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lenovo联想

Lenovo Group Limited 聯想集團有限公司

(Incorporated in Hong Kong with limited liability)

(STOCK CODE: 0992)

SHARE TRANSACTION IN RELATION TO ACQUISITION OF THE SALE SHARES IN DIGIBOARD ELETRÔNICA DA AMAZÔNIA LTDA, DIGIBRÁS INDÚSTRIA DO BRASIL S.A. AND DUAL MIX COMÉRCIO DE ELETRÔNICOS LTDA.

CREDIT SUISSE	CICC 中国国际金融有限公司
Financial Advisor	*Financial Advisor*

The Board is pleased to announce that on 5 September, 2012, Lenovo Brazil, a wholly-owned subsidiary of the Company, entered into the Share Purchase Agreement with the Vendor in respect of the Acquisition, pursuant to which Lenovo Brazil agreed to acquire the Sale Shares, representing 100% of the total capital stock in each of the Target Group Companies. The Target Group is one of the largest domestic manufacturers of consumer electronics in Brazil and is principally engaged in the business of manufacture, distribution, marketing and sales of personal computers and consumer electronics in Brazil.

The Consideration, subject to Adjustments, consists of the Cash Consideration and the Share 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 3 July, 2012.

As the applicable percentage ratios in respect of the Acquisition and the entering into the Share Purchase Agreement under Rule 14.07 of the Listing Rules are less than 5% and the Consideration includes securities of the Company for which listing will be sought, the Acquisition and the entering into the Share Purchase Agreement constitute a share transaction for the Company under Chapter 14 of the Listing Rules.

BACKGROUND

On 5 September, 2012, Lenovo Brazil, a wholly-owned subsidiary of the Company, entered into the Share Purchase Agreement with the Vendor in respect of the Acquisition, pursuant to which, Lenovo Brazil agreed to acquire the Sale Shares, representing 100% of the total capital stock in each of the Target Group Companies, respectively.

The Target Group is one of the largest domestic manufacturers of consumer electronics in Brazil. It is principally engaged in the business of manufacture, distribution, marketing and sales of personal computers (including desktops, all-in-one computers, notebooks and netbooks), and consumer electronics (including LCD televisions and cellular phones).

THE SHARE PURCHASE AGREEMENT

The principal terms of the Share Purchase Agreement are as follows:

Date of the Share Purchase Agreement

5 September, 2012

Parties

The Share Purchase Agreement was entered into between, among others, Digibrás Participações S.A. as the Vendor and Lenovo Brazil as the Purchaser, in respect of the Acquisition, pursuant to which Lenovo Brazil agreed to acquire the Sale Shares, representing 100% of the total capital stock in each of the Target Group Companies.

As of the date of this Announcement, the Sale Shares are held by the Vendor and Primasv, which are both in turn held by the same beneficial owner. Pursuant to the terms of the Share Purchase Agreement, the Vendor shall hold all Sale Shares prior to Completion.

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, as at the date of this announcement, the Vendor and their respective ultimate beneficial owners are third parties independent of the Company and its connected person(s).

The Sales Shares

Subject to the terms and conditions of the Share Purchase Agreement, the Vendor shall sell the Sale Shares as the legal and beneficial owner to Lenovo Brazil free and clear of all Liens (other than the Liens created pursuant to the terms of the Share Purchase Agreement), together with full rights, title, and interest inherent in them, such as voting rights, profits, reserves or dividends, bonuses and preferences, whether provided by Law or the by-laws or articles of association of each of the Target Group Companies.

Upon Completion, the Company will indirectly own 100% of the total capital stock in each of the Target Group Companies through Lenovo Brazil.

Consideration

According to the Share Purchase Agreement, the Consideration payable by Lenovo Brazil to the Vendor at the Completion Date for the purchase of the Sale Shares shall be the Base Price of R$300,000,000 consists of:

(i) the Share Consideration, being 46,875,000 Consideration Shares to be issued by the Company at the average price of the Shares at the Hong Kong Stock Exchange during thirty (30) days immediately prior to the Completion Date, such Consideration Shares shall form the trust assets to be administered by the Trustee; and

(ii) the Cash Consideration, being Base Price minus the Share Consideration Value,

and is subject to Adjustments.

Adjustments to Consideration

The Base Price is subject to an adjustment with reference to the value of the Net Debt Adjustment and the Net Working Capital Adjustment (the "**Initial Adjustment**"). If the Initial Adjustment is positive, Lenovo Brazil shall settle the Initial Adjustment in cash. If the Initial Adjustment is negative, the Vendor shall settle the 75% of Initial Adjustment in the form of cash, and the Trustee shall transfer such number of Consideration Shares, to be determined at the Current Share Value, equivalent to 25% of the Initial Adjustment to and at the direction of Lenovo Brazil. The Initial Adjustment shall be settled no later than ten Business Days from the date the Parties agreed on the determination of the Initial Adjustment. The Base Price after Initial Adjustment constitutes the Initial Purchase Price (the "**Initial Purchase Price**").

The Initial Purchase Price shall be subject to further adjustments (the "**Final Adjustment**") by increasing the Initial Purchase Price by the Price Increase Amount or by decreasing the Initial Purchase Price by the Price Decrease Amount, as the case may be ("**Adjusted Purchase Price**"). The Adjusted Purchase Price shall be paid by the Vendor or by Lenovo Brazil, as the case may be, on or before 30 June, 2017.

The Consideration has been negotiated and determined on arm's length basis and on normal commercial terms. The Company has taken into account various factors, including the Target Group's historical financial performance, its growth prospects in the future and earnings potential, as well as the key terms of the agreements relating to the Acquisition.

Consideration Shares and the Issue Price

The Consideration for the Sale Shares will be satisfied partly by the allotment and issue of the Consideration Shares to the Trustee at Completion. The issue price of the Consideration Shares will be determined with reference to the average price of the Shares at the Hong Kong Stock Exchange during the thirty (30) days immediately prior to the Completion Date. 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 represent approximately 0.46% of the existing issued share capital of the Company, and approximately 0.45% of the issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares, as at the date of this announcement.

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

Conditions Precedent in respect of the Acquisition

Completion of the Acquisition contemplated by the Share Purchase Agreement is conditional upon certain conditions customary to transactions of this nature having been fulfilled or waived, which include, but are not limited to, the following:

(a) there being no Law enacted or promulgated by any government authority or order of a court of a competent jurisdiction which may prohibit or make illegal the consummation of the Acquisition contemplated by the Share Purchase Agreement;

(b) each of the CADE Anti-trust Approval and the Tax-Benefit Status Approval being granted to the consummation of the Acquisition contemplated by the Share Purchase Agreement;

(c) the representation and warranties and undertakings of the Vendor and Lenovo Brazil contained in the Share Purchase Agreement remaining true and correct in all respects;

(d) all covenants and agreements required to be performed or complied by the Vendor, the Target Group Companies and Lenovo Brazil being performed and complied with in all material respects; and

(e) there being no pending action by any government authority relating to the transactions contemplated by the Share Purchase Agreement that, if the relief requested were not granted, would (i) prevent the consummation of the transactions contemplated by the Share Purchase Agreement; (ii) materially and adversely affect the transactions contemplated by the Share Purchase Agreement or the ownership by Lenovo Brazil of Sale Shares; or (iii) have a material adverse effect on the Target Group;

Completion

Completion will take place on the latter of (i) the last day of the calendar month when the CADE Anti-trust Approval is granted and at all times within a minimum period of three (3) Business Days between the CADE Anti-trust Approval date and the Completion Date and (ii) on the third Business Day following the satisfaction or waiver of all Conditions Precedent in respect of the Acquisition in accordance with the Share Purchase Agreement, or such other time or date as the Parties may agree.

GENERAL MANDATE

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 3 July, 2012. Under the General Mandate, a maximum of 2,066,733,719 new Shares may fall to be allotted and issued. As at the date of this announcement, the General Mandate has not been previously utilized. Approximately 2.27% of the General Mandate will be utilized to the allotment and issue of the Consideration Shares pursuant to the Share Purchase Agreement. As such, the General Mandate will be sufficient and no further Shareholders' approval is required, for the allotment and issuance of the Consideration Shares.

INFORMATION ON THE TARGET GROUP COMPANIES

The Target Group is one of the largest domestic manufacturers of consumer electronics in Brazil. It is a reputable information technology brand with nearly 50 years of history in Brazil, particularly in the consumer and government sectors. It is principally engaged in the business of manufacture, distribution, marketing and sales of personal computers (including desktops, all-in-one computers, notebooks and netbooks), and consumer electronics (including LCD televisions and cellular phones).

Digibrás Industria is a joint stock company incorporated in Brazil in 2004 and has a total capital stock of R$245,182,275.45 divided into 3,459,255 common shares as at the date of the Share Purchase Agreement, which is owned by the Vendor and Primasv as to 3,459,254 common shares and one common share, respectively.

Digiboard is a limited liability company incorporated in Brazil in 2005 and has a total capital stock of R$26,875,744 divided into 26,875,744 quotas as at the date of the Share Purchase Agreement, which is owned by the Vendor and Primasv as to 26,875,743 quotas and one quota, respectively.

Dual Mix is a limited liability company incorporated in Brazil in 1979 and has a total capital stock of R$106,719 divided into 106,719 quotas as at the date of the Share Purchase Agreement, which is owned by the Vendor and Primasv as to 106,718 quotas and one quota, respectively.

FINANCIAL INFORMATION ON THE TARGET GROUP

Set out below are the consolidated audited financial information of the Target Group, prepared in accordance to Brazilian GAAP, for each of the two financial years ended 31 December:

	For the year ended 31 December, 2010 *(in thousand)*	For the year ended 31 December, 2011 *(in thousand)*
Net profit (loss) before tax and extraordinary items	R$20,049	R$22,559
Net profit (loss) after tax and extraordinary items	R$19,856	R$22,557

As at 30 June, 2012, the unaudited combined net asset value of the Target Group is R$149,645,000.

REASONS FOR AND BENEFITS OF THE ACQUISITION

Brazil is one of the world's largest personal computer markets and, stimulated by the country's fast growing economy as well as significant government investment, the market is expected to continue to grow. The Acquisition will give the Company full control of the Target Group and therefore is expected to provide the Group with a stronger market position, more comprehensive product offerings, enhanced brand awareness, and a larger scale of operation and presence in Brazil, all of which the Company believes to be critical for the Group to enhance its position as a global leader in the personal computer industry.

The Target Group is a reputable information technology brand with nearly 50 years of history in Brazil, particularly in the consumer and government sectors. It has established its business of manufacture, distribution, marketing and sales of personal computers and consumer electronics in Brazil, which makes it a great fit with the Group's "Protect and Attack" strategy. Given the compatible business strategy and complementary strengths of the Target Group and the Group, the Acquisition is expected to enhance the Group's product offering and improve its operational efficiency in Brazil. The Acquisition is also expected to significantly accelerate the Group's timeline for achieving operational localization and building a strong platform for consumer and commercial segments in Brazil.

The Board believes that the Acquisition represents a good opportunity for the Group to further enhance its market presence in Latin America. The Board also envisages that such expansion into Brazil will be strategically important for the development of the Group's business in the long term.

The Directors (including the independent non-executive Directors) are of the view that the Acquisition and the terms of the Share Purchase 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, in the interests of the Company and Shareholders as a whole.

Listing Rules Implications

As the applicable percentage ratios in respect of the Acquisition and the entering into the Share Purchase Agreement under Rule 14.07 of the Listing Rules are less than 5% and the Consideration includes securities of the Company for which listing will be sought, the Acquisition and the entering into the Share Purchase Agreement constitute a share transaction for the Company under Chapter 14 of the Listing Rules.

GENERAL

The Company is a limited liability company incorporated in Hong Kong and its shares have been listed on the Hong Kong Stock Exchange since 1994. The Group is principally engaged in the sales and manufacture of personal computers and related information technology products and the provision of advanced information services in the PRC, the Americas, Europe, the Middle East, Africa and Asia Pacific.

The Vendor is a joint stock company established in Brazil and is principally engaged in the manufacturing and marketing of personal computers (including desktops, all-in-one computers, notebooks and netbooks), and consumer electronics (including LCD televisions and cellular phones).

DEFINITIONS

In this announcement, the following expressions have the following meanings unless the context requires otherwise.

"%"	percent;
"Acquisition"	the proposed acquisition of the Sale Shares by Lenovo Brazil pursuant to the Share Purchase Agreement;
"Adjusted Purchase Price"	has the meaning given to it in the section headed "Adjustments to Consideration" in this announcement;
"Adjustments"	the Initial Adjustment and the Final Adjustment;
"Base Price"	R$300,000,000;
"Board"	the board of Directors of the Company;
"Brazil"	the Federative Republic of Brazil;
"Brazilian GAAP"	means the set of accounting rules and principles set forth by the Pronouncements of the Accounting Practice Committee – CPC of Brazil;
"Business Days"	any day except a Saturday, Sunday, public holiday or day on which banks are authorized or obligated by applicable Law to close or are otherwise generally closed in the cities of São Paulo, Brazil, or New York City, United States of America;
"CADE Anti-trust Approval"	the anti-trust approval to be sought by the Parties from *Conselho Administrativo de Defesa Economica* of Brazil in respect of the consummation of the Acquisition contemplated by the Share Purchase Agreement;
"Cash Consideration"	such amount of cash to be paid at Completion by Lenovo Brazil as part of the Consideration, which also represents the remainder between Base Price and the Shares Consideration Value;
"CNPJ/MF"	National Register of Legal Entities of the Ministry of Finance of Brazil;
"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 Hong Kong Stock Exchange;

“Completion”	completion of the sale and purchase of the Sale Shares in accordance with the provisions of the Share Purchase Agreement;
“Completion Date”	the day on which Completion occurs in accordance with the provisions of the Share Purchase Agreement;
“Condition(s) Precedent”	the conditions precedent to Completion stipulated in the Share Purchase Agreement;
“connected person(s)”	has the meaning ascribed to it under the Listing Rules;
“Consideration”	the consideration payable by Lenovo Brazil to the Vendor pursuant to the terms of and the Adjustments as set out in Share Purchase Agreement and shall in no event exceed R$700,000,000;
“Consideration Shares”	such Shares to be allotted and issued by the Company to the Trustee at Completion as Share Consideration, which shall form the trust assets and shall be subject to the Initial Adjustment, if any;
“Current Share Value”	the average price of the Shares during thirty (30) days immediately prior to the date the Initial Adjustment payment is due;
“Digiboard”	Digiboard Eletrônica da Amazônia Ltda., a Brazilian limited liability company enrolled with the CNPJ/MF;
“Digibras Industria”	Digibrás Indústria do Brasil S.A., a joint stock company duly organized and existing in accordance with the laws of Brazil and enrolled with CNPJ/MF;
“Director(s)”	the director(s) of the Company;
“Dual Mix”	Dual Mix Comércio de Eletrônicos Ltda., a Brazilian limited liability company enrolled with the CNPJ/MF;
“EBITDA	mean as of any given date, the profits before interests, taxes over profits, depreciation and amortization, and shall be calculated pursuant to Brazilian GAAP;
“General Mandate”	the General Mandate granted to the Directors to issue Shares by the Shareholders pursuant to an ordinary resolution passed at the annual general meeting of the Company held on 3 July, 2012;
“Group”	the Company and its subsidiaries;

"HK$"	Hong Kong dollars, the lawful currency of Hong Kong;
"Hong Kong"	Hong Kong Special Administrative Region of the PRC;
"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited;
"Initial Adjustment"	has the meaning given to it in the section headed "Adjustments to Consideration" of this announcement;
"Initial Purchase Price"	has the meaning given to it in the section headed "Adjustments to Consideration" of this announcement;
"Law"	all (i) constitutions, treaties, statutes, laws (including the common law), codes, rules, regulations, ordinances, orders of any government authority; and (ii) orders, writs, decisions, approvals, authorizations, injunctions, judgments, directives, awards, determinations and decrees of or agreements with any government authority;
"Lenovo Brazil"	Lenovo Tecnologia (Brasil) Ltda., a Brazilian limited liability company enrolled with the CNPJ/MF, a wholly-owned subsidiary of the Company;
"Liens"	any mortgage, pledge, lease, sublease, license, occupancy agreement, easement, covenant, condition, encroachment, shareholders' agreement, limitation in voting rights, interest, preemptive right, option, right of first offer, negotiation or refusal, proxy, lien, charge or other restrictions or limitations of any nature whatsoever (including regarding assignment and licensing), including such liens as may arise under any contract;
"Listing Rules"	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange;
"Net Debt Adjustment"	being the difference between the net debt of the Target Group at the Completion Date and the agreed net debt target of the Target Group as set out in the Share Purchase Agreement;
"Net Revenue"	means, as of any given date, the aggregate sales revenue of goods and services rendering, recognized pursuant to the Brazilian GAAP, less the taxes levied on sales, net of its respective tax incentives, returns, the cancelled sales and the unconditional discounts granted;
"Net Working Capital Adjustment"	being the difference between the net working capital of the Target Group at the Completion Date and the agreed net working capital target of the Target Group as set out

	in the Share Purchase Agreement;
“Parties”	the Vendor and Lenovo Brazil;
“Price Decrease Amount”	refers to such amount payable by the Vendor to Lenovo Brazil if certain key performance indicators including, among others things, the Net Revenue and EBITDA, have not been achieved on a cumulative basis for the four years ending 31 December, 2016;
“Price Increase Amount”	refers to such amount payable by Lenovo Brazil to the Vendor if certain key performance indicators including, among others things, the EBITDA, have been achieved on a cumulative basis for the four years ending 31 December, 2016, subject to a maximum cap of R$400,000,000;
“Primasv”	Primasv Participações S/A, a joint stock company duly organized and existing in accordance with the laws of Brazil and enrolled with the CNPJ/MF;
“PRC”	the People’s Republic of China, and for the purposes of this announcement, excludes, Hong Kong, Taiwan and Macau Special Administrative Region;
“R$”	Brazilian real, the lawful currency of Brazil;
“Sale Shares”	26,875,744 quotas, 245,182,275.45 common shares and 160,719 quotas in Digiboard, Digibrás Indústria and Dual Mix respectively, to be owned by the Vendor prior to Completion, and represent 100% of the total capital stock in each of the Target Group Companies;
“Share Consideration”	being 46,875,000 shares of the Company to be issued as Consideration Shares to the Vendor at the average price of the Shares at the Hong Kong Stock Exchange during the thirty (30) days immediately prior to the Completion Date;
“Share Consideration Value”	being 46,875,000 shares of the Company multiplied by the average price of the Shares at the Hong Kong Stock Exchange during the thirty (30) days immediately prior to the Completion Date;
“Share Purchase Agreement”	the share purchase agreement entered into between Lenovo Brazil and the Vendor, among others, dated 5 September, 2012;
“Shareholder(s)”	shareholders of the Company;

“Shares”	the ordinary shares of the Company;
“Target Group”	Digiboard, Digibrás Indústria and Dual Mix;
“Target Group Company(ies)”	each of Digiboard, Digibrás Indústria and Dual Mix;
“Tax-Benefit Status Approval”	the approval of the Superintendency of the Free-Trade Zone of Manaus of Brazil;
“Trustee”	the trustee of the trust account which is to be set up by the Parties having the Vendor as beneficiary of the trust and the Consideration Shares as trust assets; and
“Vendor”	Digibrás Participações S.A., a joint stock company duly organized and existing in accordance with the laws of Brazil and enrolled with CNPJ/MF;.

In this announcement, the translation of Brazil real into Hong Kong dollars is based on the exchange rate of HK$1.00 to R$0.26329 for information purposes only. Such translations should not be construed as representations that the relevant amounts have been, could have been, or could be, converted at these or any other rates or at all.

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

Hong Kong, 5 September 2012

As at the date of this announcement, the executive director is Mr. Yang Yuanqing; the non-executive directors are Mr. Zhu Linan, Ms. Ma Xuezheng, Dr. Wu Yibing 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 and Mr. William O. Grabe.