

*The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this announcement, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*

**lenovo** 联想

**Legend Group Limited 聯想集團有限公司**

*(Incorporated in Hong Kong with limited liability)*

**ANNOUNCEMENT  
CONNECTED TRANSACTIONS**

UL, a wholly-owned subsidiary of the Company, entered into agreement with, amongst others, the Purchaser in relation to the Disposal. The Disposal, once completed, will result in certain persons being connected persons and certain transactions with such persons being connected transactions within the meanings of the Listing Rules and will then be subject to the disclosure and/or shareholders' approval requirements under Chapter 14 of the Listing Rules.

The Directors expect that such transactions will continue on a continuing basis from year to year. The Company has applied to the Stock Exchange for waivers from strict compliance with the requirements under Chapter 14 of the Listing Rules in relation to certain connected transactions on and subject to terms and conditions as set out in this announcement. The Company has also applied to the Stock Exchange to waive the requirement on convening a general meeting of the Company to approve the waiver for the Continuing Connected Transactions upon presentation of a written certificate of approval issued by the controlling shareholders of the Company.

A circular disclosing full particulars of the Continuing Connected Transactions and an opinion of the independent financial adviser relating to the Continuing Connected Transactions and the waiver application to apply for the dispensation with the requirement to hold a shareholders' meeting will be dispatched to the shareholders of the Company as soon as practicable.

**BACKGROUND**

UL, a wholly-owned subsidiary of the Company, has conditionally agreed on 1st November, 2003 to dispose of 50% of its interest in the Business to the Purchaser at a consideration to be determined with reference to its proforma consolidated assets value as at 31st October, 2003 plus a premium of RMB12.5 million, subject to Pre-Completion Reorganization to be undertaken by the Company prior to completion of the Disposal. Under the Pre-Completion Reorganization, the Business and the QDI Companies will be transferred to Newco. Subsequent to such Business transfer, the Company will be selling 50% of the issued share capital of Newco to the Purchaser, resulting in the Newco becoming a 50%:50% joint venture of UL and the Purchaser. By virtue of UL's right to control the composition of the board of directors of Newco, subsequent to the Disposal, Newco will be regarded as an indirect non-wholly owned subsidiary of the Company. The principal activity of Newco and its subsidiaries will be the manufacture and sale of QDI Products. The requirements of Newco's working capital to finance the Business transfer and the acquisition of the assets and equity interests in the QDI Companies will be met by UL and the Purchaser on a pro-rata basis.

The reasons for the Disposal insofar the Company is concerned are two-fold. Firstly, it has been the strategy of the Company to concentrate on its core line businesses of computer manufacturing, handset manufacturing and provision of IT services. Secondly, to lead in a strategic partner experienced in electronic component manufacturing to take up 50% interest in the QDI business will be seen by the management as beneficial to the development of the Business.

The Purchaser is a company incorporated in the British Virgin Islands which is wholly-owned by Ramaxel. Ramaxel is in turn held by Mr. Wu as to 90% and by Mr. Liu Jing Hui as to 10%. Ramaxel, Mr. Wu and Mr. Liu Jing Hui are independent of and not connected with any of the directors, chief executives or substantial shareholders of the Company and its subsidiaries or any of their respective associates (as defined in the Listing Rules). Ramaxel is a developer and manufacturer of memory modules and Universal Serial Bus products (“USB”) for the manufacture of computers and related accessories in the PRC.

It is one of the condition to completion of the Disposal that a waiver is to be granted by the Stock Exchange from strict compliance with the requirements under Chapter 14 of the Listing Rules in relation to the Continuing Connected Transactions.

The Disposal does not constitute a notifiable transaction or connected transaction under Chapter 14 of the Listing Rules.

## **CONNECTED PERSONS/CONNECTED TRANSACTIONS**

The Disposal, when completed, will result in Newco, the Purchaser, Mr. Wu and Ramaxel being regarded as connected persons of the Company within the meaning of the Listing Rules.

As a result, any transactions between members of the Group and any of these connected persons or their respective associates will after the completion of the Disposal constitute connected transactions under Chapter 14 of the Listing Rules. The Continuing Connected Transactions are described below.

### **Sales to and Purchases from Wu Associates**

Members of the Group have been purchasing information technology products such as memory modules, USB and card readers etc. for manufacture and sale of computers and related computer accessories from, and selling information technology products such as integrated circuits and other components for manufacture of memory modules and other products to, Wu Associates since 1997.

For the three financial years ended 31st March, 2003, the Group purchased approximately HK\$793 million, HK\$893 million and HK\$892 million worth of information technology products from Wu Associates, representing approximately 2.9%, 4.3% and 4.4% respectively of the Group’s total turnover in those periods. In the same periods, the Group also sold approximately HK\$797 million, HK\$941 million and HK\$911 million worth of information technology products to Wu Associates, representing approximately 2.9%, 4.5% and 4.5% respectively of the Group’s total turnover in those periods.

The Group intends to continue to purchase from, and sell to, Wu Associates such information technology products (such purchase arrangement and selling arrangement shall be respectively referred to as “**Wu Purchase Arrangement**” and “**Wu Sales Arrangement**”) after the completion of the Disposal because the relevant products offered by each of the two groups complement the business or product requirements of the other.

The Directors currently estimate that purchases to be effected under the Wu Purchase Arrangement will not amount to more than HK\$1,100 million, HK\$1,200 million and HK\$1,300 million for each of the three financial years ending 31st March, 2006 whereas the sales to be effected under the Wu Sales Arrangement will not amount to more than HK\$1,100 million, HK\$1,200 million and HK\$1,300 million for each of the three financial years ending 31st March, 2006.

### **Sales to and Purchases from Newco**

There has been on-going consumption of QDI Products amongst the subsidiaries or associates of the Company. Such QDI Products are manufactured or produced by the QDI Companies which primarily engaged in the Business and supplied to the Company and its other subsidiaries in support of the Company's business of manufacture and sale of computers and related accessories since 1997. On the other hand, the Company and its relevant subsidiaries have also been selling information technology products such as chipset for manufacture of motherboard to the QDI Companies since 1997.

For the three years ended 31st March, 2003, purchases of the QDI Products from the QDI Companies amounted to approximately HK\$825 million, HK\$685 million and HK\$610 million, representing approximately 3.0%, 3.3% and 3.0% respectively of the Group's total turnover in those periods. And, sales of information technology products to the QDI Companies amounted to approximately HK\$37 million, HK\$179 million and HK\$176 million, representing approximately 0.1%, 0.9% and 0.9% respectively of the Group's total turnover in those periods.

It is expected that the Group will continue to purchase such QDI Products and sell such information technology products from and to Newco or its subsidiaries following the completion of the Disposal on terms comparable to the prevailing market rate and practice (the purchase arrangement and sales arrangement are referred to as "**Newco Purchase Arrangement**" and "**Newco Sales Arrangement**").

Based on the historical consumption and the projection for future demands, the Directors currently estimate that purchases to be effected under the Newco Purchase Arrangement will not amount to more than HK\$680 million, HK\$770 million and HK\$860 million for each of the three financial years ending 31st March, 2006 whereas the sales to be effected under the Newco Sales Arrangement will not amount to more than HK\$210 million, HK\$230 million and HK\$260 million for each of the three financial years ending 31st March, 2006.

The Directors confirmed that the Continuing Connected Transactions are entered into in the ordinary and normal course of business of the Group and are conducted on an arm's length basis on normal commercial terms which the Directors consider are fair and reasonable to the Company and its shareholders as a whole.

### **APPLICATION FOR CONTINUING CONNECTED TRANSACTION WAIVERS**

As the Continuing Connected Transactions will continue to be carried out in the ordinary and usual course of business of the Group, the Directors consider that it would not be practical for the Company to strictly comply with the disclosure or (where necessary) shareholders' approval requirements under the Listing Rules applicable to the Continuing Connected Transactions on each occasion when they take

place. The Company has applied to the Stock Exchange for waivers in respect of each of the Continuing Connected Transactions from strict compliance with the approval requirement under rule 14.26 of the Listing Rules on and subject to the following conditions:

1. that the Continuing Connected Transactions shall be:
  - (i) entered into by the Group in the ordinary and usual course of its business;
  - (ii) conducted either (a) on normal commercial terms (which expression will be applied by reference to transactions of a similar nature and to be made by similar entities) or (b) (where there is no available comparison) on terms that are fair and reasonable so far as the shareholders of the Company are concerned; and
  - (iii) entered into either (a) in accordance with the terms of the agreements governing such transactions or (b) (where there are no such agreements) on terms no less favourable than those available to or from independent third parties;
2. the aggregate amount of the Wu Purchase Arrangement for each of the three financial years of the Company ending 31st March, 2006 shall not exceed the cap amount (the “**Wu Purchase Cap Amount**”) of 5% of the audited consolidated turnover of the Group or HK\$1,300 million in that financial year, whichever is higher;
3. the aggregate amount of the Wu Sales Arrangement for each of the three financial years of the Company ending 31st March, 2006 shall not exceed the cap amount (the “**Wu Sales Cap Amount**”) of 5% of the audited consolidated turnover of the Group or HK\$1,300 million in that financial year, whichever is higher;
4. the aggregate amount of the Newco Purchase Arrangement for each of the three financial years of the Company ending 31st March, 2006 shall not exceed the cap amount (the “**Newco Purchase Cap Amount**”) of 4% of the audited consolidated turnover of the Group or HK\$860 million in that financial year, whichever is higher;
5. the aggregate amount of the Newco Sales Arrangement for each of the three financial years of the Company ending 31st March, 2006 shall not exceed the cap amount (the “**Newco Sales Cap Amount**”) of 1.5% of the audited consolidated turnover of the Group or HK\$260 million in that financial year, whichever is higher;
6. the independent non-executive directors of the Company shall review the Continuing Connected Transactions annually and confirm in the Company’s next annual report that these were conducted in the manner as stated in sub-paragraphs 1, 2, 3, 4 and 5 above;
7. the Company’s auditors shall review the Continuing Connected Transactions annually and confirm in a letter (the “**Letter**”) to the Directors stating whether:
  - (i) the Continuing Connected Transactions have received the approval of the Company’s board of Directors;
  - (ii) the Continuing Connected Transactions have been entered into in accordance with the terms of the agreements governing such transactions or, if there are no such agreements, on terms no less favourable than those available to or from independent third parties; and

(iii) the Wu Purchase Cap Amount, the Wu Sales Cap Amount, the Newco Purchase Cap Amount and the Newco Sales Cap Amount have been exceeded;

where, for whatever reason, the auditors decline to accept the engagement or are unable to provide the Letter, the Directors shall contact the Stock Exchange immediately; and

8. in the event that the transaction value of the relevant Continuing Connected Transaction during any relevant financial year of the Company shall exceed the relevant cap amount as stated in subparagraphs 2, 3, 4 and 5 above, the Company will have to comply with the relevant provisions of the Listing Rules.

The controlling shareholders of the Company which together hold approximately 57% of the entire issued share capital of the Company are Legend Holdings Limited and its wholly-owned subsidiary, Right Lane Limited. The controlling shareholders have indicated that they will vote in favour of the resolution approving the Continuing Connected Transactions. According to the register of members dated 27th November, 2003 and relying on the representation made by Mr. Wu, the Directors confirmed that the Purchaser, Ramaxel, Mr. Wu and their respective associates have no shareholding interest in the Company. Since no shareholder has to abstain from voting at the shareholders' meeting to approve the Continuing Connected Transactions, the Company has accordingly applied to the Stock Exchange for a waiver from the requirement to hold a shareholders' meeting by way of a written certificate of approval by the controlling shareholders.

## **GENERAL**

A circular containing, inter alia, (i) details of the Continuing Connected Transactions; (ii) opinion of the independent financial adviser relating to the Continuing Connected Transactions; and (iii) the waiver application to apply for dispensation with the requirement to hold a shareholders' meeting, will be dispatched to the shareholders of the Company as soon as practicable.

## **DEFINITIONS**

“associate”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Business”	the business of manufacture and sale of computer motherboard and related accessories carried out mainly in the PRC and Europe
“Company”	Legend Group Limited, a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Stock Exchange
“Continuing Connected Transactions”	the Wu Purchase Arrangement, the Wu Sales Arrangement, the Newco Purchase Arrangement and the Newco Sales Arrangement
“Directors”	the directors of the Company
“Disposal”	the proposed disposal of 50% equity interest in Newco
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars

“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Wu”	Mr. Wu To Hing, a proposed director of Newco
“Newco”	QDI Holdings Limited, a company incorporated on 25th August, 2003 in the British Virgin Islands with limited liability which was incorporated initially as a wholly-owned subsidiary of UL and will become a 50% subsidiary of UL upon completion of the Disposal
“PRC”	the People’s Republic of China
“Pre-Completion Reorganization”	a corporate restructuring to be undertaken by the Company prior to completion whereby the Business and the QDI Companies will be transferred to Newco
“Purchaser”	Swift Glory Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of Ramaxel
“QDI Companies”	the companies which carry on the Business which have been subsidiaries of the Company prior to the Pre-Completion Reorganization; they are to be transferred to Newco pursuant to the Pre-Completion Reorganization, they are Hui Yang Legend Computer Co. Ltd. (惠陽聯想電腦有限公司), Legend-QDI Spain, S.L., QDI Computer (UK) Ltd., QDI Computer Handels GmbH, QDI Europe B.V. and QDI System Handel GmbH
“QDI Products”	motherboards and related accessories for the manufacture of computers and other information technology products
“Ramaxel”	Ramaxel Technology Limited, a company incorporated in Hong Kong with limited liability and owned as to 90% by Mr. Wu and owned as to 10% by Mr. Liu Jing Hui
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“UL”	Ultimate Legend Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of the Company
“Wu Associates”	the Purchaser, Mr. Wu and Ramaxel and their respective associates

By the Order of the Board of  
**Legend Group Limited**  
**Liu Chuanzhi**  
*Chairman*

Hong Kong, 28th November, 2003

“Please also refer to the published version of this announcement in the South China Morning Post”