
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Lenovo Group Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser or the transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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lenovo 联想

Lenovo Group Limited 联想集团有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 0992)

CONTINUING CONNECTED TRANSACTIONS

**Independent Financial Adviser to the Independent Board Committee
and the Independent Shareholders**

MIZUHO

Mizuho Securities Asia Limited

A letter from the Board is set out on pages 7 to 32 of this circular. A letter from the Independent Board Committee is set out on page 33 of this circular. A letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 34 to 73 of this circular.

Ordinary resolution will be proposed at the EGM of Lenovo Group Limited to be held on Friday, 27 May 2011 at 9:00 a.m. at Victoria & Chater Room, 2/F., Mandarin Oriental, Hong Kong, 5 Connaught Road, Central, Hong Kong to approve the matters referred to in this circular. The notice convening the EGM is set out on pages 79 to 80 of this circular. A form of proxy for use at the EGM is enclosed with this circular. Whether or not you are able to attend the meeting, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return it to Tricor Abacus Ltd., the Company's share registrar in Hong Kong, at 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for holding the EGM. Completion and return of the accompanying form of proxy will not preclude you from attending and voting at the EGM should you so wish.

11 May 2011

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DEFINITIONS

In this circular, the following expressions have the following meanings unless the context requires otherwise:

“%”	per cent.;
“Affiliate”	any direct or indirect subsidiary or parent company of a company and any direct or indirect subsidiary of any such parent company, in each case from time to time;
“Announcement”	the announcement made by the Company dated 27 January 2011 in relation to the Business Combination Agreement and the Shareholders’ Agreement;
“associate”	has the meaning ascribed to it in the Listing Rules;
“Board”	the board of Directors of the Company;
“Business Combination Agreement”	the business combination agreement entered into between the Company, Lenovo BV, NEC and NECP dated 27 January 2011;
“Call Option”	the call option granted by NEC under the Business Combination Agreement pursuant to which Lenovo BV is entitled to require that NEC sells to Lenovo BV the shares in NEC Newco held by NEC;
“CCT Agreements”	the Transitional Services Agreement, the NEC Patent Licence Agreement, the NEISC Agreement, the NEC Newco Brand Licence Agreement, the NEC Fielding Agreement, the NEC Mobilising Agreement and the Supply Agreement;
“CCT Announcement”	the announcement made by the Company dated 21 April 2011 in relation to the CCT Agreements;
“Closing”	completion of the transfer of NEC Newco and LenovoJ to JVCo by NEC and Lenovo BV respectively, and certain ancillary transactions, in accordance with the Business Combination Agreement;
“Closing Date”	the date on which Closing will occur, which is currently anticipated to be on or around 1 July 2011;

DEFINITIONS

“Company”	Lenovo Group Limited, a company incorporated on 5 October 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;
“connected person”	has the meaning ascribed to it in the Listing Rules;
“Demerger”	a Japanese law incorporation-type demerger (<i>shinsetsu bunkatsu</i>) of NECP’s existing personal computer business in Japan and the transfer of other assets related to such business from other members of the NEC Group, to NEC Newco, further details of which are set out in the Announcement;
“Director(s)”	the director(s) of the Company;
“EGM”	the extraordinary general meeting of the Company to be convened for the purpose of considering and, if thought fit, approving the CCT Agreements;
“Existing Agreements”	the service agreements entered into between members of the NEC Group with respect to NEC’s personal computer business in Japan;
“Financial Year”	means a financial period of the Company (commencing on 1 April and ending on 31 March);
“General Mandate”	the general mandate which was granted to the Directors pursuant to an ordinary resolution passed at the Company’s annual general meeting on 30 July 2010 to issue and allot up to 1,958,644,056 Shares, representing 20% of the aggregate nominal amount of the share capital of the Company in issue on the date thereof;
“Group”	the Company and its Affiliates from time to time;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;

DEFINITIONS

“Independent Board Committee”	the independent board committee of the Company comprising the independent non-executive Directors of the Company, Professor Woo Chia-Wei, Mr. Ting Lee Sen, Dr. Tian Suning and Mr. Nicholas C. Allen;
“Independent Financial Adviser”	Mizuho Securities Asia Limited, the independent financial adviser appointed by the Company to advise the Independent Board Committee and Independent Shareholders in respect of the CCT Agreements and the transactions contemplated thereunder. Mizuho Securities Asia Limited is a licensed corporation under the SFO, licensed to carry out Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), Type 5 (advising on futures contracts), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities;
“Independent Shareholders”	any shareholder of the Company that will not be required under the Listing Rules to abstain from voting at the EGM;
“Joint Venture Period”	the period from the Closing Date until the date on which NEC no longer holds any shares in JVCo;
“JPY”	Japanese Yen, the lawful currency of Japan;
“JVCo”	a company incorporated under the laws of The Netherlands to act as a holding company for NEC Newco and LenovoJ in accordance with the Business Combination Agreement;
“JVCo Group”	JVCo and its Affiliates from time to time;
“Latest Practicable Date”	4 May 2011, being the latest practicable date prior to the publication of this circular for ascertaining certain information contained herein;
“Lenovo BV”	Lenovo (International) B.V., a wholly-owned subsidiary of the Company incorporated under the laws of The Netherlands;
“LenovoJ”	Lenovo (Japan) Ltd., a wholly-owned subsidiary of Lenovo BV incorporated under the laws of Japan;

DEFINITIONS

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“NEC”	NEC Corporation, a company incorporated under the laws of Japan (TSE: 6701);
“NEC China”	NEC (China) Co., Ltd, a subsidiary of NEC incorporated under the laws of People’s Republic of China;
“NEC Fielding”	NEC Fielding, Ltd. a subsidiary of NEC incorporated under the laws of Japan;
“NEC Fielding Agreement”	the agreement for the supply of services between NEC Fielding and NECP dated 15 January 2004, the rights and obligations of NECP of which will be transferred to NEC Newco under the Demerger;
“NEC Fielding MOU”	the memorandum of understanding between NEC Fielding and NECP dated 31 March 2011 in respect of the details of the services to be provided under the NEC Fielding Agreement;
“NEC Group”	NEC and its Affiliates (which, for the avoidance of doubt, includes NECP) from time to time;
“NEC JVCo Brand Licence Agreement”	the brand licence agreement between NEC and JVCo proposed to be entered into at or prior to Closing;
“NEC LenovoJ Brand Licence Agreement”	the brand licence agreement between NEC and LenovoJ proposed to be entered into at or prior to Closing;
“NEC Mobiling”	NEC Mobiling, Ltd. an associate of NEC incorporated under the laws of Japan;
“NEC Mobiling Agreement”	the agreement for the supply of services between NEC Mobiling and NECP dated 1 April 1995, the rights and obligations of NECP of which will be transferred to NEC Newco under the Demerger;
“NEC Newco”	a company to be incorporated under the laws of Japan with the name of “NEC Personal Computers, Ltd.”;
“NEC Newco Brand Licence Agreement”	the brand licence agreement between NEC and NEC Newco proposed to be entered into at or prior to Closing;

DEFINITIONS

“NEC Newco Licensed Products”	certain products and/or services of NEC’s personal computer business in Japan bearing the “NEC” brand and subject to the brand licensing arrangements under the NEC Newco Brand Licence Agreement;
“NEC Patent Licence Agreement”	the patent licence agreement between NEC and NEC Newco proposed to be entered at or prior to Closing;
“NECP”	NEC Personal Products, Ltd., a wholly-owned subsidiary of NEC incorporated under the laws of Japan;
“NESIC”	NEC Networks & System Integration Corporation, an associate of NEC incorporated under the laws of Japan;
“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 18 August 2003, the rights and obligations of NECP of which will be transferred to NEC Newco under the Demerger;
“PRC”	the People’s Republic of China;
“Products”	certain “NEC” branded personal computer products to be supplied to NEC under the Supply Agreement;
“Put Option”	the put option granted by Lenovo BV under the Business Combination Agreement pursuant to which NEC is entitled to require that Lenovo BV purchase the shares in NEC Newco held by NEC;
“Resolution”	the ordinary resolution to approve the CCT Agreements, the fixing of the annual caps and the transactions contemplated thereunder at the EGM;
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
“Share(s)”	the ordinary share(s) of HK\$0.025 each in the share capital of the Company;
“Shareholders’ Agreement”	the shareholders’ agreement entered into between NEC and Lenovo BV in respect of JVCo dated 27 January 2011;

DEFINITIONS

“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“substantial shareholder”	has the meaning ascribed to it in the Listing Rules;
“Supply Agreement”	the supply agreement conditionally entered into between NEC and NECP on 28 February 2011, the rights and obligations of NECP of which will be transferred to NEC Newco under the Demerger;
“Transitional Services Agreement”	the transitional services agreement between the Company and NEC proposed to be entered into at or prior to Closing; and
“US\$”	United States dollars, the lawful currency of the United States of America

The translation of Japanese yen into United States dollars is based on the exchange rate of JPY1.00 to US\$0.0121 for information purposes only. Such translations 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.

LETTER FROM THE BOARD

lenovo 联想

Lenovo Group Limited 联想集团有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 0992)

Chairman and non-executive Director:

Mr. Liu Chuanzhi

Executive Director:

Mr. Yang Yuanqing

Non-executive Directors:

Mr. Zhu Linan

Ms. Ma Xuezheng

Mr. James G. Coulter

Mr. William O. Grabe

Dr. Wu Yibing

Independent Non-executive Directors:

Professor Woo Chia-Wei

Mr. Ting Lee Sen

Dr. Tian Suning

Mr. Nicholas C. Allen

Registered Office:

23rd Floor

Lincoln House

Taikoo Place

979 King's Road

Quarry Bay

Hong Kong

11 May 2011

To the Shareholders,

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTIONS

I INTRODUCTION

Reference is made to (1) the Announcement made by the Company on 27 January 2011 which disclosed the entry by the Company into the Business Combination Agreement with, amongst others, NEC and (2) the CCT Announcement published on April 21, 2011 in relation to the CCT Agreements entered into or to be entered into between the Company, JVCo or other members of the JVCo Group with NEC or other members of the NEC Group.

Pursuant to the Business Combination Agreement, the Company and NEC agreed to establish JVCo as a joint venture company to own and operate their respective personal computer businesses in Japan. On 27 January 2011, the Company's wholly-owned subsidiary, Lenovo BV, and NEC also entered into the Shareholders' Agreement, which governs the relationship between Lenovo BV and NEC as shareholders of JVCo.

LETTER FROM THE BOARD

Pursuant to the Business Combination Agreement, the parties agreed, amongst other things, that the Company and NEC will transfer their respective existing personal computer businesses in Japan to JVCo in consideration for a combination of the payment by the Company to NEC of cash, and the issue to NEC of 281,129,381 Shares (which will be issued to NEC on Closing pursuant to the General Mandate). Immediately following Closing, the Company (through Lenovo BV) will own 51% of the issued share capital of JVCo and NEC will own 49% of the issued share capital of JVCo and accordingly NEC (and its associates) will become connected persons of the Company.

At or prior to Closing under the Business Combination Agreement, NEC or other members of the NEC Group are obliged to enter into the CCT Agreements with the Company, JVCo or other members of the JVCo Group in respect of the provision of certain services and products to or by the JVCo Group to facilitate the operation of its personal computer business in Japan.

As NEC (and its associates) will become connected persons of the Company from Closing, the transactions contemplated under the CCT Agreements will constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules and all of the CCT Agreements, the continuing connected transactions contemplated thereunder and their respective caps are subject to the approval by the Independent Shareholders of the Company at the EGM.

The following CCT Agreements have been entered into:

- (i) the Supply Agreement between NEC and NECP, which was entered into on 28 February 2011;
- (ii) the NEC Fielding Agreement between NECP and NEC Fielding Ltd., which was entered into on 15 January 2004;
- (iii) the NEC Mobiling Agreement between NECP and NEC Mobiling Ltd. which was entered into on 1 April 1995; and
- (iv) the NESIC Agreement between NECP and NESIC, which was entered into on 18 August 2003.

The following CCT Agreements are now in agreed form and it is anticipated, subject to the prior approval of the Independent Shareholders, will be entered into on or prior to the Closing Date:

- (i) the Transitional Services Agreement between NEC and the Company;
- (ii) the NEC Patent Licence Agreement between NEC and NEC Newco; and
- (iii) the NEC Newco Brand Licence Agreement between NEC and NEC Newco.

LETTER FROM THE BOARD

On the date of the Demerger, all of NECP's rights and obligations under the CCT Agreements to which it is a party will be transferred by operation of Japanese law to NEC Newco. At Closing under the Business Contribution Agreement, NEC will transfer the entire issued share capital of NEC Newco to JVCo so that NEC Newco becomes a wholly-owned subsidiary of JVCo.

Given that on an aggregated basis one or more of the relevant percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules exceeds 5% in relation to the transactions contemplated under the CCT Agreements and the annual consideration under the CCT Agreements will be over HK\$10 million, such transactions will constitute non-exempt continuing connected transactions for the Company under Chapter 14A of the Listing Rules and are therefore subject to the reporting, announcement and Independent Shareholders' approval requirements under the Listing Rules.

The following agreements are also now in substantially agreed form and it is anticipated will be entered into on or prior to the Closing Date:

- (i) the NEC JVCo Brand Licence Agreement between NEC and JVCo; and
- (ii) the NEC LenovoJ Brand Licence Agreement between NEC and LenovoJ.

The Directors consider the terms of these agreements to be on normal commercial terms and whilst they do constitute continuing connected transactions under the Listing Rules, since no monetary consideration is payable under them, they fall within the de minimus exemption under Rule 14A.33(3) of the Listing Rules.

It is proposed that the term for each of the CCT Agreements will be five years. The Company believes that the entry into the CCT Agreements constitutes special circumstances for the purposes of Rule 14A.35(1), where the nature of the transactions contemplated and the context within which such transactions are being entered into requires the CCT Agreements to have a term in excess of three years for the following reasons:

- (i) under the Business Combination Agreement, Lenovo BV has granted NEC the Put Option and NEC has granted Lenovo BV the Call Option in each case in respect of the 49% interest in JVCo which will be held by NEC from Closing. The Put Option and the Call Option are exercisable from the fifth anniversary of Closing. The CCT Agreements are therefore designed to be aligned with the expected term of the joint venture and will come to an end at the time it is anticipated that NEC may cease to be interested in the JVCo business. A shorter term could potentially have a significant impact on the operation of the JVCo and would be inconsistent with the proposal that the joint venture be operated for at least five years;
- (ii) the Supply Agreement is a core component of the commercial arrangements agreed between NEC and the Company for the anticipated five year lifetime of the joint venture arrangement. The termination of this arrangement after three years would be potentially prejudicial to the Company's and/or NEC's interests;

LETTER FROM THE BOARD

- (iii) certain of the services to be provided under the Transitional Services Agreement relate to facilities and equipment which will be leased from NEC. As such, NEC is uniquely positioned to provide the services associated with these facilities and equipment and it would be difficult for the Company to seek similar services from a third party; and
- (iv) a five year term (or longer) is consistent with industry practice for transitional services arrangements of the type to be provided under the CCT Agreements.

Your attention is drawn to the section of the letter from the Independent Financial Adviser headed “Tenor of the CCT Agreements” and the explanation from the Independent Financial Adviser as to why a five year term is required and confirmation that a five year term is normal business practice for contracts of this type.

The Company has aligned the periods of the annual caps for each of the CCT Agreements with the Financial Year which will minimise the time and cost involved with the ongoing reporting requirements in relation to the CCT Agreements under the Listing Rules. The underlying annual cap amounts described in the CCT Announcement have not been adjusted, other than to reflect the relevant pro rata values in respect of part of the first and sixth Financial Years in order to provide the relevant cap for each part and full Financial Year for the period commencing on the Closing Date and ending on the fifth anniversary of the Closing Date.

The purpose of this circular is to (i) provide you with further information in relation to the CCT Agreements and the transaction contemplated thereunder; (ii) to set out the letter of advice from the Independent Financial Adviser to the Independent Board Committee and Independent Shareholders and the recommendation and opinion of the Independent Board Committee as advised by the Independent Financial Adviser in relation to the CCT Agreements; and (iii) to give you notice of the EGM to consider and, if thought fit, to approve, amongst other things, the CCT Agreements and their respective annual caps.

II CONTINUING CONNECTED TRANSACTIONS

SUPPLY AGREEMENT

Set out below is a summary of the material terms of the Supply Agreement:

Date

28 February 2011

Parties

1. NEC; and
2. NECP (whose rights and obligations will be transferred to NEC Newco under the Demerger, as described below).

LETTER FROM THE BOARD

Term

The Supply Agreement was conditionally entered into on 28 February 2011 but will not take effect until the date of the Demerger. On the date of the Demerger, all of NECP's rights and obligations under the Supply Agreement will be transferred by operation of Japanese law to NEC Newco. Accordingly, the term of the Supply Agreement will commence on and from the date of the Demerger and will continue until the earlier of the final date of the Joint Venture Period and the fifth anniversary of the Closing Date. The transactions under the Supply Agreement will only become continuing connected transactions from the Closing Date and therefore the maximum term of the continuing connected transactions under the Supply Agreement is five years.

Further, subject to compliance with the Listing Rules (if applicable) at the relevant time (including obtaining the prior approval of the Independent Shareholders, if required), the term of the Supply Agreement will be automatically renewed for an additional year unless either party gives notice to the other of its intention to terminate the Supply Agreement six months prior to expiry of the term.

Material Terms

The Supply Agreement was initially entered into between NEC and NECP. On the Demerger, NECP's rights and obligations under the Supply Agreement will be transferred to NEC Newco. At Closing under the Business Combination Agreement, NEC will transfer the entire issued share capital of NEC Newco to JVCo so that NEC Newco becomes a wholly-owned subsidiary of JVCo. The material terms of the Supply Agreement following Closing are as follows:

- (a) **Scope:** NEC must submit quarterly orders for Products to NEC Newco. Based on those orders, the parties will determine the details (including quantity, unit price, quality level and delivery arrangements and other terms and conditions) of the Products delivered to NEC and conclude an individual agreement for each specific order;
- (b) **Pricing of Products:** NEC and NEC Newco shall discuss in good faith and agree on an arms' length basis the price of Products every quarter. The standard pricing of Products shall be a specified discount to the prospective average sales price of the Product sold by NEC for the relevant quarter, determined with reference to: (i) the change in the average sales price of the Product in the same quarter of the previous year; (ii) the change in the average sales price of personal computer products equivalent to the Product in the Japanese market with respect to the same quarter of the preceding year; (iii) the change in the average sales prices in the immediately preceding quarter; and (iv) the expected number of units of the Products for the relevant quarter required by NEC;
- (c) **Payment:** NEC must pay for the Products on the thirty-fifth day after the last day of the month it has received the Products. The Supply Agreement also includes customary procedures for the delivery, inspection, acceptance and (if relevant) rejection of Products;

LETTER FROM THE BOARD

- (d) **Liability:** the Supply Agreement includes customary terms providing that NEC Newco is liable for defects such as insufficient quality or quantity, or deterioration of the Products, as well as product liability caused by defective Products;
- (e) **No outsourcing:** NEC Newco may not engage a third party to perform its obligations under the Supply Agreement in whole or in part without obtaining the prior written consent of NEC; and
- (f) **Termination:** each party may terminate all or any part of the Supply Agreement or any individual agreement in relation to an order of Products immediately if (i) the other party breaches any of the provisions of the Supply Agreement (or an individual agreement for a supply of Products); and (ii) such breach constitutes a material breach for the purposes of the Business Combination Agreement.

Annual Caps

The Company expects that the maximum aggregate annual value in respect of the sales of Products under the Supply Agreement for each of the Financial Years following Closing to be JPY65,018 million (US\$786,717,800), for the remainder of the Financial Year ending 31 March 2012 following the Closing Date, JPY88,132 million (US\$1,066,397,200), JPY89,650 million (US\$1,084,765,000), JPY91,179 million (US\$1,103,265,900), JPY92,719 million (US\$1,121,899,900), for the four Financial Years ending 31 March 2013, 2014, 2015 and 2016, and JPY23,180 million (US\$280,478,000), for the part of the Financial Year commencing on 1 April 2016 and ending on the fifth anniversary of the Closing Date, respectively.

The above estimated annual caps have been determined with reference to, amongst other things, the historical charges (as noted out below) paid for the products, estimated future business volume to the extent that some services may vary based on volume, plus a 10% contingency to account for any uncertainties and additional charges.

For the Financial Year ended 31 March 2011, the unaudited estimated charges in relation to equivalent transaction between NECP and NEC (NECP's supply of "NEC" branded personal computers to NEC) were JPY77,550 million (US\$938,355,000).

NEC FIELDING AGREEMENT

Set out below is a summary of the material terms of the NEC Fielding Agreement:

Date

15 January 2004

Parties

1. NEC Fielding Ltd.; and
2. NECP (whose rights and obligations will be transferred to NEC Newco under the Demerger, as described below).

LETTER FROM THE BOARD

Term

The initial term of the NEC Fielding Agreement commenced on 1 November 2003 and ended on 31 March 2004, subsequent to which the term of the NEC Fielding Agreement is automatically renewed for additional one year terms unless either party gives notice to the other of its intention to terminate the NEC Fielding Agreement one month prior to expiry of the then current term. On the date of the Demerger, all of NECP's rights and obligations under the NEC Fielding Agreement will be transferred by operation of Japanese law to NEC Newco. The transactions under the NEC Fielding Agreement will subsequently become continuing connected transactions from the Closing Date when NEC transfers the entire issued share capital of NEC Newco to JVCo. Any renewal of the term of the NEC Fielding Agreement which would result in the NEC Fielding Agreement terminating after the fifth anniversary of the Closing Date will be subject to compliance with the Listing Rules (if applicable) at the relevant time (including obtaining the prior approval of the Independent Shareholders, if required).

Material Terms

Under the NEC Fielding Agreement, NEC Fielding agrees to provide NECP with maintenance and other ancillary services for certain equipment sold by NECP. The material terms of the NEC Fielding Agreement are as follows (references below to NECP will apply to NEC Newco following the Demerger):

- (a) **Scope:** NEC Fielding agrees to provide maintenance and other services under the NEC Fielding Agreement for the following products: (i) computer equipment and other ancillary equipment and facilities that are sold or leased by NECP; and (ii) computer equipment, communication facilities, network facilities and other ancillary equipment and facilities that are used by NECP;
- (b) **Services:** NEC Fielding agrees to provide the following services in relation to the subject products under the NEC Fielding Agreement: (i) maintenance and other ancillary services; (ii) onsite adjustment and other ancillary services; (iii) alteration and other ancillary services; (iv) training and other ancillary services to dealers designated by NECP; and (v) other services separately agreed by the parties in writing;
- (c) **Service fees:** service fees under the NEC Fielding Agreement are separately agreed in writing between the parties. From Closing, NEC Newco shall ensure that all service fees shall be agreed on an arm's length basis and on terms which are no less favourable to NEC Newco than those available from independent third parties;
- (d) **Liability:** the NEC Fielding Agreement includes a term providing that NEC Fielding is liable for any complaint or claim brought by end customers against NECP or NEC Fielding in relation to the services provided under the NEC Fielding Agreement other than those that are attributable to NECP;
- (e) **No outsourcing:** NEC Fielding may not engage a third party to perform its obligations under the NEC Fielding Agreement in whole or in part without obtaining the prior written consent of NECP; and

LETTER FROM THE BOARD

- (f) **Termination:** each party may immediately terminate all or any part of the NEC Fielding Agreement or any individual agreement thereunder on the occurrence of certain specified trigger events, including, inter alia: (i) if the other party breaches any of the provisions of the NEC Fielding Agreement or an individual agreement thereunder and the breach remains unremedied for a 30 day period; or (ii) certain insolvency events in relation to the other party.

In relation to the NEC Fielding Agreement, NECP and NEC Fielding signed the NEC Fielding MOU on 31 March 2011. The material terms of the NEC Fielding MOU are as follows:

- (a) **Scope:** NEC Fielding agrees to provide maintenance and other services for personal computers for business users; and
- (b) **Services:** NEC Fielding agrees to provide the following services for personal computers for business users: (i) repair services in accordance with product guarantees; (ii) troubleshooting call centre services; (iii) components delivery services; and (iv) maintenance and repair services for certain products.

Annual Caps

The Company expects that the maximum aggregate annual value in respect of the services supplied under the NEC Fielding Agreement for each of the Financial Years following Closing to be JPY2,665 million (US\$32,246,500), for the remainder of the Financial Year ending 31 March 2012 following the Closing Date, JPY3,553 million (US\$42,991,300), JPY3,553 million (US\$42,991,300), JPY3,553 million (US\$42,991,300), JPY3,553 million (US\$42,991,300) for the four Financial Years ending 31 March 2013, 2014, 2015 and 2016 and JPY888 million (US\$10,744,800), for the part of the Financial Year commencing on 1 April 2016 and ending on the fifth anniversary of the Closing Date, respectively.

The above estimated annual caps have been determined with reference to, amongst other things, the historical charges (as noted out below) paid for the services, plus a 10% contingency to account for any uncertainties and additional charges.

For the Financial Year ended 31 March 2011, the unaudited estimated charges in relation to the NEC Fielding Agreement were JPY3,230 million (US\$39,083,000).

LETTER FROM THE BOARD

NEC MOBILING AGREEMENT

Set out below is a summary of the material terms of the NEC Mobiling Agreement:

Date

1 April 1995

Parties

1. NEC Mobiling, Ltd.; and
2. NECP (whose rights and obligations will be transferred to NEC Newco under the Demerger, as described below).

Term

The initial term of the NEC Mobiling Agreement is one year from the date of the agreement, subsequent to which the term of the NEC Mobiling Agreement is automatically renewed for additional one year terms unless either party gives notice to the other of its intention to terminate the NEC Mobiling Agreement one month prior to expiry of the then current term. On the date of the Demerger, all of NECP's rights and obligations under the NEC Mobiling Agreement will be transferred by operation of Japanese law to NEC Newco. The transactions under the NEC Mobiling Agreement will subsequently become continuing connected transactions from the Closing Date when NEC transfers the entire issued share capital of NEC Newco to JVCo. Any renewal of the term of the NEC Mobiling Agreement which would result in the NEC Mobiling Agreement terminating after the fifth anniversary of the Closing Date will be subject to compliance with the Listing Rules (if applicable) at the relevant time (including obtaining the prior approval of the Independent Shareholders, if required).

Material Terms

Under the NEC Mobiling Agreement, NEC Mobiling agrees to purchase from NECP products such as personal computers and peripheral devices, word processors, telecommunication devices such as facsimiles and phones, electric appliances (including game machines) and other relevant products. The material terms of the NEC Mobiling Agreement are as follows (references to NECP below will apply to NEC Newco following the Demerger):

- (a) **Purpose:** NEC Mobiling shall purchase the products from NECP and shall sell such products to customers as a dealer of NECP;
- (b) **Individual agreements:** detailed 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. From Closing, NEC Newco shall ensure that all service fees shall be agreed on an arm's length basis and on terms which are no less favourable to NEC Newco than those available from independent third parties;

LETTER FROM THE BOARD

- (c) **Risk of loss:** NEC Mobiling agrees that it shall bear any and all costs in relation to loss, damage, shortage of quantity and deterioration of quality of the products after the delivery of such products by NECP to NEC Mobiling; and
- (d) **Termination:** NECP may immediately terminate all or any part of the NEC Mobiling Agreement or any individual agreement thereunder on the occurrence of certain specified trigger events, including, inter alia: (i) breach by NEC Mobiling of certain provisions of the NEC Mobiling Agreement or any individual agreement thereunder; (ii) certain insolvency events in relation to NEC Mobiling; and (iii) non-compliance with relevant laws and regulations by NEC Mobiling in relation to its performance of the NEC Mobiling Agreement or any individual agreement thereunder.

Annual Caps

The Company expects that the maximum aggregate annual value in respect of the products supplied under the NEC Mobiling Agreement for each of the Financial Years following Closing to be JPY50 million (US\$605,000), for the remainder of the Financial Year ending 31 March 2012 following the Closing Date, JPY66 million (US\$798,600), JPY66 million (US\$798,600), JPY66 million (US\$798,600), JPY66 million (US\$798,600) for the four Financial Years ending 31 March 2013, 2014, 2015 and 2016 and JPY16 million (US\$193,600), for the part of the Financial Year commencing on 1 April 2016 and ending on the fifth anniversary of the Closing Date, respectively.

The above estimated annual caps have been determined with reference to, amongst other things, the historical charges (as noted out below) paid for the products, plus a 10% contingency to account for any uncertainties and additional charges.

For the Financial Year ended 31 March 2011, the unaudited estimated charges in relation to the NEC Mobiling Agreement were JPY60 million (US\$726,000).

NESIC AGREEMENT

Set out below is a summary of the material terms of the NESIC Agreement:

Date

18 August 2003

Parties

1. NESIC; and
2. NECP (whose rights and obligations will be transferred to NEC Newco under the Demerger, as described below).

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Term

The initial term of the NESIC Agreement started on 18 August 2003 and ended on 31 March 2004, subsequent to which the term of the NESIC Agreement is automatically renewed for additional one year terms unless either party gives notice to the other of its intention to terminate the NESIC Agreement three months prior to expiry of the then current term. On the date of the Demerger, all of NECP's rights and obligations under the NESIC Agreement will be transferred by operation of Japanese law to NEC Newco. The transactions under the NESIC Agreement will subsequently become continuing connected transactions from the Closing Date when NEC transfers the entire issued share capital of NEC Newco to JVCo. Any renewal of the term of the NESIC Agreement which would result in the NESIC Agreement terminating after the fifth anniversary of the Closing Date will be subject to compliance with the Listing Rules (if applicable) at the relevant time (including obtaining the prior approval of the Independent Shareholders, if required).

Material Terms

Under the NESIC Agreement, NESIC agrees to provide NECP with operation and maintenance services for intranet and other internal communication systems of NECP. The material terms of the NESIC Agreement are as follows (references to NECP below will apply to NEC Newco following the Demerger):

- (a) **Individual agreements:** detailed 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. From Closing, NEC Newco shall ensure that all service fees shall be agreed on an arm's length basis and on terms which are no less favourable to NEC Newco than those available from independent third parties;
- (b) **Liability:** the NESIC Agreement includes customary terms providing that NESIC is liable for defects such as insufficient quality or quantity, or deterioration of the products, as well as product liability caused by defective products;
- (c) **Outsourcing:** NESIC may not engage a third party to perform its obligations under the NESIC Agreement in whole or in part without obtaining the prior written consent of NECP; and
- (d) **Termination:** each party may immediately terminate all or any part of the NESIC Agreement or any individual agreement thereunder on the occurrence of certain specified trigger events, including, inter alia: (i) if the other party breaches any of the provisions of the NESIC Agreement or any individual agreement thereunder; and (ii) certain insolvency events in relation to the other party.

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Annual Caps

The Company expects that the maximum aggregate annual value in respect of the services supplied under the NESIC Agreement for each of the Financial Years following Closing to be JPY58 million (US\$701,800), for the remainder of the Financial Year ending 31 March 2012 following the Closing Date, JPY77 million (US\$931,700), JPY77 million (US\$931,700), JPY77 million (US\$931,700), JPY77 million (US\$931,700) for the four Financial Years ending 31 March 2013, 2014, 2015 and 2016 and JPY 19 million (US\$229,900), for the part of the Financial Year commencing on 1 April 2016 and ending on the fifth anniversary of the Closing Date, respectively.

The above estimated annual caps have been determined with reference to, amongst other things, the historical charges (as noted out below) paid for the services, plus a 10% contingency to account for any uncertainties and additional charges.

For the Financial Year ended 31 March 2011, the unaudited estimated charges in relation to the NESIC Agreement were JPY70 million (US\$847,000).

TRANSITIONAL SERVICES AGREEMENT

Set out below is a summary of the Transitional Services Agreement:

Date

Subject to the prior approval of the Independent Shareholders of the Company at the EGM, the Transitional Services Agreement will be entered into at or prior to the Closing Date, taking effect from the Closing Date.

Parties

1. The Company; and
2. NEC.

Term

The term of the Transitional Services Agreement shall commence on the Closing Date and shall terminate upon the earlier to occur of: the fifth anniversary of the Closing Date, the last date on which either the Company or NEC is obligated to provide any service to the other in accordance with the terms of the Transitional Services Agreement; and (iii) the mutual written agreement of the Company and NEC to terminate the Transitional Services Agreement in its entirety.

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Provision of Services

Under the Transitional Services Agreement, NEC agrees to provide (or cause to be provided) certain enumerated services to JVCo, and the Company agrees to provide (or cause to be provided) certain enumerated services to NEC and its Affiliates. Such services shall be provided substantially in the same manner and on the same terms and at the same cost as the services provided between members of the NEC Group in respect of NEC's personal computer business in Japan prior to Closing, except as otherwise agreed between the Company and NEC in the Transitional Services Agreement.

The details of services to be provided under the Transitional Services Agreement are as follows:

Services to be provided by the NEC Group to JVCo

Categories of Services	Description of Services
Business Infrastructure Related Services	The provision of facility management services, including services provided at facilities leased from NEC and its Affiliates, including, but not limited to, (a) security management services, canteen operations and maintenance of equipment and machinery such as air conditioning systems, human resource outsourcing services including secondment and double assignment employee salary, bonus and retirement allowance coverage, and engineering business outsourcing services; (b) travel-related services, including booking and provision of transportation tickets and accommodation reservations; (c) provision of consumable goods, including use of a shared service centre and office supplies and other consumable office supply goods such as printing and copy machines and stationery; (d) patent application services, including printing and filing services; and (e) insurance arrangements, including coverage relating to overseas and domestic transportation insurance, travel insurance and E&O insurance.

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Development & Production Services	The provision of shipping services, including, but not limited to, (a) packing services, logistics operations for calendars and pocketbooks, import and export services, and domestic shipping services; (b) software development and evaluation services provided by NEC Affiliates; (c) specialty equipment leased from NEC Purchasing Service, Ltd.; (d) development, production and material purchase, including business outsourcing by NEC China and other NEC Affiliates, procurement support services, PC Centre usage fees and logistics support; and (e) supply of auxiliary material.
Sales Related Services	The provision of (a) domestic sales support services provided by NEC Affiliates; (b) sales tools, including but not limited to, catalogue production, demonstration software, streaming distribution usage fees and internet domain maintenance; (c) television advertising development; and (d) sales promotion services, including market research, direct mail and VAN service usage.
Maintenance & Support Services	The provision of (a) auxiliary materials for use in maintenance and support provided by NEC Affiliates, including cardboard boxes for storing documents; and (b) personal computer repair services.
Real Estate Services	The provision of office and manufacturing space subleases within the NEC Group and associated parking leases.
Information Technology Services	The provision of (a) IT facility management services provided by NEC and its Affiliates; (b) operational and maintenance services in respect of business systems; (c) IT infrastructure services; and (d) systems and software, including corporate comprehensive licenses for business software, floor usage of a data centre, usage of material procurement system and usage of accounting systems.

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Services to be provided by JVCo to the NEC Group

Categories of Services	Description of Services
Business Infrastructure Related Services	The provision of secondment and double assignment employee salary, bonus, and retirement allowance coverage to certain NEC affiliates.
Development & Production Services	The provision of OEM manufacturing services for tablet computers.
Sales Related Services	The provision of promotional and sales-related services provided by NEC Newco to NEC Affiliates.
Maintenance and Support Services	The provision of customer support services including, but not limited to, consignment, customer help support to NEC BIGLOBE (a subsidiary of NEC providing Internet Support Services to the public), services to NEC printer and other support services, computer repair and shipping services.
Real Estate Services	The provision of office and manufacturing space subleases within the NEC Group and associated parking leases.
Information Technology Services	The provision of system operation services, including, but not limited to, system development, information registration services and providing web information services regarding repair.

Material Terms

To the extent any services enumerated in the Transitional Services Agreement have been provided before Closing pursuant to an Existing Agreement, NEC and the Company shall procure that such services shall continue to be provided pursuant to the terms of such Existing Agreements. Notwithstanding the terms of such Existing Agreements, unless otherwise agreed between the Company and NEC, the services provided by the NEC Group to JVCo and the services provided by JVCo to the NEC Group will be provided as follows:

- (a) at the costs determined in accordance with the Transitional Services Agreement; such agreed costs shall be calculated on the same basis as they were prior to Closing and shall not be calculated in a manner which is less favourable to the provider and/or recipient of the services than the manner in which they were calculated prior to Closing;

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- (b) in a manner and to the level and quality of service determined in accordance with the Transitional Services Agreement; such agreed standards shall be comparable to those applicable prior to Closing; and
- (c) subject to term and termination provisions of the Transitional Services Agreement, as described above.

Either party receiving services under the Transitional Services Agreement may terminate the Transitional Services Agreement with respect to any service, in whole or in part, at any point after the first anniversary of signing of the Transitional Services Agreement on six months' notice.

Annual Caps

The Company expects that the maximum aggregate annual value in respect of each category of the services under the Transitional Services Agreement will be as follows.

The total annual fees for services provided to the JVCo Group by NEC Group Companies for each of the Financial Years following Closing are expected to be JPY23,793 million (US\$287,895,300), for the remainder of the Financial Year ending 31 March 2012 following the Closing Date, JPY32,351 million (US\$391,447,100), JPY32,791 million (US\$396,771,100), JPY33,220 million (US\$401,962,000), JPY33,660 million (US\$407,286,000) for the four Financial Years ending 31 March 2013, 2014, 2015 and 2016 and JPY8,415 million (US\$101,821,500), for the part of the Financial Year commencing on 1 April 2016 and ending on the fifth anniversary of the Closing Date, respectively.

For the Financial Year ended 31 March 2011, the unaudited estimated charges in relation to the equivalent services provided to NECP by NEC Group Companies were JPY28,073 million (US\$339,683,300).

The total annual fees for services provided to NEC Group Companies by the JVCo Group for each of the Financial Years following Closing are expected to be JPY7,070 million (US\$85,547,000), for the remainder of the Financial Year ending 31 March 2012 following the Closing Date, JPY9,504 million (US\$114,998,400), JPY9,592 million (US\$116,063,200), JPY9,691 million (US\$117,261,100), JPY9,790 million (US\$118,459,000) for the four Financial Years ending 31 March 2013, 2014, 2015 and 2016 and JPY2,448 million (US\$29,620,800), for the part of the Financial Year commencing on 1 April 2016 and ending on the fifth anniversary of the Closing Date, respectively.

For the Financial Year ended 31 March 2011, the unaudited estimated charges in relation to the equivalent services provided to NEC Group Companies by NECP were JPY8,350 million (US\$101,035,000).

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The above estimated annual caps have been determined with reference to, amongst other things, the historical charges (as noted out below) paid for the services, estimated future business volume to the extent that some services may vary based on volume, plus a 10% contingency to account for any uncertainties and additional charges.

NEC PATENT LICENCE AGREEMENT

Set out below is a summary of the material terms of the NEC Patent Licence Agreement:

Date

Subject to the prior approval of the Independent Shareholders of the Company at the EGM, the NEC Patent Licence Agreement will be entered into at or prior to the Closing Date, taking effect from the Closing Date.

Parties

1. NEC; and
2. NEC Newco.

Term

The term of the NEC Patent Licence Agreement shall, except as otherwise provided herein, commence on the Closing Date and shall terminate upon the earlier of (i) the fifth anniversary of the Closing Date, and (ii) expiration of the last to expire of the patents licensed under the NEC Patent Licence Agreement. In addition, if the patents licensed under the NEC Patent Licence Agreement have not expired by the fifth anniversary of the Closing Date, subject to compliance with the Listing Rules (if applicable) at the relevant time (including obtaining the prior approval of the Independent Shareholders, if required), the NEC Patent Licence Agreement will automatically renew for a further period not terminating after the expiration of the last to expire of the patents licensed under the NEC Patent Licence Agreement.

Material Terms

Under the NEC Patent Licence Agreement, NEC agrees to grant a licence of certain patents used in connection with the operation of NEC's personal computer business in Japan to NEC Newco, the material terms of which are as follows:

- (a) **Licence:** NEC grants NEC Newco a worldwide, non-exclusive licence (without the right to sub-licence to others) under certain patents and patent applications of NEC used in connection with NEC's personal computer business in Japan to make, have made, import, export, lease, sell, offer for sale or otherwise transfer NEC Newco Licensed Products;

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- (b) **Royalty:** NEC Newco agrees to pay to NEC a royalty equal to 0.03% of gross sales of the NEC Newco Licensed Products during the term of the NEC Patent Licence Agreement, plus applicable taxes; and
- (c) **Termination:** the NEC Patent Licence Agreement will automatically terminate if NEC Newco ceases to be a subsidiary of the Company.

Annual Caps

The Company expects that the maximum aggregate annual value in respect of the royalty payments for the licence granted under the NEC Patent Licence Agreement for each of the Financial Years following Closing to be JPY50 million (US\$605,000), for the remainder of the Financial Year ending 31 March 2012 following the Closing Date, JPY66 million (US\$798,600), JPY66 million (US\$798,600), JPY66 million (US\$798,600), JPY66 million (US\$798,600) for the four Financial Years ending 31 March 2013, 2014, 2015 and 2016 and JPY16 million (US\$193,600), for the part of the Financial Year commencing on 1 April 2016 and ending on the fifth anniversary of the Closing Date, respectively.

The above estimated annual caps have been determined with reference to, amongst other things, the historical sales revenue, plus a 10% contingency to account for any uncertainties and additional charges. The annual caps have not been determined by reference to the historical charges paid for the services as the scope of the licence, and thus the underlying royalty rates, are not comparable to the current licence arrangements in respect of the patents used in connection with the operation of NEC's personal computer business in Japan.

NEC NEWCO BRAND LICENCE AGREEMENT

Set out below is a summary of the material terms of the NEC Newco Brand Licence Agreement:

Date

Subject to the approval of Independent Shareholders of the Company at the EGM, the NEC Newco Brand Licence Agreement will be entered into at or prior to the Closing Date, taking effect from the Closing Date.

Parties

1. NEC; and
2. NEC Newco.

Term

The term of the NEC JVCo Brand Licence Agreement shall commence on the Closing Date and continue in force for a period of five years.

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Material Terms

Under the NEC Newco Brand Licence Agreement, NEC agrees to grant NEC Newco a licence to use certain rights in connection with the letters and the mark “NEC”, the material terms of which are as follows:

- (a) **Licence:** NEC grants NEC Newco a licence to use “NEC” as part of its trade and company name, to use the “NEC” logo as a company logo for Newco, and to use “NEC” logos on the NEC Newco Licensed Products;
- (b) **Royalty:** NEC Newco agrees to pay NEC a royalty based on an agreed formula, being 0.21% of the gross sales amount of NEC Newco to customers other than NEC and/or NEC’s consolidated subsidiaries, plus 0.21% of the total gross sales amount of NEC Newco. If some of those products are provided by NEC Newco without using the “NEC” name, NEC Newco shall notify NEC in advance, and both parties shall discuss in good faith as to the treatment of gross sales of those products in calculating the amount of the royalty payable by NEC Newco to NEC; and
- (c) **Termination:** NEC may immediately terminate all or part of the NEC Newco Brand Licence Agreement on the occurrence of certain specified trigger events, including, inter alia: (i) NEC ceasing to directly or indirectly own 49% of the voting stock of NEC Newco; (ii) the “NEC” letters being removed from the trade and company name of NEC Newco; (iii) termination or expiry of the Shareholders’ Agreement; (iv) material breach by NEC Newco of the NEC Newco Brand Licence Agreement which remains unremedied for a thirty day period; or (v) the quality of the NEC Newco Licensed Products failing to meet certain standards specified by NEC, and NEC considers it unlikely to meet such standards.

Annual Caps

The Company expects that the maximum aggregate annual value in respect of the licence to use the “NEC” letters, mark and logo under the NEC Newco Brand Licence Agreement for each of the Financial Years following Closing to be JPY512 million (US\$6,195,200), for the remainder of the Financial Year ending 31 March 2012 following the Closing Date, JPY682 million (US\$8,252,200), JPY682 million (US\$8,252,200), JPY682 million (US\$8,252,200), JPY682 million (US\$8,252,200) for the four Financial Years ending 31 March 2013, 2014, 2015 and 2016 and JPY170 million (US\$2,057,000), for the part of the Financial Year commencing on 1 April 2016 and ending on the fifth anniversary of the Closing Date, respectively.

The above estimated annual caps have been determined with reference to, amongst other things, the historical business volume plus a 10% contingency to account for any uncertainties and additional charges.

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III OTHER ANCILLARY AGREEMENTS

The Directors consider that the terms of the NEC JVCo Brand Licence Agreement and the NEC LenovoJ Brand Licence Agreement are on normal commercial terms and that whilst they do constitute continuing connected transactions under the Listing Rules, since no monetary consideration is payable under either transaction, they fall within the de minimus exemption under Rule 14A.33(3) of the Listing Rules.

NEC JVCO BRAND LICENCE AGREEMENT

Set out below is a summary of the material terms of the NEC JVCo Brand Licence Agreement:

Date

Subject to the prior approval of the Independent Shareholders of the Company at the EGM, the NEC JVCo Brand Licence Agreement will be entered into at or prior to the Closing Date, taking effect from the Closing Date.

Parties

1. NEC; and
2. JVCo.

Term

The term of the NEC JVCo Brand Licence Agreement shall commence on the Closing Date and continue in force for a period of five years.

Material Terms

Under the NEC JVCo Brand Licence Agreement, NEC agrees to grant JVCo a licence to use certain rights in connection with the letters and the mark “NEC”, the material terms of which are as follows:

- (a) **Exclusive interest:** JVCo acknowledges the exclusive proprietary interest of NEC in the letters and mark “NEC”;
- (b) **Licence:** NEC agrees to grant JVCo a licence to use “NEC” in a part of JVCo’s trade name and in a part of the name of the group of companies controlled by JVCo;
- (c) **Royalty:** JVCo agrees to pay NEC a royalty based on an agreed formula, being 0.21% of the non-consolidated gross sales amount of JVCo (excluding any gross sales amount of JVCo’s direct or indirect consolidated subsidiaries) to customers

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other than NEC and/or NEC's consolidated subsidiaries, plus 0.21% of the total non-consolidated gross sales amount of JVCo (excluding any gross sales amount of JVCo's direct or indirect consolidated subsidiaries). The royalty is payable by JVCo to NEC for all products and services of JVCo even if some of those products and services are provided by JVCo without using the "NEC" name; and

- (d) **Termination:** NEC may immediately terminate the NEC JVCo Brand Licence Agreement on the occurrence of certain specified trigger events, including, inter alia: (i) NEC ceasing to own or control the 49% of the issued share capital of JVCo; (ii) the "NEC" letters being removed from the corporate name of JVCo; (iii) certain insolvency events in relation to JVCo; (iv) termination or expiry of the Shareholders' Agreement; (v) material breach by JVCo of the NEC JVCo Brand Licence Agreement or any other agreement entered into between NEC and JVCo which remains unremedied for a thirty day period; or (vi) the use of the "NEC" letters by JVCo in a way which is likely to prejudice the protection and/or validity of the "NEC" letters or endanger NEC's right to the "NEC" letters.

Whilst JVCo agrees to pay NEC a royalty under the NEC JVCo Brand Licence Agreement, no monetary consideration is in fact payable under the agreement as JVCo will not generate any non-consolidated gross sales.

NEC LENOVOJ BRAND LICENCE AGREEMENT

Set out below is a summary of the material terms of the NEC LenovoJ Brand Licence Agreement:

Date

The NEC LenovoJ Brand Licence Agreement will be entered into at or prior to the Closing Date, taking effect from the Closing Date.

Parties

1. NEC; and
2. LenovoJ.

Term

The term of the NEC LenovoJ Brand Licence Agreement shall commence on the Closing Date and continue in force for a period of five years.

Material Terms

Under the NEC LenovoJ Brand Licence Agreement:

- (a) **Licence:** NEC agrees to grant LenovoJ a right to use the "NEC" letters as part of its group name (as a member of the JVCo Group);

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- (b) **No royalty:** the licence is granted free of charge; and
- (c) **Termination:** NEC may immediately terminate the NEC LenovoJ Brand Licence Agreement on the occurrence of certain specified trigger events, including, amongst others: (i) NEC ceasing to directly or indirectly own 49% of the voting rights in JVCo, or LenovoJ ceasing to be a wholly-owned subsidiary of JVCo; (ii) termination or expiry of the Shareholders' Agreement; or (iii) material breach by LenovoJ of the NEC LenovoJ Brand Licence Agreement which remains unremedied for a thirty day period.

The Directors consider the terms of the NEC LenovoJ Brand Licence Agreement, in particular the fact that no monetary consideration or royalty is payable under the NEC LenovoJ Brand Licence Agreement, to be on normal commercial terms and that such arrangements are common practice in relation to the licensing of intellectual property rights within joint venture arrangements.

IV INFORMATION ON THE GROUP, NEC AND NECP

THE GROUP

The principal activities of the Group are the manufacture and sale of personal computers and related information technology products and the provision of advanced information services in the PRC, the Americas, Europe, the Middle East, Africa and Asia Pacific.

NEC AND NECP

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

NECP is a wholly-owned subsidiary of NEC providing planning, manufacturing, distribution and support of NEC's personal computer business and related equipment.

To the best of the Director's knowledge, information and belief and having made all reasonable enquiry, as at the date of this announcement, NECP and its ultimate beneficial owner are third parties independent of the Company and its connected persons.

V CONNECTED RELATIONSHIP

Immediately following Closing, the Company (through Lenovo BV) will own 51% of the issued share capital of JVCo and NEC will own 49% of the issued share capital of JVCo. As NEC will become a substantial shareholder of JVCo on Closing, and JVCo in turn will become an indirect subsidiary of the Company, NEC (and its associates (as defined under the Listing

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Rules)) will become connected persons of the Company and therefore the transactions contemplated under the CCT Agreements will constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules. Given that on an aggregated basis one or more of the relevant percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules exceeds 5% in relation to the transactions contemplated under the CCT Agreements and the annual consideration under the CCT Agreements will be over HK\$10 million, such transactions will constitute non-exempt continuing connected transactions for the Company under Chapter 14A of the Listing Rules and are therefore subject to reporting announcement and Independent Shareholders' approval requirements under the Listing Rules.

VI REASONS FOR THE TRANSACTIONS

The approval by the Independent Shareholders of the CCT Agreements is a condition to Closing under the Business Combination Agreement.

The completion of the transaction under the Business Combination Agreement, as set out in further detail in the Announcement, will give the Company a majority stake in a joint venture and a stronger market position, enhanced product portfolios, and expanded distribution channels in Japan, better positioning the Company to compete in the personal computer market in Japan and benefiting the Company's global business through enlarged scale.

The new joint venture will be able to benefit from NEC's market reputation, product development capabilities, well-regarded customer service and knowledge of customer needs in Japan, as well as the Company's technology expertise, strong global business momentum, and global supply chain reach. The joint venture is envisaged to be able to provide customers in Japan with more innovative products that are faster to market, more attuned to their needs, and competitively priced.

The reasons and benefits of continuing the transactions contemplated under the CCT Agreements are set out below.

The Supply Agreement. Historically, NEC's personal computer business has not included a sales force within its operations, but instead has sold its NEC branded commercial personal computers exclusively to NEC for sale and distribution to customers. The Company believes that continuing this arrangement immediately after Closing is the best way to minimise disruption to ongoing sales opportunities, to customers and to the established sales and distribution channels, and to best utilise the embedded expertise in selling NEC's personal computer product lines. The Company seeks to achieve these goals through continuation of the existing Supply Agreement.

The NEC Fielding Agreement. NEC Fielding, an NEC Group subsidiary, has provided warranty break-fix and maintenance service for NEC personal computers and, through this beneficial arrangement, NEC's personal computer operations have been able to achieve and sustain a very high reputation with respect to service quality. NEC Newco will continue to use NEC Fielding in this capacity. The Company seeks to continue this relationship, and to utilise NEC Fielding's developed expertise and reputation for quality service.

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The NEC Mobiling Agreement. NECP has historically sold NEC branded consumer personal computers to NEC Mobiling, which serves as a retail mobile phone franchise and Japan, selling NEC consumer personal computers as a bundle with mobile data cards and service agreements. By continuing this relationship, NEC Newco will be able to maintain and expand this important pathway to the consumer marketplace. The Company also believes that maintaining the existing relationship and agreements with NEC Mobiling will be a strong benefit and contributor to the continued success of NEC's personal computer operations in Japan.

The NESIC Agreement. NEC Newco will also continue to use NESIC as a communication and network infrastructure service provider, for installation, operation and maintenance. NESIC has been a focal point of such services throughout the NEC Group and has developed specific technical expertise in this capacity. The Company believes that continuing this relationship will benefit the ongoing operations of NEC Newco by providing specialised services and support that would be impractical or impossible to replace at Closing.

The Transitional Services Agreement. The Company believes that the continuing access, under the Transitional Services Agreement, to services received in recent years from NEC and its Group companies is critical to the ongoing and future success of NEC Newco's personal computer business. Certain of these services are not immediately available from third parties, including continuing access to facilities in which the NEC personal computer division currently conducts its operations by extending the existing subleases previously entered into with NEC Group Companies or continuing access to Information Technology systems and facilities on which the NEC personal computer division has relied over the past several years for the performance of critical sales functions or internal administrative functions. These continuing transitional services, and others, are covered by the six primary functional sections of the Transitional Services Agreement: Business Infrastructure Related Services; Development and Production Services; Sales Related Services; Maintenance & Support Services; Real Estate Services; and Information Technology Services.

The NEC Patent Licence Agreement. As part of the transaction under the Business Combination Agreement, NEC's personal computer business will continue to license a portfolio of patents from NEC which are necessary or important to its operation. It would create serious impediments to end this patent licensing relationship, and its continuation is critical to the success of the business.

The Brand Licence Agreements. As part of the transaction under the Business Combination Agreement, NEC Newco will continue to have a brand license to use the "NEC" name for the following purposes: (i) as a part of the JVCo Group name ("NEC Lenovo Japan Group"); (ii) as a part of the company name; and (iii) in conjunction with its products and services. All of these uses are important to its continuing successful operation to avoid confusion associated with a sudden change and to enable the continued advantage associated with the brand name associated with the company's products. Upon Closing, JVCo will be licensed for only (i) and (ii) as it does not need (iii) (JVCo itself does not sell or market products and services). Similarly, LenovoJ will be licensed for only (i) as it does not need (ii) and (iii) (LenovoJ will not include "NEC" in its name or sell or market products and services under "NEC" brand).

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The transactions contemplated under the CCT Agreements are expected to be of a recurrent nature and will occur on a regular and continuing basis in the ordinary and usual course of business of the Company. The services provided under the CCT Agreements have been negotiated on an arms' length basis.

VII EGM

The notice convening the EGM to be held on Friday, 27 May, 2011 at 9:00 a.m. at Victoria & Chater Room, 2/F., Mandarin Oriental, Hong Kong, 5 Connaught Road, Central, Hong Kong at which the Resolution will be proposed is set out on pages 79 and 80 of this circular. A form of proxy for use at the EGM is enclosed. Whether or not you are able to attend the meeting, you are requested to complete and return the form of proxy in accordance with the instructions printed thereon to the Company's share registrar, Tricor Abacus Ltd., at 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM and any adjourned meeting (as the case may be) should you so wish.

Pursuant to Rule 13.39(4) of the Listing Rules, the votes taken at the EGM to seek approval of the CCT Agreements and their respective annual caps will be taken by poll.

Pursuant to Rule 14A.18 of the Listing Rules, any connected person of the Company with a material interest in the CCT Agreements is required to abstain from voting at the EGM on the Resolution to approve the relevant matters. The Company is not aware of any shareholder of the Company who is required to abstain from voting at the EGM.

The Company will publish an announcement on the results of the EGM with respect to whether or not the Resolution has been passed by the Independent Shareholders.

VIII GENERAL

The Independent Board Committee has been established to advise the Independent Shareholders on the terms of the CCT Agreements.

Mizuho Securities Asia Limited has been appointed as the independent financial adviser to advise the Independent Board Committee and Independent Shareholders on the terms of the CCT Agreements.

LETTER FROM THE BOARD

IX RECOMMENDATIONS

The Independent Board Committee is required to advise the Independent Shareholders on the CCT Agreements and the transactions contemplated thereunder. The Independent Financial Adviser has been appointed as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in this regard. Accordingly, your attention is drawn to the letter from the Independent Board Committee set out on page 33 of this circular, which contains its recommendations to the Independent Shareholders, and the letter from the Independent Financial Adviser set out on pages 34 to 73 of this circular, which contains its advice to the Independent Board Committee and the Independent Shareholders in respect of the CCT Agreements and the transactions contemplated thereunder.

Having taken into account the recommendation and advice from the Independent Financial Adviser in relation to the CCT Agreements and the transactions contemplated thereunder (as contained in “Letter from the Independent Financial Adviser” on pages 34 to 73 of this circular), the Independent Board Committee is of the view that the terms of the CCT Agreements and their respective annual caps are on normal commercial terms, in the ordinary and usual course of business and fair and reasonable and the entering into of the CCT Agreements and the transactions contemplated thereunder is in the interests of the Company and the shareholders of the Company as a whole. Accordingly, the Directors (including the independent non-executive Directors) recommend all the Independent Shareholders to vote in favour of the Resolution to be proposed at the EGM.

Your attention is drawn to the letter from the Independent Board Committee, the letter from the Independent Financial Adviser and the general information set out in the appendix to this circular.

By Order of the Board
Liu Chuanzhi
Chairman

lenovo 联想

Lenovo Group Limited 联想集团有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 0992)

11 May 2011

To the Independent Shareholders

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTIONS

We refer to the circular of the Company dated 11 May 2011 (the “circular”), of which this letter forms part. Unless the context requires otherwise, capitalised terms used in this letter will have the same meanings given to them in the section headed “Definitions” of the circular.

The Independent Board Committee has been formed to advise the Independent Shareholders as to whether terms of the CCT Agreements and their respective annual caps are on normal commercial terms, in the ordinary and usual course of business and fair and reasonable and the entering into of the CCT Agreements and the transactions contemplated thereunder is in the interests of the Company and the shareholders of the Company as a whole. The Independent Financial Adviser has been appointed as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the CCT Agreements and the transactions contemplated thereunder.

We wish to draw your attention to the letter of advice from the Independent Financial Adviser as set out on pages 34 to 73 of the circular and the letter from the Board set out on pages 7 to 32 of the circular.

Having taken into account the information contained in the “Letter from the Board” and the recommendation and advice of the Independent Financial Adviser, we are of the opinion that the terms of the CCT Agreements and their respective annual caps are on normal commercial terms, in the ordinary and usual course of business and fair and reasonable and the entering into of the CCT Agreements and the transactions contemplated thereunder is in the interests of the Company and the shareholders of the Company as a whole.

Accordingly, we recommend the Independent Shareholders to vote in favour of the Resolution.

Yours faithfully
Independent Board Committee
Professor Woo Chia-Wei
Mr. Ting Lee Sen
Dr. Tian Suning
Mr. Nicholas C. Allen

LETTER FROM MIZUHO SECURITIES ASIA LIMITED

The following is the text of the letter of advice from Mizuho Securities Asia Limited, the independent financial adviser to the Independent Board Committee and the Independent Shareholders, in respect of the terms of the CCT Agreements, which has been prepared for the purpose of inclusion in this circular.

The logo for Mizuho Securities Asia Limited, featuring the word "MIZUHO" in a bold, white, sans-serif font. The letters are set against a dark grey background that has a subtle, curved gradient at the bottom, suggesting a horizon or a stylized wave.

Mizuho Securities Asia Limited

12th Floor, Chater House,
8 Connaught Road Central, Hong Kong
Tel: 2685-2000 Fax: 2685-2410

11 May 2011

*To the Independent Board Committee
and the Independent Shareholders*

Lenovo Group Limited

Dear Sirs,

CONTINUING CONNECTED TRANSACTIONS WITH NEC CORPORATION AND ITS ASSOCIATES

INTRODUCTION

We refer to our engagement as the independent financial adviser to the Independent Board Committee and Independent Shareholders in respect of the Continuing Connected Transactions. Further details of the Continuing Connected Transactions are set out in the letter from the Board (the “**Letter from the Board**”) in the circular of the Company to its Shareholders dated 11 May 2011 (the “**Circular**”), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless the context otherwise requires.

On 27 January 2011, the Company entered into the Business Combination Agreement with, amongst others, NEC. Pursuant to the Business Combination Agreement, the Company and NEC agreed to establish JVCo as a joint venture company to own and operate their respective personal computer businesses in Japan.

Pursuant to the Business Combination Agreement, the parties agreed, amongst other things, that the Company and NEC will transfer their respective existing personal computer businesses in Japan to JVCo in consideration for a combination of the payment by the Company to NEC of cash, and the issue to NEC of 281,129,381 Company Shares (which will

LETTER FROM MIZUHO SECURITIES ASIA LIMITED

be issued to NEC on Closing pursuant to the General Mandate). Immediately following Closing, the Company (through Lenovo BV) will own 51% of the issued share capital of JVCo and NEC will own 49% of the issued share capital of JVCo and accordingly NEC and its associates (as defined under the Listing Rules) will become connected persons of the Company.

At or prior to Closing under the Business Combination Agreement, NEC or other members of the NEC Group are obliged to enter into the CCT Agreements with the Company, JVCo or other members of the JVCo Group in respect of the provision of certain services and products to or by the JVCo Group to facilitate the operation of its personal computer business in Japan.

Our scope of work under this engagement is to assess whether the terms of the CCT Agreements and their respective cap amounts are fair and reasonable so far as the Shareholders are concerned, and, from that perspective, whether the CCT Agreements are in the interests of the Company and the Shareholders as a whole. As such, it is not our primary scope of work to assess the commercial merits of the CCT Agreements, which is the primary responsibility of the Directors, is only a secondary factor that we have considered.

BASIS OF OUR OPINION

In arriving at our opinion, we have relied on the information, opinions and facts supplied, and representations made to us, by the Directors, advisers and representatives of the Company (including those contained or referred to in the Circular). We have also assumed that the information and representations contained or referred to in the Circular were true and accurate in all respects at the time they were made and continue to be so at the date of dispatch of the Circular. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors and senior management of the Company. We have also relied on certain information available to the public and have assumed such information to be accurate and reliable, and we have not independently verified the accuracy of such information. We have been advised by the Directors and believe that no material facts have been omitted from the Circular.

We consider that we have reviewed sufficient information to reach an informed view, to justify reliance on the accuracy of the information contained in the Circular and to provide a reasonable basis for our opinion. We have not, however, conducted an independent verification of the information nor have we conducted any form of in-depth investigation into the businesses and affairs or other prospects of the Company and NEC, or any of their respective subsidiaries or associates.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In forming our opinion, we have considered the following principal factors and reasons:

1. Background

On 27 January 2011, the Company entered into the Business Combination Agreement with, amongst others, NEC. Pursuant to the Business Combination Agreement, the Company and NEC agreed to establish JVCo as a joint venture company to own and operate their respective personal computer businesses in Japan. Also on 27 January 2011, the Company's wholly-owned subsidiary, Lenovo BV, and NEC also entered into the Shareholders' Agreement, which governs the relationship between Lenovo BV and NEC as shareholders of JVCo.

At or prior to Closing under the Business Combination Agreement, NEC or other members of the NEC Group are obliged to enter into the CCT Agreements with the Company, JVCo or other members of the JVCo Group in respect of the provision of certain services and products to or by the JVCo Group to facilitate the operation of its personal computer business in Japan.

The following CCT Agreements have been entered into:

- (i) the Supply Agreement between NEC and NECP, which was entered into on 28 February 2011;
- (ii) the NEC Fielding Agreement between NECP and NEC Fielding, which was entered into on 15 January 2004;
- (iii) the NEC Mobiling Agreement between NECP and NEC Mobiling, which was entered into on 1 April 1995; and
- (iv) the NESIC Agreement between NECP and NESIC, which was entered into on 18 August 2003.

The following agreements (the final form of which have been agreed upon), subject to the prior approval of the Independent Shareholders, will be entered into on or prior to the Closing Date:

- (i) the Transitional Services Agreement between NEC and the Company;
- (ii) the NEC Patent Licence Agreement between NEC and NEC Newco; and
- (iii) the NEC Newco Brand Licence Agreement between NEC and NEC Newco.

LETTER FROM MIZUHO SECURITIES ASIA LIMITED

Set out below is a brief summary of the term and scope of products or services provided under the CCT Agreements:

	CCT Agreements	Parties	Term	Summary of the scope of products or services provided
1	Supply Agreement	NEC and NECP	5 years from Demerger	Supply of NEC branded personal computers to NEC for resale
2(a)	NEC Fielding Agreement	NEC Fielding and NECP	From Demerger to 31 March 2012 Auto renewable for subsequent one year term	NEC Fielding to provide NECP maintenance and other services for computer equipment and other ancillary equipment and facilities that are sold or leased by NECP; and (ii) computer equipment, communication facilities, network facilities and other ancillary equipment and facilities that are used by NECP
2(b)	NEC Fielding MOU	NEC Fielding and NECP		NEC Fielding to provide maintenance and other services for personal computers for business users
3	NEC Mobiling Agreement	NEC Mobiling and NECP	From Demerger to 31 March 2012 Auto renewable for subsequent one year term	NEC Mobiling to purchase personal computers and other relevant products from NECP for resale
4	NESIC Agreement	NESIC and NECP	From Demerger to 31 March 2012 Auto renewable for subsequent one year term	NESIC to provide NECP with operation and maintenance services for intranet and other internal communication systems of NECP

LETTER FROM MIZUHO SECURITIES ASIA LIMITED

	CCT Agreements	Parties	Term	Summary of the scope of products or services provided
5	Transitional Services Agreement	Company and NEC	5 years from Closing	<p>(i) NEC Group to provide certain Business Infrastructure Related Services, Development & Production Services, Sales Related Services, Maintenance & Support Services, Real Estates Services and Information Technology Services to JVCo</p> <p>(ii) JVCo to provide certain Business Infrastructure Related Services, Development & Production Services, Sales Related Services, Maintenance & Support Services, Real Estates Services and Information Technology Services to the NEC Group</p>
6	NEC Patent License Agreement	NEC and NEC Newco	5 years from Closing	NEC to grant a licence of certain patents used in connection with the operation of NEC's personal computer business in Japan to NEC Newco
7	NEC Newco Brand License Agreement	NEC and NEC Newco	5 years from Closing	NEC to grant NEC Newco a licence to use certain rights in connection with the letters and the mark "NEC"

On the date of the Demerger, all of NECP's rights and obligations under the CCT Agreements to which it is a party will be transferred by operation of Japanese law to NEC Newco. At Closing, under the Business Combination Agreement, NEC will transfer the entire issued share capital of NEC Newco to JVCo so that NEC Newco becomes a wholly-owned subsidiary of JVCo.

LETTER FROM MIZUHO SECURITIES ASIA LIMITED

We note that the tenors of some of the CCT Agreements are for a period of five years and the remaining CCT Agreements, which are auto renewable for subsequent one year term, are expected to be renewed at least until the date of the fifth anniversary of the Closing Date. The Company has aligned the periods of the annual caps for each of the CCT Agreements with the Financial Year which will minimise the time and cost involved with the ongoing reporting requirements in relation to the CCT Agreements under the Listing Rules. The annual cap amounts of the CCT Agreements that the Company seeks approval from the Independent Shareholders include cap amounts for the period from the remainder of the Financial Year ending 31 March 2012, the annual cap amounts for each of the Financial Years ending 31 March 2013, 2014, 2015 and 2016 and the cap amounts for the period from 1 April 2016 to the fifth anniversary of the Closing Date.

The cap amounts are denominated in the Japanese Yen currency. In our analysis below, we have set out some US dollar equivalents for reference only.

2. Reasons for and Benefits of Entering into the CCT Agreements

As discussed in the Letter from the Board, completion of the transaction under the Business Combination Agreement is expected to give the Company a majority stake in a joint venture and a stronger market position, enhanced product portfolios, and expanded distribution channels in Japan, better positioning the Company to compete in the personal computer market in Japan and benefiting the Company's global business through enlarged scale.

The new joint venture is expected to benefit from NEC's market reputation, product development capabilities, well-regarded customer service and knowledge of customer needs in Japan, as well as the Company's technology expertise, strong global business momentum, and global supply chain reach. The joint venture is envisaged to be able to provide customers in Japan with more innovative products that are faster to market, more attuned to their needs, and competitively priced.

The transactions contemplated under the CCT Agreements are expected to be of a recurrent nature and will occur on a regular and continuing basis in the ordinary and usual course of business of the Group. The services provided under the CCT Agreements have been negotiated on an arms' length basis.

We note that according to a press release from IDC Japan Co., Ltd ("IDC Japan"), an independent IT specialist research company, in year 2010, NEC was the top personal computer vendor in terms of personal computer shipment volume in Japan. We have discussed with the management of the Company and noted that the CCT Agreements would facilitate the smooth operations of the personal computer business of the new JVCo Group in Japan, and would allow the NEC Newco to use certain patents in connection with the operation of NEC's personal computer business in Japan, and to use the letters and the mark "NEC".

3. The CCT Agreements

(A) Supply Agreement

Set out below is a summary of the material terms of the Supply Agreement. More details of the Supply Agreement are contained in the Letter from the Board.

- Date:** 28 February 2011
- Parties:** NEC and NECP (whose rights and obligations will be transferred to NEC Newco under the Demerger)
- Term:** The Supply Agreement was conditionally entered into on 28 February 2011 but will not take effect until the date of the Demerger. On the date of the Demerger, all of NECP's rights and obligations under the Supply Agreement will be transferred by operation of Japanese law to NEC Newco. Accordingly, the term of the Supply Agreement will commence on and from the date of the Demerger and will continue until the earlier of the final date of the Joint Venture Period and the fifth anniversary of the Closing Date. The transactions under the Supply Agreement will only become continuing connected transactions from the Closing Date and therefore the maximum term of the continuing connected transactions under the Supply Agreement is five years.

Further, subject to compliance with the Listing Rules (if applicable) at the relevant time (including obtaining the prior approval of the Independent Shareholders, if required), the term of the Supply Agreement will be automatically renewed for an additional year unless either party gives notice to the other of its intention to terminate the Supply Agreement six months prior to expiry of the term.

LETTER FROM MIZUHO SECURITIES ASIA LIMITED

Material Terms: The Supply Agreement was initially entered into between NEC and NECP. On the Demerger, NECP's rights and obligations under the Supply Agreement will be transferred to NEC Newco. At Closing under the Business Combination Agreement, NEC will transfer the entire issued share capital of NEC Newco to JVCo so that NEC Newco becomes a wholly-owned subsidiary of JVCo. The material terms of the Supply Agreement following Closing are as follows:

Scope: NEC must submit quarterly orders for Products to NEC Newco. Based on those orders, the parties will determine the details (including quantity, unit price, quality level and delivery arrangements and other terms and conditions) of the Products delivered to NEC and conclude an individual agreement for each specific order;

Pricing of Products: NEC and NEC Newco shall discuss in good faith and agree on an arms' length basis the price of Products every quarter. The standard pricing of Products shall be a specified discount to the prospective average sales price of the Product sold by NEC for the relevant quarter, determined with reference to:

- (i) the change in the average sales price of the Product in the same quarter of the previous year;
- (ii) the change in the average sales price of personal computer products equivalent to the Product in the Japanese market with respect to the same quarter of the preceding year;
- (iii) the change in the average sales prices in the immediately preceding quarter; and
- (iv) the expected number of units of the Products for the relevant quarter required by NEC;

Payment: NEC must pay for the Products on the thirty-fifth day after the last day of the month it has received the Products. The Supply Agreement also includes customary procedures for the delivery, inspection, acceptance and (if relevant) rejection of Products;

LETTER FROM MIZUHO SECURITIES ASIA LIMITED

- Liability: the Supply Agreement includes customary terms providing that NEC Newco is liable for defects such as insufficient quality or quantity, or deterioration of the Products, as well as product liability caused by defective Products;
- No outsourcing: NEC Newco may not engage a third party to perform its obligations under the Supply Agreement in whole or in part without obtaining the prior written consent of NEC; and
- Termination: each party may terminate all or any part of the Supply Agreement or any individual agreement in relation to an order of Products immediately if (i) the other party breaches any of the provisions of the Supply Agreement (or an individual agreement for a supply of Products); and (ii) such breach constitutes a material breach for the purposes of the Business Combination Agreement.

As mentioned in the Letter from the Board, historically NEC's personal computer business has not included a sales force within its operations, but instead has sold its NEC branded commercial personal computers exclusively to NEC for sale and distribution to customers. The Company believes that continuing this arrangement immediately after Closing is the best way to minimise disruption to ongoing sales opportunities, to customers and to the established sales and distribution channels, and to best utilise the embedded expertise in selling NEC's personal computer product lines. The Company seeks to achieve these goals through continuation of the existing Supply Agreement.

We understand from the management of the Company that NEC Newco will continue to sell the NEC branded commercial personal computer products through the sales force of NEC Group. The Supply Agreement would enable the NEC Newco to capitalise on the market reputation and sales network of NEC in the commercial personal computer market in Japan.

Based on the management of the Company, the prices of the Products will depend on a number of factors, including the specifications of the Products, brand recognition, recent market trends and market prices of personal computer products in Japan. NEC and NEC Newco shall discuss in good faith and agree on an arms' length basis the price of Products every quarter, and the standard pricing of the Products shall be at a specified discount to the prospective average sales price of the personal computer products sold by NEC. We understand from the management of the Company that the discount will be determined on an arm's length basis and taking into consideration a number of factors, such as the costs of maintaining the sales force of NEC Group in selling the Products and the volume of the Products to be distributed. We consider that it is reasonable to sell the

LETTER FROM MIZUHO SECURITIES ASIA LIMITED

Products to NEC with a discount (which effectively functions as a sales rebate) to the prospective average sales price of the Products for providing incentives for NEC to sell the commercial personal computer products of NEC Newco and to be able to cover the selling costs and other relevant costs of NEC for the selling efforts.

Furthermore, we have discussed with the management of the Company in relation to the average discounts that the Group provides to the external distributors of the commercial personal computer products of the Group. We note that such average discounts are slightly lower than the discounts to be provided to NEC. However, considering the much smaller volume of the commercial personal computer products distributed by the Group's distributors as compared to the Products distributed by NEC, we consider that the discount to be offered to NEC under the Supply Agreement is reasonable.

In this connection and taking account of the establishment of joint venture company to combine the personal computer business of NEC and the Company under Business Combination Agreement, we consider that the Supply Agreement is in the interests of the Company and its shareholders as a whole, and the terms of the Supply Agreement are fair and reasonable so far as the interests of the Independent Shareholders are concerned.

Cap amounts:

	For the remainder of FY2012	FY2013	FY2014	FY2015	FY2016	For the part of the Financial Year commencing on 1 April 2016 and ending on the fifth anniversary of the Closing Date
Cap amount payable from NEC	JPY65,018 million (US\$786,717,800)	JPY88,132 million (US\$1,066,397,200)	JPY89,650 million (US\$1,084,765,000)	JPY91,179 million (US\$1,103,265,900)	JPY92,719 million (US\$1,121,899,900)	JPY23,180 million (US\$280,478,000)
% change	<i>n/a</i>	<i>n/a</i>	1.72%	1.71%	1.69%	<i>n/a</i>

According to the Letter from the Board, for the Financial Year ended 31 March 2011 ("FY2011"), the unaudited estimated charges in relation to the equivalent transaction between NECP and NEC (NECP's supply of "NEC" branded personal computers to NEC) were JPY77,550 million (US\$938,355,000).

The cap amounts in respect of the sales of Products under the Supply Agreement for the remainder of the Financial Year ending 31 March 2012 ("FY2012"), each of the Financial Years ending 31 March 2013, 2014, 2015 and 2016, and the period from 1 April 2016 to the fifth anniversary of the Closing Date are estimated based on the following:

- (i) Since the Closing Date is expected to be 1 July 2011, the cap amount for the remainder of FY2012, which is expected to be the nine months ending

LETTER FROM MIZUHO SECURITIES ASIA LIMITED

31 March 2012, is estimated on 9-month pro rata basis and based on (a) a target annual growth rate of approximately 1.6% in sales volume of commercial personal computer products for FY2012, (b) assuming that the average sales price of the commercial personal computers of NEC Newco will be in the same level as that for FY2011, and (c) the annualised sales amount of NEC commercial personal computer products of NECP for FY2011 after taking account of the sales amount of NEC commercial personal computer products of NECP for the 11-month period from 1 April 2010 to 28 February 2011, plus 10% contingency;

- (ii) The annual cap amounts for Financial Year ending 31 March 2013 (“FY2013”), Financial Year ending 31 March 2014 (“FY2014”), Financial Year ending 31 March 2015 (“FY2015”), and Financial Year ending 31 March 2016 (“FY2016”) are estimated based on a target annual growth rate of approximately 1.7% in sales volume of commercial personal computers of NEC Newco, and assuming that the average sales price of the commercial personal computers of NEC Newco will be in the same level as that for FY2011, plus 10% contingency; and
- (iii) The cap amount for the period from 1 April 2016 to the fifth anniversary of the Closing Date is calculated on 3-month pro rata basis of the annual cap amount of FY2016.

We note that according to a press release from IDC Japan, the business personal computer shipment volume increased by 24.9% in Japan in 2010. We understand that the prices of personal computer products depend on a number of factors including specifications, product positioning, quality and brand recognition. It is not easy to predict the sales price of personal computer products with a reasonable degree of accuracy as specifications and other factors might differ. In this connection, we consider that it is reasonable to assume the average sales price of the commercial personal computers of NEC Newco will be in the same level as that for FY2011 for the purpose of estimating the cap amounts. Furthermore, having considered the increase in business personal computer shipment volume of 24.9% in Japan in 2010, we consider that the target annual growth rates of approximately 1.6% to 1.7% used in estimating the commercial personal computer sales volume are not excessive.

The cap amounts estimated do not represent the actual transaction amounts. On the basis of the fact that (i) the estimated growth rates of the sales volume of the commercial personal computer products of NEC Newco are merely approximately 1.6% to 1.7%; and (ii) should the actual transaction amounts exceed the cap amounts, the Company is required to obtain the approval from its independent shareholders on the revised cap amounts, which may increase the administrative costs for the Company and may disrupt the normal business operations of NEC Newco before such approval is obtained; we consider that it is reasonable to add 10% contingency to account for any uncertainties and additional charges. Having considered the basis above, we consider that the cap amounts are reasonably determined.

LETTER FROM MIZUHO SECURITIES ASIA LIMITED

(B) NEC Fielding Agreement

Set out below is a summary of the material terms of the NEC Fielding Agreement. More details of the NEC Fielding Agreement are contained in the Letter from the Board.

- Date:** 15 January 2004
- Parties:** NEC Fielding and NECP (whose rights and obligations will be transferred to NEC Newco under the Demerger).
- Term:** The initial term of the NEC Fielding Agreement commenced on 1 November 2003 and ended on 31 March 2004, subsequent to which the term of the NEC Fielding Agreement is automatically renewed for additional one year terms unless either party gives notice to the other of its intention to terminate the NEC Fielding Agreement one month prior to expiry of the then current term. On the date of the Demerger, all of NECP's rights and obligations under the NEC Fielding Agreement will be transferred by operation of Japanese law to NEC Newco. The transactions under the NEC Fielding Agreement will subsequently become continuing connected transactions from the Closing Date when NEC transfers the entire issued share capital of NEC Newco to JVCo. Any renewal of the term of the NEC Fielding Agreement which would result in the NEC Fielding Agreement terminating after the fifth anniversary of the Closing Date will be subject to compliance with the Listing Rules (if applicable) at the relevant time (including obtaining the prior approval of the Independent Shareholders, if required).
- Material Terms:** Under the NEC Fielding Agreement, NEC Fielding agrees to provide NECP with maintenance and other ancillary services for certain equipment sold by NECP. The material terms of the NEC Fielding Agreement are as follows (references below to NECP will apply to NEC Newco following the Demerger):

- Scope:** NEC Fielding agrees to provide maintenance and other services under the NEC Fielding Agreement for the following products: (i) computer equipment and other ancillary equipment and facilities that are sold or leased by NECP; and (ii) computer equipment, communication facilities, network facilities and other ancillary equipment and facilities that are used by NECP;

LETTER FROM MIZUHO SECURITIES ASIA LIMITED

Services: NEC Fielding agrees to provide the following services in relation to the subject products under the NEC Fielding Agreement: (i) maintenance and other ancillary services; (ii) onsite adjustment and other ancillary services; (iii) alteration and other ancillary services; (iv) training and other ancillary services to dealers designated by NECP; and (v) other services separately agreed by the parties in writing;

Service fees: Service fees under the NEC Fielding Agreement are separately agreed in writing between the parties. From Closing, NEC Newco shall ensure that all service fees shall be agreed on an arm's length basis and on terms which are no less favourable to NEC Newco than those available from independent third parties; and

Termination: Each party may immediately terminate all or any part of the NEC Fielding Agreement or any individual agreement thereunder on the occurrence of certain specified trigger events, including, inter alia: (i) if the other party breaches any of the provisions of the NEC Fielding Agreement or an individual agreement thereunder and the breach remains unremedied for a 30 day period; or (ii) certain insolvency events in relation to the other party.

In relation to the NEC Fielding Agreement, NECP and NEC Fielding signed the NEC Fielding MOU on 31 March 2011. The material terms of the NEC Fielding MOU are as follows:

Date: 31 March 2011

Parties: NEC Fielding and NECP (whose rights and obligations will be transferred to NEC Newco under the Demerger)

Scope: NEC Fielding agrees to provide maintenance and other services for personal computers for business users.

LETTER FROM MIZUHO SECURITIES ASIA LIMITED

Services: NEC Fielding agrees to provide the following services for personal computers for business users: (i) repair services in accordance with product guarantees; (ii) troubleshooting call centre services; (iii) components delivery services; and (iv) maintenance and repair services for certain products.

According to the Letter from the Board, NEC Fielding, a NEC Group subsidiary, has provided warranty break-fix and maintenance service for NEC personal computers and, through this beneficial arrangement, NEC's personal computer operations have been able to achieve and sustain a very high reputation with respect to service quality. NEC Newco will continue to use NEC Fielding in this capacity. The Company seeks to continue this relationship, and to utilise NEC Fielding's developed expertise and reputation for quality service.

We note that the NEC Fielding Agreement between NECP and NEC Fielding was entered into on 15 January 2004. Therefore, NEC Fielding has been providing maintenance and other ancillary services for certain equipment sold by NECP for more than 7 years. Having considered the long cooperation relationship between NECP and NEC Fielding, we are of the view that the NEC Fielding Agreement may help to ensure the smooth operation of NEC Newco and minimize the disruptions of the business of NEC Newco after Closing.

Furthermore, the service fees shall be agreed on an arm's length basis and on terms which are no less favourable to NEC Newco than those available from independent third parties.

We have discussed with the management of the Company details of the categories of services and basis for determining service terms and pricing. We also note that there are internal systems to be used by the Company for ensuring the terms are determined on the basis as set out in the NEC Fielding Agreement. Given the diversity of the underlying service transactions, the Company is not able to set out specific terms of potential individual transactions at this stage. On the basis of the fact that the NEC Fielding Agreement is an existing agreement between NEC group companies and the NEC Fielding MOC was entered into for providing more specific scope and terms for the parties, we are satisfied that the Company and the NEC group company have the commercial basis and all intentions to agree on the service fees under the NEC Fielding Agreement on an arm's length basis and on terms which are no less favourable to NEC Newco than those available from independent third parties.

In this connection and taking account of the fact that the NEC Fielding Agreement is effectively within the framework of the transaction contemplated under the Business Combination Agreement, we consider that the NEC Fielding Agreement is in the interests of the Company and its shareholders as a whole, and the terms of the NEC Fielding Agreement are fair and reasonable so far as the interests of the Independent Shareholders are concerned.

LETTER FROM MIZUHO SECURITIES ASIA LIMITED

Cap amounts:

	For the remainder of FY2012	FY2013	FY2014	FY2015	FY2016	For the part of the Financial Year commencing on 1 April 2016 and ending on the fifth anniversary of the Closing Date
Cap amount payable to NEC	JPY2,665 million (US\$32,246,500)	JPY3,553 million (US\$42,991,300)	JPY3,553 million (US\$42,991,300)	JPY3,553 million (US\$42,991,300)	JPY3,553 million (US\$42,991,300)	JPY888 million (US\$10,744,800)

As mentioned in the Letter from the Board, for FY2011, the unaudited estimated charges in relation to the NEC Fielding Agreement were JPY3,230 million (US\$39,083,000).

The cap amount in respect of the services supplied under the NEC Fielding Agreement for the remainder of FY2012, each of the Financial Years ending 31 March 2013, 2014, 2015 and 2016, and the period from 1 April 2016 to the fifth anniversary of the Closing Date are estimated based on the following:

- (i) Since the Closing Date is expected to be 1 July 2011, the cap amount for the remainder of the FY2012, which is expected to be nine months ending 31 March 2012, is estimated on 9-month pro rata basis and based on the annualised amount of the historical charges for the services paid to NEC Fielding for the 11-month period from 1 April 2010 to 28 February 2011, plus 10% contingency;
- (ii) The annual cap amounts for FY2013 to FY2016 are the same and are estimated based on the annualised amount of the historical charges for the services paid to NEC Fielding for the 11-month period from 1 April 2010 to 28 February 2011, plus 10% contingency; and
- (iii) The cap amount for the period from 1 April 2016 to the fifth anniversary of the Closing Date is calculated on 3-month pro rata basis of the annual cap amount of FY2016.

The cap amounts estimated do not represent the actual transaction amounts. On the basis of the fact that (i) the annual cap amounts are estimated based on the annualised amount of historical charges for the 11-month period ended 28 February 2011; and (ii) should the actual transaction amounts exceed the cap amounts, the Company is required to obtain the approval from its independent shareholders on the revised cap amounts, which may increase the administrative costs for the Company and may disrupt the normal business operations of NEC Newco before such approval is obtained; we consider that it is reasonable to add 10% contingency to account for any uncertainties and additional charges. Having considered the basis above, we consider that the cap amounts are reasonably determined.

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(C) NEC Mobilizing Agreement

Set out below is a summary of the material terms of the NEC Mobilizing Agreement. More details of the NEC Mobilizing Agreement are contained in the Letter from the Board.

- Date:** 1 April 1995
- Parties:** NEC Mobilizing and NECP (whose rights and obligations will be transferred to NEC Newco under the Demerger).
- Term:** The initial term of the NEC Mobilizing Agreement is one year from the date of the agreement, subsequent to which the term of the NEC Mobilizing Agreement is automatically renewed for additional one year terms unless either party gives notice to the other of its intention to terminate the NEC Mobilizing Agreement one month prior to expiry of the then current term. On the date of the Demerger, all of NECP's rights and obligations under the NEC Mobilizing Agreement will be transferred by operation of Japanese law to NEC Newco. The transactions under the NEC Mobilizing Agreement will subsequently become continuing connected transactions from the Closing Date when NEC transfers the entire issued share capital of NEC Newco to JVCo. Any renewal of the term of the NEC Mobilizing Agreement which would result in the NEC Mobilizing Agreement terminating after the fifth anniversary of the Closing Date will be subject to compliance with the Listing Rules (if applicable) at the relevant time (including obtaining the prior approval of the Independent Shareholders, if required).
- Material Terms:** Under the NEC Mobilizing Agreement, NEC Mobilizing agrees to purchase from NECP products such as personal computers and peripheral devices, word processors, telecommunication devices such as facsimiles and phones, electric appliances (including game machines) and other relevant products. The material terms of the NEC Mobilizing Agreement are as follows (references to NECP below will apply to NEC Newco following the Demerger):
- Purpose:** NEC Mobilizing shall purchase the products from NECP and shall sell such products to customers as a dealer of NECP;

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- Individual agreements: Detailed 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. From Closing, NEC Newco shall ensure that all service fees shall be agreed on an arm's length basis and on terms which are no less favourable to NEC Newco than those available from independent third parties;
- Risk of loss: NEC Mobiling agrees that it shall bear any and all costs in relation to loss, damage, shortage of quantity and deterioration of quality of the products after the delivery of such products by NECP to NEC Mobiling; and
- Termination: NECP may immediately terminate all or any part of the NEC Mobiling Agreement or any individual agreement thereunder on the occurrence of certain specified trigger events, including, inter alia: (i) breach by NEC Mobiling of certain provisions of the NEC Mobiling Agreement or any individual agreement thereunder; (ii) certain insolvency events in relation to NEC Mobiling; and (iii) non-compliance with relevant laws and regulations by NEC Mobiling in relation to its performance of the NEC Mobiling Agreement or any individual agreement thereunder.

As mentioned in the Letter from the Board, NECP has historically sold NEC branded consumer personal computers to NEC Mobiling, which serves as a retail mobile phone franchise in Japan, and sells NEC consumer personal computers as a bundle with mobile data cards and service agreements. By continuing this relationship, NEC Newco will be able to maintain and expand this important pathway to the consumer marketplace. The Company also believes that maintaining the existing relationship and agreements with NEC Mobiling will be a strong benefit and contributor to the continued success of NEC's personal computer operations in Japan.

We note that the NEC Mobiling Agreement between NECP and NEC Mobiling was entered into on 1 April 1995 and the purpose of the NEC Mobiling Agreement is to sell the products of NECP such as personal computers and peripheral devices, word processors, telecommunication devices to NEC Mobiling's customers and NEC Mobiling will act as a dealer of NECP. Having considered the long-term cooperation relationship between NECP and NEC Mobiling and the fact that the NEC Mobiling Agreement could enable NEC Newco to continue to capitalise on the sales network of NEC Mobiling, we consider that the NEC Mobiling Agreement is in the interests of the Company and its shareholders as a whole.

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Furthermore, the pricing of the products under the NEC Mobiling Agreement shall be agreed on an arm's length basis and on terms which are no less favourable to NEC Newco than those available from independent third parties.

We have discussed with the management of the Company details of the categories of services and basis for determining service terms and pricing. We also note that there are internal systems to be used by the Company for ensuring the terms are determined on the basis as set out in the NEC Mobiling Agreement. Given the diversity of the underlying service transactions, the Company is not able to set out specific terms of potential individual transactions at this stage. On the basis of the commercial logic underlying the transaction contemplated under the Business Combination Agreement and the fact that the NEC Mobiling Agreement is an existing agreement between NEC group companies, we are satisfied that the Company and the NEC group company have the commercial basis and all intentions to agree on the service fees under the NEC Mobiling Agreement on an arm's length basis and on terms which are no less favourable to NEC Newco than those available from independent third parties.

In this connection and taking account of the fact that the NEC Mobiling Agreement is effectively within the framework of the transaction contemplated under the Business Combination Agreement, we consider that the NEC Mobiling Agreement is in the interests of the Company and its shareholders as a whole, and the terms of the NEC Mobiling Agreement are fair and reasonable so far as the interests of the Independent Shareholders are concerned.

Cap amounts:

	For the remainder of FY2012	FY2013	FY2014	FY2015	FY2016	For the part of the Financial Year commencing on 1 April 2016 and ending on the fifth anniversary of the Closing Date
Cap amount payable from NEC	JPY50 million (US\$605,000)	JPY66 million (US\$798,600)	JPY66 million (US\$798,600)	JPY66 million (US\$798,600)	JPY66 million (US\$798,600)	JPY16 million (US\$193,600)

As mentioned in the Letter from the Board, for FY2011, the unaudited estimated charges in relation to the NEC Mobiling Agreement were JPY60 million (US\$726,000).

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The cap amounts in respect of the products supplied under the NEC Mobiling Agreement for the remainder of FY2012, each of the Financial Years ending 31 March 2013, 2014, 2015 and 2016, and the period from 1 April 2016 to the fifth anniversary of the Closing Date are estimated based on the following:

- (i) Since the Closing Date is expected to be 1 July 2011, the cap amount for the remainder of the FY2012, which is expected to be nine months ending 31 March 2012, is estimated on 9-month pro rata basis and based on the annualised amount of the historical charges for the products under the NEC Mobiling Agreement for the 11-month period from 1 April 2010 to 28 February 2011, plus 10% contingency;
- (ii) The annual cap amounts for FY2013 to FY2016 are the same and are estimated based on the annualised amount of the historical charges for the products under the NEC Mobiling Agreement for the 11-month period from 1 April 2010 to 28 February 2011, plus 10% contingency; and
- (iii) The cap amount for the period from 1 April 2016 to the fifth anniversary of the Closing Date is calculated on 3-month pro rata basis of the annual cap amounts of FY2016.

The cap amounts estimated do not represent the actual transaction amounts. On the basis of the fact that (i) the annual cap amounts are estimated based on the annualised amount of historical charges for the 11-month period ended 28 February 2011; and (ii) should the actual transaction amounts exceed the cap amounts, the Company is required to obtain the approval from its independent shareholders on the revised cap amounts, which may increase the administrative costs for the Company and may disrupt the normal business operations of NEC Newco before such approval is obtained; we consider that it is reasonable to add 10% contingency to account for any uncertainties and additional charges. Having considered the basis above, we consider that the cap amounts are reasonably determined.

(D) NESIC Agreement

Set out below is a summary of the material terms of the NESIC Agreement. More details of the NESIC Agreement are contained in the Letter from the Board.

Date: 18 August 2003

Parties: NESIC and NECP (whose rights and obligations will be transferred to NEC Newco under the Demerger)

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Term: The initial term of the NESIC Agreement started on 18 August 2003 and ended on 31 March 2004, subsequent to which the term of the NESIC Agreement is automatically renewed for additional one year terms unless either party gives notice to the other of its intention to terminate the NESIC Agreement three months prior to expiry of the then current term. On the date of the Demerger, all of NECP's rights and obligations under the NESIC Agreement will be transferred by operation of Japanese law to NEC Newco. The transactions under the NESIC Agreement will subsequently become continuing connected transactions from the Closing Date when NEC transfers the entire issued share capital of NEC Newco to JVCo. Any renewal of the term of the NESIC Agreement which would result in the NESIC Agreement terminating after the fifth anniversary of the Closing Date will be subject to compliance with the Listing Rules (if applicable) at the relevant time (including obtaining the prior approval of the Independent Shareholders, if required).

Material Terms: Under the NESIC Agreement, NESIC agrees to provide NECP with operation and maintenance services for intranet and other internal communication systems of NECP. The material terms of the NESIC Agreement are as follows (references to NECP below will apply to NEC Newco following the Demerger):

Individual agreement: Detailed 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. From Closing, NEC Newco shall ensure that all service fees shall be agreed on an arm's length basis and on terms which are no less favourable to NEC Newco than those available from independent third parties; and

Termination: Each party may immediately terminate all or any part of the NESIC Agreement or any individual agreement thereunder on the occurrence of certain specified trigger events, including, inter alia: (i) if the other party breaches any of the provisions of the NESIC Agreement or any individual agreement thereunder; and (ii) certain insolvency events in relation to the other party.

As mentioned in the Letter from the Board, NEC Newco will also continue to use NESIC as a communication and network infrastructure service provider, for installation, operation and maintenance. NESIC has been a focal point of such services throughout the NEC Group and has developed specific technical expertise in this capacity. The Company believes that continuing this relationship will benefit the ongoing operations of NEC Newco by providing specialised services and support that would be impractical or impossible to replace at Closing.

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We note that the NESIC Agreement between NECP and NESIC was entered into on 18 August 2003. Therefore, NESIC has been providing operation and maintenance services for intranet and other internal communication systems of NECP for more than 7 years. Having considered the long cooperation relationship between NECP and NESIC, we are of the view that the NESIC Agreement may help to ensure the smooth operation of NEC Newco.

Furthermore, the service fees shall be agreed on an arm's length basis and on terms which are no less favourable to NEC Newco than those available from independent third parties.

We have discussed with the management of the Company details of the categories of services and basis for determining service terms and pricing. We also note that there are internal systems to be used by the Company for ensuring the terms are determined on the basis as set out in the NESIC Agreement. Given the diversity of the underlying service transactions, the Company is not able to set out specific terms of potential individual transactions at this stage. On the basis of the commercial logic underlying the transaction contemplated under the Business Combination Agreement and the fact that the NESIC Agreement is an existing agreement between NEC group companies, we are satisfied that the Company and the NEC group company have the commercial basis and all intentions to agree on the service fees under the NESIC Agreement on an arm's length basis and on terms which are no less favourable to NEC Newco than those available from independent third parties.

In this connection and taking account of the fact that the NESIC Agreement is effectively within the framework of the transaction contemplated under the Business Combination Agreement, we consider that the NESIC Agreement is in the interests of the Company and its shareholders as a whole, and the terms of the NESIC Agreement are fair and reasonable so far as the interests of the Independent Shareholders are concerned.

Cap amounts:

	For the remainder of FY2012	FY2013	FY2014	FY2015	FY2016	For the part of the Financial Year commencing on 1 April 2016 and ending on the fifth anniversary of the Closing Date
Cap amount payable to NEC	JPY58 million (US\$701,800)	JPY77 million (US\$931,700)	JPY77 million (US\$931,700)	JPY77 million (US\$931,700)	JPY77 million (US\$931,700)	JPY19 million (US\$229,900)

As mentioned in the Letter from the Board, for FY2011, the unaudited estimated charges in relation to the NESIC Agreement were JPY70 million (US\$847,000).

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The cap amounts in respect of the services supplied under the NESIC Agreement for the remainder of FY2012, each of the Financial Years ending 31 March 2013, 2014, 2015 and 2016, and the period from 1 April 2016 to the fifth anniversary of the Closing Date are estimated based on the following:

- (i) Since the Closing Date is expected to be 1 July 2011, the cap amounts for the remainder of the FY2012, which is expected to be nine months ending 31 March 2012, is estimated on 9-month pro rata basis and based on the annualised amount of the historical charges for the services paid to NESIC for the 11-month period from 1 April 2010 to 28 February 2011, plus 10% contingency; and
- (ii) The annual cap amounts for FY2013 to FY2016 are the same and are estimated based on the annualised amount of the historical charges for the services paid to NESIC for the 11-month period from 1 April 2010 to 28 February 2011, plus 10% contingency; and
- (iii) The cap amount for the period from 1 April 2016 to the fifth anniversary of the Closing Date is calculated on 3-month pro rata basis of the annual cap amount of FY2016.

The cap amounts estimated do not represent the actual transaction amounts. On the basis of the fact that (i) the annual cap amounts are estimated based on the annualised amount of actual charges for the 11-month period ended 28 February 2011; and (ii) should the actual transaction amounts exceed the cap amounts, the Company is required to obtain the approval from its independent shareholders on the revised cap amounts, which may increase the administrative costs for the Company and may disrupt the normal business operations of NEC Newco before such approval is obtained; we consider that it is reasonable to add 10% contingency to account for any uncertainties and additional charges. Having considered the basis above, we consider that the cap amounts are reasonably determined.

(E) Transitional Services Agreement

Set out below is a summary of the material terms of the Transitional Services Agreement. More details of the Transitional Services Agreement are contained in the Letter from the Board.

Date: Subject to the prior approval of the Independent Shareholders of the Company at the EGM, the Transitional Services Agreement will be entered into at or prior to the Closing Date, taking effect from the Closing Date.

Parties: The Company and NEC

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Term: The term of the Transitional Services Agreement shall commence on the Closing Date and shall terminate upon the earlier to occur of: (i) the fifth anniversary of the Closing Date, (ii) the last date on which either the Company or NEC is obligated to provide any service to the other in accordance with the terms of the Transitional Services Agreement; and (iii) the mutual written agreement of the Company and NEC to terminate the Transitional Services Agreement in its entirety.

Provision of Services:

Under the Transitional Services Agreement, NEC agrees to provide certain enumerated services to JVCo, and the Company agrees to provide certain enumerated services to NEC and its Affiliates. Such services shall be provided substantially in the same manner and on the same terms and at the same cost as the services provided between members of the NEC Group in respect of NEC's personal computer business in Japan prior to Closing, except as otherwise agreed between the Company and NEC in the Transitional Services Agreement.

The details of services to be provided under the Transitional Services Agreement are as follows:

(i) *Services to be provided by the NEC Group to JVCo*

Categories of Services

Description of Services

Business
Infrastructure
Related Services

The provision of facility management services, including services provided at facilities leased from NEC and its Affiliates, including, but not limited to, (a) security management services, canteen operations and maintenance of equipment and machinery such as air conditioning systems, human resource outsourcing services including secondment and double assignment employee salary, bonus and retirement allowance coverage, and engineering business outsourcing services; (b) travel-related services, including booking and provision of transportation tickets and accommodation reservations; (c) provision of consumable goods, including use of a shared service centre and office supplies and other consumable office supply goods such as printing and copy machines and stationery; (d) patent application services, including printing and filing services; and (e) insurance arrangements, including coverage relating to overseas and domestic transportation insurance, travel insurance and E&O insurance.

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Categories of Services	Description of Services
Development and Production Services	The provision of shipping services, including, but not limited to, (a) packing services, logistics operations for calendars and pocketbooks, import and export services, and domestic shipping services; (b) software development and evaluation services provided by NEC Affiliates; (c) specialty equipment leased from NEC Purchasing Service, Ltd.; (d) development, production and material purchase, including business outsourcing by NEC China and other NEC Affiliates, procurement support services, personal computer centre usage fees and logistics support; and (e) supply of auxiliary material.
Sales Related Services	The provision of (a) domestic sales support services provided by NEC Affiliates; (b) sales tools, including but not limited to, catalogue production, demonstration software, streaming distribution usage fees and internet domain maintenance; (c) television advertising development; and (d) sales promotion services, including market research, direct mail and VAN service usage.
Maintenance and Support Services	The provision of (a) auxiliary materials for use in maintenance and support provided by NEC Affiliates, including cardboard boxes for storing documents; and (b) personal computer repair services.
Real Estate Services	The provision of office and manufacturing space subleases within the NEC Group and associated parking leases.
Information Technology Services	The provision of (a) IT facility management services provided by NEC and its Affiliates; (b) operational and maintenance services in respect of business systems; (c) IT infrastructure services; and (c) systems and software, including corporate comprehensive licenses for business software, floor usage of a data centre, usage of material procurement system and usage of accounting systems.

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(ii) Services to be provided by JVCo to the NEC Group

Categories of Services	Description of Services
Business Infrastructure Related Services	The provision of secondment and double assignment employee salary, bonus, and retirement allowance coverage to certain NEC affiliates.
Development and Production Services	The provision of OEM manufacturing services for tablet computers
Sales Related Services	The provision of promotional and sales-related services provided by NEC Newco to NEC Affiliates.
Maintenance and Support Services	The provision of customer support services including, but not limited to, consignment, customer help support to NEC BIGLOBE (a subsidiary of NEC providing Internet Support Services to the public), services to NEC printer and other support services, computer repair and shipping services.
Real Estate Services	The provision of office and manufacturing space subleases within the NEC Group and associated parking leases.
Information Technology Services	The provision of system operation services, including, but not limited to, system development, information registration services and providing web information services regarding repair.

Material Terms

To the extent any services enumerated in the Transitional Services Agreement have been provided before Closing pursuant to an Existing Agreement, NEC and the Company shall procure that such services shall continue to be provided pursuant to the terms of such Existing Agreements. Notwithstanding the terms of such Existing Agreements, unless otherwise agreed between the Company and NEC, the services provided by the NEC Group to JVCo and the services provided by JVCo to the NEC Group will be provided as follows:

- (a) at the costs determined in accordance with the Transitional Services Agreement; such agreed costs shall be calculated on the same basis as they were prior to Closing and shall not be calculated in a manner which is less favourable to the provider and/or recipient of the services than the manner in which they were calculated prior to Closing;
- (b) in a manner and to the level and quality of service determined in accordance with the Transitional Services Agreement; such agreed standards shall be comparable to those applicable prior to Closing; and
- (c) subject to term and termination provisions of the Transitional Services Agreement, as described above.

Either party receiving services under the Transitional Services Agreement may terminate the Transitional Services Agreement with respect to any service, in whole or in part, at any point after the first anniversary of signing of the Transitional Services Agreement on six months' notice.

We note that the personal computer business of NECP and the NEC Group in Japan will be injected into NEC Newco upon the Demerger. The entering into of the Transitional Services Agreement by NEC and the Company is intended for facilitating the smooth operation of the personal computer business of NEC Newco.

We also note that NECP also has other non-personal computer related business, and such non-personal computer business will not be injected into NEC Newco. The non-personal computer business divisions of NECP, which used to share certain resources and services within NECP with the personal computer business division prior to the Demerger, may require certain enumerated services from JVCo so that they could continue their operations after the Demerger with minimum disruptions.

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On the other hand, the NEC Newco also has used certain resources and services provided by NEC and its group companies. As mentioned in the Letter from the Board, the Company believes that the continuing access, under the Transitional Services Agreement, to services received in recent years from NEC and its group companies is critical to the ongoing and future success of NEC Newco's personal computer business. Certain of these services are not immediately available from third parties, including continuing access to facilities in which the NEC personal computer division currently conducts its operations by extending the existing subleases previously entered into with NEC Group companies or continuing access to Information Technology systems and facilities on which the NEC personal computer division has relied over the past several years for the performance of critical sales functions or internal administrative functions. These continuing transitional services, and others, are covered by the six primary functional sections of the Transitional Services Agreement: Business Infrastructure Related Services; Development and Production Services; Sales Related Services; Maintenance and Support Services; Real Estate Services; and Information Technology Services.

In this connection, the entering into of the Transitional Services Agreement could minimize the disruptions of the operations of NEC Newco as well as the non-personal computer business divisions of NECP after the Demerger, and NEC Newco could continue to use certain critical sales related support and internal administrative functions of the NEC Group.

Furthermore, to the extent any services enumerated in the Transitional Services Agreement have been provided before Closing, those services will be provided in the same manner and on the same terms and the costs shall be calculated on the same basis as they were prior to Closing.

Having considered the above, we are of the view that the Transitional Services Agreement is in the interests of the Company and its shareholders as a whole, and the terms of the Transitional Services Agreement are fair and reasonable as far as the interests of the Independent Shareholders are concerned.

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Cap amounts:

(i) Cap amounts relating to services to be provided by the NEC Group to JVCo

	For the remainder of FY2012	FY2013	FY2014	FY2015	FY2016	For the part of the Financial Year commencing on 1 April 2016 and ending on the fifth anniversary of the Closing Date
Cap amount payable to NEC under Business Infrastructure Related Services	JPY3,506 million (US\$42,422,600)	JPY4,675 million (US\$56,567,500)	JPY4,675 million (US\$56,567,500)	JPY4,675 million (US\$56,567,500)	JPY4,675 million (US\$56,567,500)	JPY1,169 million (US\$14,144,900)
% change	n/a	n/a	n/a	n/a	n/a	n/a
Cap amount payable to NEC under Development & Production Services	JPY17,581 million (US\$212,730,100)	JPY24,046 million (US\$290,956,600)	JPY24,464 million (US\$296,014,400)	JPY24,871 million (US\$300,939,100)	JPY25,289 million (US\$305,996,900)	JPY6,322 million (US\$76,496,200)
% change	n/a	n/a	1.7%	1.7%	1.7%	n/a
Cap amount payable to NEC under Sales Related Services	JPY916 million (US\$11,083,600)	JPY1,243 million (US\$15,040,300)	JPY1,265 million (US\$15,306,500)	JPY1,287 million (US\$15,572,700)	JPY1,309 million (US\$15,838,900)	JPY327 million (US\$3,956,700)
% change	n/a	n/a	1.8%	1.7%	1.7%	n/a
Cap amount payable to NEC under Maintenance & Support Services	JPY412 million (US\$4,985,200)	JPY550 million (US\$6,655,000)	JPY550 million (US\$6,655,000)	JPY550 million (US\$6,655,000)	JPY550 million (US\$6,655,000)	JPY137 million (US\$1,657,700)
% change	n/a	n/a	n/a	n/a	n/a	n/a
Cap amount payable to NEC under Real Estate Services	JPY602 million (US\$7,284,200)	JPY803 million (US\$9,716,300)	JPY803 million (US\$9,716,300)	JPY803 million (US\$9,716,300)	JPY803 million (US\$9,716,300)	JPY201 million (US\$2,432,100)
% change	n/a	n/a	n/a	n/a	n/a	n/a
Cap amount payable to NEC under Information Technology Services	JPY776 million (US\$9,389,600)	JPY1,034 million (US\$12,511,400)	JPY1,034 million (US\$12,511,400)	JPY1,034 million (US\$12,511,400)	JPY1,034 million (US\$12,511,400)	JPY259 million (US\$3,133,900)
% change	n/a	n/a	n/a	n/a	n/a	n/a
Total cap amount payable to NEC	JPY23,793 million (US\$287,895,300)	JPY32,351 million (US\$391,447,100)	JPY32,791 million (US\$396,771,100)	JPY33,220 million (US\$401,962,000)	JPY33,660 million (US\$407,286,000)	JPY8,415 million (US\$101,821,500)
% change	n/a	n/a	1.72%	1.71%	1.69%	n/a

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As mentioned in the Letter from the Board, for FY2011, the unaudited estimated charges in relation to the equivalent services provided to NECP by NEC group companies were JPY28,073 million (US\$339,683,300).

(ii) Cap amounts relating to services to be provided by JVCo to the NEC Group

	For the remainder of FY2012	FY2013	FY2014	FY2015	FY2016	For the part of the Financial Year commencing on 1 April 2016 and ending on the fifth anniversary of the Closing Date
Cap amount payable from NEC under Business Infrastructure Related Services	JPY2,689 million (US\$32,536,900)	JPY3,586 million (US\$43,390,600)	JPY3,586 million (US\$43,390,600)	JPY3,586 million (US\$43,390,600)	JPY3,586 million (US\$43,390,600)	JPY897 million (US\$10,853,700)
<i>% change</i>	<i>n/a</i>	<i>n/a</i>	<i>n/a</i>	<i>n/a</i>	<i>n/a</i>	<i>n/a</i>
Cap amount payable from NEC under Development & Production Services	JPY3,168 million (US\$38,332,800)	JPY4,334 million (US\$52,441,400)	JPY4,400 million (US\$53,240,000)	JPY4,477 million (US\$54,171,700)	JPY4,554 million (US\$55,103,400)	JPY1,139 million (US\$13,781,900)
<i>% change</i>	<i>n/a</i>	<i>n/a</i>	1.7%	1.7%	1.7%	<i>n/a</i>
Cap amount payable from NEC under Sales Related Services	JPY932 million (US\$11,277,200)	JPY1,265 million (US\$15,306,500)	JPY1,287 million (US\$15,572,700)	JPY1,309 million (US\$15,838,900)	JPY1,331 million (US\$16,105,100)	JPY333 million (US\$4,029,300)
<i>% change</i>	<i>n/a</i>	<i>n/a</i>	1.8%	1.7%	1.7%	<i>n/a</i>
Cap amount payable from NEC under Maintenance & Support Services	JPY91 million (US\$1,101,100)	JPY121 million (US\$1,464,100)	JPY121 million (US\$1,464,100)	JPY121 million (US\$1,464,100)	JPY121 million (US\$1,464,100)	JPY30 million (US\$363,000)
<i>% change</i>	<i>n/a</i>	<i>n/a</i>	<i>n/a</i>	<i>n/a</i>	<i>n/a</i>	<i>n/a</i>
Cap amount payable from NEC under Real Estate Services	JPY58 million (US\$701,800)	JPY77 million (US\$931,700)	JPY77 million (US\$931,700)	JPY77 million (US\$931,700)	JPY77 million (US\$931,700)	JPY19 million (US\$229,900)
<i>% change</i>	<i>n/a</i>	<i>n/a</i>	<i>n/a</i>	<i>n/a</i>	<i>n/a</i>	<i>n/a</i>
Cap amount payable from NEC under Information Technology Services	JPY132 million (US\$1,597,200)	JPY121 million (US\$1,464,100)	JPY121 million (US\$1,464,100)	JPY121 million (US\$1,464,100)	JPY121 million (US\$1,464,100)	JPY30 million (US\$363,000)
<i>% change</i>	<i>n/a</i>	<i>n/a</i>	<i>n/a</i>	<i>n/a</i>	<i>n/a</i>	<i>n/a</i>
Total cap amount payable from NEC	JPY7,070 million (US\$85,547,000)	JPY9,504 million (US\$114,998,400)	JPY9,592 million (US\$116,063,200)	JPY9,691 million (US\$117,261,100)	JPY9,790 million (US\$118,459,000)	JPY2,448 million (US\$29,620,800)
<i>% change</i>	<i>n/a</i>	<i>n/a</i>	0.93%	1.03%	1.02%	<i>n/a</i>

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As mentioned in the Letter from the Board, for FY 2011, the unaudited estimated charges in relation to the equivalent services provided to NEC group companies by NECP were JPY8,350 million (US\$101,035,000).

The cap amounts in respect of the services supplied under the Transitional Services Agreement for the remainder of the Financial Year ending 31 March 2012, each of the Financial Years ending 31 March 2013, 2014, 2015 and 2016, and the period from 1 April 2016 to the fifth anniversary of the Closing Date are estimated based on the following:

- (i) Since the Closing Date is expected to be 1 July 2011, the annual cap amounts for the service charges in relation to Information Technology Services payable to NEC, and the annual cap amounts for the Business Infrastructure Related Services, as well as the Maintenance and Support Services under the Transitional Services Agreement for the remainder of FY2012, which is expected to be nine months ending 31 March 2012, are estimated on 9-month pro rata basis and based on the annualised amount of the historical charges for the services for the 11-month period from 1 April 2010 to 28 February 2011, plus 10% contingency;
- (ii) the annual cap amounts for the service charges in relation to the Information Technology Services payable by NEC for the remainder of FY2012, which is expected to be nine months ending 31 March 2012, are estimated on 9-month pro rata basis and based on the annualised amount of the historical charges for the services for the 11-month period from 1 April 2010 to 28 February 2011, plus the service charges for using certain information technology systems of NEC Newco by the non-personal computer divisions of NECP before setting up their own relevant systems, and plus 10% contingency. We have discussed with the management of the Company and note that such information technology systems have been used by the non-personal computer divisions of NECP before the Demerger, and it is expected that the non-personal computer divisions of NECP will set up such relevant information technology systems within FY2012;
- (iii) The annual cap amounts for the Information Technology Services, the Business Infrastructure Related Services, as well as the Maintenance and Support Services under the Transitional Services Agreement for FY2013 to FY2016 are the same and estimated based on the annualised amount of the historical charges for the services for the 11-month period from 1 April 2010 to 28 February 2011, plus 10% contingency;
- (iv) The cap amounts for Development and Production Services under the Transitional Services Agreement for the remainder of FY2012, which is expected to be nine months ending 31 March 2012, is estimated on

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9-month pro rata basis and based on the annualised amount of the historical charges for the services for the 11-month period from 1 April 2010 to 28 February 2011 and adjusted with a target annual growth rate of approximately 3.6% in sales volume of personal computers of NEC Newco for FY2012 (“Estimated FY2012 DPS Transaction Amount”), plus 10% contingency;

- (v) The annual cap amounts for Development and Production Services under the Transitional Services Agreement for FY2013 to FY2016 are estimated based on the Estimated FY2012 DPS Transaction Amount mentioned above and adjusted with the target annual growth rates of approximately 1.7% to 2.6% in sales volume of personal computer of NEC Newco, plus 10% contingency;
- (vi) We note that the Development and Production Services are relating to the production of the products of NEC Newco, and relevant support services. We have discussed with the management of the Company and note that the cap amounts under the Development and Production Services are estimated with reference to the target annual growth rates of approximately 1.7% to 3.6% in sales volume of personal computers of NEC Newco;
- (vii) The annual cap amounts for Sales Related Services under the Transitional Services Agreement for the remainder of FY2012, which is expected to be nine months ending 31 March 2012, is estimated on 9-month pro rata basis and based on the annualised amount of the historical charges for the services for the 11-month period from 1 April 2010 to 28 February 2011 and adjusted with a target annual growth rate of approximately 1.6% in sales volume of commercial personal computers of NEC Newco for FY2012 (“Estimated FY2012 SRS Transaction Amount”), plus 10% contingency. The annual cap amounts for FY 2013 to FY2016 are estimated based on the Estimated FY2012 SRS Transaction Amount and adjusted with a target annual growth rate of approximately 1.7% in sales volume of commercial personal computers of NEC Newco, plus 10% contingency;
- (viii) The cap amounts for Real Estate Services under the Transitional Services Agreement for the remainder of FY2012, which is expected to be nine months ending 31 March 2012, is estimated based on the 9-month rental fees of the properties under the Transitional Services Agreement, plus 10% contingency. The annual cap amounts for FY 2013 to FY2016 are the same and estimated based on full year rental fees of the properties under the Transitional Services Agreement, plus 10% contingency; and
- (ix) The cap amounts under the Transitional Services Agreement for the period from 1 April 2016 to the fifth anniversary of the Closing Date are calculated on 3-month pro rata basis of the annual cap amounts of FY2016.

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We note that the Development and Production Services are relating to the production of the products of NEC Newco, and relevant support services. We have discussed with the management of the Company and note that the cap amounts under the Development and Production Services are estimated with reference to the target annual growth rates of approximately 1.7% to 3.6% in sales volume of personal computers of NEC Newco for FY2012 to FY2016. According to a press release from IDC Japan, the business personal computer shipment volume and consumer personal computer shipment volume in Japan in 2010 increased by 24.9% and 10.8% respectively. On this basis, we consider that the estimated annual growth rates of approximately 1.7% to 3.6% in personal computer volume which were used for determining the cap amounts of the Development and Production Services under the Transitional Services Agreement are not excessive.

Furthermore, regarding the Sales Related Services, the cap amounts are estimated based on the target annual growth rates of approximately 1.6% to 1.7% in sales volume of commercial personal computers of NEC Newco for FY2012 to FY2016, and assuming that the average sales price of the commercial personal computers of NEC Newco will be in the same level as that for FY2011. Having considered the increase in business personal computer shipment volume in Japan in 2010 of 24.9% according to a press release of IDC Japan, we consider that the target annual growth rates of approximately 1.6% to 1.7% in sales volume of commercial personal computers of NEC Newco used in determining the cap amounts are not excessive.

The cap amounts estimated do not represent the actual transaction amount. Should the actual transaction amounts exceed the cap amounts, the Company is required to obtain the approval from its independent shareholders on the revised cap amounts, which may increase the administrative costs for the Company and may disrupt the normal business operations of NEC Newco before such approval is obtained. In this connection, we consider that it is reasonable to add 10% contingency to account for any uncertainties and additional charges.

On the basis of the above analysis, we consider that the cap amounts are reasonably determined.

(F) NEC Patent Licence Agreement

Set out below is a summary of the material terms of the NEC Patent Licence Agreement. More details of the NEC Patent Licence Agreement are contained in the Letter from the Board.

Date: Subject to the prior approval of the Independent Shareholders of the Company at the EGM, the NEC Patent Licence Agreement will be entered into at or prior to the Closing Date, taking effect from the Closing Date.

Parties: NEC and NEC Newco

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Term: The term of the NEC Patent Licence Agreement shall, except as otherwise provided herein, commence on the Closing Date and shall terminate upon the earlier of (i) the fifth anniversary of the Closing Date, and (ii) expiration of the last to expire of the patents licensed under the NEC Patent Licence Agreement. In addition, if the patents licensed under the NEC Patent Licence Agreement have not expired by the fifth anniversary of the Closing Date, subject to compliance with the Listing Rules (if applicable) at the relevant time (including obtaining the prior approval of the Independent Shareholders, if required), the NEC Patent Licence Agreement will automatically be renewed for a further period not terminating after the expiration of the last to the expiry of the patents licensed under the NEC Patent Licence Agreement.

Material Terms: Under the NEC Patent Licence Agreement, NEC agrees to grant a licence of certain patents used in connection with the operation of NEC's personal computer business in Japan to NEC Newco, the material terms of which are as follows:

Licence: NEC grants NEC Newco a worldwide, non-exclusive licence (without the right to sub-licence to others) under certain patents and patent applications of NEC used in connection with NEC's personal computer business in Japan to make, have made, import, export, lease, sell, offer for sale or otherwise transfer NEC Newco Licensed Products;

Royalty: NEC Newco agrees to pay to NEC a royalty equal to 0.03% of gross sales of the NEC Newco Licensed Products during the term of the NEC Patent Licence Agreement, plus applicable taxes; and

Termination: The NEC Patent Licence Agreement will automatically terminate if NEC Newco ceases to be a subsidiary of the Company.

As mentioned in the Letter from the Board, apart from the transaction under the Business Combination Agreement, NEC's personal computer business will continue to license a portfolio of patents from NEC which are necessary or important to its operation. It would create serious impediments to end this patent licensing relationship, and its continuation is critical to the success of the business.

The management of the Company advised that the royalty fee of 0.03% was determined with reference to the historical royalty fee paid by certain group companies of NEC to NEC. The Company has not obtained the consent of NEC for disclosing such historical royalty fee. However, we have reviewed the relevant internal document and

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note that the royalty fee paid by NEC Newco will be lower than the royalty fee paid by certain group companies of NEC. Considering the context of the transactions contemplated under the Business Combination Agreement and the CCT Agreements, we are of the view that the rate of the royalty fee of 0.03% is reasonably determined.

Having considered the above and that NEC Newco could capitalise on the technology expertise and knowledge of NEC in the personal computer business, we consider that the NEC Patent Licence Agreement is in the interest of the Company and its shareholders as a whole, and the terms of the NEC Patent Licence Agreement are fair and reasonable as far as the interests of the Independent Shareholders are concerned.

Cap amounts:

	For the remainder of FY2012	FY2013	FY2014	FY2015	FY2016	For the part of the Financial Year commencing on 1 April 2016 and ending on the fifth anniversary of the Closing Date
Cap amount payable to NEC	JPY50 million (US\$605,000)	JPY66 million (US\$798,600)	JPY66 million (US\$798,600)	JPY66 million (US\$798,600)	JPY66 million (US\$798,600)	JPY16 million (US\$193,600)

As mentioned in the Letter from the Board, the cap amounts have not been determined by reference to the historical charges paid for the services as the scope of the licence, and thus the underlying royalty rates, are not comparable to the current licence arrangements in respect of the patents used in connection with the operation of NEC's personal computer business in Japan.

The cap amounts in respect of the royalty payments for the licence granted under the NEC Patent Licence Agreement for the remainder of the Financial Year ending 31 March 2012, each of the Financial Years ending 31 March 2013, 2014, 2015 and 2016, and the period from 1 April 2016 to the fifth anniversary of the Closing Date are estimated based on the following:

- (i) The cap amount for the remainder of FY2012, which is expected to be nine months ending 31 March 2012, is calculated on 9-month pro rata basis and based on 0.03% of the estimated full year revenue from personal computer sales of NECP for FY2011 after taking account of the revenue for the 11-month period from 1 April 2010 to 28 February 2011, plus 10% contingency; and
- (ii) The annual cap amounts for FY2013 to FY2016 are the same and based on 0.03% of the estimated full year revenue from personal computer sales of NECP for FY2011 after taking account of the revenue for the 11-month period from 1 April 2010 to 28 February 2011, plus 10% contingency.

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The cap amounts estimated do not represent the actual transaction amounts. On the basis of the fact that (i) the annual cap amounts are determined based on the estimated revenue of personal computer sales for FY2011 which was estimated with reference to the revenue of personal computer sales for the 11-month period ended 28 February 2011; and (ii) should the actual transaction amounts exceed the cap amounts, the Company is required to obtain the approval from its independent shareholders on the revised cap amounts, which may increase the administrative costs for the Company and may disrupt the normal business operations of NEC Newco before such approval is obtained; we consider that it is reasonable to add 10% contingency to account for any uncertainties and additional charges. Having considered the basis above, we consider that the cap amounts are reasonably determined.

(G) NEC Newco Brand Licence Agreement

Set out below is a summary of the material terms of the NEC Newco Brand Licence Agreement. More details of the NEC Newco Brand Licence Agreement are contained in the Letter from the Board.

Date: Subject to the prior approval of the Independent Shareholders of the Company at the EGM, the NEC Newco Brand Licence Agreement will be entered into at or prior to the Closing Date, taking effect from the Closing Date.

Parties: NEC and NEC Newco

Term: The term of the NEC JVCo Brand Licence Agreement shall commence on the Closing Date and continue in force for a period of five years.

Material Terms: Under the NEC Newco Brand Licence Agreement, NEC agrees to grant NEC Newco a licence to use certain rights in connection with the letters and the mark “NEC”, the material terms of which are as follows:

Licence: NEC grants NEC Newco a licence to use “NEC” as part of its trade and company name, to use the “NEC” logo as a company logo for Newco, and to use “NEC” logos on the NEC Newco Licensed Products;

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Royalty: NEC Newco agrees to pay NEC a royalty based on an agreed formula, being 0.21% of the gross sales amount of NEC Newco to customers other than NEC and/or NEC's consolidated subsidiaries, plus 0.21% of the total gross sales amount of NEC Newco. If some of those products are provided by NEC Newco without using the "NEC" name, NEC Newco shall notify NEC in advance, and both parties shall discuss in good faith as to the treatment of gross sales of those products in calculating the amount of the royalty payable by NEC Newco to NEC;

Termination: NEC may immediately terminate all or part of the NEC Newco Brand Licence Agreement on the occurrence of certain specified trigger events, including, inter alia: (i) NEC ceasing to directly or indirectly own 49% of the voting stock of NEC Newco; (ii) the "NEC" letters being removed from the trade and company name of NEC Newco; (iii) termination or expiry of the Shareholders' Agreement; (iv) material breach by NEC Newco of the NEC Newco Brand Licence Agreement which remains unremedied for a thirty day period; or (v) the quality of the NEC Newco Licensed Products failing to meet certain standards specified by NEC, and NEC considers it unlikely to meet such standards.

The NEC Newco Brand License Agreement would enable NEC Newco to use the mark "NEC" such that NEC Newco can continue to sell the personal computer products using "NEC" brand name and benefit from NEC's market reputation. Furthermore, as mentioned in the Letter from the Board, as part of the transaction under the Business Combination Agreement, NEC Newco will continue to have a brand licence to use the "NEC" name for the following purposes: (i) as a part of the JVCo Group name ("NEC Lenovo Japan Group"); (ii) as a part of the company name; and (iii) in conjunction with its products and services. All of these uses are important to its continuing successful operation to avoid confusion associated with a sudden change and to enable the continued advantage associated with the brand name associated with the company's products.

If NEC Newco sells all the products to NEC and/or NEC's consolidated subsidiaries, the royalty fee will be 0.21% of the total gross sales amount of NEC Newco. On the other hand, if NEC Newco sells all the products to clients which are not NEC and/or NEC's consolidated subsidiaries, the royalty fee will be 0.42% of the total gross sales amount of NEC Newco.

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We note from the management of the Company that the royalty fee of 0.21% of the gross sales amount of NEC Newco to customers other than NEC and/or NEC's consolidated subsidiaries, plus 0.21% of the total gross sales amount of NEC Newco are determined with reference to the historical royalty fee of the gross sales amount paid by other members of NEC Group to NEC. The Company has not obtained the consent from NEC for disclosing the historical royalty fee between the NEC group companies. However, we have reviewed the relevant internal document and note that the rate of the royalty fee is within range of the rate of the historical royalty fee. Under the context, we consider that the historical royalty fee is a good reference for determining the royalty fees under the NEC Newco Brand Licence Agreement, particularly taking account of the fact that the terms were negotiated by the Company and NEC on an arm's length basis within the framework of the Business Combination Agreement.

In this connection, we consider that the NEC Newco Brand Licence Agreement is in the interests of the Company and its shareholders as a whole, and the terms of the NEC Patent Licence Agreement are fair and reasonable as far as the interests of the Independent Shareholders are concerned.

Cap amounts:

	For the remainder of FY2012	FY2013	FY2014	FY2015	FY2016	For the part of the Financial Year commencing on 1 April 2016 and ending on the fifth anniversary of the Closing Date
Cap amount payable to NEC	JPY512 million (US\$6,195,200)	JPY682 million (US\$8,252,200)	JPY682 million (US\$8,252,200)	JPY682 million (US\$8,252,200)	JPY682 million (US\$8,252,200)	JPY170 million (US\$2,057,000)

The cap amounts in respect of the licence to use the "NEC" letters, mark and logo under the NEC Newco Brand Licence Agreement for the remainder of the Financial Year ending 31 March 2012, each of the Financial Years ending 31 March 2013, 2014, 2015 and 2016, and the period from 1 April 2016 to the fifth anniversary of the Closing Date are estimated based on the following:

- (i) The annual cap amounts for the remainder of FY2012, which is expected to be nine months ending 31 March 2012, is calculated on 9-month pro rata basis and estimated based on (i) 0.21% of the estimated revenue from commercial personal computer sales of NECP for FY2011 which was estimated after taking account of the revenue of commercial personal computer sales for the 11-month period from 1 April 2010 to 28 February 2011; (ii) 0.42% of the estimated revenue from consumer personal computer sales of NECP for FY2011 which was estimated after taking account of the revenue of consumer personal computer sales for the 11-month period from 1 April 2010 to 28 February 2011; and (iii) plus 10% contingency; and

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- (ii) The annual cap amounts for FY2013 to FY2016 are the same and based on (i) 0.21% of the estimated revenue from commercial personal computer sales of NECP for FY2011 which was estimated after taking account of the revenue of commercial personal computer sales for the 11-month period from 1 April 2010 to 28 February 2011; (ii) and 0.42% of the estimated revenue from consumer personal computer sales of NECP for FY2011 which was estimated after taking account of the revenue of consumer personal computer sales for the 11-month period from 1 April 2010 to 28 February 2011; and (iii) plus 10% contingency.

The cap amounts estimated do not represent the actual transaction amounts. On the basis of the fact that (i) the annual cap amounts are determined based on the estimated revenue of personal computer sales for FY2011 which was estimated after taking account of the revenue of personal computer sales for the 11-month period ended 28 February 2011; and (ii) should the actual transaction amounts exceed the cap amounts, the Company is required to obtain the approval from its independent shareholders on the revised cap amounts, which may increase the administrative costs for the Company and may disrupt the normal business operations of NEC Newco before such approval is obtained; we consider that it is reasonable to add 10% contingency to account for any uncertainties and additional charges. Having considered the basis above, we consider that the cap amounts are reasonably determined.

(H) Tenor of the CCT Agreements

The tenors of some of the CCT Agreements, including the Supply Agreement, the Transitional Services Agreement, the NEC Patent Licence Agreement and the NEC Newco Brand Licence Agreement are for a period of five years, and the remaining CCT Agreements, including NEC Fielding Agreement and NEC Mobilizing Agreement, NESIC Agreement auto renewable for subsequent one year, but it is expected that these agreements will be auto renewed for at least five years from the Closing Date. Under the Business Combination Agreement, the Company has granted NEC the put option and NEC has granted the Company the call option in each case in respect of the 49 per cent. interest in JVCo which will be held by NEC from Closing. The put option and the call option are exercisable from the fifth anniversary of Closing.

In this connection, JVCo, the joint venture between NEC and the Company, is expected to be operated as a joint venture for at least five years. The CCT Agreements are therefore designed to fit within this expected time frame. Termination of the CCT Agreements after only three years would have a significant impact on the operation of the JVCo and would be inconsistent with the proposal that the joint venture be operated for at least five years.

In particular, as mentioned in the Letter from the Board, the Supply Agreement is a core component of the commercial arrangements agreed between NEC and the Company for the anticipated five year lifetime of the joint venture arrangement. The termination of

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this arrangement after three years would be potentially prejudicial to the Company's and/or NEC's interests. Furthermore, certain of the services to be provided under the Transitional Services Agreement relate to facilities and equipment which will be leased from NEC. As such, NEC is uniquely positioned to provide the services associated with these facilities and equipment and it would be difficult for the Company to seek similar services from a third party.

Additionally, the NEC Fielding Agreement, NEC Mobiling Agreement and the NESIC Agreement are existing agreements between different entities of the NEC group which are automatically renewable for one year term. It is in the interest of the JVCo to benefit from the services to be provided by NEC entities under such agreements during the joint venture period for avoiding disruption to the business of the JVCo. It is also in the interest of the JVCo to leverage on the brand awareness of the NEC brand in Japan for achieving sales targets of personal computer products in Japan during the joint venture period. As such, the NEC Patent Licence Agreement and the NEC Newco Brand Licence Agreement shall also be executed for a term of five years from the Closing.

We note that in 2006, the Company and IBM entered into a master services agreement in relation to certain information technology services provided by IBM with a tenor of five years. The continuing connected transactions contemplated under the master services agreement between the Company and IBM arose as a result of the acquisition of the personal computer business of IBM by the Company and the need for certain information technology services to be provided by IBM to the acquired business which was to be merged with that of the Company during a transitional period of five years. Both the transaction contemplated under the Business Combination Agreement and the transaction between the Company and IBM involves personal computer businesses of a substantial scale, and deal structure involving only part of the total businesses of the vendors, being NEC and IBM respectively, merging into the businesses of the acquirer or joint venture partner. Considering the nature, context and scale of the transactions between the Company and IBM, and also the transactions contemplated under the Business Combination Agreement and the CCT Agreements, we are of the view that the continuing connected transactions contemplated under the master services agreement between the Company and IBM is a relevant precedent for reference.

We have also conducted searches for IT services and business process outsourcing transactions between IT services/business process outsourcing providers and their customers. We have identified not less than five such transactions with contract duration of up to five years.

Under the context, we consider that it is reasonable for transitional arrangements between two business partners of such nature and scale to have a tenor of at least five years, and as such it is normal business practice for the CCT Agreements to have a tenor of five years.

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4. Opinion

Having considered the principal factors and reasons described above, we are of the opinion that the CCT Agreements are on normal commercial terms and in the ordinary and usual course of business, and the terms of the CCT Agreements, together with the cap amounts are fair and reasonable as far as the interests of the Independent Shareholders are concerned, and, from this perspective, the CCT Agreements are in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the Resolution to be proposed at the EGM to approve the CCT Agreements and the transactions contemplated thereunder, as well as their respective cap amounts.

Yours faithfully,
For and on behalf of
MIZUHO SECURITIES ASIA LIMITED
Kelvin S. K. Lau
Managing Director
Equity Capital Markets & Corporate Finance

RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief the information contained in this document is accurate and complete in all material respects and not misleading or deceptive, and there are no other facts the omission of which would make any statement in this circular misleading.

DISCLOSURE OF INTERESTS**Interests of Directors**

As at the Latest Practicable Date, the interests and short positions, if any, of each Director and chief executive of the Company in the shares, underlying shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors and chief executives were deemed or taken to have under such provisions of the SFO); or which were required to be and are recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO; or as otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies adopted by the Company (the “Model Code”) were as follows:

Interests in the Shares and underlying Shares of the Company

Name of Director	Long/Short position	Interests in Shares/ underlying Shares	Personal interests	Family interests	Corporate interests	Aggregate
						interests in Shares/ underlying shares
Mr. Liu Chuanzhi	Long position	Shares	17,860,650	976,000	–	18,836,650
	Long position	Share awards	32,547,279	–	–	32,547,279
Mr. Yang Yuanqing	Long position	Shares	65,528,163	–	–	65,528,163
	Long position	Share awards	85,199,384	–	–	85,199,384
Mr. Zhu Linan	Long position	Shares	4,055,539	–	–	4,055,539
	Long position	Share awards	2,222,074	–	–	2,222,074
Ms. Ma Xuezheng	Long position	Shares	15,839,888	–	7,240,000	23,079,888
	Long position	Share awards	1,634,032	–	–	1,634,032
	Long position	Share options	406,000	–	–	406,000
Mr. James G. Coulter	Long position	Shares	337,147	–	–	337,147
	Long position	Share awards	1,658,074	–	–	1,658,074

Name of Director	Long/Short position	Interests in Shares/ underlying Shares	Personal interests	Family interests	Corporate interests	Aggregate interests in Shares/ underlying shares
Mr. William O. Grabe	Long position	Shares	895,744	-	-	895,744
	Long position	Share awards	2,222,074	-	-	2,222,074
Dr. Wu Yibing	Long position	Shares	45,890	-	-	45,890
	Long position	Share awards	748,964	-	-	748,964
Professor Woo Chia-Wei	Long position	Shares	820,924	-	-	820,924
	Long position	Share awards	2,222,074	-	-	2,222,074
Mr. Ting Lee Sen	Long position	Shares	409,909	-	-	409,909
	Long position	Share awards	2,222,074	-	-	2,222,074
Dr. Tian Suning	Long position	Shares	150,531	-	-	150,531
	Long position	Share awards	1,123,024	-	-	1,123,024
Mr. Nicholas C. Allen	Long position	Shares	16,264	-	-	16,264
	Long position	Share awards	495,373	-	-	495,373

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executive of the Company had any interests or short positions in Shares, underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they were taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to herein or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

INTEREST IN CONTRACTS OR ARRANGEMENT AND COMPETING BUSINESS

- (a) As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which have been acquired or disposed of by or leased to or are proposed to be acquired or disposed of by or leased to any member of the Group since 31 March 2010, being the date to which the latest published audited consolidated financial statements of the Group were made up.
- (b) As at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement entered into by any member of the Group and subsisting at the date of this circular which was significant in relation to the business of the Group.
- (c) As at the Latest Practicable Date, none of the Directors or their associates has interests in a business, apart from the business of the Group, which competes or is likely to compete, either directly or indirectly, with the business of the Group.

DIRECTORS' INTEREST IN SERVICE CONTRACT

Saved as disclosed below, as at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any member of the Group (excluding the contracts expiring or determinable by any member of the Group within one year without payment of compensation, other than statutory compensation).

Mr. Yang Yuanqing, an Executive Director and the existing Chief Executive Officer (former Chairman) of the Company entered into a service contract with the Company for an unfixed term on 9 October 2006. Upon termination of the service contract, Mr. Yang may be entitled to compensation and other payments equivalent to more than one year's emoluments depending on a number of factors including the amount of his unvested equity awards and the entitlement and amount of his annual target bonus. The service contract was approved by the general meeting of the Company held on 7 November 2006 (at which Mr. Yang and his associates abstained from voting) pursuant to Rule 13.68 of the Listing Rules.

MATERIAL ADVERSE CHANGES

The Directors confirmed that there has been no material adverse change in the financial or trading position of the Group since 31 March 2010 up to the Latest Practicable Date.

EXPERT QUALIFICATION AND CONSENT

The following is the qualification of the expert who has been named in this circular or has given opinion or advice which is contained in this circular:

NAME	QUALIFICATION
Mizuho Securities Asia Limited	a licensed corporation to carry out Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), Type 5 (advising on futures contracts), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO

As at the Latest Practicable Date, the Independent Financial Adviser was not beneficially interested in the share capital in any member of the Group nor has any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

The Independent Financial Adviser has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter of advice dated 11 May 2011 and references to its name, in the form and context in which they appear herein. The letter of advice given by the Independent Financial Adviser is given as of the date of this circular for incorporation herein.

As at the Latest Practicable Date, the Independent Financial Adviser has no interest, either directly or indirectly, in any assets which have been acquired or disposed of by or leased to or are proposed to be acquired or disposed of by or leased to any member of the Group since 31 March 2010, the date to which the latest published audited financial statements of the Company were made up.

MISCELLANEOUS

- (a) The registered office of the Company is at 23rd Floor, Lincoln House, Taikoo Place, 979 King's Road, Quarry Bay, Hong Kong.
- (b) The company secretary of the Company is Mr. Mok Chung Fu, Eric, a solicitor admitted in Hong Kong and an associate member of The Hong Kong Institute of Chartered Secretaries.
- (c) The share registrar of the Company is Tricor Abacus Ltd., situated at 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.
- (d) This circular has been prepared in both English and Chinese. In the case of any discrepancies, the English text shall prevail over the Chinese text.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours at the offices of Freshfields at 11th Floor, Two Exchange Square, Hong Kong from the date of this circular up to and including the date which is 14 days from the date of this circular:

- (a) the memorandum and articles of association of the Company;
- (b) the Supply Agreement;
- (c) the NEC Fielding Agreement;
- (d) the NEC Mobiling Agreement;
- (e) the NESIC Agreement;
- (f) the Transitional Services Agreement;
- (g) the NEC Patent Licence Agreement;
- (h) the NEC Newco Brand Licence Agreement;
- (i) the NEC JVCo Brand Licence Agreement;

- (j) the NEC LenovoJ Brand Licence Agreement;
- (k) the service contract between the Company and Mr. Yang Yuanqing entered into on 9 October 2006 (mentioned in the paragraph under the heading “Directors’ interest in Service Contract” in the appendix to this circular);
- (l) the letter from the Independent Board Committee;
- (m) the letter from the Independent Financial Adviser; and
- (n) the written consent of the Independent Financial Adviser referred to in this appendix.

NOTICE OF EGM

lenovo 联想

Lenovo Group Limited 联想集团有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 0992)

NOTICE IS HEREBY GIVEN that an EGM of the Company will be held on Friday, 27 May 2011 at 9:00 a.m. at Victoria & Chater Room, 2/F., Mandarin Oriental, Hong Kong, 5 Connaught Road, Central, Hong Kong for the purpose of considering and, if thought fit, passing the following resolution as an ordinary resolution of the Company:

ORDINARY RESOLUTION

“THAT

- (a) the CCT Agreements entered into or to be entered into on or prior to the Closing Date between the Company, JVCo or other members of the JVCo Group with NEC or other members of the NEC Group (details have been defined in the circular of the Company dated 11 May 2011), a copy of which has been produced to the meeting marked “A” and signed by the chairman of the meeting for identification purpose, and the transactions contemplated thereunder and the fixing of the annual caps thereunder be and are hereby approved, confirmed and/or ratified; and
- (b) any one Director or any two Directors (if affixation of the common seal is necessary) or any delegate(s) authorised by such Director(s) be and is/are hereby authorised to sign and/or execute all such other documents, instruments or agreements and to do or take all such actions or things as such Director(s) consider(s) necessary or desirable to implement and/or give effect to the terms of the CCT Agreements and the transactions contemplated thereunder.”

By Order of the Board
Liu Chuanzhi
Chairman

Hong Kong, 11 May 2011

Registered Office:
23rd Floor
Lincoln House
Taikoo Place
979 King's Road
Quarry Bay
Hong Kong

NOTICE OF EGM

Chairman and non-executive Director:

Mr. Liu Chuanzhi

Executive Director:

Mr. Yang Yuanqing

Non-executive Directors:

Mr. Zhu Linan

Ms. Ma Xuezheng

Mr. James G. Coulter

Mr. William O. Grabe

Dr. Wu Yibing

Independent Non-executive Directors:

Professor Woo Chia-Wei

Mr. Ting Lee Sen

Dr. Tian Suning

Mr. Nicholas C. Allen

Notes:

1. A member entitled to attend and vote at the EGM convened by this notice is entitled to appoint one or more proxies to attend and vote in his stead. A proxy need not be a member of the Company.
2. To be effective, the instrument appointing a proxy together with the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority, must be completed and lodged at the share registrar of the Company, Tricor Abacus Ltd. at 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, not less than 48 hours before the time for holding the EGM or any adjournment thereof.
3. A form of proxy for use at the EGM is enclosed. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof and, in such event, the relevant form of proxy shall be deemed to be revoked.
4. Where there are joint registered holders, any one of such persons may vote at the EGM, either personally or by proxy, in respect of such share as if he were solely entitled thereto; but if more than one of such joint registered holders be present at the EGM personally or by proxy, then the registered holder so present whose name stands first on the register of members of the Company in respect of such share will alone be entitled to vote in respect thereof.
5. The translation into Chinese language of the notice is for reference only. In case of any discrepancies, the English version shall prevail.
6. Voting at the EGM will be conducted by way of poll.