INTRODUCTION

Reference is made to the announcement of Lenovo Group Limited (the “Company”) dated 22 May 2015 (the “Announcement”) in relation to the continuing connected transactions contemplated under the Existing CCT Agreements entered into between Lenovo Singapore and Compal. Unless otherwise specified, capitalized terms used in this announcement shall have the same meanings as those defined in the Announcement.

WAIVER FROM STRICT COMPLIANCE WITH THE LISTING RULES

Pursuant to Rule 14A.52 of the Listing Rules, the term of an agreement must not exceed three years except in special circumstances where the nature of the transaction requires a longer period. Given that the Existing CCT Agreements were entered into by the Company prior to Compal becoming a connected person of the Company, they do not have a fixed period as required under Rule 14A.52 of the Listing Rules. Accordingly, the Company has applied for and the Stock Exchange has granted a waiver from strict compliance with Rule 14A.52 of the Listing Rules so as to allow the duration of each of the Existing CCT Agreements to exceed three years.

PRICING PRINCIPLES OF THE EXISTING CCT AGREEMENTS

In addition to the terms of the Existing CCT Agreements as set out in the Announcement, the Company hereby supplements the following information in relation to the pricing principles of the Existing CCT Agreements.
A. OEM Components Purchase Agreement

Pursuant to the OEM Components Purchase Agreement, detailed terms such as the quantity, indicative price, method of shipments with respect to the supply of the Components by the Group will be determined in accordance with the specific purchase orders to be agreed between the Group and the Compal Group on normal commercial terms.

In determining the prices of the Components, the Group uses a cost-based approach without applying any mark-up based on a fixed percentage and takes into account the methods of delivery and the ancillary preferential terms. It will also make reference to prices of similar components with comparable nature, scale or scope offered normally by two or three independent third parties. The Group will also conduct market research through various international independent market data providers such as IDC and Gartner, and regularly update and compare the relevant information from time to time.

The relevant department in charge of the Group will regularly supervise and monitor (i) the prices of the Components to ensure that such prices are no less favourable to the Group than those provided to independent third parties in comparable transactions; and (ii) the transactions under the OEM Components Purchase Agreement are conducted in accordance with their respective terms on normal commercial terms and will not be prejudicial to the interests of the Company and its shareholders as a whole.

B. System Purchase Agreement

Pursuant to the System Purchase Agreement, detailed terms such as the Product specifications, Product price, quantity ordered and applicable Services with respect to the supply of the Products and the Services to the Group will be determined in accordance with the specific purchase orders to be agreed between the Group and the Compal Group on normal commercial terms.

The prices of the Products will take into account of the costs and non-recurring expenses of the relevant Products. The prices of the Products, subject to adjustment, shall not exceed the sum of: (1) costs of parts; and (2) the maximum amount the Group will pay for certain work performed by the Compal Group in selecting and maintaining the parts.

In considering the price quotations of the Products and the Services provided by Compal, the Group will seek to obtain market price information of similar products and services with comparable nature, scale or scope offered normally by two or three independent third parties. If the prices offered by Compal are higher than other independent suppliers, the Group is not obligated to purchase any Products or Services from Compal.

The relevant department in charge of the Group will regularly supervise and monitor (i) the prices of the Products and the Services to ensure that such prices are no less favourable to the Group than those offered by independent third parties in comparable transactions; and (ii) the transactions under the System Purchase Agreement are
conducted in accordance with their respective terms on normal commercial terms and will not be prejudicial to the interests of the Company and its shareholders as a whole.

The estimated value of the transactions between the Group and Compal Group under the Existing CCT Agreements would not exceed US$16,000 million in aggregate, or would not exceed US$8,000 million under each of the OEM Components Purchase Agreement and the System Purchase Agreement, for the period from 22 May 2015 to 31 March 2016. The Company will disclose similar annual estimated value of the transactions with Compal Group for future financial periods where applicable.

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

Hong Kong, 9 September, 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 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.