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Lenovo™

Lenovo Group Limited 聯想集團有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 992)

DISCLOSEABLE TRANSACTION

DISPOSAL OF THE ENTIRE EQUITY INTERESTS IN A SUBSIDIARY

Morgan Stanley

Financial Advisor

The Board announces that on 30 September 2016, the Vendor, a wholly-owned subsidiary of the Company, entered into the Share Transfer Agreement with, amongst others, the Purchaser, in relation to the sale and purchase of the entire equity interests of the Target Company (the principal asset of which is the Property) at an aggregate Consideration of RMB1,780 million (equivalent to approximately HK\$2,065 million).

As the Initial Disposal and the Disposal involve the same Vendor and Purchaser and form a series of transactions conducted within the past 12-month period, the Disposal is required to be aggregated with the Initial Disposal for the purpose of computing the relevant percentage ratios pursuant to Rule 14.22 of the Listing Rules. Upon aggregation, as the highest applicable percentage ratio in respect of the Disposal exceeds 5% but is less than 25%, the Disposal constitutes a discloseable transaction for the Company and accordingly, is subject to the reporting and announcement requirements but is exempt from the shareholders' approval requirement under Chapter 14 of the Listing Rules.

INTRODUCTION

The Board announces that on 30 September 2016, the Vendor, a wholly-owned subsidiary of the Company, entered into the Share Transfer Agreement with, amongst others, the Purchaser, in relation to the sale and purchase of the entire equity interests of the Target Company (the principal asset of which is the Property) at an aggregate Consideration of RMB1,780 million

(equivalent to approximately HK\$2,065 million). Following Completion of the Disposal, the Property will be leased back to the Vendor for the continuing operation of the Group.

THE DISPOSALS

The Initial Disposal

On 30 May 2016, the Vendor entered into a share transfer agreement with, amongst others, the Purchaser in relation to the disposal of the entire equity interests of the First Target Company (the principal asset of which is the First Property) at an aggregate consideration of RMB1,020 million (equivalent to approximately HK\$1,183 million).

The Disposal

On 30 September 2016, the Vendor entered into the Share Transfer Agreement with, amongst others, the Purchaser, in relation to the disposal of the entire equity interests of the Target Company at an aggregate Consideration of RMB1,780 million (equivalent to approximately HK\$2,065 million), which includes the assumption of the Shareholder's Loan in the amount of RMB49 million (equivalent to approximately HK\$57 million).

The Consideration was determined after arm's length negotiations between the Vendor and the Purchaser with reference to the current market conditions and land price in the surrounding areas of the Property.

THE SHARE TRANSFER AGREEMENT

Date

30 September 2016

Parties

The Share Transfer Agreement was entered into between, amongst others:

- i. the Vendor; and
- ii. the Purchaser.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Purchaser and its ultimate beneficial owner(s) are third parties independent of the Company and connected persons (as defined in the Listing Rules) of the Company.

Assets to be disposed of

Based on the unaudited financial statements of the Target Company (prepared under Hong Kong Financial Reporting Standards), the net asset value of the Target Company is approximately RMB265 million (equivalent to approximately HK\$307 million) as at 30 September 2016, with the book value of the Property being approximately RMB265 million (equivalent to approximately HK\$307 million).

The following information is a summary of the unaudited financial statements of the Target Company for the two financial years ended 31 March 2015 and 2016:

	For the year ended 31 March 2015	For the year ended 31 March 2016
	RMB (in thousands)	RMB (in thousands)
Net (losses) before tax	-(1)	(831)
Net (losses) after tax	-	(831)

(1) The Target Company was established on 21 January 2016.

Payment of the Consideration

The Consideration is to be settled by the Purchaser in the following manner:

- i. a cash consideration of RMB173 million (equivalent to approximately HK\$201 million) to be paid to the Vendor within 10 business days from the date of the Share Transfer Agreement;
- ii. a cash payment of RMB49 million (equivalent to approximately HK\$57 million) to be advanced to the Target Company as shareholder's loan, the proceeds of which shall be used to repay the Shareholder's Loan to the Vendor in full upon Completion; and
- iii. the balance of the consideration of RMB1,558 million (equivalent to approximately HK\$1,807 million) to be paid to the Vendor within 20 business days from Completion or before 31 December 2016 (whichever is later).

Completion

Completion will take place within 15 business days from the date of the Share Transfer Agreement and when all the required registrations in relation to the change of shareholding in the Target Company at the relevant PRC government authorities have been completed.

REASONS FOR AND BENEFITS AND FINANCIAL EFFECT OF THE DISPOSAL

The Directors believe that, through the Disposal, the Group will realize the Property's market value and strengthen the overall financial position of the Group, allowing it to re-deploy its capital to its core business areas and enhance return for the Company's shareholders. Upon Completion, the net proceeds from the Disposal is estimated to be approximately RMB1,696 million (equivalent to approximately HK\$1,967 million). The Company intends to use the net proceeds from the Disposal to finance the Group's core businesses to further drive efficiency and enhance the Group's longer term profitability. The gain arising from the Disposal is estimated to be approximately RMB1,381 million (equivalent to approximately HK\$1,602 million), being the difference between the cash Consideration and the unaudited net asset value of the Target Company as at 30 September 2016, net of the relevant transaction costs and settlement of the Shareholder's Loan.

The actual loss or gain to be recognized by the Group is subject to the unaudited accounts of the Target Company upon Completion and the audit of the Group for the year ending 31 March 2017.

Upon Completion, the Company will not have any interest in the Target Company and the Target Company will cease to be a subsidiary of the Company. Accordingly, the profits or losses and the assets and liabilities of the Target Company will no longer be consolidated into the consolidated financial statements of the Company.

Pursuant to the terms of the Share Transfer Agreement, the Vendor entered into a lease agreement with the Target Company pursuant to which the Purchaser agreed to lease back the Property to the Vendor commencing from the date of Completion for the continuing operation of the Group.

The Directors are of the view that the terms of the Disposal are on normal commercial terms, are fair and reasonable and are in the interests of the Company and its shareholders as a whole.

INFORMATION ON THE PARTIES

The Company and the Vendor

The Company is a company incorporated in Hong Kong with limited liability and its shares have been listed on the Stock Exchange since 1994. The Group is 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.

The Vendor is a company established in PRC with limited liability and a wholly-owned subsidiary of the Company. The principal business of the Vendor is the development, manufacture and distribution of information technology products.

The Purchaser

The Purchaser is an enterprise owned by the whole people (全民所有制企業) which is established in PRC. The principal business of the Purchaser is investment management.

LISTING RULES IMPLICATIONS

As the Initial Disposal and the Disposal involve the same Vendor and Purchaser and form a series of transactions conducted within the past 12-month period, the Disposal is required to be aggregated with the Initial Disposal for the purpose of computing the relevant percentage ratios pursuant to Rule 14.22 of the Listing Rules. Upon aggregation, as the highest applicable percentage ratio in respect of the Disposal exceeds 5% but is less than 25%, the Disposal constitutes a discloseable transaction for the Company and accordingly, is subject to the reporting and announcement requirements but is exempt from the shareholders' approval requirement under Chapter 14 of the Listing Rules.

DEFINITIONS

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

“Board”	the board of Directors
“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 Disposal
“Consideration”	RMB1,780 million (equivalent to approximately HK\$2,065 million), being the aggregate consideration payable by the Purchaser for the Disposal
“Directors”	the directors of the Company
“Disposal”	the disposal of the entire equity interests of the Target Company by the Vendor to the Purchaser pursuant to the Share Transfer Agreement
“First Property”	the 1 st floor to 6 th floor of Beijing Lenovo Tower (聯想大廈), which is located at No.6 Chuangye Road, Shangdi Information Industry Base, Haidian District, Beijing, PRC

“First Target Company”	聯創嘉業(北京)資產管理有限公司 (Lianchuang Jiaye (Beijing) Asset Management Company Limited*), a company established in PRC with limited liability
“Group”	the Company and its subsidiaries from time to time
“HK\$”	Hong Kong dollars, the lawful currency of the Hong Kong Special Administrative Region of PRC
“Initial Disposal”	the disposal of the entire equity interests of the First Target Company by the Vendor to the Purchaser pursuant to a share transfer agreement dated 30 May 2016
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“PRC”	the People’s Republic of China
“Property”	Beijing Lenovo Research Tower (聯想研究院大廈), a commercial building located at No. 6, Shang Di Xi Lu, Haidian District, Beijing, PRC with a total floor area of 89,925 square metres
“Purchaser”	北京市海澱區國有資本經營管理中心 (Beijing Haidian State-owned Assets Operation & Management Center*), an enterprise owned by the whole people (全民所有制企業) which is established in PRC
“RMB”	Renminbi, the lawful currency of PRC
“Shareholder’s Loan”	the shareholder’s loan made by the Vendor to the Target Company in the amount of RMB49 million (equivalent to approximately HK\$57 million)
“Share Transfer Agreement”	the share transfer agreement dated 30 September 2016 entered into between, amongst others, the Vendor and the Purchaser in relation to the Disposal
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	聯創瑞業(北京)資產管理有限公司 (Lianchuang Ruiye (Beijing) Asset Management Company Limited*), a company established in PRC with limited liability on 21 January 2016

“Vendor”

聯想(北京)有限公司 (Lenovo (Beijing) Limited*), a company established in PRC with limited liability, a wholly-owned subsidiary of the Company

For the purpose of this announcement, amounts denominated in RMB have been translated into HK\$ at an exchange rate of RMB1:HK\$1.16. No representation is made that any amounts in RMB and HK\$ can be or could have been converted at the relevant dates at the above rates or at any other rates at all.

By order of the Board of
LENOVO GROUP LIMITED
Yang Yuanqing
Chairman and
Chief Executive Officer

30 September 2016

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 Dr. Tian Suning, Mr. Nicholas C. Allen, Mr. Nobuyuki Idei, Mr. William O. Grabe, Mr. William Tudor Brown, Ms. Ma Xuezheng, Mr. Yang Chih-Yuan Jerry and Mr. Gordon Robert Halyburton Orr.

** For identification purpose only*