Finance will provide Loan Facility Services to the Group from time to time under the Loan Facility Services. The aggregate outstanding amount under the Loan Facility Services shall not be more than RMB500,000,000 and the interest rates shall not be higher than those charged by the major PRC commercial banks at the same period. Since the loan facility to be provided by Inspur Finance to the Company are on normal commercial terms which are similar to or even more favourable than those offered by other major commercial banks in the PRC, and that no security over the assets of the Company will be granted in respect of the loan services, the loan services are exempt under Rule 14A.90 of the Listing Rules from all reporting, announcement and Independent Shareholders' approval requirements.

The Directors (including the independent non-executive Directors) consider that the Loan Facility Services to be provided under the Financial Services Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Settlement Services

Inspur Finance shall, at the request of the Group, provide payment and collection settlement services and related settlement services to the Group. The settlement fees to be charged by Inspur Finance shall not be higher than the charging rate (i) for the similar settlement services published by the People's Bank of China at the same period; or (ii) for most PRC commercial banks for providing similar services at the same period.

LETTER FROM INDEPENDENT FINANCIAL ADVISER

The Company expects that each of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) of the settlement fees payable by the Group to Inspur Finance for the provision of the Settlement Services under the Framework Financial Services Agreement will fall within the de minimis threshold (i.e. less than 0.1%) as stipulated under Rule 14A.76(1) of the Listing Rules. The Company will comply with the reporting, announcement and Independent Shareholders' approval requirements (where applicable) under Chapter 14A of the Listing Rules if the fees payable by the Group to Inspur Finance for the provision of the Settlement Services under the Financial Services Agreement exceed the relevant de minimis threshold.

Other Financial Services

Apart from the Deposit Services, Loan Facility Services, and Settlement Services, Inspur Finance shall from time to time, at the request of the Group, provide other financial services (including without limitation the adviser services, consulting services and agency service, etc.) which are fall within the business scope of Inspur Finance. The service fees to be charged by Inspur Finance shall not be higher than the charging rate (i) for the similar settlement services published by the People's Bank of China at the same period; or (ii) for most PRC commercial banks for providing similar financial services at the same period.

The Company expects that each of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) of the fees payable by the Group to Inspur Finance for the provision of the Other Financial Services under the Framework Financial Services Agreement will fall within the de minimis threshold (i.e. less than 0.1%) as stipulated under Rule 14A.76(1) of the Listing Rules. The Company will comply with the reporting, announcement and Independent Shareholders' approval requirements (where applicable) under Chapter 14A of the Listing Rules if the fees payable by the Group to Inspur Finance for the provision of Other Financial Services under the Financial Services Agreement exceed the relevant de minimis threshold.

It is expected that the range of service fees charged by Inspur Finance on the Other Financial Services will be in line with the rates offered by the People's Bank of China and other PRC commercial banks. The aggregate service fees charged by Inspur Finance under the Other Financial Services shall be not more than RMB2,000,000 per year.

The Board is of the view that the Settlement Services and the Other Financial Services shall not be aggregated on the basis that although both of the Settlement Services and the Other Financial Services involve payment from the Group to Inspur Finance, the nature of services provided under the Settlement Services and the Other Financial Services are substantially different from one another. The Settlement Services involve clearing and settlement of receivables and payables with third party through Inspur Finance whereas the Other Financial Services involve rendering of advisory and financial services other than placing deposit, providing loan facility and any form of settlement services.

Our Assessment

We are given to understand from the Company that the transactions of Deposit Services will be subject to the review and approval of different staff in the finance department of the Group to ensure the deposit interest rates offered by Inspur Finance are equivalent to or not less favorable than those offered by the People's Bank of China, the Comparable Banks or other commercial banks in the PRC.

LETTER FROM INDEPENDENT FINANCIAL ADVISER

Accordingly, we have reviewed 6 randomly selected samples of monthly statement of historical depository services provided by Inspur Finance to the Group under the Framework Finance Services Agreement during the period from 1 January 2020 to 30 June 2022 and conducted sample checks on the review and approval process of those historical transactions and note that the review and approval process were properly documented to confirm the approval by the financial department of the Group on the deposit interest rates offered by Inspur Finance in relation to the Deposit Services.

We have also discussed with the Management about the pricing policy and understand that the Company will collect market information from time to time as reference for the purpose of comparison under the price control procedures, including the deposit interest rates obtained from the People's Bank of China and the Comparable Banks that is independent of the Company and its connected persons. We consider that the price control procedures will enable the Company to compare terms from different service providers with market interest rates and effectively ensure the terms from Inspur Finance are on normal commercial terms or better.

After considering the above factors, we are of the opinion that the pricing policy of the Deposits Services are properly followed and that the deposit interest rates of the Deposit Services are fair and reasonable so far as the Company and the Independent Shareholders are concerned and are able to ensure that the Company will achieve terms which are on normal commercial terms or better and not prejudicial to the interests of the Company and the Independent Shareholders.

2.2 HISTORICAL TRANSACTION AMOUNTS AND PROPOSED ANNUAL CAPS FOR THE DEPOSIT SERVICES

Historical Transactions

The historical transaction amounts relating to the previous Deposit Services, being the maximum daily deposit balance (including any interest accrued therefrom) with Inspur Finance, are approximately:

	From the effective date of the 2020 Framework Financial Services Agreement to 31 December 2020 RMB'000	Year ended 31 December 2021 RMB'000	For the six months ended 30 June 2022 RMB'000
Deposit Services (maximum daily deposit balance)	494,207	498,574	495,197

LETTER FROM INDEPENDENT FINANCIAL ADVISER

Period	Transaction amount <i>(RMB'000)</i>
From the effective date of the 2020 Framework Financial Services Agreement to 31 December 2020	500,000
From 1 January 2021 to 31 December 2021	500,000
From 1 January 2022 to 31 December 2022	500,000

The Directors confirm that the annual cap in respect of the maximum daily deposit balance (including any interest accrued therefrom) with Inspur Finance under the Deposit Services pursuant to the 2020 Framework Financial Services Agreement for the year ending 31 December 2022 has not been exceeded as at the Latest Practicable Date.

The Proposed Annual Caps for the Deposit Services

Pursuant to the Framework Financial Services Agreement, the proposed annual caps in respect of the maximum daily deposit balance (including any interest accrued therefrom) with Inspur Finance under the Deposit Services for the extended period contemplated under the Framework Financial Services Agreement remains the same as those during the period between the effective date of the 2020 Framework Financial Services Agreement to 31 December 2022 contemplated under the 2020 Framework Financial Services Agreement, which is as follows:

Period	Transaction amount <i>(RMB'000)</i>
From 1 January 2023 to 31 December 2023	500,000
From 1 January 2024 to 31 December 2024	500,000
From 1 January 2025 to 31 December 2025	500,000

The above proposed annual caps for the Deposit Services were determined after taking into account of, inter alia, the historical transaction amounts and expected net cash flow from operating activities of the Group in the next three years.

Our View

In assessing the reasonableness and fairness of the proposed annual caps for the Deposit Services, we have discussed with the Management and note that such proposed annual caps for the three years ending 31 December 2025 are determined with reference to the following basis.

Based on our discussion with the Management, we noted that proposed annual caps of the Deposit Services were determined after taking into account (i) recent historical transacted amount of the transactions under the Deposit Services; (ii) historical deposit interest rates offered by Inspur Finance; (iii) expected level of cash and cash equivalent of the Group; and (iv) the expected net cash generated from operation activities and the expected cash flow of the Group.

LETTER FROM INDEPENDENT FINANCIAL ADVISER

We have reviewed the annual report of the Company for FY2021 and are aware that:

- (i) the cash and cash equivalent of the Group amounted to approximately HK\$1,033.7 million and HK\$1,266.4 million for FY2020 and FY2021 respectively, which remains higher than the proposed annual caps for the Deposit Services during the respective period; and
- (ii) the Group recorded net cash generated from operating activities of approximately HK\$84.1 million and HK\$106.3 million for FY2020 and FY2021 respectively.

As such, we consider that the anticipation of the increase in cash flow movement of the Group for the three years ending 31 December 2025 by the Company are fair and reasonable.

Meanwhile, based on our communication with the Management, the proposed annual caps of the Deposit Services are appropriate and would not cause over-reliance on the Inspur Finance as (i) the proposed annual caps of the Deposit Services remains at the same level given the increase in the level of cash and cash equivalent of the Group for the recent years; (ii) the cooperation between the Company and Inspur Finance under the Framework Financial Services Agreement is on non-exclusive basis with no restrictions on the Company's options to engage other financial service providers.

As advised by the Management, the Company is not aware of any disadvantages in relation to or in connection with conducting the Deposits Services with Inspur Finance. Based on the above, we consider that the Company would be able to prevent undue reliance on the Inspur Finance should there be further business cooperation between the Group and Inspur Finance in the foreseeable future.

Taking into account the above, we are of the view that the proposed annual caps for the Deposit Services are fairly determined and are fair and reasonable.

2.3 REASONS FOR AND BENEFIT OF ENTERING INTO THE FRAMEWORK FINANCIAL SERVICES AGREEMENT

Before entering into the Framework Financial Services Agreement as a renewal to the 2020 Framework Financial Services Agreement, the Board has considered the following reasons and benefits:

1. The interest rates on deposits and loans under the Deposit Services and the Loan Facility Services, and the service fees for the Settlement Services and the Other Financial Services to be offered by Inspur Finance to the Group will be equal to or more favourable than those offered by other independent commercial banks in the PRC in respect of comparable services;
2. The Company is expected to benefit from Inspur Finance's better understanding of the operations of the Group which will allow more expedient and efficient services than those rendered by other PRC independent commercial banks. For example, in the event that the Company considers that it is necessary to obtain loans from Inspur Finance in view of its actual business and financial needs, it is expected that the time required for the examination and approval of such loans will be shorter than that required by other independent commercial banks; and

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3. By entering into the Framework Financial Services Agreement, the Company will be able to centralise its control and management over its financial resources, and therefore improve the utilisation and efficiency of fund usage. It can also accelerate the turnover of funds and reduce transaction costs and expenses, thereby further enhancing the amount and efficiency of funds utilisation.

Our View

As discussed with the Management, we understand that the cooperation between the Company and Inspur Finance under the Framework Financial Services Agreement is on non-exclusive basis with no restrictions on the Company's options to engage other financial service providers. Inspur Finance will be engaged when the interest rates offered or the service fees charged by Inspur Finance are equivalent to or not less favorable than those offered by the People's Bank of China, the Comparable Banks or other commercial banks in PRC. Taking into account different factors such as interest rates or service fees (where applicable), the Company may engage other financial service providers where the board and the management see fit.

Upon our request, we understand that Inspur Finance has been providing various types of financial services (including the Deposits Services) to the Group since May 2020. Therefore, Inspur Finance understands well the financial needs of the Group and will be able to cater the financial needs of the Group more efficiently.

After taking into account the above factors, we concurred with the Directors' view that the terms of the Framework Financial Services Agreement (including the proposed annual caps and the services to be provided thereunder) are fair and reasonable and the Framework Financial Services Agreement is entered into on normal commercial terms, and on terms no less favourable than those available from Independent Third Parties under the prevailing local market conditions, in the ordinary and usual course of business of the Company and in the interests of the Company and the Shareholders as a whole.

2.4 INTERNAL CONTROL MEASURES ON THE FRAMEWORK FINANCIAL SERVICES AGREEMENT

We have also reviewed the internal control measures on the Framework Financial Services Agreement of the Group as follows, and we considered that such internal control measures are sufficient to ensure that the continuing connected transactions contemplated under the Framework Financial Services Agreement will be conducted on normal commercial terms and not prejudicial to the interests of the Company and the Independent Shareholders in accordance with the pricing policies and the principles set out in the Framework Financial Services Agreement and in compliance with the Listing Rules.

Regarding the Framework Financial Services Agreement, the (a) interest rates for (i) the Deposit Services; and (ii) the Loan Facility Services; and (b) fees for (i) the Settlement Services; and (ii) the Other Financial Services are arrived at after considering the interest rates and service fees charged or offered by other independent commercial banks or financial institutions in PRC for provision of similar services.

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The Company has adopted the following monitoring and internal control measures to monitor the pricing standard and ensure the terms of the Framework Financial Services Agreement are fair and reasonable:

(I) Day-to-day management by the finance department of the Company:

The finance department of the Company is responsible for the day-to-day management of the financial services contemplated under the Framework Financial Services Agreement, including but not limited to:

- (a) preparing, adjusting and disseminating of budget for the financial services provided under the Framework Financial Services Agreement;
- (b) supervising, reviewing and assessing the pricing standard, execution and implementation of the financial services provided under the Framework Financial Services Agreement;
- (c) comparing interest rates for deposit and loan facilities, and the fees for settlement services and other financial services quoted from Inspur Finance with the terms from the Comparable Banks to ensure that the most favourable terms are obtained from Inspur Finance;
- (d) reviewing the market interest rates on a monthly basis with respect to the Deposit Services and Loan Facility Services;
- (e) reviewing the service fees quotations for the Settlement Services and the Other Financial Services on a monthly basis; and
- (f) monitoring the balance of the deposits placed with Inspur Finance on a daily basis to ensure the maximum daily deposit balance will not exceed the proposed annual caps for the Deposit Services. The Company will put into place a threshold reporting system under which Inspur Finance will be required to alert the finance department of the Company upon the amount of bank deposit reaching the threshold of RMB1,000,000 or its multiple. In the event that the finance department anticipates that the balance of the deposits placed with Inspur Finance will exceed the proposed annual caps for the Deposit Services, the Group will not deposit further amount with Inspur Finance so as to ensure the deposits placed with Inspur Finance will not exceed the existing annual cap or the proposed annual cap under the Deposit Services, as provided under the 2020 Framework Financial Services Agreement or the Framework Financial Services Agreement.

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(II) Annual review by the Independent non-Executive Directors and the Auditor:

The Group will also comply with the annual review requirements in respect of the transactions contemplated under the Framework Financial Services Agreement in accordance with Chapter 14A of the Listing Rules by adopting the following measures:

- (A) the independent non-executive Directors shall annually review the transactions contemplated under the Framework Financial Services Agreement, and confirm in the Company's annual report that those transactions have been entered into (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms and in any event, no less favourable than the price offered to the Group by Independent Third Parties; and (iii) in accordance with the Framework Financial Services Agreement, and those terms being fair, reasonable, and in the interests of the Company and the Shareholders as a whole; and
- (B) the Company's auditor shall be engaged to annually report on the transactions contemplated under the Framework Financial Services Agreement and provide a letter to the Board that nothing has come to their attention that causes them to believe that those transactions (i) have not been approved by the Board; (ii) were not, in material respects, consistent with the pricing policies adopted for the Supply Transactions; (iii) were not entered into, in material respects, in accordance with the Framework Financial Services Agreement; and (iv) exceeded the proposed annual caps for the services provided by Inspur Finance under the Framework Financial Services Agreement.

We have reviewed the internal control manual regarding the transactions contemplated under the Framework Financial Services Agreement. By adopting the policy set out above, we considered that the Company will be able to ensure that (i) the interest rate payable for the Company's deposits shall not be lower than the highest deposit interest rates offered by the People's Bank of China and the Comparable Banks in the same period and of the same type; and (ii) the interest rates for Loan Facility Services and the fees for the Settlement Services and Other Financial Services to be charged by Inspur Finance shall not be higher than those charged by the People's Bank of China and other commercial banks for providing comparable services in the PRC; and (iii) the financial services under the Framework Financial Services Agreement and the transactions contemplated thereunder are conducted on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

We also understand from the Management that the finance department of the Company will monitor the transactions contemplated under the Framework Financial Services Agreement as to, in particular and among others, the balance of the deposits placed with Inspur Finance on a daily basis to ensure the maximum daily deposit balance (including any interest accrued therefrom) will not exceed the proposed annual caps for the Deposit Services. Should the finance department of the Company be aware of potential violation of the proposed annual caps of the Deposit Services, they will refrain from placing further deposits to Inspur Finance in order to prevent the Group from exceeding the relevant annual caps, until the relevant requirements of the Listing Rules (if any) are complied with. Based on our discussion with the Management, the managers will also report to the senior management and Directors if the maximum daily deposit balance (including any interest accrued therefrom) approaches the respective annual caps.

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For our due diligence purpose, we have obtained and reviewed (a) 6 randomly selected samples of historical depository services provided by Inspur Finance to the Group under the Framework Finance Services Agreement during the period from 1 January 2020 to 30 June 2022; and (b) 6 randomly selected samples of historical depository services provide by Independent Third Parties to the Group during the period from 1 January 2020 to 30 June 2022. Such aforesaid samples were selected on a random basis from the list of transactions in respect of the depository services with Inspur Finance and others Independent Third Parties covering the period from 1 January 2020 to 30 June 2022.

Given that (i) the Deposit Services between the Group and Inspur Finance is consistent throughout the period from 1 January 2020 to 30 June 2022; (ii) the aforesaid samples are obtained on random basis; the samples we obtained are consistent and did not demonstrate any discrepancy to our understandings on the Deposit Services between the Group and Inspur Finance; and (iii) the samples in relation to the depository services between the Group and Independent Third Parties are from three different parties, which allow us to assess and cross-check the transaction conditions between the Group and different Independent Third Parties, we are of the view that the abovementioned sample size are representative and adequate and sufficient for our assessment herein.

We have considered and noted that (i) the Company has adequate internal control procedures in respect of the Framework Financial Agreement as aforementioned, including both the pricing policy and the monitoring policy regarding the proposed annual caps therein; (ii) the documents including, but not limited to, (a) 6 randomly selected samples of historical depository services provided by Inspur Finance to the Group under the Framework Finance Services Agreement during the period from 1 January 2020 to 30 June 2022; (b) 6 randomly selected samples of historical depository services provide by Independent Third Parties to the Group during the period from 1 January 2020 to 30 June 2022, reviewed by us are consistent with the relevant internal control measures as aforementioned; and (iii) the Independent Board Committee comprising all the independent non-executive Directors, has been established to advise the Independent Shareholders of the transactions.

In view of the above, we consider that the terms of reference, if implemented effectively by the Group, are sufficient to safeguard Shareholders' interest in conducting the Framework Financial Services Agreement and the transactions contemplated thereunder. Accordingly, we are of the view that the internal control procedures are in place and in compliance with the internal measures as mentioned above and are sufficient to ensure fair and reasonable pricing of the Deposit Services, that the execution of the Deposit Services would be fair and reasonable and in the interests of the Group, and the proposed annual caps under the Deposit Services will be closely monitored and will not be exceeded.

3 EXTENSION OF TERM AND REVISION OF THE ANNUAL CAPS FOR THE SUPPLY TRANSACTIONS

Reference is made to the Company's announcement dated 3 September 2020 in relation to, amongst other things, the entering into of the Second Supplemental Agreement to the Framework Agreement between the Company and the IPG regarding the Supply Transactions.

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Pursuant to the Second Supplemental Agreement, the Company and IPG agreed to (i) extend the term of the Supply Transactions for a further two years from 31 December 2020 to 31 December 2022; and (ii) revise the annual caps of the Supply Transactions to RMB105,000,000 for the three financial years ending 31 December 2020, 31 December 2021 and 31 December 2022.

As it is expected that the transaction amounts of the Supply Transactions will increase and the parties will continue to conduct the Supply Transactions beyond 31 December 2022 due to demand for new management software business and the forecast for service outsourcing business, the Company and IPG (for itself and on behalf of the other members of the Inspur Group) entered into the Third Supplemental Agreement on 28 July 2022.

3.1 THE PRINCIPAL TERMS OF THE THIRD SUPPLEMENTAL AGREEMENT

Date

28 July 2022

Parties

1. The Company; and
2. IPG (for itself and on behalf of the other members of the Inspur Group)

The Company and IPG entered into the Third Supplemental Agreement on 28 July 2022 to (i) extend the term of providing the Supply Transactions for a further two years from 31 December 2022 to 31 December 2024; and (ii) revise the annual caps of the Supply Transactions to RMB360,000,000, RMB439,200,000 and RMB570,960,000 for the three financial years ending 31 December 2022, 31 December 2023 and 31 December 2024 respectively.

Types of services for the Supply Transactions

The Group supplies and provides the Inspur Group from time to time with software and cloud services including software outsourcing, enterprise resource management software and those software developed by the Group.

Pricing Policy and other terms for the Supply Transactions

The Group supplies software and cloud services to the Inspur Group. The actual terms and conditions of such services to be provided by the Group are subject to individual orders placed by the Inspur Group. The parties have agreed that:

- (a) the supply of such software and cloud services by the Group to the Inspur Group shall be on normal commercial terms;
- (b) the service fees of such services or the prices of the software to be supplied or provided by the Group will be agreed between the parties by reference to the prices of such services supplied by the Group to Independent Third Parties at the relevant time; and

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- (c) the Group shall not be obliged to accept any terms and conditions (including pricing terms) for the supply of such services which are less favourable than those agreed between any member of the Group and its Independent Third Party customers for such services.

Payment terms for the Supply Transactions

The Group gives two-month credit period for the Inspur Group to settle the service fees charged for the software and cloud services rendered. Such credit period is a common industry practice for services provision of the similar nature, and is therefore, on normal commercial terms and no more favourable than that offered to Independent Third Parties.

Apart from the aforementioned revisions, all the terms under the Framework Agreement remain unchanged.

Our Assessment

We have discussed with the Management and note that in order to ensure that the terms and the prices of the products and the service fees of the services to be supplied by the Group under the Supply Transactions are on normal commercial terms and not less favorable than those of the same (or similar) products or services supplied to Independent Third Parties at the relevant times, the Company will select at least two comparable transactions that are entered into with Independent Third Parties and of similar subject matter to the relevant Supply Transactions for comparison purposes when determining the respective terms and prices.

For our due diligence purpose, we have obtained and reviewed 6 samples of contracts entered into between the Group and Independent Third Parties selected on a random basis from the lists of customers in relation to the supply and provision of software and cloud services including software outsourcing, enterprise resource management software and those software developed by the Group during the period from 1 January 2020 to 30 June 2022. We have also obtained and reviewed 6 and 6 samples of transaction records regarding the historical supply and provision of software and cloud services including software outsourcing, enterprise resource management software and those software developed by the Group to (a) the Inspur Group; and (b) Independent Third Parties, respectively for the period from 1 January 2020 to 30 June 2022. Such (a) 6 samples of transactions records between the Group and the Inspur Group; and (b) 6 samples of transactions records between the Group and Independent Third Parties, were selected on a random basis from the lists of transactions in respect of the supply and provision of software and cloud services including software outsourcing, enterprise resource management software and those software developed by the Group with the Inspur Group and customers which are Independent Third Parties covering the period from 1 January 2020 to 30 June 2022.

Given that (i) the process for the Supply Transactions is consistent throughout the period under our review; (ii) the aforesaid samples are obtained on random basis; and (iii) the samples we obtained are consistent and did not demonstrate any discrepancy to our understandings on the arrangement of the Supply Transactions, we are of the view that those samples are sufficient for us to assess the arrangement of the Supply Transactions.

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On the basis of our review, we note that (i) the terms of the Supply Transactions as reviewed by us were in line with the transaction terms between the Group and other customers of the supply and provision of software and cloud services including software outsourcing, enterprise resource management software and those software developed by the Group which are Independent Third Parties; and (ii) the prices of the products and the service fees of the services to be supplied under the Supply Transactions are not less favorable than those of the same (or similar) products or services supplied to Independent Third Parties at the relevant times; and (iii) the Supply Transactions were on normal commercial terms when compared with those applicable to the same (or similar) products or services supplied to Independent Third Parties. As such, we are of the view that the terms of the Third Supplemental Agreement and the transactions contemplated thereunder are on normal commercial terms or better and not prejudicial to the interests of the Company and the Independent Shareholders and are fair and reasonable.

3.2 HISTORICAL TRANSACTION AMOUNTS AND PROPOSED ANNUAL CAPS FOR THE SUPPLY TRANSACTIONS

Existing Annual Caps

According to the Framework Agreement and the Second Supplemental Agreement, the annual cap amount in relation to the Supply Transactions for the three financial years ending 31 December 2020, 2021 and 2022 is RMB105,000,000.

Historical Transaction Amounts

The historical transaction amounts relating to the Supply Transactions are approximately:—

	Year ended 31 December 2020	Year ended 31 December 2021	For the six months ended 30 June 2022
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Supply Transactions	98,586	101,090	86,745

The actual transaction amount of the Supply Transactions provided under the Framework Agreement and the Second Supplemental Agreement between January to June 2022 was RMB86,745,000. It is expected that the total transaction amount of the Supply Transactions for the year ending 31 December 2022 may exceed the annual cap for the year ending 31 December 2022 as provided under the Second Supplemental Agreement.

The Directors confirm that the annual cap of the Supply Transactions provided under the Framework Agreement for the year ending 31 December 2022 has not been exceeded as at the Latest Practicable Date.

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The Proposed Annual Caps for the Supply Transactions

Pursuant to the Third Supplemental Agreement, the proposed annual caps for the Supply Transactions are as follows:

Period	Transaction amount <i>(RMB'000)</i>
From 1 January 2022 to 31 December 2022	360,000
From 1 January 2023 to 31 December 2023	439,200
From 1 January 2024 to 31 December 2024	570,960

The proposed revised annual caps of the Supply Transactions provided for the year ending 31 December 2022 and the proposed new annual caps of the Supply Transactions provided for the two years ending 31 December 2023 and 2024 are determined after taking into account the following factors and assumption: (i) recent historical transacted amount of the Supply Transactions; (ii) orders which have been fulfilled and sale orders on hand; and (iii) an expected annual growth rate of 30% (assuming that (a) the growth in revenue for the year ended 31 December 2021 will continue and be reflected in the Supply Transactions; and (b) the increase in Producer Price Index (a family of indices which measures and tracks the average change in selling prices of various goods and services provided by producers and suppliers) at around 9.38% for the 12-month period between 30 June 2021 and 30 June 2022 in the PRC will persist).

For further details, please refer to the section headed “Reasons for and Benefits of Revising the Annual Caps of The Supply Transactions and Entering into The Third Supplemental Agreement” in the Board Letter.

Our View

In assessing the reasonableness and fairness of the proposed annual caps for the Supply Transactions, we have discussed with the Management and note that proposed annual caps for the Supply Transactions for the three years ending 31 December 2024 are determined with reference to the following basis.

The proposed annual caps for the Supply Transactions represent an increase of approximately 22.0% and 30.0% for the year ending 31 December 2023 and 2024 as compared to that for the previous financial year respectively.

We noted from the annual report of the Company for FY2021 that the revenue of the Group if announced in RMB represented 42.9% increase comparatively. In addition, the revenue of (i) cloud service business for FY2021 recorded 67.0% growth; and management software for FY2021 recorded 29.2% growth, accounted in RMB as compared to that for FY2020. Based on our discussion with the Management, it is expected that the demand in cloud service business and the management software will be sustain for the three years ending 31 December 2024.

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Meanwhile, based on our communication with the Management, the proposed annual caps for the Supply Transactions are appropriate and would not cause over-reliance on the Inspur Finance as the cooperation between the Company and the Inspur Group under the Second Supplemental Agreement is on non-exclusive basis with no obligation on the Company's options to accept any terms and conditions (including pricing terms) for the supply of such services which are less favourable than those agreed between any member of the Group and its Independent Third Party customers for such services.

As advised by the Management, the Company is not aware of any disadvantages in relation to or in connection with conducting the Supply Transactions with the Inspur Group. Based on the above, we consider that the Company would be able to prevent undue reliance on the Inspur Group should there be further business cooperation between the Group and Inspur Group in the foreseeable future.

Taking into account of the above, we are of the view that the proposed annual caps for the Supply Transactions are fairly determined and are fair and reasonable.

3.3 REASONS FOR AND BENEFIT OF REVISING THE ANNUAL CAPS OF THE SUPPLY TRANSACTIONS AND ENTERING INTO THE THIRD SUPPLEMENTAL AGREEMENT

As a result of the increase in demand for the Company's management software and software outsourcing business, the transaction amount of the Supply Transactions provided under the Framework Agreement for the six months ended 30 June 2022 has reached an amount of approximately RMB86,745,000. The Company expects that the growth in demand for its management software and software outsourcing business will continue in the second half of 2022, since the Group (i) anticipates the businesses conducted under the Supply Transactions will reflect compensatory gain and revive in the second half of 2022 owing to the lifting of restrictive measures in respect of COVID-19 pandemic in the PRC; (ii) expects that the demand for smart office solutions such as cloud services to boom as different industries strive to adopt the same to manage their operations virtually and efficiently due to the impact of COVID-19, smart office solutions and software have become crucial to maintaining business operations and flexibility; and (iii) has already received five orders from the Inspur Group regarding the provision of services contemplated under the Supply Transactions, and those orders, which shall come into effect subject to the approval to be sought in the EGM from the Independent Shareholders, are large in scale and have their respective service fees to be billed on a time basis. In light of the above, the total transaction volume is estimated to be approximately RMB270,000,000 according to the operations department of the Company and correspondingly, the existing annual caps of the Supply Transactions for 2022 might not be sufficient for the expected transaction volume, therefore, the Company would like to revise the annual caps in respect of the Supply Transactions for the year ending 31 December 2022. The Company would also like to continue to conduct the Supply Transactions with Inspur Group for the two years ending 31 December 2023 and 2024, as the Company expects to see a continuing increase in demand for the Company's management software and software outsourcing business in 2023 and 2024.

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Our View

Based on our discussion with the Management, the Group has been supplying and providing the Inspur Group from time to time with software and cloud services including software outsourcing, enterprise resource management software and those software developed by the Group for over 10 years and the Group has not encountered any issue with the Supply Transactions with the Inspur Group in the past. The Company believes a strong relationship with long-term customers is a strength, and the Group has established long standing business relationship with the Inspur Group, the entering into the Third Supplemental Agreement would help to Group to secure business with customers with stable and growing demand, which is important to the Group's operation.

Having considered that:

- (i) the Group has already maintained a stable long-term relationship with the Inspur Group;
- (ii) the Supply Transactions forms part of the daily operation of the Group;
- (iii) the proposed annual caps for the Supply Transactions are fairly determined and are fair and reasonable as stated in the section headed "3.2 HISTORICAL TRANSACTION AMOUNTS AND PROPOSED ANNUAL CAPS FOR THE SUPPLY TRANSACTIONS" of this letter; and
- (iv) the internal control measures of the Group regarding the Supply Transactions, if implemented effectively by the Group, are sufficient to safeguard Shareholders' interest;

we consider the Supply Transactions are on normal commercial terms, in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole.

3.4 INTERNAL CONTROL MEASURES UNDER THE SUPPLY TRANSACTIONS

As a general principle as a supplier of software and services and pursuant to the Third Supplemental Agreement, the price or service fees to be charged on Inspur Group for the software supplied and cloud services rendered shall be no more favourable than the price offered by the Group to Independent Third Parties at the relevant times, and the transactions contemplated under the Supply Agreement shall be on normal commercial terms.

In order to safeguard the interests of the Company and the Shareholders as a whole, the Company has adopted the following measures to monitor the Supply Transactions between the Group and the Inspur Group pursuant to the Third Supplemental Agreement and to ensure that the transactions are conducted in accordance with the Third Supplemental Agreement:

- (I) sales department of the Company is responsible for contacting customers, entering into the contracts for services and maintaining records regarding the terms of those contracts;

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- (II) sales department is also responsible to communicate with the operations department of the Company when a request of fee quotations is received; and the operations department, on top of its duty to determine market strategies such as pricing mechanisms, is responsible for the provision of such fee quotations on the services to be rendered, and with reference to the previous record for the same or similar services rendered, the prevailing pricing terms for the services and the duration of the services to be rendered, it may adjust the pricing and commercial terms accordingly for the staff in the sales department to negotiate with potential clients;
- (III) the finance department of the Company shall monitor monthly on the transaction amounts of the Supply Transactions, so as to ensure that the proposed annual caps for the Supply Transactions will not be exceeded;
- (IV) the finance department of the Company shall also monitor continuously the entire procedures (including but not limited to the fee quotation) by supervising, reviewing and assessing the pricing standard for the services to be rendered under the Supply Transactions, especially given that the Group has other customers, for comparison purposes, at least two comparable transactions that are entered into with Independent Third Parties and of similar subject matter to the relevant Supply Transactions will be taken into account when determining the prices, to ensure that the price of the software or service fees of the services to be supplied under the Supply Transactions are not more favourable than those of the same (or similar) software or services supplied to Independent Third Parties at the relevant times; and
- (V) the operations department will review and conduct internal audit to trace, monitor and evaluate the transaction amounts under the Supply Transactions on a monthly basis to ensure that the proposed annual caps under the Supply Transactions will not be exceeded.

In addition to the above, the Group will comply with the annual review requirements in respect of the transactions contemplated under the Third Supplemental Agreement in accordance with Chapter 14A of the Listing Rules by adopting the following measures:

- (A) the independent non-executive Directors shall annually review the transactions contemplated under the Third Supplemental Agreement, and confirm in the Company's annual report that those transactions have been entered into (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms and in any event, no more favourable than the price offered by the Group to Independent Third Parties; and (iii) in accordance with the Third Supplemental Agreement, and those terms being fair, reasonable, and in the interests of the Company and the Shareholders as a whole; and
- (B) the Company's auditor shall be engaged to annually report on the transactions contemplated under the Third Supplemental Agreement and provide a letter to the Board that nothing has come to their attention that causes them to believe that those transactions (i) have not been approved by the Board; (ii) were not, in material respects, consistent with the pricing policies adopted for the Supply Transactions; (iii) were not entered into, in material respects, in accordance with the Third Supplemental Agreement; and (iv) exceeded the proposed annual caps for the Supply Transactions.

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By implementing the above measures, the Directors (including the independent non-executive Directors) consider that the Company has sufficient internal control and procedures to ensure that the pricing basis for the services to be rendered by the Group to the Inspur Group under the Third Supplemental Agreement will be in accordance with its terms, on normal commercial terms or no more favourable than those offered to the Independent Third Parties, the relevant pricing terms and payment terms being fair and reasonable, and in the interests of the Company and Shareholders as a whole.

We also note that in order to ensure that the terms and the prices of the products and the service fees of the services to be supplied by the Group under the Supply Transactions are on normal commercial terms and not less favorable than those of the same (or similar) products or services supplied to Independent Third Parties at the relevant times, the Company will select at least two comparable transactions that are entered into with Independent Third Parties and of similar subject matter to the relevant Supply Transactions for comparison purposes when determining the respective terms and prices.

We have reviewed the internal control manual regarding the Supply Transactions. By adopting the policy set out above, we considered that the Company will be able to ensure that (i) the terms and the prices of the products and the service fees of the services to be supplied by the Group under the Supply Transactions are not less favorable than those of the same (or similar) products or services supplied to Independent Third Parties at the relevant times; and (ii) the Supply Transactions are conducted on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

We understand from the Management that (i) the finance department of the Company shall monitor monthly on the transaction amounts of the Supply Transactions, so as to ensure that the proposed annual caps for the Supply Transactions will not be exceeded; and (ii) the operations department will review and conduct internal audit to trace, monitor and evaluate the transaction amounts under the Supply Transactions on a monthly basis to ensure that the proposed annual caps under the Supply Transactions will not be exceeded. Should the finance department and/or the operations department of the Company be aware of potential violation of the proposed annual caps of the Supply Transactions, they will refrain from accepting new procurement orders from the Inspur Group for the remainder of such year in order to prevent the Group from exceeding the relevant annual caps, until the relevant requirements of the Listing Rules (if any) are complied with. Based on our discussion with the Management, the respective managers will also report to the Management and Director if the aggregate transaction amounts of the Supply Transactions each year approaches the respective annual caps. Based on the 6 randomly selected samples of the monthly report to the Directors in relation to the utilisation of the proposed annual caps of the Supply Transactions during the period from 1 January 2020 to 30 June 2022 provided by the Management to us, we are satisfied that the Company has adopted sufficient internal control procedures in respect of the Supply Transactions to ensure that the respective proposed annual caps of the Supply Transactions will be closely monitored and will not be exceeded.

In relation to the pricing policy of the Supply Transactions, for our due diligence purpose, we have obtained and reviewed (a) 6 randomly selected samples of contracts entered into between the Group and Independent Third Parties in relation to the supply of same (or similar) products or services supplied by the Group under the Supply Transactions to Independent Third Parties; (b) 6 randomly selected samples of transactions records regarding the Supply Transactions during the period from 1

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January 2020 to 30 June 2022; and (c) 6 randomly selected samples of transaction records regarding the historical supply and provision of software and cloud services including software outsourcing, enterprise resource management software and those software developed by the Group to Independent Third Parties during the period from 1 January 2020 to 30 June 2022.

Given that (i) the Supply Transactions between the Group and the Inspur Group is consistent throughout the period from 1 January 2020 to 30 June 2022; (ii) the aforesaid samples are obtained on random basis; the samples we obtained are consistent and did not demonstrate any discrepancy to our understandings on the Supply Transactions between the Group and the Inspur Group; (iii) the abovementioned samples include different types of products or services supplied by the Group to the Inspur Group and other customers which are Independent Third Parties, which allowed us to assess the transaction conditions of different type of products and services and is more comprehensive than sample of single type of product or services; and (iv) the samples in relation to the supply of same (or similar) products or services between the Group and customers which are Independent Third Parties are from six different customers, which allowed us to assess and cross-check the transaction conditions between the Group and different customers which are Independent Third Parties, we are of the view that the abovementioned samples are representative and adequate and sufficient for our assessment herein.

We have considered and noted that:

- (i) the Company has adequate internal control procedures in respect of the Supply Transactions as aforementioned, including both the pricing policy and the monitoring policy regarding the proposed annual caps therein;
- (ii) the documents including, but not limited to, (a) 6 randomly selected samples of contracts entered into between the Group and Independent Third Parties in relation to the supply of same (or similar) products or services supplied by the Group under the Supply Transactions to Independent Third Parties; (b) 6 randomly selected samples of transactions records regarding the Supply Transactions during the period from 1 January 2020 to 30 June 2022; (c) 6 randomly selected samples of transaction records regarding the historical supply and provision of software and cloud services including software outsourcing, enterprise resource management software and those software developed by the Group to Independent Third Parties during the period from 1 January 2020 to 30 June 2022; and (d) 6 randomly selected samples of the monthly report to the Directors in relation to the utilisation of the proposed annual caps of the Supply Transactions during the period from 1 January 2020 to 30 June 2022, reviewed by us are consistent with the relevant internal control measures as aforementioned; and
- (iii) the Independent Board Committee comprising all the independent non-executive Directors, has been established to advise the Independent Shareholders of the transactions.

In view of the above, we consider that the terms of reference, if implemented effectively by the Group, are sufficient to safeguard Shareholders' interest in conducting the Supply Transactions. Accordingly, we are of the view that the internal control procedures are in place and in compliance

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with the internal measures as mentioned above and are sufficient to ensure fair and reasonable pricing of the Supply Transactions, that the execution of the Supply Transactions would be fair and reasonable and in the interests of the Group, and the proposed annual caps under the Supply Transactions will be closely monitored and will not be exceeded.

4 EXTENSION OF TERM AND REVISION OF THE ANNUAL CAPS FOR THE FRAMEWORK AGREEMENT FOR THE PURCHASE TRANSACTIONS AND THE COMMON SERVICES TRANSACTIONS

Reference is made to the announcement of the Company dated 31 December 2020, in relation to, amongst other things, the 2020 Framework Agreement entered into between the Company and IPG relating to the Purchase Transactions and the Common Services Transactions for the three financial years ending 31 December 2023.

The Board announces that, on 28 July 2022, the Company entered into a Supplemental 2020 Framework Agreement with IPG (for itself and on behalf of the other members of the Inspur Group) relating to the Purchase Transactions and Common Services Transactions to (i) extend the term for 1 year from ending on 31 December 2023 to 31 December 2024; and (ii) revise the annual caps of the Purchase Transactions and Common Services Transactions under the 2020 Framework Agreement.

4.1 THE PRINCIPAL TERMS OF THE PURCHASE TRANSACTIONS UNDER THE SUPPLEMENTAL 2020 FRAMEWORK AGREEMENT

Date

28 July 2022

Parties

1. The Company; and
2. IPG (for itself and on behalf of the other members of the Inspur Group)

Types of products for the Purchase Transactions

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”, storage products and other accessories.

Pricing Policy and other terms for the Purchase Transactions

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;

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- (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 price per unit of such products supplied by Inspur Group to Independent Third Parties; and
- (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 the same or similar products and components.

Payment terms for the Purchase Transactions

The IPG gives one-month credit period similar to the credit period granting to other customers for the Group to settle the payment of the products and components after delivery (which is a common industry practice for payment in transactions of the similar nature, and is therefore, on normal commercial terms and no less favourable than that offered by Independent Third Parties). The Group makes the payment out of the Group's internal resources.

Our Assessment

We have discussed with the Management and note that in order to ensure the prices 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, the Management would refer to at least two comparable transactions in determining the price of the products and components supplied by Inspur Group. As the Group has other suppliers for similar IT products and IT services, the management will refer to the commercial terms offered by other suppliers when determining the same with Inspur Group.

For our due diligence purpose, we have obtained and reviewed 6 samples of contracts entered into between the Group and Independent Third Parties selected on a random basis from the lists of suppliers in relation to the supply of various IT products, storage products and other accessories during the period from 1 January 2020 to 30 June 2022. We have also obtained and reviewed 6 and 6 samples of transaction records regarding the historical procurement of various IT products, storage products and other accessories by the Group from (a) the Inspur Group; and (b) Independent Third Parties, respectively for the period from 1 January 2020 to 30 June 2022. Such (a) 6 samples of transactions records between the Group and the Inspur Group; and (b) 6 samples of transactions records between the Group and Independent Third Parties, were selected on a random basis from the lists of transactions in respect of the procurement of various IT products, storage products and other accessories supplied by the Inspur Group and suppliers which are Independent Third Parties covering the period from 1 January 2020 to 30 June 2022.

Given that (i) the process for the Purchase Transactions is consistent throughout the period under our review; (ii) the aforesaid samples are obtained on random basis; and (iii) the samples we obtained are consistent and did not demonstrate any discrepancy to our understandings on the arrangement of Purchase Transactions, we are of the view that those samples are sufficient for us to assess the arrangement of the Purchase Transactions.

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On the basis of our review, we note that (i) the terms of the Purchase Transactions as reviewed by us were in line with the transaction terms between the Group and other suppliers of similar procurement of various IT products, storage products and other accessories which are Independent Third Parties; (ii) the prices of the procurement of various IT products, storage products and other accessories to be purchased under the Purchase Transactions are not less favorable than the quotations or prices of the products and components with Independent Third Parties; and (iii) the Purchase Transactions were on normal commercial terms when compared with those applicable to the similar IT products supplied by Independent Third Parties. As such, we are of the view that the terms of the Third Supplemental Agreement and the transactions contemplated thereunder are on normal commercial terms or better and not prejudicial to the interests of the Company and the Independent Shareholders and are fair and reasonable.

4.2 HISTORICAL TRANSACTION AMOUNTS AND PROPOSED ANNUAL CAPS FOR THE PURCHASE TRANSACTIONS

Existing Annual Caps

According to the 2020 Framework Agreement, the annual cap amount in relation to the Purchase Transactions for the three financial years ending 31 December 2020, 2021 and 2022 is RMB65,000,000.

Historical Transaction Amounts

The historical transaction amounts relating to the Purchase Transactions are approximately:—

	Year ended 31 December 2021 RMB'000	For the six months ended 30 June 2022 RMB'000
Purchase Transactions	58,326	59,258

Pursuant to the 2020 Framework Agreement, the existing annual caps for the Purchase Transactions are as follows:

Period	Transaction amount (RMB'000)
From 1 January 2021 to 31 December 2021	65,000
From 1 January 2022 to 31 December 2022	65,000
From 1 January 2023 to 31 December 2023	65,000

The Directors confirm that the annual cap of the Purchase Transactions provided under the Framework Agreement for the year ending 31 December 2022 has not been exceeded as at the Latest Practicable Date.

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The Proposed Annual Caps for the Purchase Transactions

Pursuant to the Supplemental 2020 Framework Agreement, the proposed annual caps for the Purchase Transactions are as follows:

Period	Transaction amount <i>(RMB'000)</i>
From 1 January 2022 to 31 December 2022	320,000
From 1 January 2023 to 31 December 2023	416,000
From 1 January 2024 to 31 December 2024	540,800

The following factors have been taken into account by the Company in determining the proposed annual caps for the Purchase Transactions: (a) the recent historical amounts and the expected amounts of the Purchase Transactions for the year ending 31 December 2022 (in view of which, the transaction amount for the six months ended 30 June 2022 was larger than that for the year ended 31 December 2021, and with expectation to grow continuously, the existing annual caps for the Purchase Transactions may be exceeded); (b) the Group's recent order to purchase no less than 3,400 hardware server, which shall come into effect subject to the approval to be sought in the EGM from the Independent Shareholders, is anticipated to have a transaction amount exceeding RMB100,000,000.00; (c) anticipates the businesses conducted under the Purchase Transactions will revive in the second half of 2022 owing to the compensatory gain with the expansion of operations of the Group; and (d) expects that the demand for various IT products and accessories pursuant to the Purchase Transactions to surge in light of the emphasis in the PRC to undergo industrial digital transformation, prompting the Group to accelerate the construction of information network infrastructure and utilise networking tools to enhance corporate connectivity.

Our View

In assessing the reasonableness and fairness of the proposed annual caps for the Purchase Transactions, we have discussed with the Management and note that proposed annual caps for the Purchase Transactions for the three years ending 31 December 2024 are determined with reference to the following basis.

The proposed annual caps for the Purchase Transactions represent an increase of approximately 30.0% for the year ending 31 December 2023 and 2024 as compared to that for the previous financial year respectively.

We noted from the annual report of the Company for FY2021 that the cost of sales of the Group increased from approximately HK\$1,806.8 million for FY2020 to approximately HK\$2,674.0 million for FY2021, representing approximately 48.0% increase comparatively. It is expected that the demand of various IT products, storage products and other accessories would increase in line with the expected growth of the business of the Group.

Meanwhile, based on our communication with the Management, the proposed annual caps for the Purchase Transactions are appropriate and would not cause over-reliance on the Inspur Finance as the

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cooperation between the Company and the Inspur Group under the Supplemental 2020 Framework Agreement is on non-exclusive basis with no obligation on the Company's options 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 the same or similar products and components.

As advised by the Management, the Company is not aware of any disadvantages in relation to or in connection with conducting the Purchase Transactions with the Inspur Group. Based on the above, we consider that the Company would be able to prevent undue reliance on the Inspur Group should there be further business cooperation between the Group and Inspur Group in the foreseeable future.

Taking into account of the above, we are of the view that the proposed annual caps for the Purchase Transactions are fairly determined and are fair and reasonable.

4.3 REASONS FOR AND BENEFITS OF ENTERING INTO THE SUPPLEMENTAL 2020 FRAMEWORK AGREEMENT

For the Purchase Transactions, the Inspur Group ranked 12th in the list of Top 100 Enterprises for Software and Information Technology Services Competitiveness 2021 issued by China Federation of Electronics and Information Industry for the year ended 31 December 2021. With good reputation in the IT area, the IT products supplied by IPG represent a guarantee of high quality and reliable after-sales service. Cooperation in the Purchase Transactions can bring more supply channels to the Group and bring more revenue and profits to the Group as well.

Our View

Based on our discussion with the Management, the Group has been purchasing from the Inspur Group various IT products from time to time including without limitation the IT server under the name of "Inspur", storage products and other accessories. over 10 years and the Group has not encountered any issue with the Purchase Transactions with the Inspur Group in the past. The Company believes a strong relationship with long-term suppliers is a strength, and the Group has established long standing business relationship with the Inspur Group, the entering into the Supplemental 2022 Framework Agreement would help to Group to secure business with suppliers with stable supply of respective products, which is important to the Group's operation.

Having considered that:

- (i) the Group has already maintained a stable long-term relationship with the Inspur Group;
- (ii) the Purchase Transactions forms part of the daily operation of the Group;
- (iii) the proposed annual caps for the Purchase Transactions are fairly determined and are fair and reasonable as stated in the section headed "4.2 HISTORICAL TRANSACTION AMOUNTS AND PROPOSED ANNUAL CAPS FOR THE PURCHASE TRANSACTIONS" of this letter; and

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- (iv) the internal control measures of the Group regarding the Purchase Transactions, if implemented effectively by the Group, are sufficient to safeguard Shareholders' interest;

we consider the Purchase Transactions are on normal commercial terms, in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole.

4.4 INTERNAL CONTROL MEASURES UNDER THE CONTINUING CONNECTED TRANSACTIONS

As a general principle, being a customer of products and a recipient of services, and pursuant to the Supplemental 2020 Framework Agreement, the price of the products (under the Purchase Transactions) and/or the service fees (under the Common Services Transaction) to be charged by IPG shall be no less favourable than the price offered to the Group by Independent Third Parties at the relevant times, and the transactions contemplated under the Supplemental 2020 Framework Agreement shall be on normal commercial terms.

In order to safeguard the interests of the Company and the Shareholders as a whole, the Company has adopted the following measures to monitor the each of the Continuing Connected Transactions between the Group and IPG pursuant to the Supplemental 2020 Framework Agreement and to ensure that the transactions are conducted in accordance with the Supplemental 2020 Framework Agreement:

- (I) purchase department of the Company is responsible for contacting suppliers, entering into the contracts for goods or services and maintaining records regarding the terms of those contracts;
- (II) purchase department is also responsible to communicate with the operations department of the Company when a request of fee quotations is received; and the operations department, on top of its duty to determine market strategies such as pricing mechanisms, is responsible for the provision of such fee quotations on the products to be acquired or services to be rendered to the Group under each of the Continuing Connected Transactions, and with reference to the previous record for the same or similar transactions, the prevailing pricing terms and size of the order for goods or the duration of the services to be rendered, it may adjust the pricing and commercial terms accordingly for the staff in the purchase department to negotiate;
- (III) the finance department of the Company shall monitor monthly on the transaction amounts of both the Purchase Transactions and the Common Services Transactions, so as to ensure that the proposed annual caps for each of the Continuing Connected Transactions will not be exceeded;
- (IV) the finance department of the Company shall also monitor continuously the entire procedures (including but not limited to the fee quotation) by supervising, reviewing and assessing the pricing standard for (a) products to be acquired under the Purchase Transactions; and (b) the services to be rendered to the Group under the Common Services Transactions, especially given that the Group has other suppliers, for comparison purposes, at least two comparable transactions that are entered into with Independent Third Parties

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and of similar subject matter to the relevant Continuing Connected Transactions will be taken into account when determining the prices, to ensure that (i) the prices of the products to be acquired under the Purchase Transactions; and (ii) the service fees of the premise renting and management services to be rendered to the Group under the Common Services Transactions are no less favourable than those of the same (or similar) products or services offered by Independent Third Parties to the Group at the relevant times; and

- (V) the operations department will review and conduct internal audit to trace, monitor and evaluate the transaction amounts under each of the Continuing Connected Transactions on a monthly basis to ensure that the proposed annual caps under each of the Continuing Connected Transactions will not be exceeded.

In addition to the above, the Group will comply with the annual review requirements in respect of the transactions contemplated under the Supplemental 2020 Framework Agreement in accordance with Chapter 14A of the Listing Rules by adopting the following measures:

- (A) the independent non-executive Directors shall annually review the transactions contemplated under the Supplemental 2020 Framework Agreement, and confirm in the Company's annual report that those transactions have been entered into (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms and in any event, no less favourable than the price offered to the Group by Independent Third Parties; and (iii) in accordance with the Supplemental 2020 Framework Agreement, and those terms being fair, reasonable, and in the interests of the Company and the Shareholders as a whole; and
- (B) the Company's auditor shall be engaged to annually report on the transactions contemplated under the Supplemental 2020 Framework Agreement and provide a letter to the Board that nothing has come to their attention that causes them to believe that those transactions (i) have not been approved by the Board; (ii) were not, in material respects, consistent with the pricing policies adopted for the Supply Transactions; (iii) were not entered into, in material respects, in accordance with the Supplemental 2020 Framework Agreement; and (iv) exceeded the proposed annual caps for each of the Continuing Connected Transactions. By implementing the above measures, the Directors (including the independent non-executive Directors) consider that the Company has sufficient internal control and procedures to ensure that the pricing basis for (a) products to be acquired under the Purchase Transactions; and (b) the services to be rendered to the Group under the Common Services Transactions under the Supplemental 2020 Framework Agreement will be in accordance with its terms, on normal commercial terms or no less favourable than those offered by the Independent Third Parties, the relevant pricing terms and payment terms being fair and reasonable, and in the interests of the Company and Shareholders as a whole.

We also note that note that in order to ensure that the terms and the prices 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, the Management will refer to at least two comparable transactions when determining the respective terms and prices.

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We have reviewed the internal control manual regarding the Purchase Transactions. By adopting the policy set out above, we considered that the Company will be able to ensure that (i) the terms and the prices 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; and (ii) the Purchase Transactions are conducted on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

We understand from the Management that (i) the finance department of the Company shall monitor monthly on the transaction amounts of the Purchase Transactions so as to ensure that the proposed annual caps for the Purchase Transactions will not be exceeded; and (ii) the operations department will review and conduct internal audit to trace, monitor and evaluate the transaction amounts under the Purchase Transactions on a monthly basis to ensure that the proposed annual caps under the Purchase Transactions will not be exceeded. Should the finance department and/or the operations department of the Company be aware of potential violation of the proposed annual caps of the Purchase Transactions, they will refrain from placing new orders to the Inspur Group for the remainder of such year in order to prevent the Group from exceeding the relevant annual caps, until the relevant requirements of the Listing Rules (if any) are complied with. Based on our discussion with the Management, the respective managers will also report to the Management and Director if the aggregate transaction amounts of the Purchase Transactions each year approaches the respective annual caps. Based on the 6 random samples of the monthly report to the Directors in relation to the utilisation of the proposed annual caps of the Purchase Transactions during the period from 1 January 2020 to 30 June 2022 provided by the Management to us, we are satisfied that the Company has adopted sufficient internal control procedures in respect of the Purchase Transactions to ensure that the respective proposed annual caps of the Purchase Transactions will be closely monitored and will not be exceeded.

In relation to the pricing policy of the Purchase Transactions, for our due diligence purpose, we have obtained and reviewed (a) 6 randomly selected samples of contracts entered into between the Group and Independent Third Parties in relation to the procurement of similar IT products purchased by the Group under the Purchase Transactions from Independent Third Parties; (b) 6 randomly selected samples of transactions records regarding the Purchase Transactions during the period from 1 January 2020 to 30 June 2022; and (c) 6 randomly selected samples of transaction records regarding the historical procurement of similar IT products by the Group from Independent Third Parties during the period from 1 January 2020 to 30 June 2022.

Given that (i) the Purchase Transactions between the Group and the Inspur Group is consistent throughout the period from 1 January 2020 to 30 June 2022; (ii) the aforesaid samples are obtained on random basis; the samples we obtained are consistent and did not demonstrate any discrepancy to our understandings on the Purchase Transactions between the Group and the Inspur Group; (iii) the abovementioned samples include different types of IT products, storage products and other accessories supplied to the Group by the Inspur Group and other suppliers which are Independent Third Parties, which allowed us to assess the transaction conditions of different type of products and is more comprehensive than sample of single type of product; and (iv) the samples in relation to the supply of various IT products, storage products and other accessories between the Group and suppliers

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which are Independent Third Parties are from six different suppliers, which allowed us to assess and cross-check the transaction conditions between the Group and different Independent Third Parties, we are of the view that the abovementioned samples are representative and adequate and sufficient for our assessment herein.

We have considered and noted that:

- (i) the Company has adequate internal control procedures in respect of the Purchase Transactions as aforementioned, including both the pricing policy and the monitoring policy regarding the proposed annual caps therein;
- (ii) the documents including, but not limited to, (a) 6 randomly samples of contracts entered into between the Group and Independent Third Parties in relation to the procurement of similar IT products purchased by the Group under the Purchase Transactions from Independent Third Parties; (b) 6 randomly selected samples of transactions records regarding the Purchase Transactions during the period from 1 January 2020 to 30 June 2022; (c) 6 randomly selected samples of transaction records regarding the historical procurement of similar IT products by the Group from Independent Third Parties during the period from 1 January 2020 to 30 June 2022; and (d) 6 random samples of the monthly report to the Directors in relation to the utilisation of the proposed annual caps of the Purchase Transactions during the period from 1 January 2020 to 30 June 2022, reviewed by us are consistent with the relevant internal control measures as aforementioned; and
- (iii) the Independent Board Committee comprising all the independent non-executive Directors, has been established to advise the Independent Shareholders of the transactions.

In view of the above, we consider that the terms of reference, if implemented effectively by the Group, are sufficient to safeguard Shareholders' interest in conducting the Purchase Transactions. Accordingly, we are of the view that the internal control procedures are in place and in compliance with the internal measures as mentioned above and are sufficient to ensure fair and reasonable pricing of the Purchase Transactions, that the execution of the Purchase Transactions would be fair and reasonable and in the interests of the Group, and the proposed annual caps under the Purchase Transactions will be closely monitored and will not be exceeded.

5 REPORTING REQUIREMENTS AND CONDITIONS OF THE CONTINUING CONNECTED TRANSACTIONS CONTEMPLATED UNDER THE AGREEMENTS

Pursuant to Rules 14A.55 to 14A.59 of the Listing Rules, the continuing connected transactions contemplated under the Agreements are subject to the following annual review requirements:

- (i) the independent non-executive Directors must review the continuing connected transactions every year and confirm in the Company's annual report whether the continuing connected transactions have been entered into:
 - (a) in the ordinary and usual course of business of the Group;
 - (b) on normal commercial terms of better; and

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- (c) according to the agreements governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole;
- (ii) the Company must engage its auditors to report on the continuing connected transactions every year. The Company's auditors must provide a letter to the Board (with a copy to be provided to the Stock Exchange at least ten business days before the bulk printing of the Company's annual report) confirming whether anything has come to their attention that causes them to believe that the continuing connected transactions:
 - (a) have not been approved by the Board;
 - (b) were not, in all material respects, in accordance with the pricing policies of the Group if the continuing connected transactions involve the provision of goods or services by the Group;
 - (c) were not entered into, in all material respects, in accordance with the relevant agreements governing the continuing connected transactions; and
 - (d) have exceeded the proposed annual caps of the respective continuing connected transactions.
- (iii) the Company must allow, and ensure that the counterparties to the continuing connected transactions allow, the Company's auditors sufficient access to their records for the purpose of the reporting on the continuing connected transactions as set out in paragraph (ii); and
- (iv) the Company must promptly notify the Stock Exchange and publish an announcement if the independent non-executive Directors and/or auditors of the Company cannot confirm the matters as required.

As stated above, we have reviewed the respective internal control manual of the Deposit Services, the Supply Transactions and the Purchase Transactions. We have also reviewed the annual report of the Company for FY2020 and FY2021 and noted that the independent non-executive Directors and the auditor of the Company have reviewed the continuing connected transactions including, but not limited to, the Agreements and the transactions contemplated thereunder during such period, and has provided the relevant confirmations pursuant to the relevant requirements of the Listing Rules. We have also obtained and reviewed the relevant confirmations from the independent non-executive Directors and the auditor of the Company provided by the Management and considers that the abovementioned annual review requirements have been followed.

Based on such compliance record and in light of the reporting requirements attached to the continuing connected transactions and the Group's internal control measures, including the respective pricing policy and the respective monitoring policy regarding the corresponding proposed annual caps therein, of the Deposit Services, the Supply Transactions and the Purchase Transactions as discussed in the section headed "2.4 INTERNAL CONTROL MEASURES ON THE FRAMEWORK FINANCIAL SERVICES AGREEMENT", "3.4 INTERNAL CONTROL MEASURES UNDER THE SUPPLY TRANSACTIONS" and "4.4 INTERNAL CONTROL MEASURES UNDER THE CONTINUING CONNECTED TRANSACTIONS" respective in this letter, we consider that the

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Company has adopted adequate internal control measures to be able to comply with the Listing Rules requirements with respect to the supervision and monitoring of the transactions contemplated under the Agreements and there are appropriate and effective measures to govern the future execution of such continuing connected transactions to safeguard the interests of the Independent Shares and the respective proposed annual caps under the Agreements will be closely monitored and will not be exceeded.

OPINION AND RECOMMENDATION

Having taken into account the above principal factors and reasons, we consider that the Agreements are on normal commercial terms, in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole. We also consider that the terms of the Agreements and the transactions contemplated thereunder (including the respectively proposed annual caps) are fair and reasonable. Accordingly, we advise the Independent Board Committee to recommend, and we ourselves recommend, that the Independent Shareholders to vote in favour of the relevant resolutions to be proposed at the EGM to approve the Agreements and the transactions contemplated thereunder (including the respectively proposed annual caps).

Yours faithfully,

For and on behalf of

Draco Capital Limited

Kevin Choi

Leon Au Yeung

Managing Director

Associate Director

Mr. Kevin Choi and Mr. Leon Au Yeung are licensed persons under the SFO to carry out type 6 (advising on corporate finance) regulated activity under the SFO and regarded as responsible officers of Draco Capital Limited. Mr. Kevin Choi and Mr. Leon Au Yeung have over 10 and 8 years of experience in corporate finance industry, respectively.

1. RESPONSIBILITY STATEMENT

This circular, 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 the issued share capital of the Company
N/A	N/A	N/A	N/A

(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
Wong Lit Chor, Alexis	Beneficial owner	Share option	200,000 (<i>note 1</i>)	0.02%
Zhang Ruijun	Beneficial owner	Share option	200,000 (<i>note 1</i>)	0.02%
Ding Xiangqiang	Beneficial owner	Share option	200,000 (<i>note 1</i>)	0.02%

Note 1: The share options were granted on 16 October 2018.

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:

(i) Long positions in Shares

Name of Shareholders	Capacity	Number of Shares/underlying shares held	Approximate percentage of interests in issue
Inspur Group Limited (浪潮集團有限公司)	Interest in a controlled corporation (<i>Note</i>)	621,679,686	54.44%
Inspur Overseas Investment Limited	Beneficial owner (<i>Note</i>)	428,278,400	37.50%
Inspur Cloud Computing Investment Limited	Beneficial owner (<i>Note</i>)	193,401,286	16.94%

Note: Inspur Group Limited is taken to be interested in 621,679,686 shares due to its indirect 100% shareholdings in the issued share capital of Inspur Overseas Investment Limited and Inspur Cloud Computing Investment Limited.

(ii) 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
Fang Wensheng	Beneficial owner	RMB495,000 in the registered capital of Ji'nan Inspur Fangzhi Information Technology Company Limited* (濟南浪潮方智信息技術有限公司)	49.5%
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	RMB15,474,000 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)	30.95%
Hainan United Enterprise Management Group Limited* (海南聯合企業管理集團有限公司)	Beneficial owner	RMB6,680,000 in registered capital of Shandong Inspur Yiyun Online Technology Company Limited* (山東浪潮易雲在線科技有限公司)	22.51%
Shandong Dingshang Enterprise Management Co., Ltd* (山東鼎商企業管理有限公司)	Beneficial owner	RMB4,940,000 in registered capital of Shandong Inspur Yiyun Online Technology Company Limited* (山東浪潮易雲在線科技有限公司)	16.64%
Odoos S.A	Beneficial owner	USD1,000,000 in registered capital of Inspur Odoos (HK) Limited	20%

* 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' COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors nor their respective close associates is and was interested in any business (other than the Group's business) which competes or is likely to compete, either directly or indirectly, with the businesses of the Group.

4. DIRECTORS' INTERESTS IN ASSETS

As at the Latest Practicable Date, none of the Directors has or had 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 2021, being the date to which the latest published audited consolidated financial statements of the Company were made up.

5. DIRECTORS' INTERESTS IN CONTRACT OR ARRANGEMENT OF SIGNIFICANCE

As at the Latest Practicable Date, none of the Directors was materially interested, directly or indirectly, in any contract or arrangement entered into by any member of the Group subsisting at the Latest Practicable Date and which is significant in relation to the businesses of any member of the Group.

6. 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.

7. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contracts with any member of the Group which does not expire or is not determinable by such member of the Group within one year without payment of compensation, other than statutory compensation.

8. 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 2021, being the date to which the latest audited consolidated financial statements of the Company were made up.

9. EXPERT AND CONSENT

The Independent Financial Adviser 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 is contained in this circular:

Name	Qualification
Draco Capital Limited	a corporation licensed to carry out Type 6 (advising on corporate finance) regulated activities as defined under the SFO

As at the Latest Practicable Date, the Independent Financial Adviser 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 securities in any member of the Group nor did it have any interest, either direct or indirect, in any assets which had been, since the date to which the latest published audited consolidated financial statements of the Company were made up (i.e. 31 December 2021), acquired or disposed of by or leased to, or were proposed to be acquired or disposed of by or leased to any member of the Group.

10. MISCELLANEOUS

- (a) The registered office of the Company is at 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 17th 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 fellow 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 text in case of inconsistency.

11. DOCUMENTS ON DISPLAY

Copies of the following documents will be published on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://en.inspur.com/>) for a period of 14 days from the date of this circular:

- (a) the 2019 Framework Leasing Agreement;
- (b) the 2020 Framework Agreement;
- (c) the 2020 Framework Financial Services Agreement;
- (d) the Framework Agreement;
- (e) the Framework Financial Services Agreement;
- (f) the Framework Leasing Agreement;
- (g) the Supplemental Framework Agreement;
- (h) the Second Supplemental Agreement;
- (i) the Third Supplemental Agreement;
- (j) the letter of recommendation from the Independent Board Committee, as set out on pages 29 to 30 of this circular;
- (k) the letter of advice from the Independent Financial Adviser, as set out on pages 31 to 66 of this circular;
- (l) the written consent of the Independent Financial Adviser referred to in the section headed “Expert and Consent” of this Appendix; and
- (m) this circular.



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 Meeting Room 315, S06 Langchao Science Park, No. 1036, Lang-Chao Road, High-tech Zone, Jinan, Shandong, the PRC on Friday, 16 September 2022 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:

1. (a) the Deposit Services (as defined in the circular of the Company dated 31 August 2022 (the “Circular”)) under the Framework Financial Services Agreement (as defined in the Circular) (copy of the Framework Financial Services Agreement has been tabled at the meeting and marked “A” signed by the Chairman of the meeting for the purpose of identification) be and are hereby approved, confirmed and ratified;
 - (b) the proposed annual caps for the Deposit Services under the Framework Financial Services Agreement be and are hereby approved and confirmed; and
 - (c) the Directors be and are hereby authorised to do all such acts and things as they consider necessary, desirable or expedient for the implementation of and giving effect to Deposit Services under the Framework Financial Services Agreement and the proposed annual caps for the Deposit Services under the Framework Financial Services Agreement, and all such acts and things the Directors have done are hereby approved, confirmed and ratified.
2. (a) the Third Supplemental Agreement (as defined in the Circular) in relation to the Supply Transactions (as defined in the Circular) (copy of the Third Supplemental Agreement has been tabled at the meeting and marked “B” signed by the Chairman of the meeting for the purpose of identification) be and are hereby approved, confirmed and ratified;
 - (b) the proposed annual caps for the Supply Transactions under the Third Supplemental Agreement be and are hereby approved and confirmed; and

NOTICE OF EGM

- (c) the Directors be and are hereby authorised to do all such acts and things as they consider necessary, desirable or expedient for the implementation of and giving effect to Supply Transactions under the Third Supplemental Agreement, and the proposed annual caps for the Third Supplemental Agreement and all such acts and things the Directors have done are hereby approved, confirmed and ratified.
3. (a) the Purchase Transactions (as defined in the Circular) under the Supplemental 2020 Framework Agreement (as defined in the Circular) (copy of the Supplemental 2020 Framework Agreement has been tabled at the meeting and marked “C” signed by the Chairman of the meeting for the purpose of identification) be and are hereby approved, confirmed and ratified;
- (b) the proposed annual caps for the Purchase Transactions under the Supplemental 2020 Framework Agreement be and are hereby approved and confirmed; and
- (c) the Directors be and are hereby authorised to do all such acts and things as they consider necessary, desirable or expedient for the implementation of and giving effect to Purchase Transactions under the Supplemental 2020 Framework Agreement and the proposed annual caps for the Supplemental 2020 Framework Agreement, and all such acts and things the Directors have done are hereby approved, confirmed and ratified.

By order of the Board
Inspur International Limited
Mr. Wang Xingshan
Chairman

Hong Kong, 31 August 2022

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:***

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

NOTICE OF EGM

Notes:

1. A form of proxy for use at the EGM or any adjournment thereof is enclosed. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his/her attorney duly authorised in writing or, if the appointor is a corporation, either under its seal or under the hand of an officer, attorney or other person authorised to sign the same.
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. For the purpose of determining the Shareholders who are entitled to attend and vote at the EGM, the register of members of the Company will be closed from Tuesday, 13 September 2022 to Friday, 16 September 2022 (both dates inclusive). In order to qualify for attending and voting at the EGM, all transfer documents together with the relevant share certificates must be lodged for registration with the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. (Hong Kong time) on Friday, 9 September 2022.
5. 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.
6. The translation into Chinese language of this notice is for reference only. In case of any inconsistency, the English version shall prevail.
7. Pursuant to Rule 13.39(4) of the Listing Rules, all resolutions set out in this notice will be decided by poll at the EGM.

As at the date of this notice, the Board comprises Mr. Wang Xingshan, Mr. Wang Yusen and Mr. Cui Hongzhi as executive Directors, Ms. Li Chunxiang as non-executive Director, and Ms. Zhang Ruijun, Mr. Wong Lit Chor, Alexis and Mr. Ding Xiangqian as independent non-executive Directors.