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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)**

## **THE CLOSING OF THE SUBSCRIPTION OF UNLISTED CONVERTIBLE PREFERRED SHARES AND UNLISTED WARRANTS**

The Board is pleased to announce that all the conditions to the subscription of the Convertible Preferred Shares and Warrants have been satisfied and the allotment and issue of the Convertible Preferred Shares and Warrants to the Investors took place on 17 May 2005.

With effect from Closing, the following new appointments have been made to the Board:

- (i) Mr James G. Coulter has been appointed as a Non-executive Director and Mr Justin T Chang has been appointed as an alternate Director to Mr Coulter.
- (ii) Mr Shan Weijian has been appointed as a Non-executive Director and Mr Ricky Wai Kei Lau has been appointed as an alternate Director to Mr Shan.
- (iii) Mr William Otto Grabe has been appointed as a Non-executive Director and Mr Vince Feng has been appointed as an alternate Director to Mr Grabe.

### **BACKGROUND**

Reference is made to the announcement of the Company dated 30 March 2005 (the “Announcement”) and to the shareholders’ circular dated 20 April 2005 (the “Circular”) relating to the proposed issue of unlisted Convertible Preferred Shares and unlisted Warrants. Unless the context requires otherwise, terms defined in the Circular have the same meanings when used in this announcement.

### **CLOSING**

On 30 March 2005, the Company announced that it has entered into the Investment Agreement with the Investors pursuant to which the Investors have agreed to subscribe for, and the Company has agreed to issue, 2,730,000 unlisted Convertible Preferred Shares at an issue price of HK\$1,000 per share and unlisted Warrants to subscribe for 237,417,474 Shares for an aggregate cash consideration of US\$350 million. At the Extraordinary General Meeting held on 13 May 2005 Shareholders of the Company have passed the resolutions approving the creation and issue of the Convertible Preferred Shares and the Warrants, and the issue of the Warrants Shares and the Shares to be issued upon the conversion of the Convertible Preferred Shares. All the conditions in respect of the subscription of the Convertible Preferred Shares and the Warrants have been satisfied and Closing took place on 17 May 2005.

Pursuant to and in accordance with the Investment Agreement, the Investors gave notice to the Company prior to Closing designating themselves and their affiliates whose names are set out in the table below to be allotted such number of Convertible Preferred Shares and Warrants set opposite their respective names in the table below.

At Closing, the Company, against full payment of the consideration, allotted and issued to the Investors and their respective affiliates the following number of Convertible Preferred Shares and Warrants set opposite their respective names:

Investor/affiliates	Number of Convertible Preferred Shares	Percentage of enlarged issued share capital of the Company (Note 1)	Number of Warrants
TPG III Acquisition Company LLC (Note 2)	312,000	1.12%	27,133,426
T <sup>3</sup> II Acquisition Company, LLC (Note 2)	280,429	1.01%	24,387,794
TPG IV Acquisition Company, LLC (Note 2)	967,571	3.47%	84,145,908
<b>Subtotal for TPG (Note 3)</b>	<b>1,560,000</b>	<b>5.60%</b>	<b>135,667,128</b>
General Atlantic Partners (Bermuda), L.P.	655,114	2.35%	56,972,658
General Atlantic Partners 81, L.P. (Note 4)	60,251	0.22%	5,239,821
GAPSTAR, LLC	9,750	0.03%	847,920
GAP Coinvestments III, LLC	42,566	0.15%	3,701,819
GAP Coinvestments IV, LLC	11,100	0.04%	965,356
GAPCO GmbH & Co. KG	1,219	0.00%	105,990
<b>Subtotal for General Atlantic Group (Note 3)</b>	<b>780,000</b>	<b>2.79%</b>	<b>67,833,564</b>
Newbridge Asia Acquisition Company LLC	390,000	1.40%	33,916,782
<b>Subtotal for Newbridge Group (Note 3)</b>	<b>390,000</b>	<b>1.40%</b>	<b>33,916,782</b>
<b>Total</b>	<b>2,730,000</b>	<b>9.80%</b>	<b>237,417,474</b>

Notes:

1. Assuming full conversion of the Convertible Preferred Shares.
2. Each of TPG III Acquisition Company LLC, T<sup>3</sup> II Acquisition Company, LLC and TPG IV Acquisition Company, LLC are limited liability companies wholly-owned by funds managed by TPG.

3. The total numbers of Convertible Preferred Shares and Warrants disclosed in the Circular to be issued to each of TPG, General Atlantic Group and the Newbridge Group respectively are as follows:

	<b>Number of Convertible Preferred Shares</b>	<b>Number of Warrants</b>
TPG	1,560,000	135,667,128
General Atlantic Group	780,000	67,833,564
Newbridge Group	390,000	105,990
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<b>Total</b>	<b><u>2,730,000</u></b>	<b><u>237,417,474</u></b>

4. The general partner of General Atlantic Partners 81, L.P. is General Atlantic LLC. General Atlantic LLC is also the sole member of GAPSTAR, LLC. The general partner of General Atlantic Partners (Bermuda), L.P. is GAP (Bermuda) Limited. The directors and senior executive officers of GAP (Bermuda) Limited are Managing Directors of General Atlantic LLC. In addition, the Managing Members of GAP Coinvestments III, LLC and GAP Coinvestments IV, LLC are Managing Directors of General Atlantic LLC. Finally, the Managing Directors of General Atlantic LLC control the voting and investment power of GAPCO GmbH & Co. KG and its general partner, GAPCO Management GmbH.

Whilst the Convertible Preferred Shares and the Warrants will not be listed on the Stock Exchange or any other stock market, the Stock Exchange has, subject to certain conditions, granted the listing of and permission to deal in the Shares to be issued upon the exercise of the Warrants and the conversion of the Convertible Preferred Shares.

## **USE OF PROCEEDS**

As disclosed in the announcement of the Company dated 4 May 2005 relating to the off-market repurchase of Non-voting Shares, subject to having obtained all the necessary approvals, the Board intends to apply the net proceeds from the issue of the Convertible Preferred Shares and the Warrants (which is approximately US\$347 million (approximately HK\$2,707 million)) as to approximately US\$152,221,909 (approximately HK\$1,187,330,890) for the repurchase of 435,717,757 Non-voting Shares allotted and issued to IBM as partial consideration for the acquisition by the Company of the personal computer business of IBM. In the event that the proposed share repurchase does not complete, the Company will make a further announcement with respect to the use of such proceeds. For further details relating to the proposed share repurchase, please refer to the announcement of the Company dated 4 May 2005. The Board intends to apply the balance of the net proceeds for general corporate purposes.

## SHAREHOLDING STRUCTURE

Immediately following Closing, the shareholding structure of the Company was as follows:

### Shareholding structure after the issue of Convertible Preferred Shares and as at the date of this announcement

		Percentage of voting rights assuming no exercise of Warrants (approx.) (Note 2)	Percentage of voting rights assuming full exercise of Warrants (approx.) (Note 2)	Non-voting Shares and Convertible Preferred Shares (approx.)	Percentage of enlarged capital including Non-voting Shares and assuming full conversion of Convertible Preferred Shares but no exercise of Warrants (approx.)	Percentage of enlarged capital including Non-voting Shares and assuming full exercise of Warrants but no conversion of Convertible Preferred Shares (approx.)	Percentage of enlarged capital including Non-voting Shares and assuming full conversion of Convertible Preferred Shares and full exercise of Warrants (approx.)
Legend Holdings Limited	4,227,379,971 Shares	44.9%	40.4%	45.8%	41.4%	44.7%	40.4%
IBM (Note 3)	931,870,515 Shares, 811,000,513 Non-voting Shares	9.9%	16.7%	18.9%	17.0%	18.4%	16.7%
TPG	1,560,000 Convertible Preferred Shares	6.1%	0.5%	0%	5.6%	1.4%	6.8%
General Atlantic Group	780,000 Convertible Preferred Shares	3.0%	30.6%	0%	2.8%	0.7%	3.4%
Newbridge Capital Group	390,000 Convertible Preferred Shares	1.5%	6.8%	0%	1.4%	0.4%	1.7%
Directors	53,980,000 Shares	0.6%	3.4%	0.6%	0.5%	0.6%	0.5%
Public	3,197,768,137 Shares	34.0%	1.7%	34.7%	31.3%	33.8%	30.5%
		<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>

*Notes:*

1. Each Convertible Preferred Share may be voted on an “as if” converted basis. Holders of the Convertible Preferred Shares will have the right to one vote for each whole Share into which a Convertible Preferred Share is convertible at the close of business on the record day for any meeting of Shareholders at which such Convertible Preferred Shares will be voted. Each Convertible Preferred Share is convertible into a number of Shares equal to the Stated Value of the Convertible Preferred Shares of HK\$1,000 each divided by HK\$2.725, subject to certain anti-dilution adjustments as summarised in the Circular.
2. As the Convertible Preferred Shares carry voting rights on an “as if” converted basis, these percentages would not change even after the conversion of the Convertible Preferred Shares.
3. Upon the allotment and issue of the Convertible Preferred Shares, 110,635,946 Non-voting Shares held by IBM were converted into an equal number of Shares so that IBM’s percentage holding of voting rights in the Company remained at approximately 9.9%. Prior to the aforesaid conversion, IBM held 821,234,569 Shares and 921,636,459 Non-voting Shares.

## **APPOINTMENT OF DIRECTORS**

As disclosed in the Announcement and the Circular, pursuant to the terms of the Investment Agreement, TPG and the General Atlantic Group are respectively entitled to designate two Directors and one Director to the Board with effect from Closing. The Board is pleased to announce that Mr James G. Coulter and Mr Shan Weijian, both nominated by TPG, and Mr William Otto Grabe, nominated by the General Atlantic Group, have been appointed as Directors with effect from Closing.

Further, with effect from Closing, Mr Justin T Chang, Mr Ricky Wai Kei Lau and Mr Vince Feng have been appointed as alternate Directors to Mr James G. Coulter, Mr Shan Weijian and Mr William Otto Grabe respectively.

**Mr James G. Coulter**, age 45, has been appointed as a Non-executive Director with effect from Closing. Mr Coulter is a founding partner of TPG. Prior to forming TPG, Mr Coulter was a Vice President of Keystone Inc and a financial analyst with Lehman Brothers Kuhn Leob Inc. Mr Coulter serves on the boards of directors of Seagate Technology Inc (NYSE listed) and Zhong Technologies Inc (NASDAQ listed). Mr Coulter has not previously held any positions with the Company or any of its subsidiaries. Other than as disclosed above, Mr Coulter did not hold any other directorship with any listed companies in the last three years and has no relationship with any other Directors, senior management, substantial shareholders or controlling shareholders of the Company. There is no service contract between Mr Coulter and the Company. Mr Coulter was not appointed for a specific term, but is subject to retirement by rotation and re-election at annual general meetings of the Company in accordance with the Articles of Association. Mr Coulter will receive such director’s fee and other remuneration as the Board may determine from time to time pursuant to the power given to it under the Articles of Association or otherwise granted to the Board by the Shareholders. In determining the director’s fee and remuneration for Mr Coulter, the Board will take into account the level of remuneration paid to a non-executive executive director of comparable companies, time and responsibilities committed and assumed by Mr Coulter in attending to the affairs of the Company and the recommendations given by the remuneration committee of the Board. The Company will make an announcement when the director’s fee and remuneration of Mr Coulter is fixed. According to the register maintained by the Company pursuant to section 352 of the Securities and Futures Ordinance as at the date of this announcement, Mr Coulter did not hold any interests in the shares of the Company within the meaning of Part XV of the Securities and Futures Ordinance.

**Mr Shan Weijian**, age 51, has been appointed as a Non-executive Director with effect from Closing. Mr. Shan is Co-Managing Partner of Newbridge Capital, and serves on the boards of directors of BOC Hong Kong (Holdings) Limited, China Unicom Limited, TCC International Holdings Limited (each of which is listed on the Stock Exchange) and Baosteel Iron & Steel Company Limited (listed on the Shanghai Stock Exchange). Mr Shan holds a PhD degree from the University of California Berkeley. Mr Shan has not previously held any positions with the Company or any of its subsidiaries. Other than as disclosed above, Mr Shan did not hold any other directorship with any listed companies in the last three years and has no relationship with any other Directors, senior management, substantial shareholders or controlling shareholders of the Company. There is no service contract between Mr Shan and the Company. Mr Shan was not appointed for a specific term, but is subject to retirement by rotation and re-election at annual general meetings of the Company in accordance with the Articles of Association. Mr Shan will receive such director's fee and other remuneration as the Board may determine from time to time pursuant to the power given to it under the Articles of Association or otherwise granted to the Board by the Shareholders. In determining the director's fee and remuneration for Mr Shan, the Board will take into account the level or remuneration paid to a non-executive executive director of comparable companies, time and responsibilities committed and assumed by Mr Shan in attending to the affairs of the Company and the recommendations given by the remuneration committee of the Board. The Company will make an announcement when the director's fee and remuneration of Mr Shan is fixed. According to the register maintained by the Company pursuant to section 352 of the Securities and Futures Ordinance as at the date of this announcement, Mr Shan did not hold any interests in the shares of the Company within the meaning of Part XV of the Securities and Futures Ordinance.

**Mr William Otto Grabe**, age 67, has been appointed as a Non-executive Director with effect from Closing. Mr Grabe is a Managing Director of General Atlantic LLC. Mr Grabe has been with the General Atlantic Group since 1992. Prior to joining the General Atlantic Group, Mr Grabe was the Vice President and Corporate Officer of IBM. Mr Grabe is currently a director of Bottomline Technologies Inc (NASDAQ listed), Digital China Holdings Limited (listed on the Stock Exchange), Patni Computer Systems Limited (listed on the Mumbai Stock Exchange), Gartner Inc (NYSE listed) and Compuware Corporation (NASDAQ listed). Mr Grabe has not previously held any positions with the Company or any of its subsidiaries. Other than as disclosed above and having previously served as a director of Exact Holding NV (Euronext listed) and FirePond Inc (NASDAQ listed), Mr Grabe did not hold any other directorship with any listed companies in the last three years and has no relationship with any other Directors, senior management, substantial shareholders or controlling shareholders of the Company. There is no service contract between Mr Grabe and the Company. Mr Grabe was not appointed for a specific term, but is subject to retirement by rotation and re-election at annual general meetings of the Company in accordance with the Articles of Association. Mr Grabe will receive such director's fee and other remuneration as the Board may determine from time to time pursuant to the power given to it under the Articles of Association or otherwise granted to the Board by the Shareholders. In determining the director's fee and remuneration of Mr Grabe, the Board will take into account the level or remuneration paid to a non-executive director of comparable companies, time and responsibilities committed and assumed by Mr Grabe in attending to the affairs of the Company and the recommendations given by the remuneration committee of the Board. The Company will make an announcement when the director's fee and remuneration of Mr Grabe is fixed. According to the register maintained by the Company pursuant to section 352 of the Securities and Futures Ordinance as at the date of this announcement, Mr Grabe did not hold any interests in the shares of the Company within the meaning of Part XV of the Securities and Futures Ordinance.

**Mr Justin T Chang**, age 38, has been appointed as an alternate Director to Mr James G. Coulter with effect from Closing. Mr Chang is partner of TPG and co-heads the firm's investment activities in technology and related industries. Mr Chang received his MBA from Harvard Business School and his BA, cum laude, in Economics and Political Science from Yale University. Mr Chang is also a director of ON Semiconductor Corporation (NASDAQ listed). Mr Chang has not previously held any positions with the Company or any of its subsidiaries. Other than as disclosed above, Mr Chang did not hold any other directorship with any listed companies in the last three years and has no relationship with any other Directors, senior management, substantial shareholders or controlling shareholders of the Company. There is no service contract between Mr Chang and the Company and no terms have been fixed or proposed for his length of service with the Company. Pursuant to the Articles of Association, Mr Chang will cease to be an alternate Director if Mr James G. Coulter ceases for any reason to be a Director and is not entitled to receive from the Company any fee in his capacity as alternate Director. According to the register maintained by the Company pursuant to section 352 of the Securities and Futures Ordinance as at the date of this announcement, Mr Chang did not hold any interests in the shares of the Company within the meaning of Part XV of the Securities and Futures Ordinance.

**Mr Ricky Wai Kei Lau**, age 35, has been appointed as an alternate Director to Mr Shan Weijian with effect from Closing. Mr Lau is a Director of Newbridge Capital Limited. Prior to joining the Newbridge Capital Group in 1998, Mr Lau spent four years with Hopewell Holdings and was the manager of Corporate and Project Finance where he was responsible for the negotiations and financing of a number of a major infrastructure projects across Asia. Mr Lau received a BA from the University of British Columbia in Canada. Mr Lau has not previously held any positions with the Company or any of its subsidiaries. Save as other disclosed above, Mr Lau did not hold any other directorship with any listed companies in the last three years and has no relationship with any other Directors, senior management, substantial shareholders or controlling shareholders of the Company. There is no service contract between Mr Lau and the Company and no terms have been fixed or proposed for his length of service with the Company. Pursuant to the Articles of Association, Mr Lau will cease to be an alternate Director if Mr Shan Weijian ceases for any reason to be a Director and is not entitled to receive from the Company any fee in his capacity as alternate Director. According to the register maintained by the Company pursuant to section 352 of the Securities and Futures Ordinance as at the date of this announcement, Mr Lau did not hold any interests in the shares of the Company within the meaning of Part XV of the Securities and Futures Ordinance.

**Mr Vince Feng**, age 32, has been appointed as an alternate Director to Mr William Otto Grabe with effect from Closing. Mr Feng is a Managing Director of General Atlantic LLC. Mr Feng has overall responsibility for the East Asia investment activities of General Atlantic LLC and has been with the General Atlantic Group since 1998. Prior to working with the General Atlantic Group, Mr Feng worked at Goldman Sachs (Asia) LLC. Mr Feng has not previously held any positions with the Company or any of its subsidiaries. He is also a director of Data Systems Consulting Co Limited (listed on the Taiwan Stock Exchange). Other than as disclosed above, Mr Feng did not hold any other directorship with any listed companies in the last three years and has no relationship with any other Directors, senior management, substantial shareholders or controlling shareholders of the Company. There is no service contract between Mr Feng and the Company and no terms have been fixed or proposed for his length of service with the Company. Pursuant to the Articles of Association, Mr Feng will cease to be an alternate director if Mr William Otto Grabe ceases for any reason to be a Director and is not entitled to receive from the Company any fee in his capacity as alternate Director. According to the register maintained by the Company pursuant to section 352 of the Securities and Futures Ordinance as at the date of this announcement, Mr Feng did not hold any interests in the shares of the Company within the meaning of Part XV of the Securities and Futures Ordinance.

*As at the date of this announcement, the Executive Directors are Mr Yang Yuanqing, Mr Stephen Maurice Ward, Jr. and Ms Ma Xuezheng; the Non-executive Directors are Mr Liu Chuanzhi, Mr Zhu Linan, Mr James G. Coulter, Mr Shan Weijian, Mr William Otto Grabe, Mr Justin T Chang (alternate Director to Mr James G. Coulter) Mr Ricky Wai Kei Lau (alternate Director to Mr Shan Weijian) and Mr Vince Feng (alternate Director to Mr William Otto Grabe); and Independent Non-executive Directors are Mr Wong Wai Ming, Professor Woo Chia-Wei, and Mr Ting Lee Sen.*

By order of the Board  
**Yang Yuanqing**  
Chairman

Hong Kong, 17 May 2005

“Please also refer to the published version of this announcement in the South China Morning Post”