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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: 0992)

ANNOUNCEMENT

DISCLOSEABLE TRANSACTION IN RELATION TO

FORMATION OF JOINT VENTURE

The Board is pleased to announce that on September 26, 2011, the Company entered into the Joint Venture Agreement with Compal, pursuant to which the Company and Compal have agreed to establish JVCo as a joint venture company to manufacture the Products.

Pursuant to the Joint Venture Agreement, the parties have agreed, inter alia, that:

- (a) the JVCo will be incorporated, and immediately following Closing, the Company will own 51% of the issued share capital of JVCo and Compal will own 49% of the issued share capital of JVCo;
- (b) the JVCo Group is expected to be developed as a manufacturer solely for the Products;
- (c) the Company and Compal will make capital contributions in cash in two phases in accordance with their respective ownership ratios, it being understood that (i) the total capital contribution for phase one is US\$100 million and (ii) the total capital contribution for phase two is US\$200 million;
- (d) subject to certain conditions, the Company will use commercially reasonable efforts to allocate purchase volumes of Products from the Joint Venture; and
- (e) to facilitate the business and operations of the JVCo Group, pursuant to certain ancillary agreements, each of the Company and Compal will provide to the JVCo Group certain transition services and technical knowledge assistance.

In addition, under the Joint Venture Agreement, the Company has granted Compal the Put Option and Compal has granted the Company the Call Option. The exercise price for the Put Option and the Call Option will be determined in accordance with the Joint Venture Agreement. The maximum exercise price for the Put Option is US\$750 million.

Closing is subject to a number of conditions, including the receipt of certain regulatory approvals and the due execution of the ancillary agreements.

As certain of the percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules in respect of the formation of the joint venture and the consideration payable by the Group under the Joint Venture Agreement exceed 5% but are less than 25%, the transactions contemplated under the Joint Venture Agreement constitute a discloseable transaction of the Company under Chapter 14 of the Listing Rules.

1. INTRODUCTION

The Board is pleased to announce that on September 26, 2011, the Company entered into the Joint Venture Agreement with Compal, pursuant to which the Company and Compal have agreed to establish JVCo as a joint venture company to manufacture the Products.

2. MATERIAL TERMS OF THE JOINT VENTURE AGREEMENT

(a) Date

September 26, 2011

(b) Parties

(i) The Company; and

(ii) Compal.

(c) Transaction Overview

The JVCo will be incorporated, and immediately following Closing, the Company will own 51% of the issued share capital of JVCo and Compal will own 49% of the issued share capital of JVCo.

The JVCo Group is expected to be developed as a manufacturer solely for the Products.

(d) Capital Contribution

The Company and Compal will make capital contributions in cash in two phases in accordance with their respective ownership ratios, it being understood that (i) the total capital contribution for phase one is US\$100 million and (ii) the total capital contribution for phase two is US\$200 million.

(e) Product Sales, IP License and Transition Services

Subject to certain conditions, the Company will use commercially reasonable efforts to allocate purchase volumes of Products from the Joint Venture. The price of Products between the Company and the JVCo Group will be based on an agreed formula set out in the Joint Venture Agreement and are determined following arm's length negotiations by the parties.

To facilitate the business and operations of the JVCo Group, pursuant to certain ancillary agreements, each of the Company and Compal will provide to the JVCo Group certain transition services and technical knowledge assistance.

(f) Closing

Closing of the Joint Venture Agreement is subject to customary conditions (including the execution of the ancillary agreements) and will take place on the third Business Day following the fulfillment or waiver of the conditions or on such other date as the parties may agree in writing.

(g) Put Option and Call Option

The Company has granted Compal the Put Option and Compal has granted the Company the Call Option. The exercise price for the Put Option and the Call Option will be determined in accordance with the Joint Venture Agreement. The maximum exercise price for the Put Option is US\$750 million.

Assuming that Compal remains a Connected Person 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.

(h) Governance of the Joint Venture

The business and affairs of JVCo will be managed by the JVCo Board. The JVCo Board will consist of seven directors, of which the Company will be entitled to nominate four directors and Compal will be entitled to nominate three directors.

(i) Restriction on Transfer of the JVCo Shares

None of Company and Compal shall itself or permit its Affiliates to (except with the prior written consent of the other or where the Put Option or the Call Option is exercised) sell, assign, transfer, encumber, hypothecate, pledge or otherwise alienate or dispose of all or any part of its ownership interest in any member of the JVCo Group to any party other than to its wholly-owned Affiliates.

3. REASONS FOR AND BENEFITS OF THE JOINT VENTURE

The completion of this transaction will give the Company a majority stake in a new joint venture which is expected to be developed as a cost-competitive, world-class manufacturer solely for the Company's Products under the operational leadership of Compal.

The new joint venture is expected to give the Company additional manufacturing capacity needed to support its planned growth in the global PC market and to extend the Company's current global manufacturing network, which leverages a mix of in-house factories and outsourcing partners to deliver its total product volume worldwide. The new joint venture will also enable the Company to serve a portion of its expected future growth, while existing in-house facilities and original design manufacturer relationships also support expansion. The Company has been the fastest growing among PC industry's top five suppliers for seven consecutive quarters.

The Company also envisions participation in the joint venture is an important step to further enhance its ability to manufacture innovative products that are faster to market, more attuned to consumers' tastes and needs, and competitively priced.

The Directors consider that the terms and conditions of the Joint Venture Agreement and the ancillary agreements are fair and reasonable and in the interests of the Company and the shareholders of the Company as a whole.

4. INFORMATION ON THE COMPANY

The principal activities of the Company and its subsidiaries are 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.

5. INFORMATION ON COMPAL

Compal is a leading manufacturer principally engaged in the production of notebook computers, monitors and televisions. The shares of Compal are listed in the Taiwan Stock Exchange.

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiry, as at the date of this announcement, Compal and its ultimate beneficial owners are third parties independent of the Company and its Connected Persons.

6. LISTING RULES IMPLICATIONS

As certain of the percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules in respect of the formation of the joint venture and the consideration payable by the Group under the Joint Venture Agreement exceed 5% but are less than 25%, the transactions contemplated under the Joint Venture Agreement constitute a discloseable transaction of the Company under Chapter 14 of the Listing Rules.

7. DEFINITIONS

“%”	per cent;
“Affiliate”	with respect to any person, any person directly or indirectly controlling, controlled by or under common control with, such person. For purposes of this definition, “control” (including, with correlative meaning, the terms “controlling,” “controlled by” and “under common control with”) means the possession, directly or indirectly, of the power to direct or cause the direction of management and policies of such person to the ownership of more than 50% of the voting securities, by contract or otherwise;
“Board”	the board of Directors of the Company;
“Business Day”	a day (other than a Saturday or Sunday) officially identified by government or authorities as a working day in Hong Kong, Taipei and Beijing;
“Call Option”	the call option granted by Compal under the Joint Venture Agreement pursuant to which Lenovo is entitled to require that Compal sells all its JVCo

	Shares to Lenovo;
“Closing”	the completion of the payment of the initial capitalization and the capital contributions for phase one pursuant to the Joint Venture Agreement;
“Compal”	Compal Electronics, Inc., a company organized under the laws of Taiwan, the shares of which are listed on the Taiwan Stock Exchange;
“Compal Group”	Compal and its Affiliates from time to time;
“Company”	Lenovo Group Limited, a company incorporated on October 5, 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;
“Connected Person”	has the meaning given to it in the Listing Rules;
“Director(s)”	the director(s) of the Company;
“Group”	the Company and its Affiliates from time to time;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	Hong Kong Special Administrative Region of the PRC;
“Joint Venture Agreement”	the joint venture agreement entered into between the Company and Compal dated September 26, 2011;
“JVCo”	a company to be organized under the laws of Hong Kong;
“JVCo Board”	the board of directors of JVCo;
“JVCo Group”	JVCo and its Affiliates from time to time;
“JVCo Shares”	the ordinary shares in the share capital of JVCo;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“PRC”	the People’s Republic of China, and for the purposes of this announcement, excludes, Hong Kong, Taiwan and Macau Special Administrative Region;
“Products”	notebook computer products and related parts thereof;
“Put Option”	the put option granted by Lenovo under the Joint Venture Agreement pursuant to which Compal is entitled to require that Lenovo purchases all of Compal’s JVCo Shares from Compal;

“Stock Exchange”

The Stock Exchange of Hong Kong Limited; and

“US\$”

United States dollars, the lawful currency of the United States of America

In this announcement, the translation of Hong Kong dollars into United States dollars is based on the exchange rate of HK\$1.00 to US\$0.1283 for information purposes only. Such translation 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

Liu Chuanzhi

Chairman

Hong Kong, September 26, 2011

As at the date hereof, the executive director is Mr. Yang Yuanqing; the non-executive directors are Mr. Liu Chuanzhi, Mr. Zhu Linan, Ms. Ma Xuezheng, Mr. James G. Coulter, Mr. William O. Grabe and Dr. Wu Yibing; and the independent non-executive directors are Professor Woo Chia-Wei, Mr. Ting Lee Sen, Dr. Tian Suning and Mr. Nicholas C. Allen.