

***lenovo* 联想**

**Lenovo Group Limited 联想集团有限公司**

*(Incorporated in Hong Kong with limited liability)*

**(Stock Code: 0992)**

**PROPOSED OFF-MARKET REPURCHASE OF NON-VOTING SHARES  
CONNECTED TRANSACTION**

**FORM OF REPURCHASE AGREEMENT**

**May 1, 2005**

**LENOVO GROUP LIMITED**

and

**INTERNATIONAL BUSINESS MACHINES CORPORATION**

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**AGREEMENT**

**for the off-market purchase by Lenovo Group Limited  
of its own Shares**

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**THIS AGREEMENT** is made on May 1, 2005

**BETWEEN:**

1. **LENOVO GROUP LIMITED**, a company organized and existing under the Laws of Hong Kong ("**Lenovo**"); and
2. **INTERNATIONAL BUSINESS MACHINES CORPORATION**, a corporation organized and existing under the Laws of the State of New York ("**IBM**")

**RECITALS:**

- (A) The Shares of Lenovo are currently listed on the Main Board of the Stock Exchange with stock code 992.
- (B) On December 7, 2004, IBM and Lenovo entered into an Asset Purchase Agreement (as amended or otherwise modified as of the date hereof, the "**APA**"), whereby IBM agreed to sell, and Lenovo agreed to purchase and assume, certain assets and liabilities relating to or arising from the Business (such term and each other capitalized term used but not defined herein having the meanings set forth in the APA).
- (C) On December 7, 2004, IBM and Lenovo entered into a Company Agreement (as amended or otherwise modified as of the date hereof, the "**Company Agreement**"), during the term of which Lenovo may not take certain actions without the prior written consent of IBM or without providing IBM certain rights.
- (D) On March 30, 2005, Lenovo entered into an investment agreement with certain Investors (the "**Investment Agreement**") whereby Lenovo intends to issue shares of Series A Preferred Shares and Warrants (as such terms are defined in the Investment Agreement) to such Investors.
- (E) In accordance with the provisions of the Company Agreement, IBM has agreed to sell and Lenovo has agreed to purchase the Excess Shares on the terms and conditions set out in this Agreement.

**IT IS AGREED** as follows:

**1. INTERPRETATION**

1.1 In this Agreement the following definitions are used:

"**APA**" has the meaning specified in Recital (B);

"**business day**" means a day (not being a Saturday) on which banks are open for general banking business in Hong Kong;

“**Company Agreement**” has the meaning specified in Recital (C);

“**Completion**” means completion of the sale and purchase of the Excess Shares in accordance with clause 5;

“**Consideration**” means the total aggregate consideration payable for the Excess Shares calculated at HK\$2.725 per Excess Share;

“**EGM**” means the extraordinary general meeting of Lenovo to be held for the purposes of considering and, if thought fit, approving the repurchase of the Excess Shares in accordance with this Agreement;

“**Excess Shares**” means, in aggregate, 435,717,757 non-voting Shares to be sold by IBM to Lenovo;

“**Executive**” means the Executive Director of the Corporate Finance Division of the Securities and Futures Commission or any delegate of the Executive Director;

“**Independent Shareholders**” means shareholders of Lenovo who do not have any material interest in the repurchase of the Excess Shares in accordance with this Agreement, being shareholders of Lenovo other than IBM and its concert parties and disinterested shareholders eligible to vote at the EGM pursuant to the Hong Kong Codes on Takeovers and Mergers and Share Repurchases;

“**Investment Agreement**” has the meaning specified in Recital (D);

“**Investors**” means TPG IV Acquisition Company LLC, General Atlantic Partners (Bermuda), L.P., GAPSTAR, LLC, GAP Coinvestments III, LLC, GAP Coinvestments IV, LLC, GAPCO GmbH & Co. KG and Newbridge Asia Acquisition Company LLC;

“**Shares**” means fully paid issued ordinary shares in the capital of Lenovo;

“**Stock Exchange**” means The Stock Exchange of Hong Kong Limited.

## 2. CONDITIONS

2.1 The provisions of this Agreement, other than this clause and clauses 8 to 10, are subject to and conditional upon the following:

2.1.1 the sale and purchase of the Excess Shares from IBM to Lenovo at the Consideration having been approved by:

- (a) at least three-fourths of the votes cast at the EGM on a poll by Independent Shareholders; and
- (b) the Executive;

2.1.2 the Excess Shares having been issued to IBM at Initial Closing of the APA; and

2.1.3 the closing of the Investment Agreement.

2.2 Lenovo shall use its reasonable best efforts to procure that the conditions in clause 2.1 are satisfied as soon as practicable.

2.3 The conditions cannot be waived.

### **3. SALE AND PURCHASE**

3.1 IBM shall sell or procure to be sold and Lenovo shall purchase the Excess Shares at Completion.

3.2 The Excess Shares shall be sold free from any option, charge, lien, equity, encumbrance, rights of pre-emption or any other third party rights of any nature whatsoever and together with all rights attaching to them at Completion.

### **4. CONSIDERATION**

The total consideration for the sale of the Excess Shares shall be the payment at Completion to IBM of the Consideration.

### **5. COMPLETION**

5.1 Completion shall take place at the offices of Herbert Smith in Hong Kong at 10 a.m. on the first business day following the due fulfilment of the conditions specified in clause 2.1 or at such other place or time as the parties shall agree.

5.2 At Completion:

5.2.1 IBM shall deliver or cause to be delivered to Lenovo duly executed instruments of transfer and sold notes (in the form prepared by IBM's solicitors) in respect of the Excess Shares together with definitive share certificates for them;

5.2.2 Lenovo shall pay by electronic funds transfer to IBM's bank account (of which details IBM will notify to Lenovo prior to Completion) the Consideration;

5.2.3 Lenovo shall deliver to IBM certified copies of the minutes of the board of directors of Lenovo and the minutes of the EGM duly approving by special resolution the repurchase of the Excess Shares from IBM at the Consideration.

5.3 If the conditions in clause 2.1 have not been fulfilled by midnight on October 29, 2005, IBM shall have the right, by notice in writing to Lenovo, to rescind this Agreement without any liability to Lenovo whereupon and from such date the provisions of this Agreement (other than clauses 8, 9 and 10) shall have no effect and no party shall have any liability under them (without prejudice to the rights of any of IBM in respect of antecedent breaches).

## **6. CANCELLATION OF EXCESS SHARES**

6.1 Each Excess Share purchased by Lenovo shall be cancelled by Lenovo immediately following Completion.

## **7. LENOVO'S WARRANTIES**

7.1 Lenovo warrants and represents to IBM that:

7.1.1 Lenovo has corporate power and authority to enter into and perform this Agreement and the provisions of this Agreement constitute valid and binding obligations on Lenovo and are enforceable against Lenovo, in accordance with its terms;

7.1.2 it has duly authorised, executed and delivered this Agreement;

7.1.3 the execution and delivery of, and the performance by Lenovo of its obligations under this Agreement will neither:

(A) result in a breach of or conflict with any provision of its memorandum or articles of association;

(B) result in a material breach of, or constitute a material default under, any instrument to which it is a party or by which it is bound; nor

(C) subject to satisfaction of the conditions in clause 2.1.1, result in a breach of any applicable laws or regulations or of any order, decree or judgment of any court or any governmental or regulatory authority in any jurisdiction.

## **8. MISCELLANEOUS**

8.1 So far as it remains to be performed this Agreement shall continue in full force and effect notwithstanding Completion.

8.2 Each party shall at all times keep confidential and not directly or indirectly make or allow any disclosure or use to be made of any information in its possession relating to any other party or to the existence or subject matter of this Agreement, except to the extent required by law or any regulatory body, or with the consent of the relevant party (which consent shall not be unreasonably withheld). Any information, announcement or circular required to be disclosed or issued by law or any regulatory body (including the Stock Exchange and the Securities and Futures Commission) shall only be disclosed or issued after consultation with the other party and after taking into account the reasonable requirements of the other party as to the contents of such announcement or circular.

8.3 Except as otherwise expressly provided in this Agreement, all costs and expenses incurred in connection with this Agreement and the transactions contemplated hereby shall be paid by the party incurring such costs or expenses. All stamp duty in respect of the Excess Shares shall be borne Lenovo.

- 8.4 Neither this Agreement nor any rights or obligations hereunder may be assigned or otherwise transferred by any party (including by operation of law) without the prior written consent of the other parties thereto, and any assignment or transfer without such consent shall be null and void and of no effect. Subject to the preceding sentence, this Agreement will be binding upon, inure to the benefit of and be enforceable by, the parties and their respective successors or assigns.
- 8.5 This Agreement is for the sole benefit of the parties hereto and their permitted assigns and nothing herein expressed or implied shall give or be construed to give to any person, other than the parties hereto and such permitted assigns, any legal or equitable rights hereunder, whether as third party beneficiaries or otherwise.
- 8.6 No amendment to this Agreement shall be effective unless it shall be in writing and signed by each party hereto, it shall specifically reference this clause 4 and it shall expressly provide that this Agreement is being amended. The parties agree that no amendment to this Agreement shall be effective unless it shall have been approved by each of the parties hereto.
- 8.7 No failure or delay of any party in exercising any right or remedy under this Agreement shall operate as a waiver, nor shall any single or partial exercise of any such right or power, or any abandonment or discontinuance of steps to enforce such a right or power, preclude any other or further exercise thereof or the exercise of any other right or power.
- 8.8 The headings contained in this Agreement or in any schedule hereto and in the table of contents to this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement. Any matter set forth in any provision, subprovision, section or subsection of any schedule shall, unless the context otherwise manifestly requires, be deemed set forth for all purposes of the schedules. All schedules referred to in this Agreement are hereby incorporated in and made a part of this Agreement as if set forth in full herein. Any capitalized terms used in any schedule but not otherwise defined therein has the meaning specified in this Agreement. When a reference is made in the Agreement to clause or sub-clause, such reference shall be to a clause, sub-clause of, this Agreement unless otherwise indicated. For all purposes under this Agreement, (a) definitions of terms herein shall apply equally to the singular and plural forms of the terms defined; and (b) whenever the context may require, any pronoun shall include the corresponding masculine, feminine and neuter forms.
- 8.9 This Agreement may be executed in one or more counterparts, each of which shall be an original and all of which, when taken together, shall be considered one and the same agreement, and shall become effective when one or more such counterparts have been signed by each of the parties and delivered to the other parties. Each party to this Agreement need not sign the same counterpart. Delivery of an executed counterpart of a signature page to this Agreement by facsimile transmission shall be effective as delivery of a manually executed counterpart of this Agreement.

8.10 If any provision of this Agreement or the application of any such provision to any person or circumstance shall be held invalid, illegal or unenforceable in any respect by a court of competent jurisdiction, such invalidity, illegality or unenforceability shall not affect any other provision thereof. Upon such determination that any term or other provision of this Agreement is invalid, illegal or unenforceable, the parties shall negotiate in good faith to modify the Agreement so as to effect the original intent of the parties as closely as possible in an acceptable manner to the end that transactions contemplated hereby are fulfilled to the extent possible.

8.11 The parties have participated jointly in the negotiating and drafting of this Agreement. If an ambiguity or a question of intent or interpretation arises, this Agreement shall be construed as if drafted jointly by the parties, and no presumption or burden of proof shall arise favoring or disfavoring any party by virtue of the authorship of any provisions of this Agreement. This Agreement is in the English language only, which shall be controlling in all respects. No translation, if any, of this Agreement into any other language shall be of any force or effect in the interpretation of this Agreement or in a determination of the intent of either party hereto.

## 9. NOTICES

9.1 All notices or other communications required or permitted to be given under this Agreement shall be in writing and shall be delivered by hand or sent by facsimile or sent, postage prepaid, by registered, certified or express mail or reputable overnight courier service and shall be deemed given when so delivered by hand or facsimile, or if mailed, seven days after mailing (four business days in the case of express mail or overnight courier service), as follows (or at such other address for a party as shall be specified by notice given in accordance with this clause 9.1):

(i) if to IBM:

International Business Machines Corporation  
New Orchard Road  
Armonk, New York 10504  
U.S.A.

Attention: David L. Johnson, Vice President, Corporate Development  
Facsimile: +1 (914) 499-7803  
and

Attention: Gregory C. Bomberger, Esq.  
Facsimile: +1 (914) 499-6006

With a copy (which shall not constitute notice) to:

Cravath, Swaine & Moore LLP  
825 Eighth Avenue  
New York, New York 10019  
U.S.A.

Attention: James C. Woolery  
Facsimile: +1 (212) 474-3700

(ii) if to Lenovo:

Lenovo Group Limited  
23/F Lincoln House  
Taikoo Place, 979 King's Road  
Quarry Bay, Hong Kong

Attention: Joanna Look, Company Secretary  
Telecopy No.: +852 2516 5384

## **10. GOVERNING LAW AND JURISDICTION**

10.1 Each party to this Agreement irrevocably submits to the exclusive jurisdiction of (i) the Supreme Court of the State of New York, New York County, and (ii) the United States District Court for the Southern District of New York, for the purposes of any suit, action or other proceeding arising out of this Agreement or any transaction contemplated thereby (and each agrees that no such action, suit or proceeding relating to this Agreement shall be brought by it or any of its affiliates except in such courts). Each party to this Agreement further agrees that service of any process, summons, notice or document by U.S. registered mail to such person's respective address set forth in clause 9.1 of this Agreement be effective service of process for any action, suit or proceeding in New York with respect to any matters to which it has submitted to jurisdiction as set forth above in the immediately preceding sentence. Each party to this Agreement irrevocably and unconditionally waives (and agrees not to plead or claim), and, to the extent applicable any objection to the laying of venue of any action, suit or proceeding arising out of this Agreement or the transactions contemplated thereby in (i) the Supreme Court of the State of New York, New York County or (ii) the United States District Court for the Southern District of New York or that any such action, suit or proceeding brought in any such court has been brought in an inconvenient forum.

10.2 This agreement shall be governed by, and construed in accordance with, the internal laws of the State of New York applicable to agreements made and to be performed entirely within such state.

10.3 Each party to this Agreement hereby waives to the fullest extent permitted by applicable law, any right it may have to a trial by jury in respect of any litigation directly or indirectly arising out of, under or in connection with any of this Agreement. Each party to this Agreement (i) certifies that no representative of any other party has represented, expressly or otherwise, that such other party would not, in the event of litigation, seek to enforce the foregoing waiver and (ii) acknowledges that it and the other parties thereto have been induced to enter into this Agreement by, among other things, the mutual waivers and certifications in this clause 10.3.

**IN WITNESS** of which the parties have executed this Agreement on the date first mentioned above.

**LENOVO GROUP LIMITED**

By

Name: Anders Cheung

Title: Vice President

**INTERNATIONAL BUSINESS MACHINES CORPORATION**

By

Name: Gregory C. Bomberger

Title: Associate General Counsel