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If you are in any doubt as to any aspect of this circular, you should consult your licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

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

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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)

**REVISION OF EXISTING ANNUAL CAPS FOR
EXISTING CONTINUING CONNECTED TRANSACTIONS
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

**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 6 to 15 of this circular. A letter from the Independent Board Committee is set out on page 16 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 17 to 28 of this circular.

An ordinary resolution will be proposed at the EGM of Lenovo Group Limited to be held on Tuesday, 18 March 2014 at 9:30 a.m. at Harcourt Room, Lower Lobby, Conrad Hong Kong, Pacific Place, 88 Queensway, Hong Kong to approve the matters referred to in this circular. The notice convening the EGM is set out on pages 35 to 36 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 for holding of the EGM or any adjourned meeting thereof. Completion and return of the accompanying form of proxy will not preclude you from attending and voting at the EGM or any adjourned meeting thereof and, in such event, the relevant form of proxy shall be deemed to be revoked.

24 February 2014

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DEFINITIONS

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

“%”	per cent;
“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;
“CCT Announcement”	the announcement of the Company dated 21 April 2011 in relation to, amongst others, the Supply Agreement, the NEC Patent Licence Agreement, the Existing Supply Annual Caps and the Existing Royalty Annual Caps;
“CCT Circular”	the circular issued by the Company to the shareholders of the Company dated 11 May 2011 in relation to, amongst others, the Supply Agreement, the NEC Patent Licence Agreement, the Existing Supply Annual Caps and the Existing Royalty Annual Caps;
“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;
“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 Revised Supply Annual Caps and the Revised Royalty Annual Caps;

DEFINITIONS

“Existing Royalty Annual Caps”	<p>the annual caps for the transaction amounts of the transactions contemplated under the NEC Patent Licence Agreement as below:</p> <ul style="list-style-type: none">• JPY50 million, for the period from 1 July 2011 to 31 March 2012;• JPY66 million, for the financial year ended 31 March 2013;• JPY66 million, JPY66 million, JPY66 million, for the three financial years ending 31 March 2014, 2015 and 2016; and• JPY16 million, for the period from 1 April 2016 ending on 1 July 2016;
“Existing Supply Annual Caps”	<p>the annual caps for the transaction amounts of the transactions contemplated under the Supply Agreement as below:</p> <ul style="list-style-type: none">• JPY65,018 million, for the period from 1 July 2011 to 31 March 2012;• JPY88,132 million, for the financial year ended 31 March 2013;• JPY89,650 million, JPY91,179 million, JPY92,719 million, for the three financial years ending 31 March 2014, 2015 and 2016; and• JPY23,180 million, for the period from 1 April 2016 ending on 1 July 2016;
“Group”	the Company and its subsidiaries 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, namely, Mr. Ting Lee Sen, Dr. Tian Suning; Mr. Nicholas C. Allen, Mr. Nobuyuki Idei, Mr. William O. Grabe, Mr. William Tudor Brown and Ms. Ma Xuezheng;
“Independent Financial Adviser”	Mizuho Securities Asia Limited, the independent financial adviser appointed by the Company to advise the Independent Board Committee and Independent Shareholders on the Revised Supply Annual Caps and the Revised Royalty Annual Caps. 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 1 July 2011 until the date on which NEC no longer holds any shares in JVCo;
“JPY”	Japanese Yen, the lawful currency of Japan;
“JVCo”	Lenovo NEC Holdings B.V., an indirect non wholly-owned subsidiary of the Company incorporated pursuant to the Business Combination Agreement and held as to 51% by Lenovo BV and 49% by NEC;
“JV Announcements”	the announcements of the Company dated 27 January and 4 July 2011 in relation to, amongst others, the formation of JVCo;
“Latest Practicable Date”	19 February 2014, 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;

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 Newco”	NEC Personal Computers, Ltd., a company incorporated under the laws of Japan and a wholly-owned subsidiary of JVCo;
“NEC Newco Brand Licence Agreement”	the brand licence agreement between NEC and NEC Newco entered into on 1 July 2011;
“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 dated 1 July 2011;
“NECP”	NEC Embedded Products, Ltd. (formerly known as NEC Personal Products, Ltd before 1 July 2011), a wholly-owned subsidiary of NEC incorporated under the laws of Japan;
“PRC”	the People’s Republic of China;
“Products”	certain “NEC” branded personal computer products to be supplied to NEC under the Supply Agreement;
“Resolution”	the ordinary resolution to approve the Revised Supply Annual Caps and the Revised Royalty Annual Caps at the EGM;
“Revised CCT Caps Announcement”	the announcement of the Company dated 20 January 2014 in relation to, amongst others, the proposed revision of the Existing Supply Annual Caps and the Existing Royalty Annual Caps;

DEFINITIONS

“Revised Royalty Annual Caps”	the revised annual caps on the transactions amount of the transactions contemplated under the NEC Patent Licence Agreement for the three financial years ending 31 March 2014, 2015 and 2016 and for the period from 1 April 2016 and ending on 1 July 2016 as set out in this circular;
“Revised Supply Annual Caps”	the revised annual caps on the transactions amount of the transactions contemplated under the Supply Agreement for the three financial years ending 31 March 2014, 2015 and 2016 and for the period from 1 April 2016 and ending on 1 July 2016 as set out in this circular;
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
“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 between NEC and NECP dated 28 February 2011 (the rights and obligations of NECP of which were transferred to NEC Newco on and following 1 July 2011); and
“US\$”	United States dollars, the lawful currency of the United States of America.

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, Executive Director and Chief Executive Officer:

Mr. Yang Yuanqing

Non-executive Directors:

Mr. Zhu Linan

Mr. Zhao John Huan

Independent Non-executive Directors:

Mr. Ting Lee Sen

Dr. Tian Suning

Mr. Nicholas C. Allen

Mr. Nobuyuki Idei

Mr. William O. Grabe

Mr. William Tudor Brown

Ms. Ma Xuezheng

Registered Office:

23rd Floor

Lincoln House

Taikoo Place

979 King's Road

Quarry Bay

Hong Kong

24 February 2014

To the Shareholders,

Dear Sir or Madam,

**REVISION OF EXISTING ANNUAL CAPS FOR
EXISTING CONTINUING CONNECTED TRANSACTIONS**

1. INTRODUCTION

Continuing Connected Transactions under the Supply Agreement and the NEC Patent Licence Agreement

Reference is made to (1) the JV Announcements in relation to, amongst others, formation of JVCo with NEC to own and operate their respective personal computer businesses in Japan; (2) the CCT Announcement and CCT Circular in relation to, amongst others, the Supply Agreement entered into between NEC and NECP (whose rights and obligations were transferred to NEC Newco, a wholly-owned subsidiary of JVCo) for the purchase and sale of the Products, the NEC Patent Licence Agreement entered into between NEC and NEC Newco for the grant of licence of certain patents used in connection with the operation of NEC's personal computer business in Japan by NEC to NEC Newco, the Existing Supply Annual Caps and the Existing Royalty Annual Caps; and (3) the Revised CCT Caps Announcement in relation to, amongst others, the proposed revision of the Existing Supply Annual Caps and the Existing Royalty Annual Caps.

LETTER FROM THE BOARD

On 27 January 2011, the Company entered into the Business Combination Agreement, with, among others, NEC, pursuant to which the Company and NEC agreed to establish JVCo as a joint venture company to own and operate their respective personal computer business in Japan. JVCo is held as to 51% by the Company (through Lenovo BV, an indirect wholly-owned subsidiary of the Company) and 49% by NEC upon completion of the formation of JVCo effective on 1 July 2011.

The Supply Agreement

On 28 February 2011, NEC and NECP (whose rights and obligations were transferred to NEC Newco, a wholly-owned subsidiary of JVCo) entered into the Supply Agreement, pursuant to which NEC shall purchase from NECP (whose rights and obligations were subsequently transferred to NEC Newco) the Products. The material terms of the Supply Agreement 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 arm's 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;
- (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;

LETTER FROM THE BOARD

- (f) **Term:** the Supply Agreement took effect on 1 July 2011 and shall continue until the earlier of the final date of the Joint Venture Period and the fifth anniversary of 1 July 2011. 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; and
- (g) **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.

The NEC Patent Licence Agreement

On 1 July 2011, NEC and NEC Newco entered into the NEC Patent Licence Agreement, pursuant to which NEC agreed 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 the NEC Patent Licence Agreement 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;
- (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;
- (c) **Term:** The term of the NEC Patent Licence Agreement shall commence on 1 July 2011 and shall terminate upon the earlier of (i) the fifth anniversary of 1 July 2011, 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 1 July 2011, 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 as is permitted in accordance with the Listing Rules, provided that the NEC Patent Licence Agreement will not be extended beyond the expiration of the last to expire of the patents licensed under the NEC Patent Licence Agreement; and
- (d) **Termination:** the NEC Patent Licence Agreement will automatically terminate if NEC Newco ceases to be a subsidiary of the Company.

LETTER FROM THE BOARD

Implementation of the Supply Agreement and the NEC Patent Licence Agreement

The prices of the products sold by NEC Newco to NEC under the Supply Agreement are negotiated and agreed on an arm's length basis following the price determination mechanism as described above and agreed in the Supply Agreement. The royalty under the NEC Patent Licence Agreement is calculated with the fixed royalty rate of 0.03% over gross sales of the NEC Newco Licensed Products. The Company has carried out and will continue to carry out adequate supervision on NEC Newco's compliance of the terms and conditions of the Supply Agreement and NEC Patent Licence Agreement through Company's group governance procedures.

Furthermore, in order to ensure that the transactions under the Supply Agreement and the NEC Patent Licence Agreement are conducted on normal commercial terms, the following methods and procedures have been implemented by the Company:

- (a) the transactions contemplated under the Supply Agreement are subject to weekly reviews of the team headed by the Company's regional general manager of Japan (the "**Regional General Manager**"), and front line business teams are advised of the requirements under the relevant agreements and procedures are in place for ensuring that the terms of the relevant agreements are complied with;
- (b) the Regional General Manager and NEC delegates hold monthly interlock meetings to discuss, amongst others, the transactions contemplated under the Supply Agreement;
- (c) in accordance with the Company's corporate policies, the transactions under the Supply Agreement and the NEC Patent Licence Agreement are properly recorded, including but not limited to prices determined and transaction amounts and such records of NEC Newco are accessible to the Company for review and audit purposes; and
- (d) the transactions under the Supply Agreement and the NEC Patent Licence Agreement are subject to the Company's internal audit, and reviewed by the external auditors of the Company on an annual basis.

Based on the above, the Directors consider that the methods and procedures can ensure that the transactions under the Supply Agreement and the NEC Patent Licence Agreement are conducted on normal commercial terms and not prejudicial to the interest of the Company and its shareholders as a whole.

The purposes of this circular are:

- (i) to provide you with further information in relation to the proposed revision to the Existing Supply Annual Caps and the Existing Royalty Annual Caps for the three financial years ending 31 March 2014, 2015 and 2016 and for the period from 1 April 2016 and ending on 1 July 2016;

LETTER FROM THE BOARD

- (ii) to set out the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders and the recommendation of the Independent Board Committee as advised by the Independent Financial Adviser; and
- (iii) to seek your approval of the ordinary resolution in relation to the proposed revision to the Existing Supply Annual Caps and the Existing Royalty Annual Caps for the three financial years ending 31 March 2014, 2015 and 2016 and for the period from 1 April 2016 and ending on 1 July 2016, which are set out in the notice of the EGM.

Exceeding of the Existing Annual Caps and the Revised Annual Caps and the Historical Transaction Amounts

The historical transacted amounts of the transactions contemplated under the Supply Agreement and the NEC Patent Licence Agreement for the period from 1 July 2011 and ended on 31 March 2012, for the financial year ended 31 March 2013 and for the period from 1 April 2013 up to the Latest Practicable Date are as follows:

	Historical Transacted Figures	
	Transaction amounts of the transactions contemplated under the Supply Agreement	Transaction amounts of the transactions contemplated under the NEC Patent Licence Agreement
For the period from 1 July 2011 and ended on 31 March 2012	JPY58,373 million (US\$572,055,400)	JPY45 million (US\$441,000)
For the financial year ended 31 March 2013	JPY76,907 million (US\$753,688,600)	JPY49 million (US\$480,200)
For the period from 1 April 2013 up to the Latest Practicable Date	JPY98,459 million (US\$964,898,200)	JPY63 million (US\$617,400)

Note: The translation of Japanese yen into United States dollars is based on the exchange rate of JPY1.00 to US\$0.0098 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.

The actual transaction amount of the transactions contemplated under the Supply Agreement for the period from 1 April 2013 up to the Latest Practicable Date had slightly exceeded the Existing Supply Annual Cap for the financial year ending 31 March 2014. Pursuant to Rule 14A.36(10) of the Listing Rules, the Company should re-comply with the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules once the actual transaction amount of the transactions contemplated under the Supply Agreement exceeds the Existing Supply Annual Cap during the same period.

LETTER FROM THE BOARD

Existing Annual Caps and the Revised Annual Caps

The Directors propose to increase the Existing Supply Annual Caps and the Existing Royalty Annual Caps for the three financial years ending 31 March 2014, 2015 and 2016 and for the period from 1 April 2016 and ending on 1 July 2016 as follows:

	Existing Supply Annual Caps	Revised Supply Annual Caps	Existing Royalty Annual Caps	Revised Royalty Annual Caps
For the financial year ending 31 March 2014	JPY89,650 million (US\$878,570,000)	JPY140,000 million (US\$1,372,000,000)	JPY66 million (US\$646,800)	JPY79 million (US\$774,200)
For the financial year ending 31 March 2015	JPY91,179 million (US\$893,554,200)	JPY140,000 million (US\$1,372,000,000)	JPY66 million (US\$646,800)	JPY79 million (US\$774,200)
For the financial year ending 31 March 2016	JPY92,719 million (US\$908,646,200)	JPY140,000 million (US\$1,372,000,000)	JPY66 million (US\$646,800)	JPY79 million (US\$774,200)
For the period from 1 April 2016 and ending on 1 July 2016	JPY23,180 million (US\$227,164,000)	JPY35,000 million (US\$343,000,000)	JPY16 million (US\$156,800)	JPY20 million (US\$196,000)

Note: The translation of Japanese yen into United States dollars is based on the exchange rate of JPY1.00 to US\$0.0098 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.

2. REASONS FOR EXCEEDING AND REVISING THE EXISTING ANNUAL CAPS

The personal computer market in Japan performed much better than expected towards the end of 2013. Improved economic sentiments, favorable exchange rates, and the approaching expiration of the support for certain operating software in April 2014 helped to lift the market on commercial side notwithstanding the fact that consumer buying generally remained suppressed. Under such market condition, the sales of the Products from NEC Newco to NEC pursuant to the Supply Agreement experienced significant increase since the third calendar quarter of 2013 and is expected to continue until the second calendar quarter of 2014. Accordingly, the patent royalty paid by NEC Newco to NEC pursuant to the NEC Patent Licence Agreement increased corresponding with the sales of the Products from NEC Newco to NEC pursuant to the Supply Agreement. It is anticipated that the Existing Supply Annual Caps and the Existing Royalty Annual Caps for the three financial years ending 31 March 2014, 2015 and 2016 and for the period from 1 April 2016 and ending on 1 July 2016 will be insufficient to cater for the now expected increase in sale of the relevant products and the corresponding increase in the patent royalty payable by NEC Newco to NEC pursuant to the NEC Patent Licence Agreement. In particular, at the end of December 2013, it was estimated that the annual transaction amount under the Supply Agreement for the financial year ending 31 March 2014 would be around JPY112,658 million, which is more than 25% in excess of the Existing Supply Annual Cap of JPY89,650 million. It was also estimated that the annual royalty amount under NEC Patent Licence Agreement for the financial year ending 31 March 2014 would be around JPY63 million. The Directors propose to increase the Existing Supply Annual Caps and the Existing Royalty Annual Caps for the three financial years ending 31 March 2014, 2015 and 2016 and for the period from 1 April 2016 and ending on 1 July 2016.

LETTER FROM THE BOARD

Considering strong personal computer market momentum in Japan, the Directors believe it is reasonable to have 25% buffer on top of the estimated annual amount for the Revised Supply Annual Caps and the Revised Royalty Annual Caps.

The Company will tighten its supervision over the transaction amounts in respect of the relevant annual caps going forward with a view to ensuring that necessary measures and appropriate actions will be promptly taken in order to comply with the applicable requirements under the Listing Rules.

3. BASIS FOR THE REVISED ANNUAL CAPS

In determining the Revised Supply Annual Caps and the Revised Royalty Annual Caps, the Directors took into account the following factors:

- (a) the recovery of personal computer market in Japan;
- (b) the historical transaction amounts of the transactions contemplated under the Supply Agreement and the NEC Patent Licence Agreement for the period from 1 April 2013 up to the Latest Practicable Date, which amount to approximately JPY98,459 million and JPY63 million, respectively, and the estimated transaction amounts of the transactions contemplated under the Supply Agreement and the NEC Patent Licence Agreement for the financial year ending 31 March 2014 increase compared to the relevant actual transaction amounts for the financial year ended 31 March 2013;
- (c) the increasing demand for replacement of personal computers supported by certain expired operating software, which will maintain at the same level to 2013 until the second calendar quarter of 2014;
- (d) the anticipated increase in the sales of the Products to NEC pursuant to the Supply Agreement, which will maintain at the same level to 2013 in the following few years;
- (e) the anticipated increase in the patent royalty to be paid by NEC Newco to NEC pursuant to the NEC Patent Licence Agreement in accordance with the anticipated increase in the sales of the Products to NEC pursuant to the Supply Agreement;
- (f) the increasing scale of the Group's operation in Japan; and
- (g) a 25% buffer to allow further flexibility for carry out the transactions contemplated under the Supply Agreement and the NEC Patent Licence Agreement.

LETTER FROM THE BOARD

4. INFORMATION ON THE GROUP

The Company is a limited liability company incorporated in Hong Kong and its shares have been listed on the Stock Exchange since 1994. The Group is principally engaged in the sales and manufacture of personal computers, tablets, smartphones, servers and related information technology products and the provision of advanced information services across the world.

5. INFORMATION ON NEC AND NECP

NEC is one of the major information technology companies in Japan and is principally engaged in the design, manufacture and sale of principally NEC brand of information technology hardware products, including personal computers and tablet computers for commercial customers. NEC has indicated its objective to become 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.

NECP was a wholly-owned subsidiary of NEC providing planning, manufacturing, distribution and support of NEC's personal computer business and related equipment, until it transferred its assets as well as rights and responsibilities pertaining to the personal computer business to NEC Newco. On 1 July 2011, NECP changed its name from NEC Personal Products, Ltd to NEC Embedded Products, Ltd. and continues to operate non-personal computer business as a wholly-owned subsidiary of NEC.

6. LISTING RULES IMPLICATIONS

The Company (through Lenovo BV, an indirect wholly-owned subsidiary of the Company) owns 51% of the issued share capital of JVCo and NEC owns 49% of the issued share capital of JVCo. As NEC is a substantial shareholder of JVCo, which in turn is an indirect subsidiary of the Company, NEC (and its associates) are connected persons of the Company and therefore the transactions contemplated under the Supply Agreement and the NEC Patent Licence Agreement constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

Given certain applicable percentage ratios for the Revised Supply Annual Caps and the Revised Royalty Annual Caps, on an aggregate basis, calculated pursuant to Rule 14.07 of the Listing Rules exceed 5%, the Revised Supply Annual Caps and the Revised Royalty Annual Caps are therefore subject to the reporting, announcement and Independent Shareholders' approval requirements under the Listing Rules.

LETTER FROM THE BOARD

7. EGM

The notice convening the EGM to be held on Tuesday, 18 March 2014 at 9:30 a.m. at Harcourt Room, Lower Lobby, Conrad Hong Kong, Pacific Place, 88 Queensway, Hong Kong at which the Resolution will be considered, and if thought fit, be approved, is set out on pages 35 and 36 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 adjourned meeting 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 thereof (as the case may be) should you so wish.

Pursuant to Rule 13.39(4) of the Listing Rules, the votes to be taken at the EGM to seek approval of the Revised Supply Annual Caps and the Revised Royalty Annual Caps will be taken by poll. 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. To the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, as at the Latest Practicable Date, none of the shareholders of the Company will be required to abstain from voting at the EGM. In addition, each Director has confirmed that he/she does not have a material interest in the Supply Agreement or the NEC Patent Licence Agreement. No Directors are required to abstain from voting on the resolutions of the Board in respect of the Revised Supply Annual Caps or the Revised Royalty Annual Caps.

8. GENERAL

The Independent Board Committee has been established to advise the Independent Shareholders on the Revised Supply Annual Caps and the Revised Royalty Annual Caps.

Mizuho Securities Asia Limited has been appointed as the independent financial adviser to advise the Independent Board Committee and Independent Shareholders on the Revised Supply Annual Caps and the Revised Royalty Annual Caps.

9. RECOMMENDATIONS

The Independent Board Committee is required to advise the Independent Shareholders on the Revised Supply Annual Caps and the Revised Royalty Annual Caps. 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 16 of this circular, which contains its recommendations to the Independent Shareholders, and the letter from the Independent Financial Adviser set out on pages 17 to 28 of this circular, which contains its advice to the Independent Board Committee and the Independent Shareholders, in respect of the Revised Supply Annual Caps and the Revised Royalty Annual Caps.

LETTER FROM THE BOARD

Having taken into account, amongst others, the recommendations and advice from the Independent Financial Adviser in relation to the Revised Supply Annual Caps and the Revised Royalty Annual Caps (as contained in “Letter from Mizuho Securities Asia Limited” on pages 17 to 28 of this circular), the Independent Board Committee is of the view that the Revised Supply Annual Caps and the Revised Royalty Annual Caps are fair and reasonable and 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

Yang Yuanqing

Chairman and Chief Executive Officer

lenovo 联想

Lenovo Group Limited 联想集团有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 0992)

24 February 2014

To the Independent Shareholders

Dear Sir or Madam,

**REVISION OF EXISTING ANNUAL CAPS FOR EXISTING
CONTINUING CONNECTED TRANSACTIONS**

We refer to the circular of the Company dated 24 February 2014 (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 the Revised Supply Annual Caps and the Revised Royalty Annual Caps are fair and reasonable and in the interests of the Company and its shareholders 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 Revised Supply Annual Caps and the Revised Royalty Annual Caps.

We wish to draw your attention to the letter of advice from the Independent Financial Adviser as set out on pages 17 to 28 of the circular and the letter from the Board set out on pages 6 to 15 of the circular.

Having taken into account the information contained in the “Letter from the Board” set out on pages 6 to 15 of the circular and the recommendations and advice of the Independent Financial Adviser, we are of the opinion that the Revised Supply Annual Caps and the Revised Royalty Annual Caps are fair and reasonable and in the interests of the Company and its shareholders as a whole.

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

Yours faithfully,
Independent Board Committee
Mr. Ting Lee Sen
Dr. Tian Suning
Mr. Nicholas C. Allen
Mr. Nobuyuki Idei
Mr. William O. Grabe
Mr. William Tudor Brown
Ms. Ma Xuezheng

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 relation to the Revised Supply Annual Caps and the Revised Royalty Annual Caps, which has been prepared for the purpose of inclusion in this circular.



24 February 2014

*To the Independent Board Committee
and the Independent Shareholders*

Lenovo Group Limited

Dear Sirs,

REVISION OF EXISTING ANNUAL CAPS FOR EXISTING CONTINUING CONNECTED TRANSACTIONS

INTRODUCTION

We refer to our engagement as the independent financial adviser to the Independent Board Committee and Independent Shareholders in respect of the Revised Supply Annual Caps and the Revised Royalty Annual Caps (together, the “**Revised Annual Caps**”). Further details of the Revised Annual Caps are set out in the letter from the Board (the “**Letter from the Board**”) in the circular of the Company to its Shareholders dated 24 February 2014 (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 20 January 2014, the Company made the Revised CCT Caps Announcement in relation to, among others, the revision of the Existing Supply Annual Caps and the Existing Royalty Annual Caps which are associated with transactions with NEC and related parties.

The Company (through Lenovo BV, an indirect wholly-owned subsidiary of the Company) owns 51% of the issued share capital of JVCo and NEC owns 49% of the issued share capital of JVCo. As NEC is a substantial shareholder of JVCo, which in turn is an indirect subsidiary of the Company, NEC (and its associates) are connected persons of the Company and therefore the transactions contemplated under the Supply Agreement and the NEC Patent Licence Agreement constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

LETTER FROM MIZUHO SECURITIES ASIA LIMITED

Our scope of work under this engagement is to assess whether the terms of the Revised Annual Caps are fair and reasonable so far as the Shareholders are concerned, and, from that perspective, whether the Revised Annual Caps are in the interests of the Company and the Shareholders as a whole. It is not within our scope of work to opine on any other aspects of the Revised Annual Caps. In addition, it is not within our terms of reference to comment on the commercial merits of the transactions associated with the Revised Annual Caps, which is the responsibility of the Directors.

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 material 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, JVCo, or any of the companies or entities involving in the transactions associated with the Revised Annual Caps, and 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

Information on the Group

The Company is a limited liability company incorporated in Hong Kong and its shares have been listed on the Stock Exchange since 1994. The Group is principally engaged in the sales and manufacture of personal computers, tablet computers, smartphones, servers and related information technology products and the provision of advanced information services across the world.

Information on NEC and NECP

NEC is one of the major information technology companies in Japan and is principally engaged in the design, manufacture and sale of principally NEC brand of information technology hardware products, including personal computers and tablet computers for commercial customers. NEC has indicated its objective to become 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.

NECP was a wholly-owned subsidiary of NEC providing planning, manufacturing, distribution and support of NEC's personal computer business and related equipment, until it transferred its assets as well as rights and responsibilities pertaining to the personal computer business to NEC Newco. On 1 July 2011, NECP changed its name from NEC Personal Products, Ltd. to NEC Embedded Products, Ltd. and continues to operate non-personal computer business as a wholly-owned subsidiary of NEC.

Continuing Connected Transactions under the Supply Agreement and the NEC Patent Licence Agreement

On 27 January 2011, the Company entered into the Business Combination Agreement, with, amongst others, NEC, pursuant to which the Company and NEC agreed to establish JVCo as a joint venture company to own and operate their respective personal computer business in Japan. JVCo is held as to 51% by the Company (through Lenovo BV, an indirect wholly-owned subsidiary of the Company) and 49% by NEC upon completion of the formation of JVCo effective on 1 July 2011.

On 28 February 2011, NEC and NECP (whose rights and obligations were transferred to NEC Newco, a wholly-owned subsidiary of JVCo) entered into the Supply Agreement, pursuant to which NEC shall purchase from NECP (whose rights and obligations were subsequently transferred to NEC Newco) the Products.

On 1 July 2011, NEC and NEC Newco entered into the NEC Patent Licence Agreement, pursuant to which NEC agreed to grant a licence of certain patents used in connection with the operation of NEC's personal computer business in Japan to NEC Newco.

2. Key Terms of the Supply Agreement and the NEC Patent Licence Agreement

The Supply Agreement

The material terms of the Supply Agreement 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;

LETTER FROM MIZUHO SECURITIES ASIA LIMITED

- (b) **Pricing of Products:** NEC and NEC Newco shall discuss in good faith and agree on an arm's 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;
- (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;
- (f) **Term:** the Supply Agreement took effect on 1 July 2011 and shall continue until the earlier of the final date of the Joint Venture Period and the fifth anniversary of 1 July 2011. 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; and
- (g) **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.

We have reviewed the Supply Agreement with the key terms summarised above. We consider that the key terms of the Supply Agreement are based on normal commercial terms. In particular, it is reasonable for NEC to submit quarterly orders such that appropriate planning can be conducted by NEC Newco. As regards pricing of the Products, we understand that it is a market practice within the industry for setting the standard price at a discount to the selling price, and the factors for determining the standard price as set out in the Supply Agreement are

LETTER FROM MIZUHO SECURITIES ASIA LIMITED

reasonable. The payment term in the Supply Agreement of 35th day after the last day of the month NEC has received the Products is, in our view, reasonable under the circumstances. On the basis that the key terms of the Supply Agreement are on normal commercial terms, we consider that the terms of the transactions contemplated under the Supply Agreement are fair and reasonable and in the ordinary and usual course of business of the Group, and, from that perspective, the transactions are in the interest of the Company and its shareholders as a whole.

We would highlight that the then Independent Shareholders has approved the entering into of the Supply Agreement by NEC and NEC Newco in the extraordinary general meeting of the Company held on 27 May 2011.

The NEC Patent Licence Agreement

The material terms of the NEC Patent Licence Agreement 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;
- (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;
- (c) **Term:** The term of the NEC Patent Licence Agreement shall commence on 1 July 2011 and shall terminate upon the earlier of (i) the fifth anniversary of 1 July 2011, 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 1 July 2011, 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 as is permitted in accordance with the Listing Rules, provided that the NEC Patent Licence Agreement will not be extended beyond the expiration of the last to expire of the patents licensed under the NEC Patent Licence Agreement; and
- (d) **Termination:** the NEC Patent Licence Agreement will automatically terminate if NEC Newco ceases to be a subsidiary of the Company.

We have reviewed the NEC Patent Licence Agreement with the key terms summarised above. We consider that the key terms of the NEC Patent Licence Agreement are based on normal commercial terms. We have reviewed the relevant internal document and understand 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, and that the royalty fee of 0.03% was lower than

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the rate of royalty fee paid by certain group companies of NEC during the period before the NEC Patent Licence Agreement. This shows that the royalty rate of 0.03% is not excessive and is reasonably determined. On the basis that the key terms of the NEC Patent Licence Agreement are on normal commercial terms, we consider that the terms of the transactions contemplated under such agreement are fair and reasonable and in the ordinary and usual course of business of the Group, and, from that perspective, the transactions are in the interest of the Company and its shareholders as a whole.

We would highlight that the then Independent Shareholders has approved the entering into of the NEC Patent Licence Agreement by NEC and NEC Newco in the extraordinary general meeting of the Company held on 27 May 2011.

Implementation of the Supply Agreement and the NEC Patent Licence Agreement

As described in the Letter from the Board, the prices of the products sold by NEC Newco to NEC under the Supply Agreement are negotiated and agreed on an arm's length basis following the price determination mechanism in the Supply Agreement. The royalty under the NEC Patent Licence Agreement is calculated with the fixed royalty rate of 0.03% over gross sales of the NEC Newco Licensed Products.

The Company has explicitly stated in the Letter from the Board that it had carried out and would continue to carry out adequate supervision on NEC Newco's compliance of the terms and conditions of the Supply Agreement and NEC Patent Licence Agreement through Company's group governance procedures.

Furthermore, in order to ensure that the transactions under the Supply Agreement and the NEC Patent Licence Agreement are conducted on normal commercial terms, as described in the Letter from the Board, the following methods and procedures have been implemented by the Company:

- (a) the transactions contemplated under the Supply Agreement are subject to weekly reviews of the team headed by the Company's regional general manager of Japan (the "**Regional General Manager**"), and front line business teams are advised of the requirements under the relevant agreements and procedures are in place for ensuring that the terms of the relevant agreements are complied with;
- (b) the Regional General Manager and NEC delegates hold monthly interlock meetings to discuss, amongst others, the transactions contemplated under the Supply Agreement;
- (c) in accordance with the Company's corporate policies, the transactions under the Supply Agreement and the NEC Patent Licence Agreement are properly recorded, including but not limited to prices determined and transaction amounts and such records of NEC Newco are accessible to the Company for review and audit purposes; and

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- (d) the transactions under the Supply Agreement and the NEC Patent Licence Agreement are subject to the Company's internal audit, and reviewed by the external auditors of the Company on an annual basis.

Based on the above, the Directors consider that the methods and procedures can ensure that the transactions under the Supply Agreement and the NEC Patent Licence Agreement are conducted on normal commercial terms and not prejudicial to the interest of the Company and its shareholders as a whole. We are of the view that the methods and procedures are reasonable under the circumstances and are satisfied that the Company has made reasonable efforts in the objective of protecting the interests of the Company in the Supply Agreement and the NEC Patent Licence Agreement. On this basis, we consider that the Company has taken appropriate steps to ensure that the transactions under the Supply Agreement and the NEC Patent Licence Agreement are conducted on normal commercial terms and not prejudicial to the interest of the Company and its shareholders as a whole.

3. Existing Annual Caps and Revised Annual Caps

The Existing Supply Annual Caps and the Existing Royalty Annual Caps were approved by the Independent Shareholders for governing the annual caps of the value of the transactions with, inter alia, NEC for the financial years ending on 31 March 2016 and for the period from 1 April 2016 and ending on 1 July 2016.

The historical transacted amounts of the transactions contemplated under the Supply Agreement and the NEC Patent Licence Agreement for the period from 1 July 2011 and ended on 31 March 2012, for the financial year ended 31 March 2013 and for the period from 1 April 2013 up to the Latest Practicable Date are as follows:

	Historical Transacted Figures	
	Transaction amounts of the transactions contemplated under the Supply Agreement	Transaction amounts of the transactions contemplated under the NEC Patent Licence Agreement
For the period from 1 July 2011 and ended on 31 March 2012	JPY58,373 million (US\$572,055,400)	JPY45 million (US\$441,000)
For the financial year ended 31 March 2013	JPY76,907 million (US\$753,688,600)	JPY49 million (US\$480,200)
For the period from 1 April 2013 up to the Latest Practicable Date	JPY98,459 million (US\$964,898,200)	JPY63 million (US\$617,400)

Note: The translation of Japanese yen into United States dollars is based on the exchange rate of JPY1.00 to US\$0.0098 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.

The actual transaction amount of the transactions contemplated under the Supply Agreement for the period from 1 April 2013 up to the Latest Practicable Date had slightly exceeded the Existing Supply Annual Cap for the financial year ending 31 March 2014.

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In view of the fact that the Existing Annual Caps are not sufficient for use, the Directors propose to increase the Existing Supply Annual Caps and the Existing Royalty Annual Caps for the three financial years ending 31 March 2014, 2015 and 2016 and for the period from 1 April 2016 and ending on 1 July 2016 as follows:

	Existing Supply Annual Caps	Revised Supply Annual Caps	Existing Royalty Annual Caps	Revised Royalty Annual Caps
For the financial year ending 31 March 2014	JPY89,650 million (US\$878,570,000)	JPY140,000 million (US\$1,372,000,000)	JPY66 million (US\$646,800)	JPY79 million (US\$774,200)
For the financial year ending 31 March 2015	JPY91,179 million (US\$893,554,200)	JPY140,000 million (US\$1,372,000,000)	JPY66 million (US\$646,800)	JPY79 million (US\$774,200)
For the financial year ending 31 March 2016	JPY92,719 million (US\$908,646,200)	JPY140,000 million (US\$1,372,000,000)	JPY66 million (US\$646,800)	JPY79 million (US\$774,200)
For the period from 1 April 2016 and ending on 1 July 2016	JPY23,180 million (US\$227,164,000)	JPY35,000 million (US\$343,000,000)	JPY16 million (US\$156,800)	JPY20 million (US\$196,000)

Note: The translation of Japanese yen into United States dollars is based on the exchange rate of JPY1.00 to US\$0.0098 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.

Since the Supply Agreement and the NEC Patent Licence Agreement are applicable for the financial years and period ending 1 July 2016, we consider that it is reasonable and appropriate for the Revised Annual Caps to be set for such period. Also the financial year and period applicable for the Revised Annual Caps is same as that for the Existing Supply Annual Caps and the Existing Royalty Annual Caps.

On the basis of the information supplied by the Company, we understand that the Revised Supply Annual Caps and the Revised Royalty Annual Caps are determined based on the projected sales of the Products and royalty payments to NEC respectively for the year ending 31 March 2014 plus a buffer of 25%. We note that the annual cap amounts for both the Revised Supply Annual Caps and the Revised Royalty Annual Caps for each of the two financial years ended 31 March 2016 are same as those for the financial year ending 31 March 2014, and that the Revised Annual Caps for the period from 1 April 2016 and ending on 1 July 2016 is also at the same level but pro-rated for a three month basis.

We note that the Revised Supply Annual Caps for the three years ending 31 March 2014, 2015 and 2016 and for the period from 1 April 2016 to 1 July 2016 represent an increase of approximately 56.3%, 53.5%, 51% and 51% respectively as compared with the Existing Supply Annual Caps of the corresponding periods. We consider that in setting reasonable amounts for the Revised Supply Annual Caps, it is important to consider the latest and future demand of the Products, and the amounts of the Existing Supply Annual Caps are not relevant factors to consider under the circumstance. We consider that the setting of the Revised Supply Annual Caps for the year ending 31 March 2014 based on the projected sales of the Products for such financial year plus a buffer of 25% under the circumstance is reasonable, considering the fact that the Existing Supply Annual Caps were not sufficient for use, and the expected shortfall for the financial year ending 31 March 2014 based on projected sales for the year is approximately 25%.

4. Reasons for Revising the Existing Annual Caps

As explained in the Letter from the Board, the personal computer market in Japan performed much better than expected towards the end of 2013. Improved economic sentiments, favorable exchange rates, and the approaching expiration of the support for certain operating software in April 2014 helped to lift the market on commercial side notwithstanding the fact that consumer buying generally remained suppressed. Under such market condition, the sales of the Products from NEC Newco to NEC pursuant to the Supply Agreement experienced significant increase since the third calendar quarter of 2013 and is expected to continue until the second calendar quarter of 2014. Accordingly, the patent royalty paid by NEC Newco to NEC pursuant to the NEC Patent Licence Agreement increased corresponding with the sales of the Products from NEC Newco to NEC pursuant to the Supply Agreement. It is anticipated that the Existing Supply Annual Caps and the Existing Royalty Annual Caps for the three financial years ending 31 March 2014, 2015 and 2016 and for the period from 1 April 2016 and ending on 1 July 2016 will be insufficient to cater for the now expected increase in sale of the relevant products and the corresponding increase in the patent royalty payable by NEC Newco to NEC pursuant to the NEC Patent Licence Agreement. The Directors propose to increase the Existing Supply Annual Caps and the Existing Royalty Annual Caps for the three financial years ending 31 March 2014, 2015 and 2016 and for the period from 1 April 2016 and ending on 1 July 2016.

We have discussed with the management of the Company, including its Japanese team responsible for coordinating the estimation of the sale of the Products, and have reviewed relevant industry reports including those issued by IDC, a global provider of market intelligence for the information technology, telecommunications and consumer technology markets. We have also made enquiries with our Japanese office regarding the current demand of personal computer products in Japan, especially for the commercial market. We are satisfied that the reasons given by the Directors for revising the Existing Supply Annual Caps and the Existing Royalty Annual Caps are broadly in line with market information.

We note that the relatively recent enhanced demand for personal computer products in Japan was driven by a number of factors including the increase of replacement demand, especially in the commercial market which is being driven by the announcement of the expiry of security support for Window XP operating system by Microsoft Corporation from April 2014, and the increase in value-added tax in Japan, expected in April 2014. We understand that NEC personal computers have maintained its position as being the brand with biggest market share in the Japanese market, for both the commercial and consumer markets in the last few years, and that market share of Lenovo personal computers have gained ground since JVCo was established. On a relative basis, the sales performance of NEC tablet computer products and other information technology products are weaker than personal computers. As such, the increase in the Revised Annual Caps is necessitated primarily by the recovery of personal computer market in Japan. We note that it is the strategy of JVCo to further expand its market share in personal computer products in Japan in the next few years.

5. Basis for the Revised Annual Caps

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

- (a) the recovery of personal computer market in Japan;
- (b) the historical transaction amounts of the transactions contemplated under the Supply Agreement and the NEC Patent Licence Agreement for the period from 1 April 2013 up to the Latest Practicable Date, which amount to approximately JPY98,459 million and JPY63 million, respectively, and the estimated transaction amounts of the transactions contemplated under the Supply Agreement and the NEC Patent Licence Agreement for the financial year ending 31 March 2014 increase compared to the relevant actual transaction amounts for the financial year ended 31 March 2013;
- (c) the increasing demand for replacement of personal computers supported by certain expired operating software, which will maintain at the same level to 2013 until the second calendar quarter of 2014;
- (d) the anticipated increase in the sales of the Products to NEC pursuant to the Supply Agreement, which will maintain at the same level to 2013 in the following few years;
- (e) the anticipated increase in the patent royalty to be paid by NEC Newco to NEC pursuant to the NEC Patent Licence Agreement in accordance with the anticipated increase in the sales of the Products to NEC pursuant to the Supply Agreement;
- (f) the increasing scale of the Group's operation in Japan; and
- (g) a 25% buffer to allow further flexibility for carry out the transactions contemplated under the Supply Agreement and the NEC Patent Licence Agreement.

We note that the factors considered by the Directors in determining the Revised Annual Caps are reasonable and appropriate. In particular, we note that the Directors have considered the historical transaction amounts of the transactions contemplated under the Supply Agreement and the NEC Patent Licence Agreement in 2013, and that it is anticipated that the Existing Supply Annual Caps and the Existing Royalty Annual Caps for the three financial years ending 31 March 2014, 2015 and 2016 and for the period from 1 April 2016 and ending on 1 July 2016 will be insufficient to cater for the now expected increase in sale of the relevant products and the corresponding increase in the patent royalty payable by NEC Newco to NEC pursuant to the NEC Patent Licence Agreement.

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We have discussed with the management of the Company, and have reviewed the relevant internal sales projections of the Company. We note that the projected sales of the Products to JVCo and related parties for the year ending 31 March 2014 shall exceed the Existing Supply Annual Caps by approximately 25%. Accordingly, a buffer of 25% has been added to the projected sale amounts in arriving at the Revised Annual Caps by the Company. Considering the fact that the Existing Supply Annual Caps and the Existing Royalty Annual Caps have become not sufficient for use, we are of the view that the setting of the buffer at 25% which represents the approximate shortfall of the Existing Supply Annual Caps and the Existing Royalty Annual Caps for the financial year ending 31 March 2014 under the circumstance is reasonable.

We note that one of the reasons for the relatively recent increase in demand for personal computer products in Japan might be associated with the increase of value-added tax, expected in April 2014, and, as a result, it is possible that there might be periods subsequent to the increase of tax that the demand of durable products in Japan might soften. Despite of this, and considering the dynamic factors in place in the information technology industry, especially regarding the changing market demand of products of personal computers and tablet computers, we are of the view that it is reasonable for the cap amounts in respect of the financial years and period subsequent to 31 March 2014 to remain at the same level as that for the financial year ending 31 March 2014. In this regard, the setting of the Existing Supply Annual Caps and the Existing Royalty Annual Caps at a level which becomes insufficient for use and its impact on the business of NEC Newco are relevant factors to consider. We acknowledge that setting annual cap amounts at too conservative level might result in inefficient operation of the Company.

In addition, we highlight that, the Company will, as stated in the letter from the Board, continue to carry out adequate supervision over the transaction amounts in respect of the relevant annual caps going forward with a view to ensuring that necessary measures and appropriate actions will be promptly taken in order to comply with the applicable requirements under the Listing Rules. We further note that the Revised Annual Caps govern the value of the transactions between JVCo and its subsidiary and NEC and its associates within the normal course of businesses of the respective parties. NEC and its associates are connected persons of the Company by virtue of its 49% shareholding in JVCo, being an indirectly non-wholly owned subsidiary of the Company. As such, both the Company and NEC have interests to execute the transactions under the Supply Agreement and the NEC Patent Licence Agreement at arm's length prices.

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6. Opinion

Having considered the principal factors and reasons described above, we are of the opinion that the Revised Supply Annual Caps and the Revised Royalty Annual Caps are on normal commercial terms and in the ordinary and usual course of business, and their terms are fair and reasonable as far as the interests of the Independent Shareholders are concerned, and, from this perspective, the Revised Annual Caps 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 ordinary resolution to be proposed at the EGM to approve the Revised Annual Caps.

Yours faithfully,

For and on behalf of

MIZUHO SECURITIES ASIA LIMITED

Kelvin S. K. Lau

Co-Head

Equity Capital Markets & Corporate Finance

RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or 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	Interests in shares/ underlying shares	Capacity and number of shares/Underlying shares held				Aggregate Long position	Approximate percentage of shareholding (Note 1)
		Personal interests	Family interests	Corporate interests			
Mr. Yang Yuanqing	Ordinary shares	51,273,697	–	661,000,000	712,273,697		
	Share awards	86,493,210	–	–	86,493,210		
					798,766,907		7.68%
Mr. Zhu Linan	Ordinary shares	2,960,719	–	–	2,960,719		
	Share awards	968,890	–	–	968,890		
					3,929,609		0.04%
Mr. Zhao John Huan	Ordinary shares	69,564	–	–	69,564		
	Share awards	930,361	–	–	930,361		
					999,925		0.01%

Name of Director	Interests in shares/ underlying shares	Capacity and number of shares/Underlying shares held			Aggregate Long position	Approximate percentage of shareholding (Note 1)
		Personal interests	Family interests	Corporate interests		
Mr. Ting Lee Sen	Ordinary shares	676,588	–	–	676,588	0.03%
	Share awards	2,216,164	–	–	2,216,164	
					2,892,752	
Dr. Tian Suning	Ordinary shares	588,215	–	–	588,215	0.02%
	Share awards	1,919,164	–	–	1,919,164	
					2,507,379	
Mr. Nicholas C. Allen	Ordinary shares	315,464	–	–	315,464	0.02%
	Share awards	1,528,568	–	–	1,528,568	
					1,844,032	
Mr. Nobuyuki Idei	Ordinary shares	82,850	–	–	82,850	0.01%
	Share awards	976,911	–	–	976,911	
					1,059,761	
Mr. William O. Grabe	Ordinary shares	1,665,268	–	–	1,665,268	0.04%
	Share awards	2,216,164	–	–	2,216,164	
					3,881,432	
Mr. William Tudor Brown	Ordinary shares	54,817	–	–	54,817	0.01%
	Share awards	525,597	–	–	525,597	
					580,414	
Ms. Ma Xuezheng	Ordinary shares	11,471,636	–	2,240,000	13,711,636	0.14%
	Share awards	877,451	–	–	877,451	
					14,589,087	

Notes:

1. The approximate percentage of interests is based on the aggregate nominal value of the shares/underlying shares comprising the interests held as a percentage of the aggregate nominal value of all the issued share capital of the Company of the same class immediately after the relevant event and as recorded in the register maintained under section 352 of the SFO.
2. The shares are held by Sureinvest Holdings Limited in which Mr. Yang Yuanqing holds more than one-third of the issued share capital. Therefore, Mr. Yang is taken to have an interest in 661,000,000 shares under the SFO.

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.

Interests of Substantial Shareholders

As at the Latest Practicable Date, the interests and short positions, if any, of any person (other than a Director or chief executive of the Company) in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or as otherwise recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO were as follows:

Interests in the Shares and underlying Shares of the Company

Name	Long position/ short position	Capacity and number of shares/underlying shares held			Approximate percentage of interests (Note 1)
		Beneficial owner	Corporate interests	Aggregate long and short positions	
Legend Holdings Limited*	Long position	2,867,636,724	485,219,317 (Note 2)	3,352,856,041	32.25%
	Short position	-	97,300,000 (Note 2)	97,300,000	0.94%
Sureinvest Holdings Limited	Long position	661,000,000 (Note 3)	-	661,000,000	6.36%
Google Inc.	Long position	-	618,301,731 (Note 4)	618,301,731	5.94%
Google International LLC	Long position	618,301,731	-	618,301,731	5.94%

* Direct transliteration of its Chinese company name

Notes:

- The approximate percentage of interests is based on the aggregate nominal value of the shares/underlying shares comprising the interests held as a percentage of the aggregate nominal value of all the issued share capital of the Company of the same class immediately after the relevant event and as recorded in the register maintained under section 336 of the SFO.
- These shares are held by Right Lane Limited, a direct wholly-owned subsidiary of Legend Holdings Limited.
- Mr. Yang Yuanqing holds more than one-third of the issued share capital of Sureinvest Holdings Limited ("SHL"). Accordingly, Mr. Yang is deemed to have interests in these 661,000,000 shares of the Company's issued share capital held by SHL under the SFO. This interest is also included as corporate interest of Mr. Yang in the above section headed "Interests of Directors".
- These interests in the underlying shares of the Company are held by Google International LLC, a direct wholly-owned subsidiary of Google Inc.. On 30 January 2014, the Company entered into an acquisition agreement with Google Inc., pursuant to which the Company conditionally agreed to acquire 100% of the equity interests in Motorola Mobility Holdings LLC, details of the acquisition are set out in an announcement of the Company of the same date. As at the Latest Practicable Date, the transaction had not been completed and accordingly the consideration shares, limited to a maximum of 618,301,731 shares of the Company as disclosed above, had not been issued to Google Inc. pursuant to the aforesaid agreement. The interests of Google Inc. or Google International LLC disclosed above are in the underlying shares of the Company issuable under the acquisition agreement and as recorded in the register maintained by the Company under section 336 of the SFO.
- The number of shares are based on the record in the register of substantial shareholders as at the Latest Practicable Date as maintained under section 336 of the SFO.

Save as disclosed above, as at the Latest Practicable Date, no other persons (other than the Directors and chief executive of the Company) had an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or as otherwise recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors was a director or employee of a company which had an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or as otherwise recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

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 2013, 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

Save 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, the Chairman of the Board, an executive Director and the Chief Executive Officer 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 length of service, the amount of his unvested equity awards and the amount of the annual 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 2013 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 24 February 2014 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, 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 2013, 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 23/F, 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 Cleary Gottlieb Steen & Hamilton (Hong Kong) at 37th Floor, Hysan Place, 500 Hennessy Road, Causeway Bay, 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 Supply Agreement;
- (b) the NEC Patent Licence Agreement;
- (c) 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);
- (d) the letter from the Independent Board Committee;
- (e) the letter from the Independent Financial Adviser; and
- (f) the written consent of the Independent Financial Adviser referred to in this appendix.

NOTICE OF EXTRAORDINARY GENERAL MEETING

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 OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting of the Company (the “EGM”) will be held on Tuesday, 18 March 2014 at 9:30 a.m. at Harcourt Room, Lower Lobby, Conrad Hong Kong, Pacific Place, 88 Queensway, 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** the Revised Supply Annual Caps and the Revised Royalty Annual Caps (details of which have been defined in the circular of the Company dated 24 February 2014) be and are hereby approved and confirmed.”

By Order of the Board

Yang Yuanqing

Chairman and Chief Executive Officer

24 February 2014

NOTICE OF EXTRAORDINARY GENERAL MEETING

Notes:

1. A member entitled to attend and vote at the EGM is entitled to appoint one or more proxies to represent respectively the number of the shares held by such member, to attend and to speak and to vote instead of him. A proxy need not be a member of the Company.
2. To be valid, this form of proxy along with the power of attorney or other authority, if any must be:
 - completed and signed; and
 - sent or delivered to (form or document sent by any electronic means will not be accepted) the Company's Registrar, Tricor Abacus Limited at 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong; and
 - received by the Company's Registrar not less than 48 hours before the time for holding the meeting or any adjourned meeting thereof.
3. A proxy form 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 and, in such event, the relevant proxy form shall be deemed to be revoked.
4. Where there are joint holders of any shares carrying voting rights, any one of such joint holders may vote at the EGM, either in person or by proxy, in respect of such share as if he were solely entitled thereto, but if more than one of such joint holders are present at the EGM the vote of the most senior holder who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority shall be determined by the order in which the names of the joint holders appears in the register of members of the Company in respect of the joint holding.
5. Pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, any vote of shareholders at a general meeting must be taken by poll. The Chairman of the EGM will therefore put the resolution to be proposed at the EGM to be voted by way of poll pursuant to the Company's Articles of Association.
6. If typhoon signal no. 8 or above remains hoisted or a black rainstorm warning signal is in force at 9:00 a.m. at the date of the EGM, the EGM will be postponed. Members are requested to visit the Company's website (www.lenovo.com/hk/publication) and the Stock Exchange's website (www.hkex.com.hk) for details of alternative meeting arrangements.

The EGM will be held as scheduled when an amber or red rainstorm warning signal is in force.

Members who have any queries concerning the alternative meeting arrangements, please call the Customer Service Hotline of Tricor Abacus Limited at telephone number 2980 1333 from 9:00 a.m. to 5:00 p.m., Monday to Friday (excluding public holidays).

Members should make their own decision as to whether they would attend the EGM under the bad weather conditions bearing in mind their own situation and if they should choose to do so, they are advised to exercise care and caution.