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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)

ANNOUNCEMENT

CONTINUING CONNECTED TRANSACTIONS

Reference is made to the announcement made by the Company on 27 January 2011 in relation to the Company entering into a Business Combination Agreement with, amongst others, NEC.

As set out in the Announcement, at or prior to Closing, NEC or other members of the NEC Group will enter into the CCT Agreements with the Company, JVCo or other members of the JVCo Group in respect of the provision of certain services and products to or by the JVCo Group to facilitate the operation of its personal computer business in Japan, conditional upon Closing taking place.

The Board is pleased to announce that the Supply Agreement was entered into on 28 February 2011 and will become effective shortly before Closing, subject to the approval of the Independent Shareholders (as set out in more detail below). The NEC Fielding Agreement was entered into on 15 January 2004, the NEC Mobiling Agreement was entered into on 1 April 1995 and the NESIC Agreement was entered into on 18 August 2003. On the date of the Demerger, the rights and obligations of NECP under the NEC Fielding Agreement, the NEC Mobiling Agreement and the NESIC Agreement will be transferred to NEC Newco by operation of Japanese law (as set out in more detail below). The Board is further pleased to announce that the terms of the remaining CCT Agreements are now in agreed form, and will be entered into shortly before Closing, subject to the prior approval of the Independent Shareholders (as set out in more detail below).

As NEC will become a substantial shareholder of JVCo on Closing, and JVCo in turn will become an indirect subsidiary of the Company, NEC will become a connected person of the Company and therefore the transactions contemplated under the CCT Agreements will constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules. Given that on an aggregated basis one or more of the relevant percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules exceeds 5% in relation to the transactions contemplated under the CCT Agreements and the annual consideration under the CCT Agreements will be over HK$10 million, such transactions will constitute non-exempt continuing connected transactions for the Company under Chapter 14A of the Listing Rules and are therefore subject to the reporting, announcement and Independent Shareholders' approval requirements under the Listing Rules.

A circular containing, amongst other things, details of the CCT Agreements, the recommendation of the independent board committee of the Company and the advice from the independent financial advisor to the independent board committee of the Company and the Independent Shareholders, together with a notice convening the EGM to approve, amongst other things, the entering into of the CCT Agreements and their respective annual caps, will be despatched to the shareholders of the Company as soon as practicable.

1. INTRODUCTION

Reference is made to the announcement made by the Company on 27 January 2011 which disclosed the entry by the Company into the Business Combination Agreement with, amongst others, NEC. Pursuant to the Business Combination Agreement, the Company and NEC agreed to establish JVCo as a joint venture company to own and operate their respective personal computer businesses in Japan. On 27 January 2011, the Company's wholly-owned subsidiary, Lenovo BV, and NEC also entered into the Shareholders' Agreement, which governs the relationship between Lenovo BV and NEC as shareholders of JVCo.

Pursuant to the Business Combination Agreement, the parties agreed, amongst other things, that the Company and NEC will transfer their respective existing personal computer businesses in Japan to JVCo in consideration for a combination of the payment by the Company to NEC of cash, and the issue to NEC of 281,129,381 Company Shares (which will be issued to NEC on Closing pursuant to the General Mandate). Immediately following Closing, the Company (through Lenovo BV) will own 51% of the issued share capital of JVCo and NEC will own 49% of the issued share capital of JVCo and accordingly NEC (and its associates (as defined under the Listing Rules)) will become connected persons of the Company.

At or prior to Closing under the Business Combination Agreement, NEC or other members of the NEC Group are obliged to enter into the CCT Agreements with the Company, JVCo or other members of the JVCo Group in respect of the provision of certain services and products to or by the JVCo Group to facilitate the operation of its personal computer business in Japan.

The following CCT Agreements have been entered into:

(i) the Supply Agreement between NEC and NECP, which was entered into on 28 February 2011;

(ii) the NEC Fielding Agreement between NECP and NEC Fielding, which was entered into on 15 January 2004;

(iii) the NEC Mobiling Agreement between NECP and NEC Mobiling, which was entered into on 1 April 1995; and

(iv) the NESIC Agreement between NECP and NESIC, which was entered into on 18 August 2003.

The Board is pleased to announce that the following CCT Agreements are now in agreed form and it is anticipated, subject to the prior approval of the Independent Shareholders, will be entered into on or prior to the Closing Date:

(i) the Transitional Services Agreement between NEC and the Company;

(ii) the NEC Patent Licence Agreement between NEC and NEC Newco; and

(iii) the NEC Newco Brand Licence Agreement between NEC and NEC Newco.

On the date of the Demerger, all of NECP's rights and obligations under the CCT Agreements to which it is a party will be transferred by operation of Japanese law to NEC Newco. At Closing under the Business Combination Agreement, NEC will transfer the entire issued share capital of NEC Newco to JVCo so that NEC Newco becomes a wholly-owned subsidiary of JVCo.

All of the CCT Agreements, the continuing connected transactions contemplated thereunder and their respective caps are subject to approval by the Independent Shareholders of the Company at the EGM.

The Board is also pleased to announce that the following agreements are now in agreed form and it is anticipated will be entered into on or prior to the Closing Date:

(i) the NEC JVCo Brand Licence Agreement between NEC and JVCo; and

(ii) the NEC LenovoJ Brand Licence Agreement between NEC and LenovoJ.

Whilst these agreements do constitute continuing connected transactions under the Listing Rules, since no monetary consideration is payable under them, they fall within the de minimus exemption under Rule 14A.33(3) of the Listing Rules.

2. MATERIAL TERMS OF THE CCT AGREEMENTS

SUPPLY AGREEMENT

Set out below is a summary of the material terms of the Supply Agreement:

Date

28 February 2011

Parties

1. NEC; and

2. NECP (whose rights and obligations will be transferred to NEC Newco under the Demerger, as described below).

Term

The Supply Agreement was conditionally entered into on 28 February 2011 but will not take effect until the date of the Demerger. On the date of the Demerger, all of NECP's rights and obligations under the Supply Agreement will be transferred by operation of Japanese law to NEC Newco. Accordingly, the term of the Supply Agreement will commence on and from the date of the Demerger and will continue until the earlier of the final date of the Joint Venture Period and the fifth anniversary of the Closing Date. The transactions under the Supply Agreement will only become continuing connected transactions from the Closing Date and therefore the maximum term of the continuing connected transactions under the Supply Agreement is five years.

Further, subject to compliance with the Listing Rules (if applicable) at the relevant time (including obtaining the prior approval of the Independent Shareholders, if required), the term of the Supply Agreement will be automatically renewed for an additional year unless either party gives notice to the other of its intention to terminate the Supply Agreement six months prior to expiry of the term.

Material Terms

The Supply Agreement was initially entered into between NEC and NECP. On the Demerger, NECP's rights and obligations under the Supply Agreement will be transferred to NEC Newco. At Closing under the Business Combination Agreement, NEC will transfer the entire issued share capital of NEC Newco to JVCo so that NEC Newco becomes a wholly-owned subsidiary of JVCo. The material terms of the Supply Agreement following Closing are as follows:

(a) **Scope**: NEC must submit quarterly orders for Products to NEC Newco. Based on those orders, the parties will determine the details (including quantity, unit price, quality level and delivery arrangements and other terms and conditions) of the Products delivered to NEC and conclude an individual agreement for each specific order;

(b) **Pricing of Products**: NEC and NEC Newco shall discuss in good faith and agree on an arms' length basis the price of Products every quarter. The standard pricing of Products shall be a specified discount to the prospective average sales price of the Product sold by NEC for the relevant quarter, determined with reference to: (i) the change in the average sales price of the Product in the same quarter of the previous year; (ii) the change in the average sales price of personal computer products equivalent to the Product in the Japanese market with respect to the same quarter of the preceding year; (iii) the change in the average sales prices in the immediately preceding quarter; and (iv) the expected number of units of the Products for the relevant quarter required by NEC;

(c) **Payment**: NEC must pay for the Products on the thirty-fifth day after the last day of the month it has received the Products. The Supply Agreement also includes customary procedures for the delivery, inspection, acceptance and (if relevant) rejection of Products;

(d) **Liability**: the Supply Agreement includes customary terms providing that NEC Newco is liable for defects such as insufficient quality or quantity, or deterioration of the Products, as well as product liability caused by defective Products;

(e) **No outsourcing**: NEC Newco may not engage a third party to perform its obligations under the Supply Agreement in whole or in part without obtaining the prior written consent of NEC; and

(f) **Termination**: each party may terminate all or any part of the Supply Agreement or any individual agreement in relation to an order of Products immediately if (i) the other party breaches any of the provisions of the Supply Agreement (or an individual agreement for a supply of Products); and (ii) such breach constitutes a material breach for the purposes of the Business Combination Agreement.

Annual Caps

The Company expects that the maximum aggregate annual value in respect of the sales of Products under the Supply Agreement for each of the five years following Closing to be JPY 86,691 million (US$ 1,048,961,100), JPY 88,132 million (US$ 1,066,397,200), JPY 89,650 million (US$ 1,084,765,000), JPY 91,179 million (US$ 1,103,265,900), and JPY 92,719 million (US$ 1,121,899,900), respectively.

The above estimated annual caps have been determined with reference to, amongst other things, the historical charges paid for the products, estimated future business volume to the extent that some services may vary based on volume, plus a 10% contingency to account for any uncertainties and additional charges.

NEC FIELDING AGREEMENT

Set out below is a summary of the material terms of the NEC Fielding Agreement:

Date

15 January 2004.

Parties

1. NEC Fielding Ltd.; and

2. NECP (whose rights and obligations will be transferred to NEC Newco under the Demerger, as described below).

Term

The initial term of the NEC Fielding Agreement commenced on 1 November 2003 and ended on 31 March 2004, subsequent to which the term of the NEC Fielding Agreement is automatically renewed for additional one year terms unless either party gives notice to the other of its intention to terminate the NEC Fielding Agreement one month prior to expiry of the then current term. On the date of the Demerger, all of

NECP's rights and obligations under the NEC Fielding Agreement will be transferred by operation of Japanese law to NEC Newco. The transactions under the NEC Fielding Agreement will subsequently become continuing connected transactions from the Closing Date when NEC transfers the entire issued share capital of NEC Newco to JVCo. Any renewal of the term of the NEC Fielding Agreement which would result in the NEC Fielding Agreement terminating after the fifth anniversary of the Closing Date will be subject to compliance with the Listing Rules (if applicable) at the relevant time (including obtaining the prior approval of the Independent Shareholders, if required).

Material Terms

Under the NEC Fielding Agreement, NEC Fielding agrees to provide NECP with maintenance and other ancillary services for certain equipment sold by NECP. The material terms of the NEC Fielding Agreement are as follows (references below to NECP will apply to NEC Newco following the Demerger):

(a) **Scope**: NEC Fielding agrees to provide maintenance and other services under the NEC Fielding Agreement for the following products: (i) computer equipment and other ancillary equipment and facilities that are sold or leased by NECP; and (ii) computer equipment, communication facilities, network facilities and other ancillary equipment and facilities that are used by NECP;

(b) **Services**: NEC Fielding agrees to provide the following services in relation to the subject products under the NEC Fielding Agreement: (i) maintenance and other ancillary services; (ii) onsite adjustment and other ancillary services; (iii) alteration and other ancillary services; (iv) training and other ancillary services to dealers designated by NECP; and (v) other services separately agreed by the parties in writing;

(c) **Service fees**: service fees under the NEC Fielding Agreement are separately agreed in writing between the parties. From Closing, NEC Newco shall ensure that all service fees shall be agreed on an arm's length basis and on terms which are no less favourable to NEC Newco than those available from independent third parties;

(d) **Liability**: the NEC Fielding Agreement includes a term providing that NEC Fielding is liable for any complaint or claim brought by end customers against NECP or NEC Fielding in relation to the services provided under the NEC Fielding Agreement other than those that are attributable to NECP;

(e) **No outsourcing**: NEC Fielding may not engage a third party to perform its obligations under the NEC Fielding Agreement in whole or in part without obtaining the prior written consent of NECP; and

(f) **Termination**: each party may immediately terminate all or any part of the NEC Fielding Agreement or any individual agreement thereunder on the occurrence of certain specified trigger events, including, inter alia: (i) if the other party breaches any of the provisions of the NEC Fielding Agreement or an individual agreement thereunder and the breach remains unremedied for a 30 day period; or (ii) certain insolvency events in relation to the other party.

In relation to the NEC Fielding Agreement, NECP and NEC Fielding signed the NEC Fielding MOU on 31 March 2011. The material terms of the NEC Fielding MOU are as follows:

(a) **Scope**: NEC Fielding agrees to provide maintenance and other services for personal computers for business users; and

(b) **Services**: NEC Fielding agrees to provide the following services for personal computers for business users: (i) repair services in accordance with product guarantees; (ii) troubleshooting call centre services; (iii) components delivery services; and (iv) maintenance and repair services for certain products.

Annual Caps

The Company expects that the maximum aggregate annual value in respect of the services supplied under the NEC Fielding Agreement for each of the five years following Closing to be JPY 3,553 million (US$ 42,991,300) per annum.

The above estimated annual caps have been determined with reference to, amongst other things, the historical charges paid for the services, estimated future business volume to the extent that some services may vary based on volume, plus a 10% contingency to account for any uncertainties and additional charges.

NEC MOBILING AGREEMENT

Set out below is a summary of the material terms of the NEC Mobiling Agreement:

Date

1 April 1995.

Parties

1. NEC Mobiling, Ltd.; and

2. NECP (whose rights and obligations will be transferred to NEC Newco under the Demerger, as described below).

Term

The initial term of the NEC Mobiling Agreement is one year from the date of the agreement, subsequent to which the term of the NEC Mobiling Agreement is automatically renewed for additional one year terms unless either party gives notice to the other of its intention to terminate the NEC Mobiling Agreement one month prior to expiry of the then current term. On the date of the Demerger, all of NECP’s rights and obligations under the NEC Mobiling Agreement will be transferred by operation of Japanese law to NEC Newco. The transactions under the NEC Mobiling Agreement will subsequently become continuing connected transactions from the

Closing Date when NEC transfers the entire issued share capital of NEC Newco to JVCo. Any renewal of the term of the NEC Mobiling Agreement which would result in the NEC Mobiling Agreement terminating after the fifth anniversary of the Closing Date will be subject to compliance with the Listing Rules (if applicable) at the relevant time (including obtaining the prior approval of the Independent Shareholders, if required).

Material Terms

Under the NEC Mobiling Agreement, NEC Mobiling agrees to purchase from NECP products such as personal computers and peripheral devices, word processors, telecommunication devices such as facsimiles and phones, electric appliances (including game machines) and other relevant products. The material terms of the NEC Mobiling Agreement are as follows (references to NECP below will apply to NEC Newco following the Demerger):

(a) **Purpose**: NEC Mobiling shall purchase the products from NECP and shall sell such products to customers as a dealer of NECP;

(b) **Individual agreements**: detailed terms of the sale of products, such as price, quantity, date and place of delivery shall be determined under individual agreements to be separately entered into between the parties. From Closing, NEC Newco shall ensure that all service fees shall be agreed on an arm's length basis and on terms which are no less favourable to NEC Newco than those available from independent third parties;

(c) **Risk of loss**: NEC Mobiling agrees that it shall bear any and all costs in relation to loss, damage, shortage of quantity and deterioration of quality of the products after the delivery of such products by NECP to NEC Mobiling; and

(d) **Termination**: NECP may immediately terminate all or any part of the NEC Mobiling Agreement or any individual agreement thereunder on the occurrence of certain specified trigger events, including, inter alia: (i) breach by NEC Mobiling of certain provisions of the NEC Mobiling Agreement or any individual agreement thereunder; (ii) certain insolvency events in relation to NEC Mobiling; and (iii) non-compliance with relevant laws and regulations by NEC Mobiling in relation to its performance of the NEC Mobiling Agreement or any individual agreement thereunder.

Annual Caps

The Company expects that the maximum aggregate annual value in respect of the products supplied under the NEC Mobiling Agreement for each of the five years following Closing to be JPY 66 million (US$ 798,600) per annum.

The above estimated annual caps have been determined with reference to, amongst other things, the historical charges paid for the products, estimated future business volume to the extent that some services may vary based on volume, plus a 10% contingency to account for any uncertainties and additional charges.

NESIC AGREEMENT

Set out below is a summary of the material terms of the NESIC Agreement:

Date

18 August 2003.

Parties

1. NESIC; and

2. NECP (whose rights and obligations will be transferred to NEC Newco under the Demerger, as described below).

Term

The initial term of the NESIC Agreement started on 18 August 2003 and ended on 31 March 2004, subsequent to which the term of the NESIC Agreement is automatically renewed for additional one year terms unless either party gives notice to the other of its intention to terminate the NESIC Agreement three months prior to expiry of the then current term. On the date of the Demerger, all of NECP's rights and obligations under the NESIC Agreement will be transferred by operation of Japanese law to NEC Newco. The transactions under the NESIC Agreement will subsequently become continuing connected transactions from the Closing Date when NEC transfers the entire issued share capital of NEC Newco to JVCo. Any renewal of the term of the NESIC Agreement which would result in the NESIC Agreement terminating after the fifth anniversary of the Closing Date will be subject to compliance with the Listing Rules (if applicable) at the relevant time (including obtaining the prior approval of the Independent Shareholders, if required).

Material Terms

Under the NESIC Agreement, NESIC agrees to provide NECP with operation and maintenance services for intranet and other internal communication systems of NECP. The material terms of the NESIC Agreement are as follows (references to NECP below will apply to NEC Newco following the Demerger):

(a) **Individual agreements**: detailed terms of the sale of products, such as price, quantity, date and place of delivery shall be determined under individual agreements to be separately entered into between the parties. From Closing, NEC Newco shall ensure that all service fees shall be agreed on an arm's length basis and on terms which are no less favourable to NEC Newco than those available from independent third parties;

(b) **Liability**: the NESIC Agreement includes customary terms providing that NESIC is liable for defects such as insufficient quality or quantity, or deterioration of the products, as well as product liability caused by defective products;

(c) **Outsourcing**: NESIC may not engage a third party to perform its obligations under the NESIC Agreement in whole or in part without obtaining the prior written consent of NECP; and

(d) **Termination**: each party may immediately terminate all or any part of the NESIC Agreement or any individual agreement thereunder on the occurrence of certain specified trigger events, including, inter alia: (i) if the other party breaches any of the provisions of the NESIC Agreement or any individual agreement thereunder; and (ii) certain insolvency events in relation to the other party.

Annual Caps

The Company expects that the maximum aggregate annual value in respect of the services supplied under the NESIC Agreement for each of the five years following Closing to be JPY 77 million (US$ 931,700) per annum.

The above estimated annual caps have been determined with reference to, amongst other things, the historical charges paid for the services, estimated future business volume to the extent that some services may vary based on volume, plus a 10% contingency to account for any uncertainties and additional charges.

TRANSITIONAL SERVICES AGREEMENT

Set out below is a summary of the Transitional Services Agreement:

Date

Subject to the prior approval of the Independent Shareholders of the Company at the EGM, the Transitional Services Agreement will be entered into at or prior to the Closing Date, taking effect from the Closing Date.

Parties

1. The Company; and

2. NEC.

Term

The term of the Transitional Services Agreement shall commence on the Closing Date and shall terminate upon the earlier to occur of: (i) the fifth anniversary of the Closing Date, (ii) the last date on which either the Company or NEC is obligated to provide any service to the other in accordance with the terms of the Transitional Services Agreement; and (iii) the mutual written agreement of the Company and NEC to terminate the Transitional Services Agreement in its entirety.

Provision of Services

Under the Transitional Services Agreement, NEC agrees to provide (or cause to be provided) certain enumerated services to JVCo, and the Company agrees to provide (or cause to be provided) certain enumerated services to NEC and its Affiliates. Such services shall be provided substantially in the same manner and on the same terms and at the same cost as the services provided between members of the NEC Group in respect of NEC's personal computer business in Japan prior to Closing, except as otherwise agreed between the Company and NEC in the Transitional Services Agreement.

The details of services to be provided under the Transitional Services Agreement are as follows:

Services to be provided by the NEC Group to JVCo

Categories of Services	**Description of Services**
Business Related Infrastructure Related Services	The provision of facility management services, including services provided at facilities leased from NEC and its Affiliates, including, but not limited to, (a) security management services, canteen operations and maintenance of equipment and machinery such as air conditioning systems, human resource outsourcing services and engineering business outsourcing services; (b) travel-related services, including booking and provision of transportation tickets and accommodation reservations; (c) provision of consumable goods, including use of a shared service centre and office supplies and other consumable office supply goods such as printing and copy machines and stationery; (d) patent application services, including printing and filing services; and (e) insurance arrangements, including coverage relating to overseas and domestic transportation insurance, travel insurance and E&O insurance.
Development & Production Services	The provision of shipping services, including, but not limited to, (a) packing services, logistics operations for calendars and pocketbooks, import and export services, and domestic shipping services; (b) software development and evaluation services provided by NEC Affiliates; (c) specialty equipment leased from NEC Purchasing Service, Ltd.; (d) development, production and material purchase, including business outsourcing by NEC China and other NEC Affiliates, procurement support services, PC Centre usage fees and logistics support; and (e) supply of auxiliary material.

Sales Related Services	The provision of (a) domestic sales support services provided by NEC Affiliates; (b) sales tools, including but not limited to, catalogue production, demonstration software, streaming distribution usage fees and internet domain maintenance; (c) television advertising development; and (d) sales promotion services, including market research, direct mail and VAN service usage.
Maintenance & Support Services	The provision of (a) auxiliary materials for use in maintenance and support provided by NEC Affiliates, including cardboard boxes for storing documents; and (b) personal computer repair services.
Real Estate Services	The provision of office and manufacturing space subleases within the NEC Group and associated parking leases.
Information Technology Services	The provision of (a) IT facility management services provided by NEC and its Affiliates; (b) operational and maintenance services in respect of business systems; (c) IT infrastructure services; and (c) systems and software, including corporate comprehensive licenses for business software, floor usage of a data centre, usage of material procurement system and usage of accounting systems.

Services to be provided by JVCo to the NEC Group

Categories of Services	**Description of Services**
Business Infrastructure Related Services	The provision of facility management services, including, but not limited to, services provided at facilities leased from NEC Newco such as telephone services, water and electric usage, cafeteria use and other related services.
Sales Related Services	The provision of promotional and sales-related services provided by NEC Newco to NEC Affiliates.
Maintenance and Support Services	The provision of customer support services including, but not limited to, consignment, customer help support to NEC BIGLOBE (a subsidiary of NEC providing Internet Support Services to the public), services to NEC printer and other support services, computer repair and shipping services.
Real Estate Services	The provision of office and manufacturing space subleases within the NEC Group and associated parking leases.

Information Technology Services	The provision of system operation services, including, but not limited to, system development, information registration services and providing web information services regarding repair.

Material Terms

To the extent any services enumerated in the Transitional Services Agreement have been provided before Closing pursuant to an Existing Agreement, NEC and the Company shall procure that such services shall continue to be provided pursuant to the terms of such Existing Agreements. Notwithstanding the terms of such Existing Agreements, unless otherwise agreed between the Company and NEC, the services provided by the NEC Group to JVCo and the services provided by JVCo to the NEC Group will be provided as follows:

(a) at the costs determined in accordance with the Transitional Services Agreement; such agreed costs shall be calculated on the same basis as they were prior to Closing and shall not be calculated in a manner which is less favourable to the provider and/or recipient of the services than the manner in which they were calculated prior to Closing;

(b) in a manner and to the level and quality of service determined in accordance with the Transitional Services Agreement; such agreed standards shall be comparable to those applicable prior to Closing; and

(c) subject to term and termination provisions of the Transitional Services Agreement, as described above.

Either party receiving services under the Transitional Services Agreement may, at any time, reduce the scope of any services accepted under the Transitional Services Agreement, with a corresponding reduction in relevant service charges payable by that party. Furthermore, either party receiving services under the Transitional Services Agreement may terminate the Transitional Services Agreement with respect to any service, in whole or in part, at any point after the first anniversary of signing of the Transitional Services Agreement on six months' notice.

Annual Caps

The Company expects that the maximum aggregate annual value in respect of each category of the services under the Transitional Services Agreement will be as follows.

The total annual fees for services provided to the JVCo Group by NEC Group Companies for each of the five years following Closing are expected to be JPY 31,724 million (US$ 383,860,400), JPY 32,351 million (US$ 391,447,100), JPY 32,791 million (US$ 396,771,100), JPY 33,220 million (US$ 401,962,000), and JPY 33,660 million (US$ 407,286,000), respectively.

The total annual fees for services provided to NEC Group Companies by the JVCo Group for each of the five years following Closing are expected to be JPY 9,427 million (US$ 114,066,700), JPY 9,504 million (US$ 114,998,400), JPY 9,592 million (US$ 116,063,200), JPY 9,691 million (US$ 117,261,100), and JPY 9,790 million (US$ 118,459,000), respectively.

The above estimated annual caps have been determined with reference to, amongst other things, the historical charges paid for the services, estimated future business volume to the extent that some services may vary based on volume, plus a 10% contingency to account for any uncertainties and additional charges.

NEC PATENT LICENCE AGREEMENT

Set out below is a summary of the material terms of the NEC Patent Licence Agreement:

Date

Subject to the prior approval of the Independent Shareholders of the Company at the EGM, the NEC Patent Licence Agreement will be entered into at or prior to the Closing Date, taking effect from the Closing Date.

Parties

1. NEC; and

2. NEC Newco.

Term

The term of the NEC Patent Licence Agreement shall, except as otherwise provided herein, commence on the Closing Date and shall terminate upon the earlier of (i) the fifth anniversary of the Closing Date, and (ii) expiration of the last to expire of the patents licensed under the NEC Patent Licence Agreement. In addition, if the patents licensed under the NEC Patent Licence Agreement have not expired by the fifth anniversary of the Closing Date, subject to compliance with the Listing Rules (if applicable) at the relevant time (including obtaining the prior approval of the Independent Shareholders, if required), the NEC Patent Licence Agreement will automatically renew for a further period not terminating after the expiration of the last to expire of the patents licensed under the NEC Patent Licence Agreement.

Material Terms

Under the NEC Patent Licence Agreement, NEC agrees to grant a licence of certain patents used in connection with the operation of NEC's personal computer business in Japan to NEC Newco, the material terms of which are as follows:

(a) **Licence:** NEC grants NEC Newco a worldwide, non-exclusive licence (without the right to sub-licence to others) under certain patents and patent applications of NEC used in connection with NEC's personal computer business in Japan to make, have made, import, export, lease, sell, offer for sale or otherwise transfer NEC Newco Licensed Products;

(b) **Royalty**: NEC Newco agrees to pay to NEC a royalty equal to 0.03% of gross sales of the NEC Newco Licensed Products during the term of the NEC Patent Licence Agreement, plus applicable taxes; and

(c) **Termination**: the NEC Patent Licence Agreement will automatically terminate if NEC Newco ceases to be a subsidiary of the Company.

Annual Caps

The Company expects that the maximum aggregate annual value in respect of the royalty payments for the licence granted under the NEC Patent Licence Agreement for each of the five years following Closing to be JPY 66 million (US$ 798,600) per annum.

The above estimated annual caps have been determined with reference to, amongst other things, the historical charges paid for the services, estimated future business volume to the extent that some services may vary based on volume, plus a 10% contingency to account for any uncertainties and additional charges.

NEC NEWCO BRAND LICENCE AGREEMENT

Set out below is a summary of the material terms of the NEC Newco Brand Licence Agreement:

Date

Subject to the approval of Independent Shareholders of the Company at the EGM, the NEC Newco Brand Licence Agreement will be entered into at or prior to the Closing Date, taking effect from the Closing Date.

Parties

1. NEC; and

2. NEC Newco.

Term

The term of the NEC JVCo Brand Licence Agreement shall commence on the Closing Date and continue in force for a period of five years.

Material Terms

Under the NEC Newco Brand Licence Agreement, NEC agrees to grant NEC Newco a licence to use certain rights in connection with the letters and the mark "NEC", the material terms of which are as follows:

(a) **Licence**: NEC grants NEC Newco a licence to use "NEC" as part of its trade and company name, to use the "NEC" logo as a company logo for Newco, and to use "NEC" logos on the NEC Newco Licensed Products;

(b) **Royalty**: NEC Newco agrees to pay NEC a royalty based on an agreed formula, being 0.21% of the gross sales amount of NEC Newco to customers other than NEC and/or NEC's consolidated subsidiaries, plus 0.21% of the total gross sales amount of NEC Newco. If some of those products are provided by NEC Newco without using the "NEC" name, NEC Newco shall notify NEC in advance, and both parties shall discuss in good faith as to the treatment of gross sales of those products in calculating the amount of the royalty payable by NEC Newco to NEC; and

(c) **Termination**: NEC may immediately terminate all or part of the NEC Newco Brand Licence Agreement on the occurrence of certain specified trigger events, including, inter alia: (i) NEC ceasing to directly or indirectly own 49% of the voting stock of NEC Newco; (ii) the "NEC" letters being removed from the trade and company name of NEC Newco; (iii) termination or expiry of the Shareholders' Agreement; (iv) material breach by NEC Newco of the NEC Newco Brand Licence Agreement which remains unremedied for a thirty day period; or (v) the quality of the NEC Newco Licensed Products failing to meet certain standards specified by NEC, and NEC considers it unlikely to meet such standards.

Annual Caps

The Company expects that the maximum aggregate annual value in respect of the licence to use the "NEC" letters, mark and logo under the NEC Newco Brand Licence Agreement for each of the five years following Closing to be JPY 682 million (US$ 8,252,200) per annum.

The above estimated annual caps have been determined with reference to, amongst other things, the historical charges paid for the services, estimated future business volume to the extent that some services may vary based on volume, plus a 10% contingency to account for any uncertainties and additional charges.

3. OTHER ANCILLARY AGREEMENTS

NEC JVCO BRAND LICENCE AGREEMENT

Set out below is a summary of the material terms of the NEC JVCo Brand Licence Agreement:

Date

Subject to the prior approval of the Independent Shareholders of the Company at the EGM, the NEC JVCo Brand Licence Agreement will be entered into at or prior to the Closing Date, taking effect from the Closing Date.

Parties

1. NEC; and

2. JVCo.

Term

The term of the NEC JVCo Brand Licence Agreement shall commence on the Closing Date and continue in force for a period of five years.

Material Terms

Under the NEC JVCo Brand Licence Agreement, NEC agrees to grant JVCo a licence to use certain rights in connection with the letters and the mark "NEC", the material terms of which are as follows:

(a) **Exclusive interest**: JVCo acknowledges the exclusive proprietary interest of NEC in the letters and mark "NEC";

(b) **Licence**: NEC agrees to grant JVCo a licence to use "NEC" in a part of JVCo's trade name and in a part of the name of the group of companies controlled by JVCo;

(c) **Royalty**: JVCo agrees to pay NEC a royalty based on an agreed formula, being 0.21% of the non-consolidated gross sales amount of JVCo (excluding any gross sales amount of JVCo's direct or indirect consolidated subsidiaries) to customers other than NEC and/or NEC's consolidated subsidiaries, plus 0.21% of the total non-consolidated gross sales amount of JVCo (excluding any gross sales amount of JVCo's direct or indirect consolidated subsidiaries). The royalty is payable by JVCo to NEC for all products and services of JVCo even if some of those products and services are provided by JVCo without using the "NEC" name; and

(d) **Termination**: NEC may immediately terminate the NEC JVCo Brand Licence Agreement on the occurrence of certain specified trigger events, including, inter alia: (i) NEC ceasing to own or control the 49% of the issued share capital of JVCo; (ii) the "NEC" letters being removed from the corporate name of JVCo; (iii) certain insolvency events in relation to JVCo; (iv) termination or expiry of the Shareholders' Agreement; (v) material breach by JVCo of the NEC JVCo Brand Licence Agreement or any other agreement entered into between NEC and JVCo which remains unremedied for a thirty day period; or (vi) the use of the "NEC" letters by JVCo in a way which is likely to prejudice the protection and/or validity of the "NEC" letters or endanger NEC's right to the "NEC" letters.

Whilst the NEC JVCo Brand Licence Agreement does constitute a continuing connected transaction under the Listing Rules, since no monetary consideration is payable thereunder, it falls within the de minimus exemption under Rule 14A.33(3) of the Listing Rules.

NEC LENOVOJ BRAND LICENCE AGREEMENT

Set out below is a summary of the material terms of the NEC LenovoJ Brand Licence Agreement:

Date

The NEC LenovoJ Brand Licence Agreement will be entered into at or prior to the Closing Date, taking effect from the Closing Date.

Parties

1. NEC; and

2. LenovoJ.

Term

The term of the NEC LenovoJ Brand Licence Agreement shall commence on the Closing Date and continue in force for a period of five years.

Material Terms

Under the NEC LenovoJ Brand Licence Agreement:

(a) **Licence**: NEC agrees to grant LenovoJ a right to use the "NEC" letters as part of its group name (as a member of the JVCo Group);

(b) **No royalty**: the licence is granted free of charge;

(c) **Termination**: NEC may immediately terminate the NEC LenovoJ Brand Licence Agreement on the occurrence of certain specified trigger events, including, amongst others: (i) NEC ceasing to directly or indirectly own 49% of the voting rights in JVCo, or LenovoJ ceasing to be a wholly-owned subsidiary of JVCo; (ii) termination or expiry of the Shareholders' Agreement; or (iii) material breach by LenovoJ of the NEC LenovoJ Brand Licence Agreement which remains unremedied for a thirty day period.

Whilst the NEC LenovoJ Brand Licence Agreement does constitute a continuing connected transaction under the Listing Rules, since no monetary consideration is payable thereunder, it falls within the de minimus exemption under Rule 14A.33(3) of the Listing Rules.

4. REASONS FOR AND BENEFITS OF ENTERING INTO THE CCT AGREEMENTS

The approval by the Independent Shareholders of the CCT Agreements is a condition to Closing under the Business Combination Agreement.

The completion of the transaction under the Business Combination Agreement, as set out in further detail in the Announcement, will give the Company a majority stake in a joint venture and a stronger market position, enhanced product portfolios, and expanded distribution channels in Japan, better positioning the Company to compete in the personal computer market in Japan and benefiting the Company's global business through enlarged scale.

The new joint venture will be able to benefit from NEC's market reputation, product development capabilities, well-regarded customer service and knowledge of customer needs in Japan, as well as the Company's technology expertise, strong global business momentum, and global supply chain reach. The joint venture is envisaged to be able to provide customers in Japan with more innovative products that are faster to market, more attuned to their needs, and competitively priced.

The transactions contemplated under the CCT Agreements are expected to be of a recurrent nature and will occur on a regular and continuing basis in the ordinary and usual course of business of the Group. The services provided under the CCT Agreements have been negotiated on an arms' length basis.

The Directors (excluding the views of the independent non-executive Directors whose views will be contained in the circular to be dispatched to shareholders of the Company after considering the views of the independent financial advisor) consider that the terms and conditions of the CCT Agreements are fair and reasonable and in the interests of the Company and the shareholders of the Company as a whole.

5. INFORMATION ON THE GROUP

The principal activities of the Group are the manufacture and sale 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.

6. INFORMATION ON NEC AND NECP

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

NECP is a wholly-owned subsidiary of NEC providing planning, manufacturing, distribution and support of NEC's personal computer business and related equipment.

To the best of the Director's knowledge, information and belief and having made all reasonable enquiry, as at the date of this announcement, NECP and its ultimate beneficial owner are third parties independent of the Company and its connected persons.

7. LISTING RULES IMPLICATIONS

Immediately following Closing, the Company (through Lenovo BV) will own 51% of the issued share capital of JVCo and NEC will own 49% of the issued share capital of

JVCo. As NEC will become a substantial shareholder of JVCo on Closing, and JVCo in turn will become an indirect subsidiary of the Company, NEC (and its associates (as defined under the Listing Rules)) will become connected persons of the Company and therefore the transactions contemplated under the CCT Agreements will constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules. Given that on an aggregated basis one or more of the relevant percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules exceeds 5% in relation to the transactions contemplated under the CCT Agreements and the annual consideration under the CCT Agreements will be over HK$10 million, such transactions will constitute non-exempt continuing connected transactions for the Company under Chapter 14A of the Listing Rules and are therefore subject to reporting, announcement and Independent Shareholders' approval requirements under the Listing Rules.

8. GENERAL

An independent board committee of the Company comprising of the independent non-executive Directors of the Company, namely, Professor Woo Chia-Wei, Mr. Ting Lee Sen, Dr. Tian Suning and Mr. Nicholas C. Allen has been established to advise the Independent Shareholders on the terms of the CCT Agreements. Mizuho Securities Asia Limited has been appointed as the independent financial adviser to advise the independent board committee of the Company and the Independent Shareholders on the terms of the CCT Agreements.

A circular containing details of the CCT Agreements, a letter from the independent board committee of the Company and a letter of advice from the independent financial adviser to the independent board committee of the Company and the Independent Shareholders together with a notice convening the EGM will be despatched to the shareholders of the Company as soon as practicable, and in any event on or before 11 May 2011.

9. DEFINITIONS

"%"	per cent.;
"Affiliate"	any direct or indirect subsidiary or parent company of a company and any direct or indirect subsidiary of any such parent company, in each case from time to time;
"Announcement"	the announcement made by the Company dated 27 January 2011 in relation to the Business Combination Agreement and the Shareholders' Agreement;
"Board"	the board of Directors of the Company;
"Business Combination Agreement"	the business combination agreement entered into between the Company, Lenovo BV, NEC and NECP dated 27 January 2011;

"CCT Agreements"	the Transitional Services Agreement, the NEC Patent Licence Agreement, the NESIC Agreement, the NEC Newco Brand Licence Agreement, the NEC Fielding Agreement, the NEC Mobiling Agreement and the Supply Agreement;
"Closing"	completion of the transfer of NEC Newco and LenovoJ to JVCo by NEC and Lenovo BV respectively, and certain ancillary transactions, in accordance with the Business Combination Agreement;
"Closing Date"	the date on which Closing will occur, which is currently anticipated to be or around 1 July 2011;
"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;
"Company Share(s)"	the ordinary share(s) of HK$0.025 each in the share capital of the Company;
"connected person"	has the meaning ascribed to it in the Listing Rules;
"Demerger"	a Japanese law incorporation-type demerger (*shinsetsu bunkatsu*) of NECP's existing personal computer business in Japan and the transfer of other assets related to such business from other members of the NEC Group, to NEC Newco, further details of which are set out in the Announcement;
"Director(s)"	the director(s) of the Company;
"EGM"	the extraordinary general meeting of the Company to be convened for the purpose of considering and, if though for, approving the CCT Agreements;
"Existing Agreements"	the service agreements entered into between members of the NEC Group with respect to NEC's personal computer business in Japan;
"General Mandate"	the general mandate which was granted to the Directors pursuant to an ordinary resolution passed at the Company's annual general meeting

	on 30 July 2010 to issue and allot up to 1,958,644,056 Company Shares, representing 20% of the aggregate nominal amount of the share capital of the Company in issue on the date thereof;
"Group"	the Company and its Affiliates from time to time;
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong;
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC;
"Independent Shareholders"	any shareholder of the Company that will not be required under the Listing Rules to abstain from voting at the EGM;
"JPY"	Japanese Yen, the lawful currency of Japan;
"JVCo"	a company incorporated under the laws of The Netherlands to act as a holding company for NEC Newco and LenovoJ in accordance with the Business Combination Agreement;
"Joint Venture Period"	the period from the Closing Date until the date on which NEC no longer holds any shares in JVCo;
"JVCo Group"	JVCo and its Affiliates from time to time;
"Lenovo BV"	Lenovo (International) B.V., a wholly-owned subsidiary of the Company incorporated under the laws of The Netherlands;
"LenovoJ"	Lenovo (Japan) Ltd., a wholly-owned subsidiary of Lenovo BV incorporated under the laws of Japan;
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange;
"NEC"	NEC Corporation, a company incorporated under the laws of Japan (TSE: 6701);
"NEC China"	NEC (China) Co., Ltd, a subsidiary of NEC incorporated under the laws of People's Republic of China;

"NEC Fielding"	NEC Fielding, Ltd. a subsidiary of NEC incorporated under the laws of Japan;
"NEC Fielding Agreement"	the agreement for the supply of services between NEC Fielding and NECP dated 15 January 2004, the rights and obligations of NECP of which will be transferred to NEC Newco under the Demerger;
"NEC Fielding MOU"	the memorandum of understanding between NEC Fielding and NECP dated 31 March 2011 in respect of the details of the services to be provided under the NEC Fielding Agreement;
"NEC Group"	NEC and its Affiliates (which, for the avoidance of doubt, includes NECP) from time to time;
"NEC JVCo Brand Licence Agreement"	the brand licence agreement between NEC and JVCo proposed to be entered into at or prior to Closing;
"NEC LenovoJ Brand Licence Agreement"	the brand licence agreement between NEC and LenovoJ proposed to be entered into at or prior to Closing;
"NEC Mobiling"	NEC Mobiling, Ltd. an affiliate of NEC incorporated under the laws of Japan;
"NEC Mobiling Agreement"	the agreement for the supply of services between NEC Mobiling and NECP dated 1 April 1995, the rights and obligations of NECP of which will be transferred to NEC Newco under the Demerger;
"NEC Newco"	a company to be incorporated under the laws of Japan with the name of "NEC Personal Computers, Ltd.";
"NEC Newco Brand Licence Agreement"	the brand licence agreement between NEC and NEC Newco proposed to be entered into at or prior to Closing;
"NEC Newco Licensed Products"	certain products and/or services of NEC's personal computer business in Japan bearing the "NEC" brand and subject to the brand licensing arrangements under the NEC Newco Brand Licence Agreement;

"NEC Patent Licence Agreement"	the patent licence agreement between NEC and NEC Newco proposed to be entered at or prior to Closing;
"NECP"	NEC Personal Products, Ltd., a wholly-owned subsidiary of NEC incorporated under the laws of Japan;
"NESIC"	NEC Networks & System Integration Corporation, an affiliate of NEC incorporated under the laws of Japan;
"NESIC Agreement"	the agreement for the supply of operation and maintenance services for intranet and other internal communication systems of NECP between NESIC and NECP dated 18 August 2003, the rights and obligations of NECP of which will be transferred to NEC Newco under the Demerger;
"Products"	certain "NEC" branded personal computer products to be supplied to NEC under the Supply Agreement;
"PRC"	the People's Republic of China;
"Shareholders' Agreement"	the shareholders' agreement entered into between NEC and Lenovo BV in respect of JVCo dated 27 January 2011;
"Stock Exchange"	The Stock Exchange of Hong Kong Limited;
"substantial shareholder"	has the meaning ascribed to it in the Listing Rules;
"Supply Agreement"	the supply agreement conditionally entered into between NEC and NECP on 28 February 2011, the rights and obligations of NECP of which will be transferred to NEC Newco under the Demerger;
"Transitional Services Agreement"	the transitional services agreement between the Company and NEC proposed to be entered into at or prior to Closing; and
"US$"	United States dollars, the lawful currency of the United States of America

The translation of Japanese yen into United States dollars is based on the exchange rate of JPY1.00 to US$0.0121 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
Liu Chuanzhi
Chairman

Hong Kong, 21 April 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.