Reference is made to the announcements of the Company dated January 27, 2011, April 21, 2011, January 20, 2014 and October 7, 2014 in relation to (i) the formation of the JVCo with NEC pursuant to the Business Combination Agreement; (ii) the continuing connected transactions under, amongst others, the Products and Brand Agreements and the Transitional Services Agreement; (iii) the revision of annual caps for continuing connected transactions under, amongst others, the Supply Agreement; and (iv) the extension of term of the joint venture with NEC.

The Company (through Lenovo BV, an indirect wholly-owned subsidiary of the Company) owns 66.6% of the issued share capital of JVCo and NEC owns 33.4% of the issued share capital of JVCo. As NEC is a substantial shareholder of JVCo, which in turn is an indirect subsidiary of the Company, hence NEC and its associates (as defined under the Listing Rules) are connected persons of the Company at the subsidiary level under the Listing Rules. Accordingly, the continuing transactions contemplated under the Products and Brand Agreements and the Transitional Services Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the total assets, profits and revenue of the JVCo were less than 5% of those of the Company for the year ended March 31, 2016, JVCo was an insignificant subsidiary of the Company for the purpose of Rule 14A.09(1) of the Listing Rules, therefore the Company had relied on the insignificant subsidiary exception in respect of the Continuing Connected Transactions. During the period when the insignificant subsidiary exception applies, the Company had extended the Transitional Services Agreement for one year until June 30, 2017 by entering into the TSA Side Letter, subject to Automatic Renewal thereafter. The extension is consistent with the established business relationship between the Company and NEC and the mutual business development needs and goals. The Directors propose to set the annual caps for the Continuing Connected Transactions during the Relevant Periods. It is currently contemplated that the Products and Brand Agreements and the Transitional Services Agreement will be renewed upon expiry, subject to relevant facts and circumstances at such time.

Based on the annual results announcement for the year ended March 31, 2017, which was published by the Company on May 25, 2017, the profits of the JVCo are more than 5% of those of the Company for the same period, 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. This announcement is therefore made pursuant to Rule 14A.60(1) of the Listing Rules.

The Directors (including the independent non-executive Directors) are of the view that (i) the Products and Brand Agreements, the Transitional Services Agreement and the transactions contemplated thereunder have been entered into on normal commercial terms and in the ordinary and
usual course of business of the Company, which are fair and reasonable and in the best interest of the
Company and its shareholders as a whole; and (ii) the Proposed Annual Caps are fair and reasonable
and in the interests of the Company and its shareholders as a whole.

INTRODUCTION

Reference is made to the announcements of the Company dated January 27, 2011, April 21, 2011,
January 20, 2014 and October 7, 2014 in relation to (i) the formation of the JVCo with NEC pursuant
to the Business Combination Agreement; (ii) the continuing connected transactions under, amongst
others, the Products and Brand Agreements and the Transitional Services Agreement; (iii) the revision
of annual caps for continuing connected transactions under, amongst others, the Supply Agreement;
and (iv) the extension of term of the joint venture with NEC (the “Announcements”). Unless
otherwise expressly defined, capitalized terms used in this announcement shall have the same
meanings as defined in the Announcements.

Pursuant to the Business Combination Agreement, the Company and NEC established JVCo as a joint
venture company to own and operate their respective personal computer businesses in Japan. On or
prior to July 1, 2011, NEC and other members of the NEC Group entered into various agreements
with the Company, JVCo and other members of the JVCo Group in respect of the provision of certain
services or products to or by the JVCo Group to facilitate the operation of joint venture business in
Japan, which include:

(1) the Supply Agreement;

(2) the NEC Fielding Agreement;

(3) the NESIC Agreement;

(4) the NEC Brand Licence Agreements (together with items (1)-(3) above, the “Products and
Brand Agreements”); and

(5) the Transitional Services Agreement.

The then independent shareholders of the Company approved the above agreements and their
respective annual caps up to July 1, 2016 at the general meetings of the Company held on May 27,
2011 and March 18, 2014. Given the established business relationship between the Company and
NEC and the mutual business development needs, the relevant parties entered into various amendment
agreements on October 7, 2014 to, amongst others, extend the term of the relevant agreements and the
joint venture beyond five years.

On June 30, 2016, the Company had extended the Transitional Services Agreement for one year until
June 30, 2017 by entering into the TSA Side Letter, subject to Automatic Renewal thereafter. The
extension is consistent with the established business relationship between the Company and NEC and
the mutual business development needs and goals. The Directors propose to set the annual caps for the
Continuing Connected Transactions during the period from May 25, 2017 to March 31, 2018 and for
the two financial years ending March 31, 2019 and 2020 (the “Relevant Periods”). It is currently
contemplated that the Products and Brand Agreements and the Transitional Services Agreement will
be renewed upon expiry, subject to relevant facts and circumstances at such time.

The Products and Brand Agreements and the Transitional Services Agreement provide, amongst
others, that, subject to compliance with the Listing Rules (if applicable) at the relevant time, the term
of the agreements be automatically renewed for an additional year until a prescribed date or unless
either party gives notice to the other of its intention to terminate such relevant agreements a
prescribed time prior to expiry of the term (the “Automatic Renewal”).
CONTINUING CONNECTED TRANSACTIONS

Set out below is a summary of the material terms of the Products and Brand Agreements and the Transitional Services Agreement:

I. Supply Agreement

Scope

Under the Supply Agreement, NEC must submit quarterly orders for certain “NEC” branded personal computer products to NEC Newco, a wholly-owned subsidiary of JVCo. Based on those orders, the parties will determine the details (including quantity, unit price, quality level and delivery arrangements and other terms and obligations) of such products delivered to NEC and conclude an individual agreement for each specific order. Details in respect of the calculation of prices of such products are set out in the announcements of the Company dated April 21, 2011 and October 7, 2014.

Term

The Supply Agreement commenced from July 1, 2011 and continues until the earlier of the final date of the Joint Venture Period or the fifth anniversary of July 1, 2011, subject to Automatic Renewal thereafter.

II. NEC Fielding Agreement

Scope

Pursuant to the NEC Fielding Agreement, NEC Fielding, Ltd. agrees to provide maintenance and other services for the following products: (i) computer equipment and other ancillary equipment and facilities that are sold or leased by NEC Newco; and (ii) computer equipment, communication facilities, network facilities and other ancillary equipment and facilities that are used by NEC Newco. The service fees are separately agreed in writing between the parties on normal commercial terms.

The service fees are determined principally by arm’s length commercial negotiations according to the principles of fairness and reasonableness between the relevant parties with reference to the costs of such services from time to time and the operating costs (including administrative costs and labour costs, etc) incurred by NEC Fielding, Ltd. for supplying the services. The Group also makes reference to the service fees offered by NEC Fielding, Ltd. to other customers.

In considering the quotations of the service fees, the Group makes reference to fees of similar services with comparable nature, scale or scope offered normally by two or three independent third parties. If the service fees offered by NEC Fielding, Ltd. are higher than fees offered by independent third parties, the Group is not obliged to engage NEC Fielding, Ltd. in providing the relevant services.

The relevant department in the Group regularly supervises and monitors (i) the fees of similar services to ensure that such fees are no less favourable to the Group than those provided to independent third parties in comparable transactions; and (ii) the transactions under the NEC Fielding 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.

Term

The NEC Fielding Agreement commenced from November 1, 2003 and ended on March 31, 2004, subsequent to which the term of the NEC Fielding Agreement has been automatically
renewed for an additional year until the fifth anniversary of July 1, 2011, subject to Automatic Renewal thereafter.

III. NESIC Agreement

Scope

Under the NESIC Agreement, NESIC agrees to provide NEC Newco with operation and maintenance services for intranet and other internal communication systems of NEC Newco. Detail 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 on normal commercial terms.

The service fees are determined principally by arm’s length commercial negotiations according to the principles of fairness and reasonableness between the relevant parties with reference to the costs of such services from time to time and the operating costs (including administrative costs and labour costs, etc) incurred by NESIC for supplying the services.

In considering the quotations of the service fees, the Group makes reference to fees of similar services with comparable nature, scale or scope offered normally by two or three independent third parties. The Group also makes reference to the service fees offered by NESIC to other customers. If the fees offered by NESIC are higher than fees offered by independent third parties, the Group is not obliged to engage NESIC in providing the relevant services.

The relevant department in the Group regularly supervises and monitors (i) the fees of similar services to ensure that such fees are no less favourable to the Group than those provided to independent third parties in comparable transactions; and (ii) the transactions under the NESIC 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.

Term

The NESIC Agreement commenced from August 18, 2003 and ended on March 31, 2004, subsequent to which the term of the NESIC Agreement has been automatically renewed for an additional year until the fifth anniversary of July 1, 2011, subject to Automatic Renewal thereafter.

IV. NEC Brand Licence Agreements

Scope

Under the NEC Brand Licence Agreements, NEC agrees to grant each of NEC Newco, JVCo and LenovoJ a licence to use certain rights in connection with the letters and/or mark “NEC”. Reference is made to the announcement of the Company dated April 21, 2011 in respect of the calculation of royalty.

Term

The NEC Brand Licence Agreements commenced from July 1, 2011 and is valid up to and including June 30, 2018, and subject to Automatic Renewal until up to June 30, 2026.

V. Transitional Services Agreement

Scope

Pursuant to the Transitional Services Agreement, NEC agrees to provide (or cause to be provided) certain services to JVCo, and the Company agrees to provide (or cause to be
provided) certain services to the NEC Group. The services include business infrastructure related services, development and production services, sales related services, maintenance and support services, real estate services and information technology services. Such services shall be provided substantially in the same manner and on the same terms and at the same costs as the services provided between members of the NEC Group in respect of NEC’s personal computer business in Japan prior to July 1, 2011. Reference is made to the announcement of the Company dated April 21, 2011 in respect of the calculation of the service fees.

**Term**

The Transitional Services Agreement commenced on July 1, 2011 and expired after June 30, 2016. In light of the mutual development needs and goals, the Company and NEC had extended the Transitional Services Agreement by entering into the TSA Side Letter on June 30, 2016 to extend the term of the Transitional Services Agreement for one year until June 30, 2017, subject to Automatic Renewal thereafter.

**ANNUAL CAPS**

**Historical Transaction Amounts**

The historical transaction amounts of the Continuing Connected Transactions were as follows:

<table>
<thead>
<tr>
<th>Financial year ended March 31,</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(JPY million)</td>
<td>(JPY million)</td>
<td>(JPY million)</td>
</tr>
<tr>
<td>Revenue generated from sale of products to NEC pursuant to the Supply Agreement</td>
<td>83,374</td>
<td>62,057</td>
<td>64,737</td>
</tr>
<tr>
<td></td>
<td>(US$750,366,000)</td>
<td>(US$558,513,000)</td>
<td>(US$582,633,000)</td>
</tr>
<tr>
<td>Expenses incurred from use of services provided by NEC Fielding, Ltd. pursuant to the NEC Fielding Agreement</td>
<td>2,295</td>
<td>1,626</td>
<td>1,204</td>
</tr>
<tr>
<td></td>
<td>(US$20,655,000)</td>
<td>(US$14,634,000)</td>
<td>(US$10,836,000)</td>
</tr>
<tr>
<td>Expenses incurred from use of services provided by NESIC pursuant to the NESIC Agreement</td>
<td>55</td>
<td>29</td>
<td>42</td>
</tr>
<tr>
<td></td>
<td>(US$495,000)</td>
<td>(US$261,000)</td>
<td>(US$378,000)</td>
</tr>
<tr>
<td>Royalty paid pursuant to the NEC Newco Brand Licence Agreement</td>
<td>139</td>
<td>106</td>
<td>226</td>
</tr>
<tr>
<td></td>
<td>(US$1,251,000)</td>
<td>(US$954,000)</td>
<td>(US$2,034,000)</td>
</tr>
<tr>
<td>Royalty paid pursuant to the NEC JVCo Brand Licence Agreement</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Royalty paid pursuant to the NEC LenovoJ Brand Licence Agreement</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Expenses incurred from use of services provided by NEC Group pursuant to the Transitional Services Agreement</td>
<td>19,707</td>
<td>15,967</td>
<td>14,674</td>
</tr>
<tr>
<td></td>
<td>(US$177,363,000)</td>
<td>(US$143,703,000)</td>
<td>(US$132,066,000)</td>
</tr>
<tr>
<td>Revenue generated from provision of services to NEC Group pursuant to the Transitional Services Agreement</td>
<td>562</td>
<td>568</td>
<td>815</td>
</tr>
<tr>
<td></td>
<td>(US$5,058,000)</td>
<td>(US$5,112,000)</td>
<td>(US$7,335,000)</td>
</tr>
</tbody>
</table>
Proposed Annual Caps

The proposed annual caps for the Continuing Connected Transactions for the Relevant Periods are as follows (the “Proposed Annual Caps”):

<table>
<thead>
<tr>
<th>May 25, 2017 to March 31, 2018</th>
<th>2019</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>(JPY million)</td>
<td>(JPY million)</td>
<td>(JPY million)</td>
</tr>
<tr>
<td><strong>Revenue to be generated from sale of products to NEC pursuant to the Supply Agreement</strong></td>
<td>122,897</td>
<td>147,476</td>
</tr>
<tr>
<td>(US$1,106,073,000)</td>
<td>(US$1,327,284,000)</td>
<td>(US$1,327,284,000)</td>
</tr>
<tr>
<td><strong>Expenses to be incurred from use of services to be provided by NEC Fielding, Ltd. pursuant to the NEC Fielding Agreement</strong></td>
<td>2,370</td>
<td>3,009</td>
</tr>
<tr>
<td>(US$21,330,000)</td>
<td>(US$27,081,000)</td>
<td>(US$27,081,000)</td>
</tr>
<tr>
<td><strong>Expenses to be incurred from use of services to be provided by NESIC pursuant to the NESIC Agreement</strong></td>
<td>113</td>
<td>121</td>
</tr>
<tr>
<td>(US$1,017,000)</td>
<td>(US$1,089,000)</td>
<td>(US$1,089,000)</td>
</tr>
<tr>
<td><strong>Royalty to be paid pursuant to the NEC Newco Brand Licence Agreement</strong></td>
<td>253</td>
<td>349</td>
</tr>
<tr>
<td>(US$2,277,000)</td>
<td>(US$3,141,000)</td>
<td>(US$3,312,000)</td>
</tr>
<tr>
<td><strong>Royalty to be paid pursuant to the NEC JVCo Brand Licence Agreement</strong></td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td><strong>Royalty to be paid pursuant to the NEC LenovoJ Brand Licence Agreement</strong></td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td><strong>Expenses to be incurred from use of services to be provided by NEC Group pursuant to the Transitional Services Agreement</strong></td>
<td>13,516</td>
<td>18,343</td>
</tr>
<tr>
<td>(US$121,644,000)</td>
<td>(US$165,087,000)</td>
<td>(US$165,087,000)</td>
</tr>
<tr>
<td><strong>Revenue to be generated from provision of services to NEC Group pursuant to the Transitional Services Agreement</strong></td>
<td>775</td>
<td>1,128</td>
</tr>
<tr>
<td>(US$6,975,000)</td>
<td>(US$10,152,000)</td>
<td>(US$10,611,000)</td>
</tr>
</tbody>
</table>

Basis for the Proposed Annual Caps

In determining the Proposed Annual Caps, the Directors took into account the following factors:

(i) the Intentional data Corporation (“IDC”) has published a forecast for the commercial personal computer market in Japan, of which IDC expects a year-on-year growth of 3%, 7% and 5% for years ending March 31, 2018, 2019 and 2020, suggesting a recovery of the commercial personal computer market in Japan;

(ii) the increasing scale of the Group’s operation in Japan;

(iii) the historical transaction amounts of the Continuing Connected Transactions for three financial years ended March 31, 2015, 2016 and 2017, accordingly, the estimated transaction amounts of the Continuing Connected Transactions for the financial year ending March 31, 2018 are higher than the relevant actual transaction amounts for the financial year ended March 31, 2017;

(iv) the anticipated increase in the sales of the products to NEC pursuant to the Supply Agreement in the next few years;
(v) the potential spike in the provision of maintenance and other services under the NEC Fielding Agreement due to epidemic failure incidents;

(vi) a cyclic maintenance and investment pattern of two to three years has been recognized in the provision of operation and maintenance services for NEC Newco under the NESIC Agreement, in particular to take into consideration the actual transaction amount under NESIC Agreement in financial year ended March 31, 2015;

(vii) the Company aims to reduce NEC Newco’s dependency on services provided by NEC Group, as a result, the volume of services to be provided by NEC Group to NEC Newco under the Transitional Services Agreement is expected to remain stable, amidst growing scale of operation and recovering personal computer market in Japan; and

(viii) a 25% buffer to allow further flexibility for carrying out the Continuing Connected Transactions.

REASONS FOR AND BENEFITS OF THE TRANSACTIONS

Based on the established business relationship between the Company and NEC, and the fact that the parties to the Products and Brand Agreements and the Transitional Services Agreement have the necessary expertise and efficiency to provide the relevant services and products, the Directors believe that the Continuing Connected Transactions can ensure the smooth operation of the joint venture with NEC, hence beneficial to the growth of the business of the joint venture and the Company.

INFORMATION OF THE COMPANY AND NEC

The principal activities of the Group 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.

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

DIRECTORS’ CONFIRMATION

The Directors (including the independent non-executive Directors) are of the view that (i) the Products and Brand Agreements, the Transitional Services Agreement and the transactions contemplated thereunder have been entered into on normal commercial terms and in the ordinary and usual course of business of the Company, which are fair and reasonable and in the best interest of the Company and its shareholders as a whole; and (ii) the Proposed Annual Caps are fair and reasonable and in the interests of the Company and its shareholders as a whole.

As none of the Directors had a material interest in the above transactions, none of them was required to abstain from voting on the relevant resolutions approving the above transactions.

LISTING RULES IMPLICATIONS

The Company (through Lenovo BV, an indirect wholly-owned subsidiary of the Company) owns 66.6% of the issued share capital of JVCo and NEC owns 33.4% of the issued share capital of JVCo. As NEC is a substantial shareholder of JVCo, which in turn is an indirect subsidiary of the Company, hence NEC and its associates (as defined under the Listing Rules) are connected persons of the Company at the subsidiary level under the Listing Rules. Accordingly, the continuing transactions contemplated under the Products and Brand Agreements and the Transitional Services Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.
As the total assets, profits and revenue of the JVCo were less than 5% of those of the Company for the year ended March 31, 2016, JVCo was an insignificant subsidiary of the Company for the purpose of Rule 14A.09(1) of the Listing Rules, therefore the Company had relied on the insignificant subsidiary exception in respect of the Continuing Connected Transactions.

Based on the annual results announcement for the year ended March 31, 2017, which was published by the Company on May 25, 2017, the profits of the JVCo are more than 5% of those of the Company for the same period, 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. This announcement is therefore made pursuant to Rule 14A.60(1) of the Listing Rules.

**DEFINITIONS**

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

- **“Business Combination Agreement”**
  - the business combination agreement entered into between the Company, Lenovo BV, NEC and NECP on January 27, 2011 (the rights and obligations of NECP of which were transferred to NEC Newco on and following July 1, 2011), as amended by the Business Combination Amendment Agreement;

- **“Business Combination Amendment Agreement”**
  - the amendment agreement entered into between the Company, Lenovo BV, NEC and NEC Newco on October 7, 2014 in relation to the amendments to the Business Combination Agreement;

- **“Company”**
  - Lenovo Group Limited, a company incorporated on October 5, 1993 with limited liability under the laws of Hong Kong, the ordinary shares of which are listed on the Stock Exchange;

- **“connected person(s)”**
  - has the meaning ascribed to it under the Listing Rules;

- **“Continuing Connected Transactions”**
  - transactions contemplated under the Products and Brand Agreements and the Transitional Services Agreement;

- **“Director(s)”**
  - the director(s) of the Company;

- **“Group”**
  - the Company and its subsidiaries subsisting from time to time;

- **“Hong Kong”**
  - Hong Kong Special Administrative Region of the People’s Republic of China;

- **“Joint Venture Period”**
  - the period from July 1, 2011 until the date on which NEC no longer holds any shares in JVCo;

- **“Listing Rules”**
  - The Rules Governing the Listing of Securities on the Stock Exchange;

- **“NEC Brand Licence Agreements”**
  - the NEC Newco Brand Licence Agreement, the NEC JVCo Brand Licence Agreement and the NEC LenovoJ Brand Licence Agreement dated July 1, 2011, as amended by the NEC Brand Licence Amendment Agreements;

- **“NEC Brand Licence Amendment Agreements”**
  - the amendment agreements to the NEC Newco Brand Licence Agreement, the NEC JVCo Brand Licence Agreement and the NEC LenovoJ Brand Licence Agreement dated October 7, 2014;
“NEC Fielding Agreement” the agreement for the supply of services between NEC Fielding, Ltd. and NECP dated January 15, 2004 (the rights and obligations of NECP of which were transferred to NEC Newco on and following July 1, 2011);

“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 August 18, 2003 (the rights and obligations of NECP of which were transferred to NEC Newco on and following July 1, 2011);

“Supply Agreement” the supply agreement entered into between NEC and NECP on February 28, 2011 (the rights and obligations of NECP of which were transferred to NEC Newco on and following July 1, 2011), as amended by the Supply Amendment Agreement;

“Supply Amendment Agreement” the amendment agreement entered into between NEC and NEC Newco on October 7, 2014 in relation to amendments to the Supply Agreement;

“Stock Exchange” The Stock Exchange of Hong Kong Limited;

“Transitional Services Agreement” the transitional services agreement entered into between the Company and NEC on July 1, 2011, as amended by the TSA Side Letter;

“TSA Side Letter” The side letter entered into between the Company and NEC on June 30, 2016 in relation to amendments to the Transitional Services Agreement; and

“%” per cent.

For the purpose of this announcement, the translation of Japanese yen into United States dollars is based on the exchange rate of JPY1.00 to US$0.0090. Such translation 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 of
LENOVO GROUP LIMITED
Yang Yuanqing
Chairman and
Chief Executive Officer

May 25, 2017

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, Mr. Yang Chih-Yuan Jerry and Mr. Gordon Robert Halyburton Orr.