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LenovoTM

Lenovo Group Limited 聯想集團有限公司

(Incorporated in Hong Kong with limited liability)

(Stock code: 992)

ANNOUNCEMENT

CONTINUING CONNECTED TRANSACTIONS

INTRODUCTION

The Company and Compal set up a joint venture company, LCFC, in 2012 and LCFC is owned as to 51% by the Company and 49% by Compal. Compal is therefore a connected person of the Company at subsidiary level. Before Compal became a connected person of the Company, Lenovo Singapore and Compal had entered into certain master agreements in relation to (i) the supply of Components from the Group to the Compal Group; and (ii) the purchase of Products and Services from the Compal Group by the Group. These transactions have been conducted on a continuing and recurring basis.

LCFC has been a subsidiary of the Company since incorporation and the Company had relied on the insignificant subsidiary exemption set out in Chapter 14A of the Listing Rules in respect of the transactions conducted under the Existing CCT Agreements. However, based on the financial statements of the Company for the financial year ended 31 March 2015, the assets and revenue of LCFC accounted for more than 10% of those of the Company, and thus the Company is no longer able to rely on the insignificant subsidiary exception set out in Rule 14A.09(1) of the Listing Rules. Accordingly, the Existing CCT Agreements and the transactions contemplated thereunder constitute continuing connected transactions of the Company under the Listing Rules.

CONTINUING CONNECTED TRANSACTIONS

The principal terms of the Existing CCT Agreements are set out below:

A. OEM Components Purchase Agreement

Date:

20 June 2006

Parties:

- (1) Lenovo Singapore
- (2) Compal

Description of transaction:

The Group shall supply the Components to the Compal Group based on the following pricing principles:

1. by reference to the prices of similar components provided by independent third parties under normal commercial terms in the ordinary course of business in the vicinity;
2. taking into account the methods of delivery and the ancillary preferential terms (for example, discounted prices or fees may be offered when a minimum purchase quantity has been met); and
3. the prevailing market prices for the sale of the Components of comparable nature, scale or scope.

B. System Purchase Agreement**Date:**

19 January 2006

Parties:

- (1) Lenovo Singapore (assigned to Lenovo Hong Kong pursuant to an assignment and novation agreement)
- (2) Compal

Description of transaction:

The Compal Group shall supply the Products and the Services to the Group based on the following pricing principles:

1. by reference to the costs and the non-recurring expenses in relation to the Products;
2. by reference to the prices of similar products and the fees for similar services provided by independent third parties under normal commercial terms in the ordinary course of business in the vicinity;
3. taking into account the methods of delivery and the ancillary preferential terms (for example, discounted prices or fees may be offered when a minimum purchase quantity or service scope has been met); and
4. the prevailing market prices for the sale of the Products and prevailing market fees for the provision of the Services of comparable nature, scale or scope.

The Directors, including the independent non-executive Directors, believe that the terms of the Existing CCT Agreements were entered into on normal commercial terms after arm's length negotiation, fair and reasonable and in the interest of the Company and its shareholders as a whole.

REASONS FOR AND BENEFITS OF THE CONTINUING CONNECTED TRANSACTIONS

The Company and the Compal Group have a stable business relationship during the past few years and the Compal Group has been a purchaser of the Components as well as a supplier of the Products and the Services. The aforementioned continuing transactions contemplated under the Existing CCT Agreements can allow the Group to maintain a long term and strategic business relationship with the Compal Group, and therefore facilitate the operation of the Group's business and generate economic benefits for the Group.

INFORMATION RELATING TO COMPAL

Compal is a leading manufacturer principally engaged in the production of notebook personal computers, liquid-crystal display products and smart devices. The shares of Compal are listed on the Taiwan Stock Exchange.

INFORMATION RELATING TO THE COMPANY

The principal activities of the Company and its subsidiaries are the sales and manufacture of personal computers, tablets, smartphones, servers and related information technology products and the provision of advanced information services across the world.

LISTING RULES IMPLICATIONS

Compal holds 49% interest in LCFC and therefore is a connected person of the Company at subsidiary level pursuant to the Listing Rules.

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Given that the Existing CCT Agreements do not have a fixed period as required under Rule 14A.52 of the Listing Rules, the Company will make an application to the Stock Exchange for a waiver from strict compliance with Rule 14A.52 of the Listing Rules.

DEFINITIONS

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

“Board”	the board of Directors of the Company;
“Compal”	Compal Electronics, Inc., a company organized under the laws of Taiwan, the shares of which are listed on the Taiwan Stock Exchange;
“Compal Group”	Compal and its affiliates subsisting from time to time;
“Company”	Lenovo Group Limited, a company incorporated with limited liability under the laws of Hong Kong, the shares of which are listed on the main board of the Stock Exchange;
“Components”	certain components, including but not limited to, electronic components and/or assemblies specified by Compal pursuant to the OEM Components Purchase Agreement ;
“connected person(s)”	has the meaning ascribed to it under the Listing Rules;
“Director(s)”	the director(s) of the Company;
“Existing CCT Agreements”	the OEM Components Purchase Agreement and the System Purchase Agreement
“Group”	Lenovo Group Limited and its subsidiaries subsisting from time to time;
“Hong Kong”	Hong Kong Special Administrative Region of the PRC;
“LCFC”	LC Future Center Limited, a company incorporated on 11 November 2011 under the laws of Hong Kong and a subsidiary of the Company;
“Lenovo Hong Kong”	Lenovo PC HK Limited, a wholly-owned subsidiary of the Company;
“Lenovo Singapore”	Lenovo (Singapore) Pte. Ltd., a wholly-owned subsidiary of the Company;
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange;
“OEM Components Purchase Agreement”	the OEM components purchase agreement entered into by Lenovo Singapore and Compal with respect to sale of the Components to the Compal Group, as amended or supplemented from time to time;

“ PRC ”	the People’s Republic of China, and for the purposes of this announcement, excludes Hong Kong, Taiwan and Macau Special Administrative Region;
“ Products ”	certain products, including but not limited to, (1) computer system units and the associated documentation, packaging, software packages; (2) any component when separately purchased from the system unit; (3) other materials, such as hard drives, memory cards and modems; and (4) other related computer and mobile products;
“ Services ”	certain services, including but not limited to, activities, tasks and work items related to the manufacture and support of the Products;
“ System Purchase Agreement ”	the system purchase agreement entered into by Lenovo Singapore and Compal with respect to sale of the Products and Services by Compal Group, as amended or supplemented from time to time;
“ Stock Exchange ”	The Stock Exchange of Hong Kong Limited; and
“ % ”	per cent.

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

Hong Kong, 22 May, 2015

As at the date of this announcement, the executive Director is Mr. Yang Yuanqing; the non-executive Directors are Mr. Zhu Linan and Mr. Zhao John Huan; and the independent non-executive Directors are Mr. Ting Lee Sen, Dr. Tian Suning, Mr. Nicholas C. Allen, Mr. Nobuyuki Idei, Mr. William O. Grabe, Mr. William Tudor Brown, Ms. Ma Xuezheng and Mr. Yang Chih-Yuan Jerry.