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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)

DISCLOSEABLE TRANSACTION
ISSUANCE OF CONVERTIBLE PREFERRED SHARES BY A
SUBSIDIARY

The Board is pleased to announce that on June 12, 2019, LETCL, being an indirect wholly-owned subsidiary of the Company, entered into the Subscription Agreement with the Investors and the Company. The Company, LGTIL, LETCL and PTC will, at Completion, enter into the Shareholders' Agreement with the Investors.

Pursuant to the Subscription Agreement and the Shareholders' Agreement, the parties have agreed, inter alia, that:

- (a) the Investors agreed to severally subscribe for a total of 2,054,791 Convertible Preferred Shares of LETCL;
- (b) the aggregate subscription price to be paid by the Investors is approximately USD300,000,000;
- (c) the net proceeds from the issuance of Convertible Preferred Shares will be used by LETCL and its subsidiaries towards general corporate funding and capital expenditure of LETCL and its subsidiaries;
- (d) LGTIL, the Company and the Investors are subject to certain lock-up restrictions, and, if LGTIL or the Company makes a transfer of the shares of LETCL, the Convertible Preferred Shareholders are granted certain tag-along rights;
- (e) Convertible Preferred Shareholders will be entitled to Preferred Dividends from the Completion Date until December 31, 2023;

- (f) upon the occurrence of certain specified conditions, the Convertible Preferred Shareholders will have Put Right. Taking into account the payment of the Preferred Dividends, the maximum redemption or purchase price payable by LETCL or the Company to the Investors if the Put Right is exercised is approximately USD363 million.

As the relevant applicable percentage ratio under the Listing Rules in relation to the Proposed Issue under the Subscription Agreement and the issuance of the Ordinary Shares under the Equity Incentive Plan is more than 5% but less than 25%, the Proposed Issue and the issuance of the Ordinary Shares constitute discloseable transactions of the Company under Chapter 14 of the Listing Rules.

As the exercise of the Put Right is not at the discretion of the Company, the grant of the Put Right will be classified as if the Put Right has been exercised pursuant to Rule 14.74(1) of the Listing Rules. The relevant applicable percentage ratio under the Listing Rules in relation to the grant of Put Right is more than 5% but less than 25%, the grant of Put Right constitutes a discloseable transaction of the Company under the Listing Rules.

Completion is subject to the fulfillment of certain closing conditions under the Subscription Agreement.

1. INTRODUCTION

The Board announces that, on June 12, 2019, LETCL, being an indirect wholly-owned subsidiary of the Company, entered into the Subscription Agreement with the Investors and the Company.

2. MATERIAL TERMS OF THE SUBSCRIPTION AGREEMENT

(a) Date

June 12, 2019

(b) Parties

(i) LETCL;

(ii) the Investors; and

(iii) the Company.

(c) Transaction Overview

Pursuant to the Subscription Agreement, the Investors agreed to severally subscribe for a total of 2,054,791 Convertible Preferred Shares of LETCL. The Convertible Preferred Shares issued under the Proposed Issue represent approximately 20% of the enlarged issued share capital of LETCL on an as-converted and fully-diluted basis.

(d) Subscription Price and Use of Proceeds

The aggregate subscription price to be paid by the Investors is approximately USD300,000,000.

At Completion, the Investors will pay their respective subscription amount in full in cash. LETCL intends to use the net proceeds from the issue of Convertible Preferred Shares for general corporate funding and capital expenditure of LETCL and its subsidiaries.

(e) Completion

Completion shall take place on the fifth (5th) Business Day following the fulfillment or waiver of all of the conditions under the Subscription Agreement or on such other date as the parties may agree in writing.

Completion should take place no later than three months after the date of the Subscription Agreement or such other date as the parties may agree in writing.

3. SHAREHOLDERS' AGREEMENT

Pursuant to the Subscription Agreement, the Company, LGTIL, LETCL, the Investors and PTC will, at Completion, enter into the Shareholders' Agreement in respect of the Convertible Preferred Shares and the management and operation of LETCL and its subsidiaries.

Pursuant to the Shareholders' Agreement:

(a) Put Right

Upon the occurrence of certain specified conditions, the Convertible Preferred Shareholders will have the right (the "**Put Right**") to require LETCL to redeem or the Company to purchase all of their Convertible Preferred Shares at the pre-determined consideration as set forth under the Shareholders' Agreement. Taking into account the payment of the Preferred Dividends, the maximum aggregate redemption or purchase price payable by LETCL or the Company, assuming all the Convertible Preferred Shareholders have exercised the Put Right, is approximately USD363 million.

The Company will ensure compliance with Rule 14.74 of the Listing Rules upon exercise of the Put Right.

(b) Governance of LETCL

The business and affairs of LETCL will be managed by the board of directors of LETCL, which consists of 5 directors, of which LGTIL will be entitled to nominate 4 directors and the single largest Investor will be entitled to nominate 1 director.

(c) Restriction on Transfer of LETCL's Shares

LGTIL, the Company and the Investors are subject to certain lock-up restrictions on the transfer of shares of LETCL, and, if LGTIL or the Company makes a transfer of the shares of LETCL, the Convertible Preferred Shareholders are also entitled to tag-along rights under the Shareholders' Agreement.

(d) Dividend Rights

The Convertible Preferred Shareholders will be entitled to Preferred Dividends paid in cash from the Completion Date until December 31, 2023.

4. BASIS OF CONSIDERATION

The subscription consideration and the redemption or purchase price in connection with the Put Right are arrived at after arm's length negotiation between the Company and the Investors on normal commercial terms, having considered the growth prospects and underlying value of LETCL.

5. EQUITY INCENTIVE PLAN

LETCL proposed to issue not more than 719,182 Ordinary Shares to PTC as trustee under the Equity Incentive Plan for certain senior management of the Business on or prior to the Completion pursuant to scheme rules to be adopted by LETCL in relation to the Equity Incentive Plan.

6. FINANCIAL INFORMATION OF PRC OPCO SUBSIDIARY

The following table sets out the unaudited combined pro forma financial statements of the Business prepared based on the respective unaudited management accounts in accordance with accounting principles generally accepted in the PRC for the two years ended March 31, 2018 and March 31, 2019, respectively:

	For the year ended March 31, 2018	For the year ended March 31, 2019
	USD	USD
	<i>(unaudited)</i>	<i>(unaudited)</i>
Net (loss) / profit before taxation and extraordinary items	(10 million)	44 million
Net (loss) / profit after taxation and extraordinary items	(7 million)	33 million

Based on the unaudited combined pro forma financial statements of the Business as of March 31, 2019, the total asset value of the Business was USD706 million. The PRC Opco Subsidiary (together with the PRC Subsidiaries), as the wholly-owned subsidiary of LETCL, represents all of the assets of LETCL.

7. FINANCIAL EFFECTS OF THE TRANSACTIONS

As at the date of this announcement, the Company indirectly holds 100% equity interest in LETCL. Upon Completion of the Proposed Issue, LETCL will be held, on an as-converted and fully-diluted basis, as to 73% by LGTIL, 20% by the Investors and 7% by PTC as trustee under the Equity Incentive Plan. LETCL will remain as a subsidiary of the Company. The financial results of LETCL will continue to be consolidated by the Company. Therefore, it is expected that the Group will not record any gain or loss from the Transactions in the consolidated income statement of the Group.

8. REASONS FOR AND BENEFITS OF THE TRANSACTIONS

The Board considers that the Transactions (including the Put Right) are on normal commercial terms and that such terms are fair and reasonable and are in the interest of the Company and its shareholders taken as a whole. The introduction of the Investors allows LETCL to accelerate its strategic initiatives for the Business by providing additional business opportunities and additional capital to further develop localized offerings via a dedicated platform to serve the rapidly growing China enterprise market, which will be beneficial to the overall Group.

9. LISTING RULES IMPLICATIONS

Upon Completion and assuming all the Convertible Preferred Shares issuable under the Subscription Agreement and the Ordinary Shares to be issued under the Equity Incentive Plan being issued, the shareholding interests of the Company in LETCL will be reduced from 100% to 73%, which constitutes a deemed disposal of the Company's shareholding interest in LETCL under Rule 14.29 of the Listing Rules.

As the relevant applicable percentage ratio under the Listing Rules in relation to the Proposed Issue as contemplated under the Subscription Agreement and the issuance of the Ordinary Shares under the Equity Incentive Plan is more than 5% but less than 25%, the Proposed Issue and the issuance of the Ordinary Shares constitute discloseable transactions of the Company under Chapter 14 of the Listing Rules.

As the exercise of the Put Right is not at the discretion of the Company, the grant of the Put Right will be classified as if the Put Right had been exercised pursuant to Rule 14.74(1) of the Listing Rules. The relevant applicable percentage ratio under the Listing Rules in relation to the grant of Put Right is more than 5% but less than 25%, the grant of

Put Right constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules.

Therefore, the Transactions are subject to the requirements of reporting and announcement, but are exempted from the requirement of shareholders' approval, pursuant to Chapter 14 of the Listing Rules.

10. INFORMATION OF THE PARTIES TO THE SUBSCRIPTION AGREEMENT

(a) Information of LETCL

LETCL is a company incorporated in Hong Kong, which, together with its subsidiaries, is principally engaged in the Business in China. As at the date of this announcement, LETCL is an indirect wholly-owned subsidiary of the Company.

(b) Information of the Company

The Company is a limited liability company incorporated in Hong Kong and its shares have been listed on the Stock Exchange since 1994. The Group is principally engaged in 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.

(c) Information of the Investors

The Investors are seven reputable institutional investors which are principally engaged in securities investment funds management, finance, insurance, foreign and domestic investments.

11. GENERAL

Shareholders of the Company and potential investors of the Company are reminded that the Proposed Issue is conditional upon the fulfillment of all conditions precedent under the Subscription Agreement. Therefore, the Transactions may or may not be finalized or be completed. Shareholders of the Company and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.

12. DEFINITIONS

“Board”	the board of Directors of the Company
“Business”	the planning, manufacturing, research, development and sale of data center related products and the provision of related services and solutions to the enterprise market currently undertaken by the PRC Opco Subsidiary and the PRC Subsidiaries in the mainland China
“Business Day”	any day (excluding a Saturday or Sunday) on which commercial banks are open for business in Hong Kong and New York
“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 main board of the Stock Exchange
“Completion”	the completion of the issue and subscription of the Convertible Preferred Shares
“Completion Date”	the date on which Completion occurs in accordance with the Subscription Agreement
“Convertible Preferred Shares”	the convertible preferred shares to be issued and allotted by LETCL and subscribed by the Investors pursuant to the terms and conditions of the Subscription Agreement
“Convertible Preferred Shareholder”	each holder of a Convertible Preferred Share, from time to time
“Director(s)”	director(s) of the Company
“Equity Incentive Plan”	the equity incentive plan to be adopted by LETCL on or before the Completion Date, pursuant to which PTC as trustee will subscribe for an aggregate of not more than 719,182 Ordinary Shares (representing not more than seven per cent. (7%) of the total issued shares of LETCL as enlarged by such issuance to PTC, the issuance of the Convertible Preferred Shares, on an as-converted and fully-diluted basis as of the Completion Date), to be held on behalf of certain senior management of the Business
“Group”	the Company and its subsidiaries from time to time

“Investors”	seven reputable institutional investors (investing through their respective affiliates or nominees), including securities investment funds management companies, securities companies, financial companies, insurance companies and qualified foreign institutional investors, corporate investors authorized by the China Securities Regulatory Commission, which to the best of the Directors’ knowledge, information and belief having made all reasonable enquiry, the Investors and their respective ultimate beneficial owners are third parties independent of the Company and its connected persons
“LETCL”	Lenovo Enterprise Technology Company Limited 聯想企業科技有限公司, a company incorporated in Hong Kong, and an indirect wholly-owned subsidiary of the Company as at the date of this announcement
“LGTIL”	Lenovo Global Technologies International Limited, a company incorporated in Hong Kong and a wholly-owned subsidiary of the Company as at the date of this announcement
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Ordinary Shares”	ordinary shares in the share capital of LETCL
“PRC” or “China”	the People’s Republic of China
“PRC Opco Subsidiary”	Lenovo (Beijing) Information Technology Limited* (聯想(北京)信息技術有限公司), an indirect wholly-owned subsidiary of the Company as at the date of this announcement
“PRC Subsidiaries”	Lenovo NetApp Technology Ltd.* (聯想凌拓科技有限公司) and Lenovo (Shenzhen) Global Technology Limited* (聯想(深圳)全球科技有限公司), indirect wholly-owned subsidiaries of the Company as at the date of this announcement
“Preferred Dividends”	cumulative cash dividends representing four per cent. (4%) per annum on the original subscription price on

	each Convertible Preferred Share
“Proposed Issue”	the proposed issue of 2,054,791 Convertible Preferred Shares to the Investors by LETCL for a total consideration of approximately USD300,000,000
“PTC”	Lenovo Enterprise Technology (PTC) Limited, a private trust company incorporated in the British Virgin Islands
“Put Right”	the right to require LETCL to redeem or the Company to purchase all of the Convertible Preferred Shares of the respective Convertible Preferred Shareholders at the pre-determined consideration as set forth under the Shareholders’ Agreement
“Shareholders’ Agreement”	the shareholders’ agreement to be entered into amongst the Company, LGTIL, LETCL, the Investors and PTC at Completion
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Agreement”	the subscription agreement entered into amongst LETCL, the Investors and the Company on June 12, 2019
“Transactions”	the transactions contemplated under the Subscription Agreement and the Shareholders’ Agreement
“USD”	United States Dollar, the lawful currency of the United States

**For identification only.*

By Order of the Board
Yang Yuanqing
*Chairman and
Chief Executive Officer*

June 12, 2019

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, Mr. Gordon Robert Halyburton Orr and Mr. Woo Chin Wan Raymond.