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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)

ANNOUNCEMENT

EXTENSION OF TERM OF THE JOINT VENTURE WITH NEC CORPORATION

Reference is made to the announcements of Lenovo Group Limited (the “**Company**”) dated January 27, 2011 and April 21, 2011 in relation to (i) the formation of the JVCo with NEC pursuant to the Business Combination Agreement; and (ii) the continuing connected transactions under the CCT Agreements (the “**Announcements**”). Unless otherwise expressly defined, capitalized terms used in this announcement shall have the same meanings as defined in the Announcements.

The Board is pleased to announce that, given the established business relationship between the Company and NEC, and the mutual business development needs, the Company and NEC agreed to extend the term of the joint venture beyond 5 years. On October 7, 2014, the relevant parties entered into various amendment agreements to the Business Combination Agreement, Shareholders Agreement and certain agreements governing the existing continuing connected transactions to reflect such intention.

AMENDMENTS TO THE BUSINESS COMBINATION AGREEMENT

The JVCo is owned as to 51% by Lenovo BV and 49% by NEC. Pursuant to the Business Combination Agreement, Lenovo BV granted NEC a put option to require Lenovo BV to purchase all of the NEC JVCo Ordinary Shares from NEC (the “**Original Put Option**”) and NEC granted Lenovo BV a call option to require NEC to sell all of the NEC JVCo Ordinary Shares to Lenovo BV (the “**Original Call Option**”). The Original Put Option and the Original Call Option are exercisable at any time after July 1, 2016 (i.e. the fifth anniversary of the date of Closing) or within three months of certain trigger events set out in the Business Combination Agreement with respect to all of the NEC JVCo Ordinary Shares.

The price payable by Lenovo BV for all of the NEC JVCo Ordinary Shares under the Original Put Option or the Original Call Option (as the case may be) (the “**Option Price**”) will be based on the achievement of certain financial milestones by JVCo (the “**Achievement Ratio**”) prior to the exercise of the Original Put Option or the Original Call Option. The maximum price payable by Lenovo BV under the Original Put Option or the Original Call Option (as the case may be) will be US\$275 million.

The parties to the Business Combination Agreement entered into the Amendment Agreement on October 7, 2014 to amend certain terms of the Business Combination Agreement with respect to the Original Put Option and the Original Call Option. The principal terms of the Amendment Agreement are set out as follows:

(i) Exercise of the Put Option and the Call Option

Lenovo BV granted to NEC a put option to require Lenovo BV to purchase NEC's interest in the JVCo Shares (the "**Put Option**") and NEC granted to Lenovo BV a call option to require NEC to sell its interest in the JVCo Shares (the "**Call Option**"). The Put Option and the Call Option are exercisable in the follow manner:

- (a) at any time after July 1, 2016, with respect to 44,100 NEC JVCo Ordinary Shares, representing 90% of the JVCo Shares currently held by NEC;
- (b) at any time after the earlier of the expiration of the term or the termination of any NEC Brand Licence Agreement, with respect to all of NEC's then outstanding interest in the JVCo Shares; or
- (c) within three months of certain trigger events set out in the Business Combination Agreement, with respect to all of NEC's then outstanding interest in the JVCo Shares.

(ii) Option Price

The price payable for the JVCo Ordinary Shares under the Put Option and the Call Option will be prorated by the number of the JVCo Ordinary Shares for which the Put Option or the Call Option is exercised. If the Put Option or the Call Option is exercised with respect to 44,100 NEC JVCo Ordinary Shares, the price payable by Lenovo BV will be 90% of the Option Price. The price payable for all of the JVCo Deferred Shares (if issued to NEC) under the Put Option or the Call Option (as the case may be) is €427.

(iii) Issuance of Deferred Shares to NEC

In the event that the Put Option or the Call Option is exercised with respect to 44,100 NEC JVCo Ordinary Shares, JVCo will issue 42,700 JVCo Deferred Shares to NEC at a cash consideration of €427.

Following the transfer of 44,100 NEC JVCo Ordinary Shares to Lenovo BV and the issuance of 42,700 JVCo Deferred Shares to NEC, (i) Lenovo BV will hold 95,100 JVCo Ordinary Shares in total, representing approximately 66.6% of the voting rights for the JVCo; and (ii) NEC will hold 4,900 JVCo Ordinary Shares and 42,700 JVCo Deferred Shares, representing approximately 33.4% of the voting rights for the JVCo.

(iv) Bonus Payment

Pursuant to the Business Combination Agreement, NEC is entitled to an additional bonus amount in cash from Lenovo BV of up to US\$50 million based on the Achievement Ratio in the period between April 1, 2011 and March 31, 2016 or, if the Put Option has been exercised by NEC prior to March 31, 2016 following certain trigger events as set out in the Business Combination Agreement, up to US\$50 million based on the Achievement Ratio in the period between April 1, 2011 and the exercise date of the Put Option.

The bonus payment payable by Lenovo BV to NEC pursuant to the Amendment Agreement (the "**Bonus Payment**") shall be paid as follows:

- (a) (i) 90% of the Bonus Payment shall be paid within 5 Business Days after the agreement or determination of the Achievement Ratio; and (ii) the remainder 10% of the Bonus Payment shall be paid upon the payment of the Option Price, if the

Put Option or the Call Option is exercised following (1) the expiration or termination of any NEC Brand Licence Amendment Agreement; or (2) certain trigger events, including, among other things, the Company filing for bankruptcy or committing a material breach of the Business Combination Agreement; or

- (b) 100% of the Bonus Payment shall be paid upon the payment of the Option Price, if the Put Option or the Call Option is exercised following certain trigger events prior to the agreement or determination of the Achievement Ratio, including, among other things, the Company filing for bankruptcy or committing a material breach of the Business Combination Agreement.

No Bonus Payment shall be payable by Lenovo BV if it exercises the Call Option prior to the agreement or determination of the Achievement Ratio following certain trigger events, including, among other things, NEC filing for bankruptcy or committing a material breach of the Business Combination Agreement or a breach of certain provisions of the Shareholders' Agreement.

Assuming NEC remains a connected person (as defined in the Listing Rules) of the Company, the exercise of the Call Option will be regarded as a connected transaction for the purposes of Chapter 14A of the Listing Rules. The Company will ensure compliance with the relevant Listing Rules upon exercise of the Call Option.

AMENDMENTS TO THE CCT AGREEMENTS

(i) Amendments to the NEC Brand Licence Agreements

The parties to the NEC Brand Licence Agreements entered into the NEC Brand Licence Amendment Agreements on October 7, 2014 to extend the terms of the NEC Brand Licence Agreements for two more years to June 30, 2018.

Further, subject to compliance with the Listing Rules at the relevant time, the term of the NEC Brand Licence Agreements shall automatically extend for an additional term of one year to a date no later than June 30, 2026, unless any party gives a written notice of termination at least 2 years prior to the expiry date.

The term of each of the amended NEC Brand Licence Agreements exceeds three years. Mizuho Securities Asia Limited, an independent financial adviser appointed by the Company, considers that the extended term for each of the NEC Brand Licence Agreements constitutes special circumstances for the purpose of Rule 14A.52 of the Listing Rules for the following reasons:

- (i) the continuing cooperation with NEC under the NEC Brand Licence Agreements is consistent with the business and commercial objectives of the Group for continual engagement and expansion of its personal computer business in Japan. The term of the NEC Brand Licence Agreements are aligned with the expected term of the joint venture and a shorter term could potentially have a significant impact on the operation of the JVCo;
- (ii) the development of any personal computer brand represents a critical commercial arrangement, which requires a medium to long-term commitment of both the brand owner and the licensee. Accordingly, such arrangement needs to be of a reasonably long duration to be commercially viable; and

(iii) a term of longer than three years is consistent with industry practice for this type of brand licence arrangements to be provided under the NEC Brand Licence Agreements.

(ii) Amendments to the Supply Agreement

Pursuant to the amendment agreement to the Supply Agreement dated October 7, 2014, apart from those disclosed in the Company's announcement dated April 21, 2011, the standard pricing of Products for every quarter will also be determined with reference to the following additional factors: (i) the average exchange rate between Japanese Yen and US dollars during the immediately preceding quarter; and (ii) NEC's achievement ratio against the quarterly purchase volume targets.

AMENDMENTS TO THE SHAREHOLDERS' AGREEMENT

As a result of the extension of term of the joint venture, NEC's undertakings with respect to non-competition and non-solicitation were extended accordingly. Apart from that, the amendments to the CCT Agreements and the Business Combination Agreement do not affect other rights or obligations of Lenovo BV and NEC under the Shareholders' Agreement.

The Directors (including the independent non-executive Directors) are of the view that the Amendment Agreement, the CCT Amendment Agreements and the transactions contemplated therein are on normal commercial terms, which are fair and reasonable and are in the best interest of the Company and its shareholders as a whole.

INFORMATION OF THE COMPANY AND NEC

The principal activities of the Company and its subsidiaries are 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.

NEC is a leader in the integration of IT and network technologies that benefit businesses and people around the world. By providing a combination of products and solutions that cross utilize the company's experience and global resources, NEC's advanced technologies meet the complex and ever-changing needs of its customers. NEC brings more than 100 years of expertise in technological innovation to empower people, businesses and society.

LISTING RULES IMPLICATION

NEC is a substantial shareholder of JVCo and is therefore a connected person (as defined in the Listing Rules) of the Company at the subsidiary level under the Listing Rules.

The transactions contemplated under the CCT Amendment Agreements constitute continuing connected transactions and are subject to the reporting and announcement requirements pursuant to Rule 14A.101 of the Listing Rules, but are exempt from the circular, independent financial advice and independent shareholders' approval requirements.

As none of the Directors had a material interest in the above transactions, none of them was required to abstain from voting on the relevant resolutions approving the above transactions.

DEFINITIONS

"Amendment Agreement" the amendment agreement dated October 7, 2014 entered into between the Company, Lenovo BV, NEC and NECP in relation

	to the amendments to the Business Combination Agreement dated January 27, 2011
“CCT Agreements”	the NEC Brand Licence Agreements and the Supply Agreement
“CCT Amendment Agreements”	the NEC Brand Licence Amendment Agreements and the amendment agreement to the Supply Agreement dated October 7, 2014
“JVCo Deferred Shares”	the non-profit participating shares of €0.01 each in the share capital of JVCo
“JVCo Ordinary Shares”	the ordinary shares of €1.00 each in the share capital of JVCo
“JVCo Shares”	the JVCo Ordinary Shares and the JVCo Deferred Shares
“NEC Brand Licence Agreements”	the NEC Newco Brand Licence Agreement, the NEC JVCo Brand Licence Agreement and the NEC LenovoJ Brand Licence Agreement dated July 1, 2011
“NEC Brand Licence Amendment Agreements”	the amendment agreements to the NEC Newco Brand Licence Agreement, the NEC JVCo Brand Licence Agreement and the NEC LenovoJ Brand Licence Agreement dated October 7, 2014
“NEC JVCo Ordinary Shares”	the JVCo Ordinary Shares held by NEC and as at the date of this announcement, NEC holds 49,000 JVCo Ordinary Shares, representing 49% of the issued share capital of JVCo
“Shareholders’ Agreement”	the shareholders’ agreement entered into between NEC and Lenovo BV in respect of JVCo on January 27, 2011
“Supply Agreement”	the supply agreement entered into between NEC and NECP on February 28, 2011
“€”	the lawful currency of the member states of the European Union that adopted the single currency in accordance with the Treaty establishing the European Community (signed in Rome on March 25, 1957), as amended by the Treaty on European Union (signed in Maastricht on February 7, 1992)

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

October 7, 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.