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lenovo 联想

Lenovo Group Limited 联想集团有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 992)

DISCLOSEABLE TRANSACTION

**PROPOSED ACQUISITION OF MOTOROLA MOBILITY GROUP
INVOLVING THE ISSUE OF CONSIDERATION SHARES UNDER THE
GENERAL MANDATE**

CREDIT SUISSE 

Financial Advisor

The Board is pleased to announce that on January 30, 2014 (before trading hours), the Company entered into the Acquisition Agreement with Google in respect of the Transaction, pursuant to which the Company conditionally agreed to acquire, and Google conditionally agreed to sell, the Sale Shares, representing 100% of the issued and outstanding equity interests in Motorola Mobility.

The Motorola Mobility Group is principally engaged in the business of developing, manufacturing, distributing and selling mobile wireless devices, particularly smartphones based on the Android operating system, and their related products.

The Consideration payable for the Sale Shares is the aggregate amount of US\$2,910,000,000 (equivalent to approximately HK\$22,581,600,000), subject to the Cash Adjustment, and consists of the Cash Consideration, the Share Consideration and the Deferred Consideration.

The Consideration Shares will be issued under the General Mandate granted to the Directors by the Shareholders pursuant to an ordinary resolution passed at the annual general meeting of the Company held on July 16, 2013.

Subject to and upon the terms and conditions of the Promissory Note to be issued to Google (or its designee) at Completion, the Company will undertake to pay an amount equal to the Deferred Consideration (subject to the Deferred Consideration Reduction),

bearing zero-interest, in cash to Google on the third anniversary of the Completion Date.

Under the terms of the IP License Agreement, Google, on behalf of itself and its subsidiaries, will grant a non-exclusive, royalty-free, worldwide and perpetual license to certain members of the Motorola Mobility Group with respect to the Excluded IP which will not be transferred as part of the Transaction.

As certain of the percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules in respect of the Transaction exceed 5% but are less than 25%, the Transaction constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules.

Shareholders and potential investors should note that Completion is subject to various conditions as stated in the section headed “Conditions Precedent”. The Acquisition Agreement and the transactions contemplated thereunder may or may not proceed to Completion. Shareholders and potential investors are therefore reminded to exercise caution when dealing in the securities of the Company.

INTRODUCTION

On January 30, 2014 (before trading hours), the Company entered into the Acquisition Agreement with Google in respect of the Transaction, pursuant to which the Company conditionally agreed to acquire, and Google conditionally agreed to sell, the Sale Shares, representing 100% of the issued and outstanding equity interests in Motorola Mobility.

The Motorola Mobility Group is principally engaged in the business of developing, manufacturing, distributing and selling mobile wireless devices, particularly smartphones based on the Android operating system, and their related products.

THE ACQUISITION AGREEMENT

The principal terms of the Acquisition Agreement are as follows:

Date of the Acquisition Agreement

January 29, 2014 (US Eastern time)

Parties

1. Google, as the seller
2. the Company, as the purchaser

To the best of the Directors’ knowledge, information and belief and having made all reasonable enquiries, Google and its ultimate beneficial owners are third parties independent of, and not connected with, the Company and its connected persons as at the date of the Acquisition Agreement and this announcement.

Interests to be acquired – the Sale Shares

Subject to the terms and conditions of the Acquisition Agreement, the Company has agreed to acquire, and Google has agreed to sell, the Sale Shares on the Completion Date.

Consideration

The Consideration payable by the Company to Google for the sale and purchase of the Sale Shares is the aggregate amount of US\$2,910,000,000 (equivalent to approximately HK\$22,581,600,000) consisting of:

1. the Cash Consideration of US\$660,000,000 (equivalent to approximately HK\$5,121,600,000) payable in cash to Google on the Completion Date, subject to the Cash Adjustment, the Share Adjustment and the Deferred Consideration Reduction;
2. the Share Consideration, subject to the Share Adjustment, in the form of Consideration Shares equal in aggregate value to US\$750,000,000 (equivalent to approximately HK\$5,820,000,000) based upon the Closing Share Price, but limited to a maximum of 618,301,731 Shares and a minimum of 505,883,235 Shares, credited as fully paid and to be issued to Google (or its designee) at Completion; and
3. the Deferred Consideration of US\$1,500,000,000 (equivalent to approximately HK\$11,640,000,000) payable on the third anniversary of the Completion Date in cash, on and subject to the terms of the Promissory Note to be issued by the Company to Google at Completion, subject to (i) any reduction, at Google's election pursuant to the Acquisition Agreement, of any amount owing to the Company by Google under the Cash Adjustment, and (ii) the Deferred Consideration Reduction.

The Consideration has been negotiated and determined on arm's length basis between the Parties, and on normal commercial terms. The Company has taken into account various factors, including the growth prospects of the Business in the future and earnings potential, as well as the key terms of the agreements relating to the Transaction.

The Cash Consideration payable by the Company is expected to be funded by a combination of the Company's existing cash on its balance sheet and additional bank borrowings.

Cash Adjustment

The Cash Consideration is subject to an upward or downward post-closing adjustment based on the Closing Working Capital, the Closing Net Indebtedness, and the Closing Deferred Revenue.

In the event of a shortfall resulting from a downward adjustment required for the Cash Consideration, Google has the option, at its sole election, to reduce the amount owing to it under the Promissory Note by an amount equivalent to such shortfall.

Consideration Shares

The Consideration for the Sale Shares will be satisfied partly by the allotment and issue of the Consideration Shares equal in aggregate value to US\$750,000,000 (equivalent to approximately HK\$5,820,000,000) based upon the Closing Share Price, but limited to a maximum of 618,301,731 Shares and a minimum of 505,883,235 Shares.

The issue price of the Consideration Shares was arrived at after arm's length negotiation between the Parties. The Directors consider that the issue price of the Consideration Shares is fair and reasonable and the issuance of the Consideration Shares at such price is in the interests of the Company and the Shareholders as a whole.

The Consideration Shares will be allotted and issued under the General Mandate granted to the Directors by the Shareholders pursuant to an ordinary resolution passed at the annual general meeting of the Company held on July 16, 2013 (as may be renewed or refreshed from time to time) and will rank *pari passu* with the Shares in issue on the date of their issue. The issuance of the Consideration Shares will not result in a change of control of the Company. The General Mandate will be sufficient and no further Shareholders' approval will be required for the allotment and issuance of the Consideration Shares.

Assuming no new Shares will be issued by the Company prior to the Completion Date, the Consideration Shares will represent between approximately 4.64% and 5.61% of the total issued share capital of the Company immediately after Completion.

An application will be made by the Company to the Listing Committee of the Stock Exchange for the listing of and permission to deal in the Consideration Shares.

Share Adjustment

In lieu of issuing all or any portion of the Consideration Shares at Completion, the Company has the option to pay an amount in cash equivalent to the value of the Consideration Shares which would have been otherwise issued under the Share Consideration. Such amount in cash, if the Company so elects to pay, will be added to the Cash Consideration with a corresponding decrease in the Share Consideration.

Lock-up Period with respect to the Consideration Shares

For a period of one year from the Completion Date, without the prior written consent of the Company, Google is restricted from offering, selling, transferring or otherwise disposing, directly or indirectly, the Consideration Shares to a third party, except (i) to one or more wholly-owned subsidiaries of Google, (ii) pursuant to a tender or exchange offer made to all Shareholders, or (iii) in connection with a third party acquisition or business combination transaction involving the Company.

Conditions Precedent

Completion of the Transaction is conditional upon certain conditions customary to transactions of this nature having been fulfilled or waived, which include the following:

- (a) the accuracy of the representation and warranties of Google and the Company contained in the Acquisition Agreement as of the Completion Date;
- (b) the compliance by the Parties with the covenants, obligations and agreements contained in the Acquisition Agreement;
- (c) the expiration or termination of the waiting period under the HSR Act, and the receipt or occurrence of the additional clearances or waiting period expirations or terminations under any applicable antitrust laws set forth in the Acquisition Agreement;
- (d) the receipt of CFIUS Approval, which approval shall remain in full force and effect as of Completion;
- (e) the absence of any governmental order or law in existence that precludes the consummation of the Transaction;
- (f) the approval by the Listing Committee of the Stock Exchange for the listing of and permission to deal in the Consideration Shares;
- (g) the entry by the Parties and their respective subsidiaries (as applicable) into the Ancillary Agreements;
- (h) the absence of any event, circumstance or development having, or would reasonably result in the future in, a material adverse effect on the assets, operations, results of operations or financial condition of (i) the Group, or (ii) the Business;
- (i) the absence of any event or circumstance that, in either case, with or without notice or lapse of time or both, as of the Completion Date, would constitute an Event of Default (as defined in the Promissory Note); and
- (j) the receipt by the Company of the Purchaser Consents, and the Purchaser Consents (i) remaining in full force and effect, or (ii) no longer being required, as of Completion.

Completion

Completion will take place on the Completion Date or at such other time and date as may be agreed in writing by the Parties.

Upon Completion, the Company will directly own 100% of the issued and outstanding equity interests in Motorola Mobility, and all members of the Motorola Mobility Group will become subsidiaries of the Company.

PROMISSORY NOTE

Subject to and upon the terms and conditions of the Promissory Note to be issued to Google at Completion, the Company will undertake to pay an amount equal to the Deferred Consideration (subject to the Deferred Consideration Reduction), bearing zero-interest, in cash to Google on the third anniversary of the Completion Date.

The Company may, at its option, prepay the Promissory Note before the Completion Date. The Company is required to offer to prepay the entire principal amount outstanding under the Promissory Note if, among other things, the Company becomes a wholly-owned subsidiary of another entity during the period in which any amount payable under the Promissory Note remains outstanding.

INTELLECTUAL PROPERTY ARRANGEMENTS

Pursuant to an internal restructuring of the Business to be undertaken by the Motorola Mobility Group prior to Completion, certain patents owned by the Motorola Mobility Group as at the date of this announcement will be transferred from the Motorola Mobility Group to the Google Group prior to Completion. Accordingly, the Company will not be acquiring the Excluded IP as part of its share purchase of the Motorola Mobility Group under the Transaction.

Under the terms of the IP License Agreement, Google, on behalf of itself and its subsidiaries, will grant a non-exclusive, royalty-free, worldwide and perpetual license to certain members of the Motorola Mobility Group with respect to the Excluded IP.

INFORMATION ON GOOGLE

Google is a global technology leader, focused on improving ways people connect with information. Google's innovations in web search and advertising have made its website a top Internet property and its brand one of the most recognized in the world.

INFORMATION ON THE MOTOROLA MOBILITY GROUP

Motorola Mobility is a pioneer in the mobile communications industry and invented many of the protocols and technologies that made the mobile phone possible. It is principally engaged in the business of developing, manufacturing, distributing and selling mobile wireless devices, particularly smartphones based on the Android operating system, and their related products. As at the date of this announcement, Motorola Mobility is a wholly-owned subsidiary of Google.

Previously, the Motorola Mobility Group was comprised of two main operating segments, the mobile segment which forms the Business which is the subject of the Transaction, and the home segment which focused on technologies and devices that provide video entertainment services to consumers. The home segment was sold in April 2013.

Currently the major products of the Business are Android-based smartphones such as "Moto X" and "Moto G" which were released to the market in August and November 2013, respectively, along with a line of Droid smartphones which were made especially for, and available through, Verizon Wireless, a major mobile network operator in the United States. Since Google's original acquisition of the Motorola Mobility Group in May

2012, the Business has also phased out its feature-phone product range and focused exclusively on its smartphones product range.

Set forth below are the consolidated unaudited financial information of the Motorola Mobility Group, prepared in accordance with US GAAP, for the last two financial years:

	For the year ended 31 December 2013 <i>(in thousand)</i>	For the year ended 31 December 2012 <i>(in thousand)</i>
Net (loss) before tax and extraordinary items	US\$(1,180,000) (approximately HK\$(9,158,900))	US\$(915,000) (approximately HK\$(7,100,400))
Net (loss) after tax and extraordinary items	US\$(928,000) (approximately HK\$(7,202,500))	US\$(616,000) (approximately HK\$(4,780,200))

As at December 31, 2013, the unaudited net asset value of the assets of the Motorola Mobility Group which are the subject of the Transaction, under US GAAP, was approximately US\$1,365,000,000 (equivalent to approximately HK\$10,592,000,000).

REASONS FOR AND BENEFITS OF THE TRANSACTION

The Company's acquisition of the Business provides the Company with immediate access to key assets, technology and personnel to accelerate the Group's entry into mature geographies for smartphones, including those based on the popular Android operating system. The Business has strong relationships with retailers and carriers, especially in North America and Latin America. As one of the pioneers in the mobile communications industry, the Business also enjoys strong brand awareness and major presence, particularly in North America and Latin America. As such, the Transaction presents a unique strategic opportunity for the Group to acquire a major industry player in order to gain immediately significant presence and credibility in the smartphone market.

Acquisition of the Business will also allow the Group to acquire robust research and development capabilities in the smartphone industry, whilst exposing the Group to minimal integration risks given the complementary business mix of the Group's existing business and that of the Business.

The Board believes that the Transaction represents an attractive opportunity for the Group to extend its market presence in the smartphone business. The Board also envisages that such expansion will be strategically important for the development of the Group's business in the long term.

The Directors are of the view that the Transaction and the terms of the Acquisition Agreement, including the Consideration, are based on normal commercial terms which are fair and reasonable, negotiated on an arm's length basis between the parties, and in the interests of the Company and the Shareholders as a whole.

INFORMATION ON THE COMPANY

The Company is a limited liability company incorporated in Hong Kong and its shares have been listed on the Stock Exchange since 1994. The Company and its subsidiaries are principally engaged in the sales and manufacture of personal computers, tablets, smartphones, servers and related information technology products and the provision of advanced information services across the world.

LISTING RULES IMPLICATIONS

As certain of the percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules in respect of the Transaction exceed 5% but are less than 25%, the Transaction constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules.

DEFINITIONS

In this announcement, the following terms have the following meanings unless the context requires otherwise:

“%”	per cent.
“Acquisition Agreement”	the acquisition agreement dated January 29, 2014 (US Eastern Time) entered into between the Company and Google relating to the sale and purchase of the Sale Shares
“Ancillary Agreements”	other agreements relating to, or arising out of, the Transaction including the IP License Agreement and the Promissory Note
“Board”	the board of Directors of the Company
“Business”	the business of the Motorola Mobility Group, namely the development, manufacture, distribution and sale of mobile wireless devices, particularly smartphones based on the Android operating system, and their related products
“Business Day”	any day that is not a Saturday, a Sunday or other day on which banks are required by law to be closed in New York, Hong Kong or the PRC
“Cash Adjustment”	the post-closing adjustment to the Cash Consideration with reference to the Closing Working Capital, the Closing Net Indebtedness, and the Closing Deferred Revenue
“Cash Consideration”	US\$660,000,000 (equivalent to

	approximately HK\$5,121,600,000) payable in cash to Google on the Completion Date as part of the Consideration, subject to the Cash Adjustment and the Deferred Consideration Reduction
“CFIUS”	the Committee on Foreign Investment in the United States
“CFIUS Approval”	a written determination from CFIUS stating that there are no unresolved national security concerns with respect to the Transaction or, following an investigation conducted by CFIUS, CFIUS reports the Transaction to the President of the United States and the President makes a decision not to suspend or prohibit the Transaction
“Closing Deferred Revenue”	the deferred revenue as of the Completion Date for certain accounts of the Business as set forth in the Closing Statement
“Closing Net Indebtedness”	the net indebtedness of the Motorola Mobility Group as of Completion as set forth in the Closing Statement
“Closing Share Price”	the volume weighted average trading price of the Shares during the last 5 trading days during which the Shares were available for trading, up to and including the third trading day immediately before the Completion Date
“Closing Statement”	a statement of the Closing Working Capital, the Closing Net Indebtedness, and the Closing Deferred Revenue, among other things, to be prepared by Google and delivered to the Company no later than 120 days after the Completion Date
“Closing Working Capital”	the working capital of the Motorola Mobility Group as of Completion as set forth in the Closing Statement
“Company”	Lenovo Group Limited, a company incorporated on 5 October 1993 with limited liability under the laws of Hong Kong, the ordinary shares of which are listed on the main board of the Stock Exchange

“Completion”	completion of the Transaction in accordance with the terms of the Acquisition Agreement
“Completion Date”	the date of Completion, a date which is the third Business Day following the first day on which the conditions, among others, as set out in the paragraph headed “Conditions Precedent” in this announcement have been satisfied (or waived), or such other date as Google and the Company may mutually agree in writing
“Consideration”	an aggregate amount of US\$2,910,000,000 (equivalent to approximately HK\$22,581,600,000) consisting of the Cash Consideration, the Share Consideration and the Deferred Consideration
“Consideration Shares”	such number of Shares (subject to the Share Adjustment) equal in aggregate value to US\$750,000,000 (equivalent to approximately HK\$5,820,000,000) based upon the Closing Share Price, but limited to a maximum of 618,301,731 Shares and a minimum of 505,883,235 Shares, credited as fully paid and to be issued to Google (or its designee) on the Completion Date
“Deferred Consideration”	US\$1,500,000,000 (equivalent to approximately HK\$11,640,000,000) in the form of the Promissory Note to be provided by the Company to Google (or its designee) on the Completion Date as part of the Consideration, subject to the Deferred Consideration Reduction
“Deferred Consideration Reduction”	any amount by which the Deferred Consideration is reduced, and the Cash Consideration is correspondingly increased, at the election of the Company prior to the Completion Date
“Directors”	the directors of the Company
“discloseable transaction”	has the meaning ascribed to such term in the Listing Rules
“Excluded IP”	certain patents owned by the Motorola Mobility Group which will be transferred from the Motorola Mobility Group to the

	Google Group pursuant to an internal restructuring of the Business to be undertaken by the Motorola Mobility Group prior to Completion
“General Mandate”	the general mandate granted to the Directors by the Shareholders pursuant to an ordinary resolution passed at the annual general meeting of the Company held on July 16, 2013
“Google”	Google Inc., a company incorporated in the State of Delaware (NASDAQ: GOOG)
“Google Group”	Google and its subsidiaries prior to Completion
“Group”	the Company and its subsidiaries prior to Completion
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“HSR Act”	the Hart-Scott Rodino Antitrust Improvements Act of 1976 and the rules and regulations thereunder
“IP License Agreement”	the intellectual property license agreement, to be entered into by and among Google and certain of its affiliates, and certain members of the Motorola Mobility Group, on or prior to the Completion Date, with respect to the licensing arrangements for the Excluded IP after Completion
“Listing Committee”	the listing sub-committee of the board of directors of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Parties”	Google and the Company, being the parties to the Acquisition Agreement
“Motorola Mobility”	Motorola Mobility Holdings LLC
“Motorola Mobility Group”	Motorola Mobility and its subsidiaries immediately prior to Completion

“NASDAQ”	the Nasdaq Global Select Market
“percentage ratios”	has the meaning ascribed to such term in Chapter 14 of the Listing Rules
“PRC”	the People’s Republic of China
“Promissory Note”	the promissory note to be issued by the Company to Google (or its designee) on or before Completion, in the amount of US\$1,500,000,000 (equivalent to approximately HK\$11,640,000,000), representing the Deferred Consideration payable in full on the third anniversary of the Completion Date, subject to the Deferred Consideration Reduction
“Purchaser Consents”	certain consents and related actions required to be obtained or undertaken by the Company in connection with the transactions contemplated under the Acquisition Agreement and the Ancillary Agreements
“Sale Shares”	100% of the issued and outstanding equity interests in Motorola Mobility
“Share Adjustment”	the adjustment to the number of Consideration Shares to be issued at Completion based on the Company’s election to pay an amount in cash (to be added to the Cash Consideration) equivalent to the value of the Consideration Shares which would have been otherwise issued under the Share Consideration (to be reduced in the Share Consideration)
“Share Consideration”	the Consideration Shares to be issued to Google (or its designee) on the Completion Date as part of the Consideration
“Shareholders”	holders of the ordinary shares of HK\$0.025 each in the share capital of the Company
“Shares”	the ordinary shares of the Company of nominal value HK\$0.025 each
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Transaction”	the transactions contemplated under the

Acquisition Agreement

“US GAAP”

generally accepted accounting principles in the United States

“US\$”

United States dollars, the lawful currency of the United States

In this announcement, the conversion of United States dollars into Hong Kong dollars is based on the exchange rate of US\$1.00 to HK\$7.76 and is for illustrative purposes only.

By Order of the Board
Yang Yuanqing
*Chairman and
Chief Executive Officer*

30 January 2014

As at the date of this announcement, the executive director is Mr. Yang Yuanqing; the non-executive directors are Mr. Zhu Linan and Mr. Zhao John Huan; and the independent non-executive directors are Mr. Ting Lee Sen, Dr. Tian Suning, Mr. Nicholas C. Allen, Mr. Nobuyuki Idei, Mr. William O. Grabe, Mr. William Tudor Brown and Ms. Ma Xuezheng.