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Lenovo Group Limited 聯想集團有限公司

(Incorporated in Hong Kong with limited liability)
(Stock Code: 0992)

Continuing Connected Transactions

MASTER AGREEMENTS WITH LENOVO MOBILE, APLL AND LEGEND TIAOPIN

On September 5, 2008, the Company has entered into three master agreements (the **Master Agreements**) with Lenovo Mobile, APLL and Legend Tiaopin, respectively for the sale and purchase of distinct types of products and/or services, for a term commencing from September 5, 2008 and expiring on March 31, 2010. The consideration under each of the Master Agreements is to be negotiated and determined by the parties at arm's length by reference to the prevailing market price.

CONNECTED RELATIONSHIP AND LISTING RULES IMPLICATIONS

As each of Lenovo Mobile, APLL and Legend Tiaopin is a connected person of the Company under Chapter 14A of the listing Rules, the continuing transactions contemplated under each of the Master Agreements constitute continuing connected transactions.

As the applicable percentage ratios of the Annual Caps under each of the Master Agreements are less than 2.5%, the transactions contemplated under each of the Master Agreements are only subject to announcement and reporting requirements but exempt from independent shareholders' approval requirement under Rule 14A.34(1) of the Listing Rules.

INTRODUCTION

On September 5, 2008, the Company has entered into the following three Master Agreements with Lenovo Mobile, APLL and Legend Tiaopin, respectively for the sale and purchase of distinct types of products and/or services. Details of these three agreements are set out below.

MASTER AGREEMENT WITH LENOVO MOBILE

Date	:	September 5, 2008
Parties	:	The Company Lenovo Mobile
Nature of Transaction	:	(i) Sale of Legend Products and Services from the Legend Group (including Lenovo Mobile) to the Group; and (ii) Sale of Computing Products and Services from the Group to the Legend Group (including Lenovo Mobile)
Term	:	A term commencing from September 5, 2008 and expiring on March 31, 2010

Price : To be negotiated and determined by the parties at arm's length by reference to the prevailing market price

MASTER AGREEMENT WITH APLL

Date : September 5, 2008

Parties : The Company
APLL

Nature of Transaction : (i) Provision of logistics service from the Legend Group (including APLL) to the Group; and
(ii) Sale of Computing Products and Services from the Group to the Legend Group (including APLL)

Term : A term commencing from September 5, 2008 and expiring on March 31, 2010

Price : To be negotiated and determined by the parties at arm's length by reference to the prevailing market price

MASTER AGREEMENT WITH LEGEND TIAOPIN

Date : September 5, 2008

Parties : The Company
Legend Tiaopin

Nature of Transaction : (i) Provision of IT Products and Services from the Legend Group (including Legend Tiaopin) to the Group; and
(ii) Sale of Computing Products and Services from the Group to the Legend Group (including Legend Tiaopin)

Term : A term commencing from September 5, 2008 and expiring on March 31, 2010

Price : To be negotiated and determined by the parties at arm's length by reference to the prevailing market price

ANNUAL CAPS OF THE MASTER AGREEMENTS

The historical amount and the Annual Caps of the following continuing connected transactions between the Group and the Legend Group (including Lenovo Mobile (after the divesture on March 31, 2008), APLL and Legend Tiaopin) for the past three years and the next two years up to 2010 are set out below:

	Historical amount for the year ended March 31,			Actual amount transacted between April 1, to August 31,	Proposed annual cap for the year ending March 31,	
	2006	2007	2008	2008	2009	2010
	(US\$'000)			(US\$'000)	(US\$'000)	
Sale of Legend Products and Services and IT Products and Services from the Legend Group (including Lenovo Mobile and Legend Tiaopin) to the Group	624 <i>(Note 1)</i>	517 <i>(Note 1)</i>	2,246 <i>(Note 1)</i>	119	39,000	50,000
Provision of logistics service from the Legend Group (including APLL) to the Group	1,486	2,293	3,168	1,285	5,000	6,000
Sale of Computing Products and Services from the Group to the Legend Group (including Lenovo Mobile, APLL and Legend Tiaopin)	5,580 <i>(Note 2)</i>	1,216 <i>(Note 2)</i>	188 <i>(Note 2)</i>	3,115	5,000	6,000

Notes:

- (1) Since Lenovo Mobile was part of the Group prior to the divesture on March 31, 2008 during such period, the figures are comprised of the amount of the transactions between (i) Lenovo Mobile (not part of the Legend Group at that time) and the Company for the sale of Legend Products and Services; and (ii) Legend Tiaopin and the Company for the sale of IT Products and Services.
- (2) Since Lenovo Mobile was part of the Group prior to the divesture on March 31, 2008 during such period, the figures are comprised of the amount of the transactions for the sale of Computing Products and Services by the Company to (i) Lenovo Mobile (not part of the Legend Group at that time); (ii) APLL; and (iii) Legend Tiaopin.

In arriving at the Annual Caps for each type of transaction under the Master Agreements, the Directors have taken into account of the following factors:

Type of transaction	Factors taken into account by the Directors
(1) Sale of Legend Products and Services and IT Products and Services from the Legend Group (including Lenovo Mobile and Legend Tiaopin) to the Group	(i) historical value of previous dealings between the parties;
	(ii) the implementation of a new marketing campaign and promotion strategy in offering mobile handsets alongside with the sales of Computing Products and Services is expected to result in a substantial surge in demand for the Legend Products and Services and IT Products and Services; and
	(iii) the increased competition in the personal computer industry will result in increased demand for R&D Services from the other members of the Legend Group.
(2) Provision of logistics service from the Legend Group (including APLL) to the Group	(i) historical value of previous dealings between the parties; and
	(ii) the expected continuous surge in the Group's sales of Computing Products and Services will result in increase in demand for logistics and transportation services.
(3) Sale of Computing Products and Services from the Group to the Legend	(i) historical value of previous dealings between the parties;

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| Group (including Lenovo Mobile, APLL and Legend Tiaopin) | (ii) Lenovo Mobile became a connected person of the Group as from March 31, 2008 following the disposal; and |
| | (iii) the expected surge in the demand for the Group's Computing Products and Services. |

REASONS FOR THE TRANSACTIONS

Sale of Legend Products and Services from the Legend Group (including Lenovo Mobile) to the Group and the sale of Computing Products and Services from the Group to the Legend Group (including Lenovo Mobile)

(i) Mobile Handsets

Prior to the completion of the divestiture of the Company's interest in Lenovo Mobile on March 31, 2008, Lenovo Mobile was a wholly-owned subsidiary of the Company. It is expected that after the divestiture, Lenovo Mobile will be selling mobile handsets to the Company on a regular and continuing basis as part of the Group's marketing campaign and promotion strategy in offering mobile handsets alongside with the sales of Computing Products and Services, it is expected that the demand for mobile handsets will substantially increase in light of the Group's expected continuous surge in the Group's sales of the Computing Products and Services.

(ii) IT Products and Services

The Legend Group has also been providing IT Products and Services to the Group since 2005 for the maintenance services provided to customers in relation to the Computing Products and Services sold. The Legend Group's ability to procure reliable IT Products and Services for the Group's customers has enhanced the Group's competitive position.

(iii) R&D Services

In anticipation of and in response to increased competition in the personal computer industry, the Directors consider it crucial to continually expand and upgrade its product portfolio and functionality. As part of the Group's strategic effort, the Group has, since 2007, started to engage Lenovo Mobile to conduct R&D Services for certain computing devices.

(iv) Sales of Computing Products and Services

In addition, the Group has also been selling Computing Products and Services to Lenovo Mobile since 2002.

In light of (i) the long-term cooperative relationship between the Group and the Legend Group (including Lenovo Mobile), (ii) the expected continuous surge in the sales of the Group's Computing Products and Services (iii) the increased competition in the personal computer industry and (iv) the close collaboration in relation to the sales of personal computers and ancillary products and services (including IT Products and Services and R&D Services for certain computing devices), the Directors believe that it is beneficial to the Group to continue the procurement of (i) mobile handsets ; (ii) IT Products and Services; (iii) R&D Services for certain computing devices from the Legend Group to the Group and (iv) the sale of Computing Products and Services from the Group to the Legend Group. The master agreement with Lenovo Mobile was entered into in the ordinary course of business of the Company and on normal commercial terms.

Provision of logistics service from the Legend Group (including APLL) to the Group and the sale of Computing Products and Services from the Group to the Legend Group (including APLL)

(i) Provision of Logistics Service

The Company has since 2003 engaged APLL to provide logistics service and has a long-term business relationship with APLL.

(ii) Sales of Computing Products and Services

In addition, the Group has also been selling Computing Products and Services to APLL since 2004.

Given that APLL has proved itself as an efficient and reliable logistics service provider and in light of the expected continuous surge in the Group's sales of Computing Products and Services, the Directors believe that it is in the Group's interest to continue (i) engaging APLL's service in the transportation of goods; and (ii) the sale of Computing Products and Services from the Group to the Legend Group (including APLL). The master agreement with APLL was entered into in the ordinary course of business of the Company and on normal commercial terms.

Sale of IT Products and Services from the Legend Group (including Legend Tiaopin) to the Group and the sale of Computing Products and Services from the Group to the Legend Group (including Legend Tiaopin)

(i) Sale of IT Products and Services

Legend Tiaopin has been selling and providing IT Products and Services to the Group since 2005. Legend Tiaopin possesses advanced IT Products and Services which are useful to the Group and hence has assisted the Group to enhance its competitive position.

(ii) Sale of Computing Products and Services

In addition, the Group has also been selling Computing Products and Services to Legend Tiaopin since 2006.

The Directors believe that Legend Tiaopin's ability to offer useful IT Products and Services will continue to assist the Group to improve its product line and services to customers. Furthermore, the Directors believe that the sale of Computing Products and Services from the Group to the Legend Group (including Legend Tiaopin) will enhance the cooperative relationship between the parties. The master agreement with Legend Tiaopin was entered into in the ordinary course of business of the Company and on normal commercial terms.

The Directors (including independent non-executive Directors except for Mr. Liu Chuanzhi and Mr. Zhu Linan who have abstained from considering and approving the transactions) are of the view that the terms of the Master Agreements are on normal commercial terms, fair and reasonable and in the interests of the Company and its shareholders as a whole, and that they were entered into in the ordinary and usual course of business of the Group after due negotiations and on arm's length basis with reference to the prevailing market conditions. The Directors (including independent non-executive Directors except for Mr. Liu Chuanzhi and Mr. Zhu Linan who have abstained from considering and approving the transactions) also take the view that the Annual Caps of each of the Master Agreements are fair and reasonable.

INFORMATION ON THE COMPANY, LENOVO MOBILE, APLL AND LEGEND TIAOPIN

The Company

The principal activities of the Company and its subsidiaries are the sales and manufacture of personal computers and related IT products and the provision of advanced information services in the PRC, the United States of America, Europe, Middle East, Africa and Asia Pacific.

Lenovo Mobile

Lenovo Mobile is principally engaged in the manufacturing and distribution of mobile handsets in the PRC.

APLL

APLL, a member of the APLL-Zhiqin group, is principally engaged in providing a variety of logistics and international freight forwarding services in the PRC.

Legend Tiaopin

Legend Tiaopin is principally engaged in selling and providing IT Products and Services in the PRC.

CONNECTED RELATIONSHIP AND LISTING RULES IMPLICATIONS

As at the date of this announcement, Legend Holdings is directly or indirectly interested in 4,118,433,971 ordinary shares in the share capital of the Company, representing approximately 41.76% of the total voting rights in the Company (including Series A convertible preferred shares which carry voting rights as if they are fully converted into ordinary shares). As Legend Holdings is entitled to exercise more than 30% of the voting power at general meetings of the Company, it is a controlling shareholder of the Company and thus, a connected person of the Company under Chapter 14A of the Listing Rules.

Lenovo Mobile is owned as to 45% and 15% by Jade Ahead Limited and Ample Growth Enterprises Limited, respectively, with both of them being wholly-owned by Hony Capital Fund III, L.P., a Cayman Islands exempted limited partnership and an investment fund. Hony Capital Fund III, L.P. is indirectly controlled by Hony Capital Management III Limited, a company which is indirectly owned as to 45% by Legend Holdings. Thus, Lenovo Mobile is a connected person of the Company under Chapter 14A of the Listing Rules for being an associate of a connected person.

APLL is a joint venture company incorporated in Hong Kong and is indirectly owned as to 31.62% by Legend Holdings. To the best of the Directors' knowledge, information and belief and having made all reasonable enquiry, the remaining interest of APLL is owned by two independent third parties. Thus, APLL is a connected person of the Company under Chapter 14A of the Listing Rules for being an associate of a controlling shareholder of the Company, i.e. Legend Holdings.

Legend Tiaopin is incorporated in the PRC and is owned as to 80% and 20% by Legend Holdings and 北京聯想科技投資有限公司, respectively. Thus, Legend Tiaopin is a connected person of the Company under Chapter 14A of the Listing Rules for being an associate of the controlling shareholder of the Company, i.e. Legend Holdings.

Because of the connected relationship above, the continuing transactions contemplated under each of the Master Agreements constitute continuing connected transactions. Each of Mr. Liu Chuanzhi and Mr. Zhu Linan, being a Director and also a director of Legend Holdings, is interested in the transactions contemplated under the Master Agreements and has abstained from considering and

approving the relevant transactions in accordance with the articles of association of the Company and other applicable laws and regulations.

As the applicable percentage ratios of the Annual Caps under each of the Master Agreements are less than 2.5%, the transactions contemplated under each of the Master Agreements are only subject to announcement and reporting requirements but exempt from independent shareholders' approval requirement under Rule 14A.34(1) of the Listing Rules.

Particulars of the Master Agreements will be disclosed in future annual reports and accounts of the Company in accordance with Rule 14A.46 of the Listing Rules.

DEFINITIONS:

"%"	per cent.
"Annual Cap"	in respect of any year, the maximum aggregate annual value of the transactions in that year contemplated under each of the Master Agreements and "Annual Caps" shall be construed accordingly;
"APLL"	APLL-Zhiqin Technology Logistics Limited, a limited liability company incorporated in Hong Kong;
"associate"	has the meaning ascribed to it under the Listing Rules;
"Board"	the board of directors of the Company;
"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;
"Computing Products and Services"	personal computers (including desktop computers, laptop computers and any other forms of computing devices generally used by a single user at a time), servers, peripherals and the related services offered by the Group from time to time;
"connected person"	has the meaning ascribed to it under the Listing Rules;
"Directors"	directors of the Company;
"Group"	the Company and its subsidiaries;
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC;
"independent third party"	a person who is not a connected person of the Company within the meaning of the Listing Rules;
"IT Products and Services"	IT products and services (including but not limited to web software and technical support services) offered by the Legend Group (including Legend Tiaopin) from time to time;

“Legend Group”	聯想控股有限公司 (Legend Holdings Limited*), its subsidiaries and associates as defined in the Listing Rules existing from time to time;
“Legend Holdings”	聯想控股有限公司 (Legend Holdings Limited*), an investment holding company established in the PRC;
“Legend Products and Services”	any or a combination of the following: (i) mobile handsets; (ii) IT products and services (including but not limited to web software and the provision of technical support services); and (iii) R&D Services for computing devices offered by the Legend Group (including Lenovo Mobile) from time to time;
“Lenovo Mobile”	聯想移動通信科技有限公司 (Lenovo Mobile Communication Technology Ltd.*), a limited liability company incorporated in the PRC;
“Legend Tiaopin”	北京聯想調頻科技有限公司 (Beijing Legend Tiaopin Technology Limited*), a limited liability company incorporated in the PRC;
“Listing Rules”	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange;
“percentage ratios”	has the meaning ascribed to it under the Listing Rules;
“PRC”	People’s Republic of China which for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan;
“R&D Services”	research and development services; and
“US\$”	United States dollars, the lawful currency of the United States of America.

By Order of the Board
Yang Yuanqing
Chairman

Raleigh, September 9, 2008

As at the date of this announcement, the Executive Directors are Mr. Yang Yuanqing and Mr. William J. Amelio, the Non-executive Directors are Mr. Liu Chuanzhi, Mr. Zhu Linan, Ms. Ma Xuezheng, Mr. James G. Coulter, Mr. William O. Grabe and Mr. Justin T. Chang (alternate Director to Mr. James G. Coulter); and the Independent Non-executive Directors are Professor Woo Chia-Wei, Mr. Ting Lee Sen, Mr. John W. Barter III and Dr. Tian Suning.

* *for identification purpose only*