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

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

The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this circular, 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 circular.

This circular is for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for the securities mentioned herein.

***lenovo* 联想**

Lenovo Group Limited 联想集团有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 992)

PROPOSED ISSUE OF UNLISTED CONVERTIBLE PREFERRED SHARES

PROPOSED ISSUE OF UNLISTED WARRANTS

AND

PROPOSED AMENDMENT TO THE ARTICLES OF ASSOCIATION

A notice convening the Extraordinary General Meeting to be held at 9:30 a.m. on Friday, 13 May 2005 at Harcourt Room, Lower Lobby, Conrad Hong Kong, Pacific Place, 88 Queensway, Hong Kong is set out on pages 28 to 59 of this circular. Whether or not you are able to attend the Extraordinary General Meeting, please complete the enclosed form of proxy in accordance with the instructions printed thereon and return it to the share registrar of the Company, Abacus Share Registrars Limited at Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong as soon as possible and in any event no less than 48 hours before the time appointed for the holding of the Extraordinary General Meeting or any adjourned meeting thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the Extraordinary General Meeting or any adjourned meeting thereof and, in such event, the relevant form of proxy shall be deemed to be revoked.

20 April 2005

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DEFINITIONS

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

“Articles of Association”	the articles of association of the Company
“Board”	the board of Directors of the Company
“Closing”	closing of the subscription of the Convertible Preferred Shares and the Warrants
“Closing Date”	the date on which Closing takes place in accordance with the terms of the Investment Agreement
“Company”	Lenovo Group Limited, a company incorporated in Hong Kong with limited liability, the Shares of which are listed on the Stock Exchange
“Convertible Preferred Shareholders”	holders of the Convertible Preferred Shares
“Convertible Preferred Shares”	Series A Cumulative Convertible Preferred Shares of nominal value HK\$9.175 each in the share capital of the Company
“Date of Announcement”	30 March 2005, being the day on which the announcement in respect of the transactions and matters discussed in this circular was made
“Directors”	the directors of the Company
“Excess Shares”	up to 435,717,757 new Shares and Non-voting Shares to be allotted and issued to IBM to satisfy part of the consideration for the IBM Acquisition, subject to the Company’s ability to pay cash instead
“Exercise Price”	HK\$2.725 per Share, subject to certain anti-dilution adjustments
“Expiry Date”	the fifth anniversary of the Closing Date
“Extraordinary General Meeting”	the extraordinary general meeting of the Company to be held on 13 May 2005, notice of which is set out on pages 28 to 59 of this circular

DEFINITIONS

“General Atlantic Group”	collectively, General Atlantic Partners (Bermuda), L.P., GAPSTAR, LLC, GAP Coinvestments III, LLC, GAP Coinvestments IV, LLC and GAPCO GmbH & Co. KG and affiliates that are under common control with such entities
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong Dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“IBM”	International Business Machines Corporation
“IBM Acquisition”	the Group’s acquisition of IBM’s global desktop computer and notebook computer business, details of which are contained in the IBM Circular
“IBM Circular”	the circular of the Company in relation to the IBM Acquisition dated 31 December 2004
“Investment Agreement”	the agreement entered into between the Company and the Investors dated 30 March 2005 in relation to the subscription and issue of the Convertible Preferred Shares and the Warrants
“Investors”	TPG IV Acquisition Company LLC, General Atlantic Partners (Bermuda), L.P., GAPSTAR, LLC, GAP Coinvestments III, LLC, GAP Coinvestments IV, LLC, GAPCO GmbH & Co. KG and Newbridge Asia Acquisition Company LLC; and the term “Investor” shall mean any one of them
“Latest Practicable Date”	18 April 2005, being the latest practical date for ascertaining certain information contained in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Major Shareholder”	Legend Holdings Limited, the controlling shareholder of the Company holding approximately 57% of all the Shares in issue as at the Latest Practicable Date

DEFINITIONS

“Maturity Date”	the seventh anniversary of the Closing Date
“Newbridge Capital Group”	collectively Newbridge Asia Acquisition Company LLC and affiliates that are under common control with such entity
“Non-voting Shares”	ordinary unlisted shares of nominal value HK\$0.025 each in the share capital of the Company which do not carry any voting rights to be issued under the IBM Acquisition
“Shareholders”	holders of the Shares
“Shares”	ordinary shares of nominal value HK\$0.025 each in the share capital of the Company
“Stated Value”	HK\$1,000 per Convertible Preferred Share
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“TPG” or “Texas Pacific Group”	collectively TPG IV Acquisition Company LLC and affiliates that are under common control with such entity
“US\$”	United States Dollars, the lawful currency of the United States of America
“Voting Undertaking”	the voting undertaking given by the Major Shareholder in favour of the Investors on 30 March 2005
“Warrant Shares”	new Shares to be issued upon the exercise of the subscription rights attaching to the Warrants
“Warrantholders”	holders of the Warrants
“Warrants”	237,417,474 unlisted warrants to be issued by the Company entitling the Warrantholders to subscribe for the same number of new Warrant Shares at the Exercise Price at any time from the Closing Date up to the Expiry Date (both dates inclusive)

This circular contains translation between HK\$ and US\$ at HK\$7.80 = US\$1.00. The translation shall not be taken as representation that the HK\$ amount could actually be converted into US\$ at that rate, or at all.



Lenovo Group Limited 聯想集團有限公司

(Incorporated in Hong Kong with limited liability)

Executive Directors:

Mr Liu Chuanzhi
Mr Yang Yuanqing
Ms Ma Xuezheng

Registered Office:

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

Non-executive Director:

Mr Zeng Maochao

Independent Non-executive Directors:

Mr Wong Wai Ming
Professor Woo Chia-Wei
Mr Ting Lee Sen

20 April 2005

To the Shareholders

Dear Sir or Madam

**PROPOSED ISSUE OF
UNLISTED CONVERTIBLE PREFERRED SHARES**

PROPOSED ISSUE OF UNLISTED WARRANTS

AND

PROPOSED AMENDMENT TO THE ARTICLES OF ASSOCIATION

INTRODUCTION

On 30 March 2005, the Company entered into the Investment Agreement with the Investors pursuant to which the Investors have agreed to subscribe for, and the Company has agreed to issue, 2,730,000 unlisted Convertible Preferred Shares at an issue price of HK\$1,000 per share and unlisted Warrants to subscribe for 237,417,474 Shares for an aggregate cash consideration of US\$350 million.

The Convertible Preferred Shares bear a fixed cumulative preferential cash dividend, payable quarterly, at the rate of 4.5% per annum on the Stated Value of each Convertible Preferred Share. The Convertible Preferred Shares are redeemable, in whole or in part, at a price equal to the Stated Value together with accrued and unpaid dividends at the option of the

LETTER FROM THE BOARD

Company or the Convertible Preferred Shareholders at any time after the Maturity Date. In addition, the Convertible Preferred Shareholders are entitled to require the Company to make an offer to repurchase all or part of the Convertible Preferred Shares at a purchase price equal to the aggregate of 101% of the Stated Value of the Convertible Preferred Shares and 100% of the accrued and unpaid dividends upon a change of control of the Company.

Each Convertible Preferred Share is convertible, at the option of the Convertible Preferred Shareholder, into Shares at any time at a conversion price equal to HK\$2.725, subject to certain anti-dilution adjustments. In the aggregate, the Convertible Preferred Shares to be issued under the Investment Agreement will be convertible into 1,001,834,862 Shares at a conversion price equal to HK\$2.725 per Share, representing approximately 13.40% of the Company's total issued share capital as at the Latest Practicable Date and approximately 10.24% of the Company's issued share capital as enlarged by the issue of the Shares upon full conversion of the Convertible Preferred Shares and assuming the issue of 1,307,153,271 Shares to IBM upon closing of the IBM Acquisition.

Each Warrant carries the right to subscribe for one Share at the Exercise Price, subject to certain anti-dilution adjustments. Warrantholders may exercise the subscription rights attaching to the Warrants, in whole or in part, at any time from the Closing Date until the Expiry Date. Assuming full exercise of the Warrants at an Exercise Price of HK\$2.725, the Company will issue 237,417,474 Warrant Shares, representing approximately 3.18% of the Company's total issued share capital as at the Latest Practicable Date and approximately 2.63% of the Company's issued share capital as enlarged by the issue of the Warrant Shares upon full exercise of the Warrants and assuming the issue of 1,307,153,271 Shares to IBM upon closing of the IBM Acquisition.

The Convertible Preferred Shares and the Warrants will not be listed on the Stock Exchange or any other stock market. However, the Company will apply for the listing on the Stock Exchange of the Shares issuable upon the exercise of the Warrants and the conversion of the Convertible Preferred Shares.

In connection with the proposed issue of the Convertible Preferred Shares, the Board proposes a special resolution for amending the Articles of Association.

Closing is conditional upon, among other things:

- (a) the issue and allotment of the Convertible Preferred Shares and the granting of certain anti-dilution rights to the Convertible Preferred Shareholders, details of which are set out on pages 14 to 19 of this circular (which requires 75% of approval of the Shareholders at the Extraordinary General Meeting), and the proposed amendment to the Articles of Association (which will authorise the creation of preferred shares and the issuance of the Convertible Preferred Shares) having been passed by special resolutions by the Shareholders, and the issue of the Warrants (and the granting of certain anti-dilution rights to the Warrantholders, details of which are set out on pages 20 to 24 of this circular) and the Shares (upon exercise of the

LETTER FROM THE BOARD

Warrants and conversion of the Convertible Preferred Shares) and increase in the share capital of the Company having been passed by ordinary resolutions by the Shareholders, in each case at the Extraordinary General Meeting;

- (b) the Listing Committee of the Stock Exchange having granted the listing of, and permission to deal in, any Shares to be issued upon exercise of the Warrants and upon the conversion of the Convertible Preferred Shares;
- (c) the initial closing of the IBM Acquisition taking place concurrently with, or having occurred prior to, the Closing;
- (d) the consents to the transactions contemplated by the Investment Agreement having been obtained from the financiers to the Company and IBM; and
- (e) there having been no material adverse change on the condition of the Group since the date of the Investment Agreement.

The purpose of this circular are:

- (a) to provide you with further information regarding the Investment Agreement, the Convertible Preferred Shares (and the issuance of Shares in the event of a conversion of the same), the Warrants (and the exercise thereof) and the anti-dilution rights granted to the Convertible Preferred Shareholders and the Warrantholders; and
- (b) to give you notice of the Extraordinary General Meeting (which contains, inter alia, a special resolution setting out the proposed amendment to the Articles of Association).

Assuming Closing takes place no later than the initial closing of the IBM Acquisition, the Directors intend to apply the net proceeds from the issue of the Convertible Preferred Shares and the Warrants as to approximately US\$150 million to satisfy part of the consideration payable to IBM for the IBM Acquisition, and as to the balance for general corporate purposes. If the Company pays US\$150 million cash to IBM, it would not issue the Excess Shares to IBM that would otherwise be issuable as consideration for the IBM Acquisition. However, in the event that Closing does not occur before or concurrently with the initial closing of the IBM Acquisition and depending on the financial resources then available to the Company, the Company may pay IBM cash of up to US\$150 million or issue the Excess Shares to IBM as partial settlement of the consideration. Further, if the Company has issued the Excess Shares, subject to applicable laws and regulations and the Company having obtained all the relevant approvals, it would consider repurchasing the Excess Shares from IBM when the Company has sufficient financial resources and the Directors consider appropriate to do so. In that event, the Company will ensure that all applicable rules and regulations (such as chapters 10 and 14A of the Listing Rules and the Code on Share Repurchases) are complied with and all applicable consents or approvals are obtained from the relevant authorities (such as the Securities and Futures Commission).

LETTER FROM THE BOARD

The terms of the Convertible Preferred Shares and the Warrants were negotiated at arm's length between the Company and the Investors. After taking into account the overall credit facility portfolios utilised by or available to the Company, the Directors consider that the issue of the Convertible Preferred Shares and Warrants is in the Shareholders' interest as a whole and the most appropriate funding means available to the Company. Part of the proceeds will be used to satisfy part of the consideration payable to IBM for the IBM Acquisition or to repurchase Excess Shares, as described above.

The Directors consider that the Investors offer expertise and experience that are expected to be valuable to the Company. The Investors have extensive insight into business operations, as well as a strong competency in strategic planning. With rich experience helping companies integrate operations, their investment in the Company will help ensure a smooth transition period following the IBM Acquisition and stable development in the future. The Investors also have a strong understanding of the governance structure of multinational operations as well as substantial experience working with information technology investors.

The Directors also consider that the terms of the Convertible Preferred Shares and Warrants are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE BOARD

SHAREHOLDING STRUCTURE

Based on the information available to the Directors as at the Latest Practicable Date, set out below are the shareholding structures of the Company as at that date and upon full conversion of the Convertible Preferred Shares and the initial closing of the IBM Acquisition.

	As at the Latest Practicable Date			After the issue of Convertible Preferred Shares and the initial closing of the IBM Acquisition			
	Number and class of Shares	Percentage of voting rights (approx.)	Number and class of Shares	Number of Shares assuming full conversion of Convertible Preferred Shares and no conversion of the Non-voting Shares held by IBM	Percentage of voting rights assuming no conversion of the Non-voting Shares held by IBM	Percentage of enlarged ordinary share capital including Non-voting Shares and assuming no conversion of Convertible Preferred Shares (approx.)	Percentage of enlarged ordinary share capital including Non-voting Shares and assuming full conversion of Convertible Preferred Shares (approx.) <i>(Note 4)</i>
Legend Holdings Limited	4,229,121,971 Shares	56.6%	4,229,121,971 Shares	4,229,121,971	45.475%	48.146%	43.217%
IBM <i>(Note 1)</i>	–	–	1,307,153,271 Shares (assuming 821,234,569 Shares, 485,918,702 Non-voting Shares and no Excess Shares are issued to IBM) <i>(Notes 2 and 3)</i>	821,234,569	8.831%	14.881%	13.358%
TPG	–	–	1,560,000 Convertible Preferred Shares	572,477,064	6.156%	0%	5.850%
General Atlantic Group	–	–	780,000 Convertible Preferred Shares	286,238,532	3.078%	0%	2.925%
Newbridge Capital Group	–	–	390,000 Convertible Preferred Shares	143,119,266	1.539%	0%	1.463%
Directors	58,940,000 Shares	0.8%	58,940,000 Shares	58,940,000	0.634%	0.671%	0.602%
Public	3,188,826,137 Shares	42.6%	3,188,826,137 Shares	3,188,826,137	34.289%	36.302%	32.586%
Total		100.0%		9,299,957,539	100%	100%	100%

LETTER FROM THE BOARD

Notes:

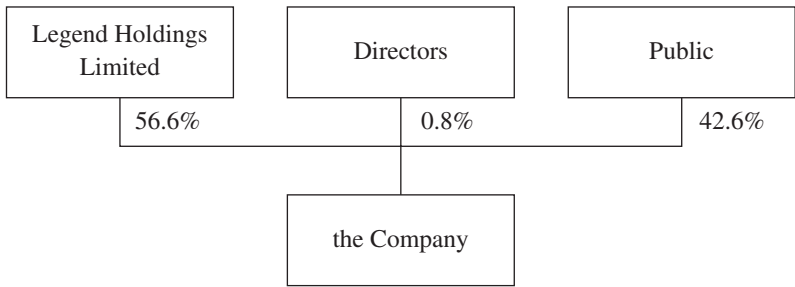
1. The numbers of Shares (comprising voting and Non-voting Shares) to be issued to IBM as indicated in the above table are based on the assumption set out in Note 3 below. The actual numbers of Shares (comprising voting and Non-voting Shares) to be issued to IBM will only be fixed upon initial closing of the IBM Acquisition.
2. Assuming 821,234,569 Shares, 485,918,702 Non-voting Shares and no Excess Shares will be issued to IBM upon the initial closing of the IBM Acquisition. As referred to in the IBM Circular, the maximum number of Consideration Shares (i.e. 821,234,569 voting Shares and 921,636,459 Non-voting Shares) issuable to IBM at initial closing would comprise of 821,234,569 voting Shares and 921,636,459 Non-voting Shares. If the Company applies US\$150 million from the proceeds from the issue of the Convertible Preferred Shares and the Warrants to pay IBM, the Company will not issue the 435,717,757 Excess Shares to IBM. Accordingly, it was assumed on such basis that 821,234,569 voting Shares and 485,918,702 Non-voting Shares (representing 921,636,459 Non-voting Shares minus 435,717,757 Excess Shares) will be issued to IBM.
3. 1,307,153,271 Shares to be issued to IBM represent the “Base Consideration Shares” described in the IBM Circular. If the Company applies US\$150 million from the proceeds from the issue of the Convertible Preferred Shares and the Warrants to pay IBM, the Company will not issue the 435,717,757 Excess Shares (as defined in the IBM Circular) to IBM. Under the Asset Purchase Agreement in relation to the IBM Acquisition, IBM will take Excess Shares, representing up to 435,717,757 voting Shares or Non-voting Shares, as settlement of the consideration. However, instead of issuing the Excess Shares to IBM, the Company may pay cash to IBM. The value of 435,717,757 Excess Shares calculated by reference to the formula set out in the Asset Purchase Agreement amounts to approximately US\$150 million. The cash payment alternative was disclosed in the IBM Circular.

Among the “Base Consideration Shares”, the exact numbers of Shares (comprising voting and Non-voting Shares) to be issued to IBM will only be determined upon initial closing of the IBM Acquisition. Further, pursuant to the Company Agreement as described in the IBM Circular, IBM may convert such number of its Non-voting Shares up to 9.9% of the outstanding voting capital stock of the Company into voting Shares at any time. If IBM decided to increase its holding of voting Shares to 9.9% of the total voting capital stock of the Company, it would need to convert 110,159,955 Non-voting Shares into voting Shares. Following such conversion and based on the assumption in Note 2 above, there would be 9,408,025,494 voting Shares in issue; and IBM would hold 931,394,524 voting Shares and 375,758,747 Non-voting Shares.

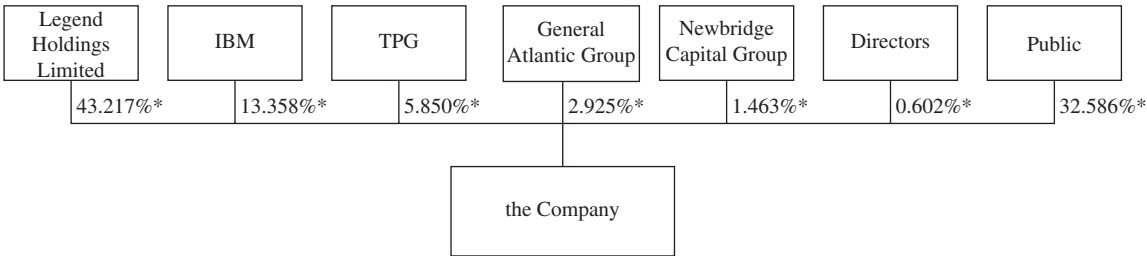
4. These figures are arrived at by taking into account the issuance of 821,234,569 voting Shares and 485,918,702 Non-voting Shares to IBM upon initial closing of the IBM Acquisition only, on the assumption that none of the Convertible Preferred Shares have been converted into Shares and none of the Warrants have been exercised.

LETTER FROM THE BOARD

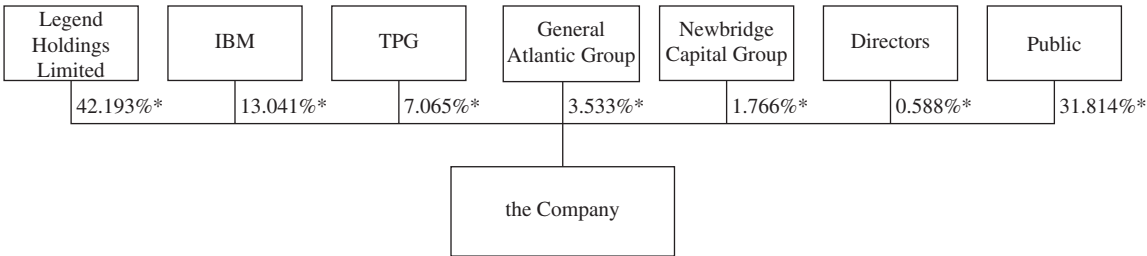
As at the Latest Practicable Date



Immediately upon the full conversion of the Convertible Preferred Shares (after the initial closing of the IBM Acquisition) assuming no exercise of Warrants



Immediately upon the full conversion of the Convertible Preferred Shares (after the initial closing of the IBM Acquisition) and full exercise of Warrants



* Represents percentages of the enlarged issued ordinary share capital of the Company and assuming: 1,307,153,271 Shares (comprising voting and Non-voting Shares) will be issued to IBM upon the initial closing of the IBM Acquisition.

THE INVESTMENT AGREEMENT

Date

30 March 2005

Parties

The Company and the Investors

LETTER FROM THE BOARD

Subscription of Convertible Preferred Shares and Warrants

Pursuant to the Investment Agreement, the Investors have agreed to subscribe for, and the Company has agreed to issue, 2,730,000 Convertible Preferred Shares, together with Warrants to subscribe for an aggregate of 237,417,474 Warrant Shares at an initial Exercise Price of HK\$2.725 per Share, subject to certain anti-dilution adjustments, for an aggregate cash consideration of US\$350 million (approximately HK\$2,730 million). The Investors have each agreed to subscribe for the following number of Convertible Preferred Shares and Warrants set opposite their respective names:

Investor	Number of Convertible Preferred Shares	Percentage of enlarged issue share capital of the Company (Note 1)	Number of Warrants
TPG IV Acquisition Company LLC	1,560,000	5.851%	135,667,128
General Atlantic Partners (Bermuda), L.P. (Note 2)	715,145	2.682%	62,193,400
GAPSTAR, LLC (Note 2)	9,750	0.037%	847,920
GAP Coinvestments III, LLC (Note 2)	42,737	0.160%	3,716,658
GAP Coinvestments IV, LLC (Note 2)	11,149	0.042%	969,596
GAPCO GmbH & Co. KG (Note 2)	1,219	0.005%	105,990
Newbridge Asia Acquisition Company LLC	390,000	1.463%	33,916,782
Total	2,730,000	10.240%	237,417,474

Notes:

- Assuming full conversion of the Convertible Preferred Shares and 1,307,153,271 Shares (comprising Shares and Non-voting Shares) have been issued to IBM upon closing of the IBM Acquisition.
- The number of Convertible Preferred Shares and Warrants to be allotted to and among General Atlantic Partners (Bermuda), L.P., GAPSTAR, LLC, GAP Coinvestments III, LLC, GAP Coinvestments IV, LLC and GAPCO GmbH & Co. KG are subject to changes. The changes, if any, are expected to be insignificant and would be resulting from final fine-tuning of the allocation among the Investors within the General Atlantic Group. However, the total number of Convertible Preferred Shares and Warrants to be allotted to General Atlantic Partners (Bermuda), L.P., GAPSTAR, LLC, GAP Coinvestments III, LLC, GAP Coinvestments IV, LLC and GAPCO GmbH & Co. KG will not be changed.

LETTER FROM THE BOARD

Information on the Investors

Texas Pacific Group

Texas Pacific Group, or TPG, is a leading global private equity investment firm and currently manages over US\$13 billion of committed equity capital. TPG investment entities acquire interests in companies in various industries as financial investments, and its portfolio companies total over US\$35 billion in revenues and over 500,000 employees. TPG is a leading global private equity investor in technology whose investments include MEMC Electronic Materials, ON Semiconductor, Seagate Technology, Business Objects, Conexant Semiconductor, Eutelsat, Isola, Network General, Paradyne Networks and Smart Modular. Other TPG investments have included Burger King, Continental Airlines, Del Monte Foods, Ducati Motorcycles and J.Crew. TPG is based in Fort Worth, Texas, San Francisco and London.

TPG IV Acquisition Company LLC is a limited liability company wholly-owned by funds managed by TPG that has been established specifically for the purpose of holding the proposed investment in the Company.

General Atlantic Group

General Atlantic Group is a leading global private equity firm focused on investing in companies providing information technology or using information technology to drive growth. Investment entities affiliated with General Atlantic LLC make investments on an arm's length basis in portfolio companies. General Atlantic Group's current investments in China include Vimicro and Digital China. The firm was founded in 1980 and has about US\$8 billion in capital under management. General Atlantic Group has invested in over 140 companies and has current holdings in over 50 companies, of which almost half are based outside the United States. General Atlantic Group has offices in Greenwich, New York, Palo Alto, Washington, D.C., London, Düsseldorf, Singapore, Tokyo, Mumbai, Hong Kong and São Paulo.

General Atlantic Partners (Bermuda), L.P., GAPSTAR, LLC, GAP Coinvestments III, LLC, GAP Coinvestments IV, LLC and GAPCO GmbH & Co. KG are affiliated investment entities. The general partner of General Atlantic Partners (Bermuda), L.P. is GAP (Bermuda) Limited. The sole member of GAPSTAR, LLC is General Atlantic LLC. The Managing Directors of General Atlantic LLC are the senior executive officers and directors of GAP (Bermuda) Limited and control the voting and investment power over securities owned by GAPCO GmbH & Co. KG. In addition, the Managing Members of GAP Coinvestments III, LLC and GAP Coinvestments IV, LLC are Managing Directors of General Atlantic LLC.

To the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, no members of the General Atlantic Group have any relationship with, and each member of the General Atlantic Group is a third party independent of, Texas Pacific Group and Newbridge Capital Group.

LETTER FROM THE BOARD

Newbridge Capital Group

Newbridge Capital Group is one of Asia's leading private equity investment firms with US\$1.7 billion of capital under management. Founded in 1994 by Texas Pacific Group and Blum Capital Partners, Newbridge Capital Group was one of the first private equity firms dedicated to Asian investments. The firm has offices in Hong Kong, San Francisco, Shanghai, Tokyo, Seoul, Mumbai and Melbourne. Newbridge Capital Group acquires interests in companies in various industries as financial investments, and has made significant investments in such companies as Hanaro Telecom, Japan Telecom, Korea First Bank, Matrix Laboratories and Shenzhen Development Bank.

Newbridge Asia Acquisition Company LLC is a limited liability company wholly-owned by funds managed by Newbridge Capital Group that has been established specifically for the purpose of holding the proposed investment in the Company. Newbridge Asia Acquisition Company LLC is indirectly controlled by a corporation of which 50% is owned by a corporation under common control with TPG IV Acquisition Company LLC. The other 50% is owned by an entity controlled by Blum Capital Partners, a San Francisco based private equity investment firm.

Save as disclosed in this circular, each of the Investors and its ultimate beneficial owners and fund managers is independent from the other Investors and their respective ultimate beneficial owners and fund managers.

Based on the above information provided by the Investors and to the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, each of the Investors, TPG, Newbridge Capital Group and the General Atlantic Group, is a third party independent of the Company and any connected persons of the Company (as defined in the Listing Rules).

Conditions and Closing

Closing is conditional upon, among other things:

- (a) the issue and allotment of the Convertible Preferred Shares and the granting of certain anti-dilution rights to the Convertible Preferred Shareholders, details of which are set out on pages 14 to 19 of this circular (which requires 75% approval of the Shareholders at the Extraordinary General Meeting) and the proposed amendment to the Articles of Association (which will authorise the creation and issuance of the Convertible Preferred Shares) having been passed by special resolutions by the Shareholders, and the issue of the Warrants (and the granting of certain anti-dilution rights to the Warrantholders, details of which are set out on pages 20 to 24 of this circular) and the Shares (upon exercise of the Warrants and conversion of the Convertible Preferred Shares) and the increase in the authorised capital of the Company having been passed by ordinary resolutions by the Shareholders, in each case at the Extraordinary General Meeting;

LETTER FROM THE BOARD

- (b) the Listing Committee of the Stock Exchange having granted the listing of, and permission to deal in, any Shares to be issued upon the exercise of the Warrants and upon the conversion of the Convertible Preferred Shares;
- (c) the initial closing of the IBM Acquisition taking place concurrently with, or having occurred prior to, the Closing;
- (d) the consents to the transactions contemplated by the Investment Agreement having been obtained from the financiers to the Company and IBM; and
- (e) there having been no material adverse change on the condition of the Group since the date of the Investment Agreement.

Closing is scheduled to take place on the third business day following the satisfaction of all of the conditions precedent, which cannot be later than 30 September 2005.

PRINCIPAL TERMS OF THE CONVERTIBLE PREFERRED SHARES

Form

The Convertible Preferred Shares will only be issued in registered form. Definitive certificates will be issued to the Investors as holders of the Convertible Preferred Shares.

Preferential dividends

The Convertible Preferred Shares will bear a fixed cumulative preferential cash dividend, payable quarterly, at the rate of 4.5% per annum on the Stated Value of each Convertible Preferred Share. The Company may defer the payment of cash dividends if it is unable to make such payments by law or under the Company's bank credit facility in effect on the date on which the Convertible Preferred Shares are first issued. If at any time the Company has deferred payment of a dividend, it shall be prohibited from paying cash dividends on its junior securities, including the Shares, until all such deferred dividends shall have been paid in full. If the Company fails to pay cash dividends when accumulated or deemed to accumulate, the Convertible Preferred Shareholders will have the right to receive additional interest at the rate of 4.5% per annum on the amount of such cash dividend payment that was not paid when accumulated or deemed to accumulate. No additional Convertible Preferred Shares will be issued in respect of unpaid dividends.

Redemption and repurchase

The Convertible Preferred Shares are redeemable, in whole or in part, at a price equal to the Stated Value together with accrued and unpaid dividends at the option of the Company or the Convertible Preferred Shareholders at any time after the Maturity Date. In addition, the Convertible Preferred Shareholders are entitled to require the Company to make an offer to repurchase all or part of the Convertible Preferred Shares at a purchase price equal to the aggregate of 101% of the Stated Value of the Convertible Preferred Shares and 100% of the accrued and unpaid dividends upon a change of control of the Company.

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Conversion

Each Convertible Preferred Share is convertible, at the option of the Convertible Preferred Shareholder at any time, into a number of Shares equal to the Stated Value divided by HK\$2.725, subject to certain anti-dilution adjustments. Shares that are to be issued upon conversion of the Convertible Preferred Shares will rank *pari passu* in all respects with the Shares in issue on the conversion date except that they will not be entitled to any rights or entitlement to dividends or distributions the record date for which precedes the conversion date.

The Convertible Preferred Shares will not be listed on the Stock Exchange or any other stock exchange. However, the Company will apply for the listing on the Stock Exchange of the Shares issuable upon conversion of the Convertible Preferred Shares.

Upon conversion of all the Convertible Preferred Shares at a conversion price of HK\$2.725, 1,001,834,862 Shares will be issued, representing approximately 13.40% of the issued share capital of the Company (being 7,476,888,108 Shares in issue) as at the Latest Practicable Date and approximately 10.24% of the issued share capital as enlarged by the allotment and issue of such Shares and assuming the issue of 1,307,153,271 Shares to IBM upon initial closing of the IBM Acquisition (please also refer to the notes set out below the table in the paragraph headed “Shareholding Structure” in this circular).

Transferability

During the first 12 months from and after the Closing Date, the Investors are not permitted to transfer any of the Convertible Preferred Shares or Shares issuable upon conversion of the Convertible Preferred Shares. From and after the date occurring 12 months and one day after the Closing Date, except as described below, there will be no restrictions on the transfers by the Investors of the Convertible Preferred Shares or Shares issuable upon conversion of the Convertible Preferred Shares.

Transfers of Convertible Preferred Shares and Shares issuable upon conversion thereof by the Investors to any person who holds, or would hold, as a result of any such transfer, more than 4.9% of the issued share capital of the Company, or, to certain designated competitors of the Company, will be restricted when it can be ascertained that the transferee meets the foregoing criteria. Designated competitors generally include any person, together with its controlled affiliates, primarily engaged in the computer business that has, together with its controlled affiliates, annual consolidated gross revenues in excess of US\$1,000,000,000.

Transfers among the Investors will not be subject to the foregoing restrictions.

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Voting, anti-dilution and other rights attaching to the Convertible Preferred Shares

Each Convertible Preferred Share will be voted on an “as if” converted basis. The holder of each Convertible Preferred Share will have the right to one vote for each whole Share into which a Convertible Preferred Share is convertible at the close of business on the record date for any meeting of Shareholders at which such Convertible Preferred Shares will be voted.

Right to subscribe in below-market issuance (an anti-dilution right)

The Convertible Preferred Shareholders shall have the right, when the Company proposes to issue shares (or rights, warrants or options exercisable for or convertible into shares) at below the then current market value, to subscribe in such proposed issue on the same terms as that offered by the Company to other subscribers in an amount no greater than the percentage of the shares, rights or securities so offered as equals the percentage of the issued Shares and Non-voting Shares represented by the Shares issuable upon conversion of the Convertible Preferred Shares held by such Convertible Preferred Shareholders, unless such Shares are being (1) sold as part of an underwritten offering in which the price per share received by the Company, net of all underwriting commissions paid to the underwriters in such offer, is at least 97% of the current market price per share (a “Qualifying Issuance”), (2) issued as part of a share dividend, (3) issued as part of a reclassification of Shares into securities other than Shares (for example, through a consolidation of shares or issuance of new classes of shares), or (4) issued in connection with an employee benefit plan approved by the Board. Neither the existence nor the exercise of the above-mentioned participation right will in itself contractually require the Company to issue securities in addition to those contemplated to be issued and allotted under the relevant below-market issuance.

Adjustment of conversion price

The conversion price for the Convertible Preferred Shares will be adjusted downwards to account for stock dividends, stock splits, reclassifications of shares and below market issuances of shares (referred to in the second paragraph of Note A below) in which a Convertible Preferred Shareholder elects not to participate. In the event of such an adjustment, the Company’s auditors will be involved to ensure that the relevant calculations are correct by reference to the terms of the Convertible Preferred Shares and the Company will issue a public announcement to inform the Shareholders of the adjustment.

In the case where the Convertible Preferred Shareholders do not participate in the above-mentioned offer, the conversion price is adjusted to account for the below-market issuance. However, no adjustment is provided unless the offer price is at least 85% of the market price and then only with respect to amounts below the 85% trigger.

Independent shareholders’ approval where Convertible Preferred Shareholder becomes connected person

Please note that in the event that a Convertible Preferred Shareholder becomes a connected person of the Company (as defined in the Listing Rules) as a result of, for example, further acquisition of Shares, then at any time it exercises the above-mentioned participation right, and provided that:

- (a) a Director (including any Director appointed by the Convertible Preferred Shareholder) having a material interest in the relevant below-market issuance of shares by the Company will abstain from voting in the determination of the pricing

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of the issuance and be excluded from the quorum in the relevant Board meetings if such abstention and exclusion are required by applicable laws, rules or the Articles of Association at the relevant time (note: such abstention and exclusion are required under applicable laws, rules and the Articles of Association in force as at the date of this circular);

- (b) the proposed issuance and allotment of Shares as a result of the below-market issuance as well as the exercise of the said participation right will be undertaken pursuant to the general mandate approved by the Shareholders at the Company's preceding annual general meeting; and
- (c) the price of the below-market issuance does not represent a discount of more than 10% to the benchmarked price referred to in Rule 13.36(5) of the Listing Rules at the relevant time,

the proposed exercise of such participation right will not be subject to further shareholders' approval at the time of such exercise. Otherwise, the Company will comply with all applicable requirements under Chapter 14A of the Listing Rules in respect of such proposed exercise of participation right by the Convertible Preferred Shareholder in advance of the same.

A comparison of the respective rights of the holders of the Convertible Preferred Shares and the holders of Shares is set out below:

	Convertible Preferred Shares	Shares
Voting	Vote on an "as if" converted basis with the Shares	One vote per Share
Dividends	Entitled to quarterly dividend at a rate of 4.5% subject to additional dividends if such dividend is not paid when due	Entitled to dividends when, as and if declared by the Company
Anti-Dilution	Contains anti-dilution protections (see Note A below)	No anti-dilution protections but may be subject to contractual pre-emptive rights in certain cases if negotiated with a given shareholder
Conversion	Convertible into Shares (see Note B below)	Not convertible
Preference	Preferential dividend and liquidation payments	No right to preferential payments
Ranking	Ranks senior to Shares	Ranks junior to Convertible Preferred Shares

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Notes:

- A. The conversion price at which the Convertible Preferred Shares are convertible into Shares will be adjusted downwards in the event that at any time after the original issuance of the Convertible Preferred Shares, the Company (A1) pays a dividend or other distribution on the Shares, such dividend payable in whole or in part, in Shares, (A2) subdivides any of its issued Shares into a greater number of Shares, (A3) distributes certain special dividends in the form of evidence of its indebtedness or assets (except (a) Shares, rights, options or warrants issued in a below-market issuance in which a Convertible Preferred Shareholder has a right to subscribe for Shares or a Qualifying Issuance, (b) any dividend or distribution paid exclusively in cash, (c) any dividend or distribution paid exclusively in Shares or (d) any dividend or distribution in a merger, sale, transfer, share exchange, reclassification or similar transaction in which the Shares are converted into the right to receive securities, cash or other property) to holders of Shares, (A4) issues Shares (or rights, warrants or options exercisable for or convertible into Shares) at a price that is less than 85% of the then-current market price, (A5) distributes cash dividends that exceed the greater of (i) 2.0% of the product of (A) the current market price per Share on the date fixed for the determination of shareholders entitled to receive such distribution multiplied by (B) the number of issued Shares outstanding on such date, then, and in each such case, immediately after the close of business on the date fixed for such determination, and (ii) 35% of the consolidated net earnings of the Company for the 12-month period preceding the date fixed for the determination of the shareholders entitled to receive such distribution, (A6) reclassifies its Shares into other securities. The adjustment of the conversion price will be carried out pursuant to formulae that are customary for convertible bonds, convertible preferred shares or warrants and are designed to assure the Investors that the amount and value of the Shares received upon conversion will remain stable or that adjustments are made to protect their investment if the attributes of the Shares are changed (note: certain figures used in such formulae are calculated on the assumption that the discount of the below-market issuance is 15%, before an adjustment to the conversion price is triggered). The adjustments will be made in accordance with the commercial terms agreed among the Investors and the Company as set forth in the Investment Agreement. The Company will engage an independent auditor to check the accuracy of the computation of the adjustments of conversion price by reference to the terms of the Convertible Preferred Shares.

In addition, when the Company proposes to issue shares at below the then current market value, subject to the exceptions described above under “Rights to subscribe in below-market issuance”, Convertible Preferred Shareholders will have the right to subscribe for shares in such proposed issue as described above under the paragraph headed “Voting, anti-dilution and other rights attaching to the Convertible Preferred Shares” in this circular. In the event a Convertible Preferred Shareholder elects to subscribe in such an offering, the adjustment to the conversion price described in sub-point (A4) of the preceding paragraph of this Note will not apply.

- B. Each Convertible Preferred Share is convertible into such number of Shares equal to the Stated Value of the Convertible Preferred Share of HK\$1,000 per share divided by HK\$2.725, subject to certain adjustments to the conversion price in accordance with the anti-dilution provisions described Note A above.

Board composition and representation

During the period commencing on the Closing Date and ending on the third anniversary of the Closing Date, the Board shall consist of no more than 12 Directors, of whom four shall be independent non-executive directors and at least two shall be members of the management of the Company.

TPG shall be entitled to designate a total of two individuals for election to the Board, which after three years from the Closing Date, may be reduced to one individual at the option of the Company. Subject to the foregoing right of the Company, TPG shall be entitled to designate two such individuals for so long as TPG and Newbridge Capital Group, taken together, beneficially own at least 50% of the number of Convertible Preferred Shares (or Shares issuable upon conversion of the Convertible Preferred Shares) issued to them on the Closing Date. For so long as TPG and Newbridge Capital Group, taken together, beneficially own at least 25% of the number of Convertible Preferred Shares (or Shares issuable upon

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conversion of the Convertible Preferred Shares) issued to them on the Closing Date, TPG shall be entitled to designate one such individual.

The General Atlantic Group shall be entitled to designate one individual for election to the Board for so long as the General Atlantic Group beneficially owns at least 50% of the number of Convertible Preferred Shares (or Shares issuable upon conversion of the Convertible Preferred Shares) issued to the General Atlantic Group on the Closing Date.

If the Board shall determine in good faith that nomination of any individual designated by an Investor for election to the Board would not be consistent with the fiduciary duties of the Board, the Investor shall have the right to nominate another individual for election to the Board. The Company is required to cause individuals nominated by the Investors to be elected to the Board, including by placing such individuals on the slate of nominees recommended for election and soliciting proxies for the election of such individuals. If individuals nominated by the Investors are not elected to the Board, the Company undertakes to use its reasonable best efforts to cause a Director (other than a Director nominated by an Investor or an independent non-executive Director; in other words, likely to be a Director nominated by the Major Shareholder) to resign and to be elected in place of such Director an individual (not being the individual originally failed to be elected to the Board) nominated by the Investors. Such undertaking is subject at all times to the Board's duty to act in the best interests of the Company and its shareholders.

For so long as any Investor is entitled to designate an individual for election to the Board, at least one such individual who is appointed as a Director shall be appointed as a member of each committee of the Board (such as the audit committee and the remuneration committee). In the event that such individual does not satisfy the relevant eligibility criteria set out under the Listing Rules (because, for example, the Director is not an independent non-executive director of the Company), such Director nominated by the Investor shall have the right to attend each such committee meetings as an observer. Such observer will be entitled to observe all proceedings of such committee meeting but he will not have the right to vote or otherwise participate in such committee meetings. For the avoidance of doubt, only an Investor nominated individual who is appointed as a Director can serve as an observer of such committee and accordingly he will be subject to the usual fiduciary duties and other requirements imposed by the laws and the Listing Rules on a director including the duty to keep confidential all the material non-public information obtained from the meetings of the committees to which he is an observer. Further, pursuant to the Investment Agreement, the Investors and their representatives undertake confidentiality obligations to the Company (under which they cannot disclose any such confidential information to the public). The Investors have agreed to use such information only in connection with their investment in the Company as well as their rights and obligations under the Investment Agreement.

In general, in the event that the Board is required to decide on an issue in respect of which there is a conflict of interest on the part of a Director appointed by the Investors (such as, where applicable, the determination of pricing and other matters incidental to a below-market issuance undertaken by the Company), the Director appointed by the Investors will not participate in the relevant decision-making process.

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PRINCIPAL TERMS OF THE WARRANTS

Issuer

The Company

Number of Warrants

Warrants conferring rights to subscribe for up to a total of 237,417,474 Warrant Shares at an initial Exercise Price of HK\$2.725 per Share, subject to certain anti-dilution adjustments.

Status

The Warrants will be constituted by a deed poll to be executed by the Company at Closing. The Warrants will not be listed on the Stock Exchange or any other stock market. However, the Company will apply for the listing on the Stock Exchange of the Shares issuable upon the exercise of the Warrants.

Form

The Warrants will be issued in registered form. Definitive certificates will be issued to the Investors as holders of the Warrants.

The Issue Price and Exercise Price

The Warrants are to be issued in conjunction with the Convertible Preferred Shares and there is no separate issue price for the Warrants.

Each Warrant carries the right to subscribe for one Warrant Share at the initial Exercise Price of HK\$2.725, subject to certain anti-dilution adjustments. The initial Exercise Price was determined at arm's length between the Investors and the Company on the basis of the share price of the Shares at the time of negotiation, expectations on the future share price performance of the Company and the Investors' consideration of the prospects of the Group at the time of negotiation.

The initial Exercise Price represents a premium of 6.86% compared to the closing price of the Shares of HK\$2.55 as quoted on the Stock Exchange on 24 March 2005, being the latest closing price before the date of the Investment Agreement, a premium of 9.66% compared to the average closing prices of the Shares of HK\$2.485 for the five consecutive trading days up to and including 24 March 2005, a premium of 9.99% compared to the average closing prices of the Shares of HK\$2.4775 for the ten consecutive trading days up to and including 24 March 2005, a premium of 16.70% compared to the average closing prices of the Shares of HK\$2.335 for the thirty consecutive trading days up to and including 24 March 2005, and a premium of 20.93% compared to the average closing prices of the Shares of HK\$2.253 for the sixty consecutive trading days up to and including 24 March 2005.

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The Exercise Price must be paid in cash. However, the Investors will also be entitled to pay the portion of the Exercise Price in excess of the nominal value of HK\$0.025 per Share using the in-the-money value of other Warrants. An Investor wishing to exchange Warrants pursuant to this right will deliver a notice to the Company, stating the number of Shares for which it wishes to subscribe, accompanied by the same number of Warrants and cash in a minimum amount equal to the aggregate nominal value of such number of Shares, plus Warrants having an “in-the-money” value equal to the balance of the Exercise Price for such Shares (after taking into account the cash payment of the nominal value of such Shares). A Warrant’s “in-the-money value” is the excess, if any, of the market price on the date of the exchange for a Share over the Exercise Price. Upon surrender of such Warrants and cash, the Warrantholder will become entitled to receive the specified number of Shares. For example, if the Exercise Price of the Warrant is HK\$2.725, and the market price of one Share is HK\$4.725, the “in-the-money value” of the Warrant would be HK\$2.00, which could be used to pay a portion of the Exercise Price. It follows that, if an Investor wishes to acquire 100 Shares under this exchange right, it would exercise 100 Warrants, having an aggregate Exercise Price of HK\$272.50, and in lieu of paying the entire Exercise Price in cash, surrender an additional 135 Warrants (which Warrants shall be cancelled upon surrender), having an aggregate “in-the-money value” of HK\$270, and pay HK\$2.50 (being the nominal value of 100 Shares) in cash.

Where the number of Warrants that an Investor wishes to exercise has an aggregate Exercise Price that (together with the cash payment made for the nominal value of the Warrant Shares to be received) would require such Investor to surrender a fraction of a Warrant, the Investor shall be required to pay cash rather than surrender such fractional amount. For example if the Exercise Price of the Warrants is HK\$2.725 and the market price of one Share is HK\$4.80, the “in-the-money” value of the Warrant would be HK\$2.075. If an Investor wishes to acquire 100 Shares by exercising its Warrants, it would exercise 100 Warrants, having an aggregate exercise price of HK\$272.50. The Investor would surrender 130 Warrants having an aggregate “in-the-money” value of HK\$269.75 and pay HK\$2.75 (HK\$2.50 being the nominal value of 100 Shares and HK\$0.25 being the amount necessary to pay the remainder of the aggregate Exercise Price).

Owing to the right of the Investors to exchange Warrants for Warrant Shares as described above, the aggregate amount of cash which the Company will receive upon full exercise of the Warrants cannot be ascertained as at the date of this circular.

Exercise

The subscription rights attaching to the Warrants may be exercised, in whole or in part, at any time from the Closing Date until the Expiry Date.

Shares that are to be issued upon exercise of the subscription rights attaching to the Warrants will rank *pari passu* in all respects with the Shares in issue on the exercise date except that they will not be entitled to any rights or entitlement to dividends or distributions the record date for which precedes the exercise date. Application will be made to the Stock Exchange for the listing of, and permission to deal in, the Warrant Shares to be allotted and issued upon exercise of the subscription rights attaching to the Warrants.

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Upon exercise of the subscription rights attaching to the Warrants in full at an Exercise Price of HK\$2.725, 237,417,474 Shares will be issued, representing approximately 3.18% of the issued share capital of the Company as at the Latest Practicable Date and approximately 2.63% of the issued share capital as enlarged by the allotment and issue of such Shares and assuming the issue of 1,307,153,271 Shares to IBM upon closing of the IBM Acquisition.

Transferability

During the first 12 months from and after the Closing Date, the Investors are not permitted to transfer any of the Warrants or the Warrant Shares. From and after the date occurring 12 months and one day after the Closing Date, there will be no restrictions on the transfers of the Warrants or Warrant Shares by the Investors, except as described below.

Subject to exceptions described below, during the first three years after the Closing, Investors' transfers of Warrants to third parties in private transactions will be subject to a right of first refusal on the part of the Company, while transfers pursuant to market transactions and those effected through brokers will be subject to the Company's right of first offer.

In addition, transfers of Warrants and Warrant Shares by the Investors to any person who holds, or would hold, as a result of any such transfer, more than 4.9% of the issued share capital of the Company, or, to certain designated competitors of the Company, will be restricted when it can be ascertained that the transferee meets the foregoing criteria. Designated competitors generally include any person, together with its controlled affiliates, primarily engaged in the computer business that has, together with its controlled affiliates, annual consolidated gross revenues in excess of US\$1,000,000,000.

Transfers of Warrants among the Investors will not be subject to the foregoing restrictions.

Voting, anti-dilution and other rights of the Warrantholders

The Warrantholders shall not have any right to attend or vote at any general meeting of the Company by virtue of holding the Warrants.

Right to subscribe in below-market issuance (an anti-dilution right)

The Warrantholders shall have the right, when the Company proposes to issue shares (or rights, warrants or options exercisable for or convertible into shares) at below the then current market value, to subscribe in such proposed issue on the same terms as that offered by the Company to other subscribers in an amount no greater than the percentage of the shares, rights or securities so offered as equals the percentage of the issued Shares and Non-voting Shares represented by the Warrant Shares issuable upon exercise of Warrants held by such Warrantholders, unless such shares are being (1) sold as part of a Qualifying Issuance (as defined in the paragraph headed "Voting, anti-dilution and other rights attaching to the Convertible Preferred Shares" above), (2) issued as part of a share dividend, (3) issued as part

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of a reclassification of the Company's securities, or (4) issuance in connection with an employees benefit plan approved by the Company's Board. Neither the existence nor the exercise of the above-mentioned participation right will in itself require the Company to issue securities in addition to those contemplated to be issued and allotted under the relevant below-market issuance.

Adjustment of Exercise Price

In addition, the Exercise Price will be adjusted to account for stock dividends, stock splits, reclassifications and below market issuances in which a Warrantholder elects not to participate.

Notes:

1. The Exercise Price will be adjusted downwards in the event that at any time after the original issuance of the Warrants, the Company (A1) pays a dividend or other distribution on the Shares, such dividend payable in whole or in part, in Shares, (A2) subdivides any of its issued Shares into a greater number of Shares, (A3) distributes certain special dividends in the form of evidence of its indebtedness or assets (except (a) Shares, rights, options or warrants issued in a below-market issuance in which a Warrantholder has a right to subscribe for Shares or a Qualifying Issuance, (b) any dividend or distribution paid exclusively in cash, (c) any dividend or distribution paid exclusively in Shares or (d) any dividend or distribution in a merger, sale, transfer, share exchange, reclassification or similar transaction in which the Shares are converted into the right to receive securities, cash or other property) to holders of Shares, (A4) issues Shares (or rights, warrants or options exercisable for or convertible into Shares) at a price that is less than 85% of the then-current market price, (A5) distributes cash dividends that exceed the greater of (i) 2.0% of the product of (A) the current market price per Share on the date fixed for the determination of shareholders entitled to receive such distribution multiplied by (B) the number of issued Shares on such date, then, and in each such case, immediately after the close of business on the date fixed for such determination, and (ii) 35% of the consolidated net earnings of the Company for the 12-month period preceding the date fixed for the determination of the shareholders entitled to receive such distribution, (A6) reclassifies its Shares into other securities. The adjustment of the Exercise Price will be carried out pursuant to formulae that are customary for convertible bonds or warrants and are designed to assure the Investors that the amount and value of the Shares received upon exercise of the Warrants will remain stable or that adjustments are made to protect their investment if the attributes of the Shares are changed (note: certain figures used in such formulae are calculated on the assumption that the discount of the below-market issuance is 15%, before an adjustment to the Exercise Price is triggered). The adjustments will be made in accordance with the commercial terms agreed among the Investors and the Company as set forth in the Investment Agreement. The auditors will be involved solely to ensure that the calculations are correct by reference to the terms of the Warrants.
2. The Warrantholders will not benefit from "double protection" by having the above-mentioned participation right because the participation right and Exercise Price adjustment are mutually exclusive. If the Warrantholders elect to exercise the participation right in the event of a below-market issuance, the Exercise Price will not be further adjusted to reflect the dilution resulting from such share issuance.

Independent shareholders' approval where Warrantholder becomes connected person

Please note that in the event that a Warrantholder becomes a connected person of the Company (as defined in the Listing Rules), as a result of, for example, further acquisition of Shares, then at the time it exercises the above-mentioned participation right, and provided that:

- (a) a Director (including any Director appointed by the Warrantholder, where applicable) having a material interest in the relevant below-market issuance of shares by the Company will abstain from voting in the determination of the pricing of the issuance and be excluded from the quorum in the relevant Board meetings where such abstention and exclusion are required by applicable laws, rules or the Articles of Association at the relevant time (note: such abstention and exclusion are required under applicable laws, rules and the Articles of Association in force as at the date of this circular; and

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- (b) the proposed issuance as well as allotment of Shares as a result of the below-market issuance and the exercise of the said participation right will be undertaken pursuant to the general mandate approved by the Shareholders at the Company's preceding annual general meeting; and
- (c) the price of the below-market issuance does not represent a discount of more than 10% to the benchmarked price referred to in Rule 13.36(5) of the Listing Rules at the relevant time,

the proposed exercise of participation right by that Warrantholder will not be subject to further shareholders' approval. Otherwise, the Company will comply with all applicable requirements under Chapter 14A of the Listing Rules in respect of such proposed exercise of participation right by the Warrantholder in advance of the same.

Any modification of a Warrant or the provisions of the Warrant certificates may be effected only by deed poll and must be approved by a resolution passed at a meeting of Warrantholders and carried by a majority consisting of not less than 75% of the votes cast at such meeting.

RISK FACTORS IN RELATION TO CERTAIN FEATURES OF THE CONVERTIBLE PREFERRED SHARES AND THE WARRANTS

Risks associated with below-market anti-dilution mechanisms

If as a result of a below market issuance of Shares, the conversion price for the Convertible Preferred Shares is adjusted or the Exercise Price of the Warrants is reduced, the Company's shareholders will be subject to greater dilution when and if the Convertible Preferred Shares are converted into Shares or the Warrants are exercised (as the case may be). The amount of dilution cannot be quantified at this time as it is a function of numerous factors, including the market value of the Shares, the offer price in the below market issuance, when and if the Convertible Preferred Shares are converted into Shares as well as when and if the Warrants are exercised. As a result, a below market issuance that requires an adjustment of the conversion price for the Convertible Preferred Shares or the Exercise Price could have an adverse effect on the per share value of the Shares.

Risks relating to the participation right of Convertible Preferred Shareholders and Warrantholders

If a Convertible Preferred Shareholder or Warrantholder chooses to participate in a below market offering, the Convertible Preferred Shareholder or Warrantholder (as the case may be) will be able to protect its investment from being diluted by purchasing Shares at the same price offered to other potential purchasers up to the amounts specified above. The effect of this provision is the same as other contractual pre-emption rights. In the absence of such right, a Shareholder may not be able to participate in an offering of the Company's Shares and its ownership interest will be diluted as a result.

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However, the existing shareholders of the Company will generally not suffer any additional dilutive effect as a result of the Convertible Preferred Shareholders or Warrantholders exercising the above-mentioned participation right in a below-market issuance because the Company will not be required to issue any additional shares to satisfy the Convertible Preferred Shareholders' or Warrantholders' participation right. By way of illustration, where the Company proposes, pursuant to the general mandate which is approved by the Shareholders at the preceding annual general meeting to undertake a placing of Shares equal to 5% of the Company's total issued capital to a third party at a price which is 10% below the then market price of the Shares and the Convertible Preferred Shareholders or Warrantholders decide to exercise their participation right, the number of Shares which the third party is entitled to subscribe for would be reduced to account for the exercise of such Convertible Preferred Shareholders' or Warrantholders' participation right so that the Company would issue no more than the 5% of share capital it originally intended to place to the third party. Consequently, the other Shareholders do not suffer any more dilution than they would have if the entire 5% of the share capital was sold to the third party purchaser. In addition, the provision in the Convertible Preferred Shares and the Warrants do not change in any way the restrictions of the Listing Rules or the Company's general mandate which are designed to protect the interests of the Shareholders.

Risks related to the Investors' right to exchange Warrants for Warrant Shares

If an Investor chooses to exercise its Warrants by paying for the portion of the Exercise Price in excess of the nominal value of the Shares using the in-the-money value of other Warrants, the Company will receive substantially less cash as a result of such exercise. As the cash received from the exercise of Warrants represents a potential source of funds for the Company, such feature of the Warrants may require the Company to seek alternative sources for the funds that it would otherwise have received if the entire Exercise Price must be paid in cash.

However, the Shareholders will suffer less dilution in the event of an Investor exercising its right to pay a portion of the Exercise Price by surrendering Warrants as the additional Warrants used to pay a portion of the Exercise Price in lieu of cash could have been exercised to acquire additional Shares.

ACCOUNTING TREATMENT OF THE CONVERTIBLE PREFERRED SHARES AND THE WARRANTS

Under Hong Kong Financial Reporting Standards, the Convertible Preferred Shares is a compound financial instrument, containing both a financial liability component and an equity component. On initial recognition: (a) fair value of the financial liability component is determined using valuation technique with reference to the present value of future cash flows on redemption and cumulative preferential cash dividend payments; and (b) the residual amount, determined by deducting the fair value of the financial liability component from the carrying amount of the Convertible Preferred Shares, is regarded as the equity component. In subsequent periods, the financial liability component is measured at amortized cost using the

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effective interest method. Upon conversion: (i) the financial liability component is derecognised and an equity of the same amount is recognised; and (ii) the original equity component will remain as equity.

Under Hong Kong Financial Reporting Standards, the Warrants will be treated as a financial liability and measured at fair value through the Company's profit and loss account.

MATERIAL TERMS

All the material terms of the Convertible Preferred Shares and the Warrants as documented under the Investment Agreement and the deed poll constituting the Warrants which the Directors consider should be brought to the attention of the Shareholders have been disclosed in this Letter from the Board.

SPECIAL RESOLUTION REGARDING PROPOSED AMENDMENT TO THE ARTICLES OF ASSOCIATION

The Board proposes a special resolution for amending the Articles of Association to entrench the terms of the Convertible Preferred Shares. A full text of such a special resolution is contained in the notice of the Extraordinary General Meeting set out on pages 28 to 59 of this circular.

SHAREHOLDERS' APPROVAL

The issue of the Convertible Preferred Shares and the Shares to be issued upon conversion of the Convertible Preferred Shares, the issue of the Warrants and the Warrant Shares to be issued upon exercise of the subscription rights attaching to the Warrants as well as the granting of certain anti-dilution rights to the Convertible Preferred Shareholders and the Warrantholders are subject to the approval by the Shareholders at the Extraordinary General Meeting.

Neither the Major Shareholder nor its associates has any interest in the issuance of the Convertible Preferred Shares and the Warrants which is different from that of the other Shareholders. Hence, the Major Shareholder will not be required to abstain from voting at the Extraordinary General Meeting. The Company is not aware of any Shareholder who will need to abstain from voting at the Extraordinary General Meeting.

EXTRAORDINARY GENERAL MEETING AND VOTING UNDERTAKING

A notice convening the Extraordinary General Meeting to be held at 9:30 a.m. on Friday, 13 May 2005 at Harcourt Room, Lower Lobby, Conrad Hong Kong, Pacific Place, 88 Queensway, Hong Kong or any adjournment thereof is set out on pages 28 to 59 of this circular.

A form of proxy for use by the Shareholders at the Extraordinary General Meeting is enclosed. Whether or not you are able to attend the meeting in person, you are requested to complete and return the form of proxy in accordance with the instructions printed thereon to

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the share registrar of the Company, Abacus Share Registrars Limited at Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong as soon as possible and in any event not later than 48 hours before the time appointed for holding such meeting or any adjourned meeting (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 Extraordinary General Meeting or any adjourned meeting thereof (as the case may be) and in such event, the relevant forms of proxy shall be deemed to be revoked.

The votes to be taken at the Extraordinary General Meeting will be taken by poll.

Pursuant to Article 73 of the Articles of Association, a poll may be demanded by the Chairman or:

- (a) by at least three Shareholders present in person or by proxy for the time being entitled to vote at the meeting; or
- (b) by any Shareholder present in person or by proxy and representing no less than one-tenth of the total voting rights of all the Shareholders having the right to vote at the meeting; or
- (c) by any Shareholder present in person or by proxy and holding shares in the Company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid up equal to and not less than one-tenth of the total sum paid up on all the Shares conferring that right.

Subject to any applicable laws or regulations, the Listing Rules and decisions of any applicable authority, the Major Shareholder has, under the Voting Undertaking, undertaken and agreed with the Investors to vote (or procure to be voted) in favour of any resolutions to approve the Investment Agreement, the deed poll relating to the Warrants and other agreements relating to the transactions mentioned herein, and any action and transaction contemplated under such agreements at any shareholder meeting and Board meeting.

RECOMMENDATION

The Directors consider that the issue of the Convertible Preferred Shares and the Warrants (notwithstanding the anti-dilution rights that may put the Convertible Preferred Shareholders and the Warrantholders in a better position as compared with the other Shareholders) as well as the proposed amendment to the Articles of Association are in the best interests of the Company and the Shareholders as a whole and, accordingly, the Directors recommend all the Shareholders to vote in favour of the resolutions to be proposed to the Extraordinary General Meeting.

By order of the Board
Liu Chuanzhi
Chairman



Lenovo Group Limited 聯想集團有限公司

(Incorporated in Hong Kong with limited liability)

NOTICE IS HEREBY GIVEN that an extraordinary general meeting of Lenovo Group Limited (the “**Company**”) will be held at 9:30 a.m. on Friday, 13 May 2005 at Harcourt Room, Lower Lobby, Conrad Hong Kong, Pacific Place, 88 Queensway, Hong Kong for the purpose of considering and, if thought fit, passing, with or without modification, the following resolutions:

ORDINARY RESOLUTION

(1) “**THAT:**

- (a) the authorised share capital of the Company be and is hereby increased from HK\$500,000,000 divided into 20,000,000,000 shares of HK\$0.025 each to HK\$527,525,000 divided into 20,000,000,000 ordinary shares of HK\$0.025 each and 3,000,000 Series A Cumulative Convertible Preferred Shares, of nominal value HK\$9.175 each and stated value HK\$1,000 each (the “**Series A Preferred Shares**”), with the respective rights and privileges and subject to the restrictions set out in the Articles of Association of the Company as amended by Resolution (2) set out below;
- (b) conditional upon the Listing Committee of The Stock Exchange of Hong Kong Limited granting the listing of and the permission to deal in the Ordinary Shares issuable upon the subscription rights attaching to the Warrants (as defined below) in accordance with the deed poll, dated as of the seventh anniversary of the Issue Date (the “**Warrant Instrument**”) or upon the conversion of the Series A Preferred Shares in accordance with Article A(8) of Resolution (2) set out below, the Directors be and are hereby authorised;
 - (i) to create and grant warrants (“**Warrants**”) to subscribe for 237,417,474 new Ordinary Shares at any time on or after the Issue Date until the fifth anniversary thereof (both dates inclusive) at the Exercise Price, on the terms and conditions set out in the Warrant Instrument (a copy of a draft Warrant Instrument is produced to the meeting marked “A” and signed by the Chairman of the meeting for the purpose of identification) and the granting of certain anti-dilution rights to the holders of Warrants thereunder;
 - (ii) to allot and issue to the holders of the Warrants such number of Ordinary Shares as are issuable from time to time upon the exercise of the Warrants in accordance with the Warrant Instrument, and to allot and issue to the holders of the Series A Preferred Shares such number of Ordinary Shares as are issuable from time to time upon the conversion of the Series A Preferred Shares in accordance with the terms set out in the Articles of Association as amended by Resolution (2) set out below; and

NOTICE OF THE EXTRAORDINARY GENERAL MEETING

- (iii) to do all such acts and things as they consider necessary or expedient to give effect to the grant of the Warrants on the terms set out in the Warrant Instrument, the issue of the Series A Preferred Shares on the terms set out in Resolution (2) below and the foregoing arrangements”;

SPECIAL RESOLUTION

- (2) “**THAT**, subject to the passing of Resolution (1):
- (a) the issue by the Company of 2,730,000 Series A Preferred Shares on the terms of and pursuant to the Investment Agreement, dated as of 30 March 2005, by and among TPG IV Acquisition Company LLC, Newbridge Asia Acquisition Company LLC, General Atlantic Partners (Bermuda), L.P., GAPSTAR, LLC, GAP Coinvestments III, LLC, GAP Coinvestments IV, LLC, GAPCO GmbH & Co. KG and the Company (and the granting of certain anti-dilution rights to the holders of such Series A Preferred Shares thereunder) be and is hereby approved;
- (b) the Articles of Association of the Company be and are hereby amended by inserting the following immediately after the existing Article 178 as new Article A:

“Series A Cumulative Convertible Preferred Shares

A.

(1) Rank

- (a) With respect to dividend rights, the Series A Preferred Shares shall rank (i) junior to each other class or series of equity securities which by its terms ranks senior to the Series A Preferred Shares as to payment of dividends, (ii) on a parity with each other class or series of equity securities which by its terms ranks on a parity with the Series A Preferred Shares as to payment of dividends, and (iii) prior to the Company’s ordinary shares (including the Ordinary Shares and the Company’s non-voting ordinary shares, nominal value HK\$0.025 per share (the “**Non-Voting Shares**”)), and, except as specified above, all other classes and series of equity securities of the Company issued after the date of the original issuance of Series A Preferred Shares by the Company. With respect to dividends, all equity securities of the Company to which the Series A Preferred Shares rank senior, including the Ordinary Shares and the Non-Voting Shares, are collectively referred to herein as the “**Junior Dividend Securities**”; all equity securities of the Company with which the Series A Preferred Shares rank on a parity are collectively referred to herein as the “**Parity Dividend Securities**”; and all equity securities of the Company to which the Series A Preferred Shares rank junior are collectively referred to herein as the “**Senior Dividend Securities**”.

NOTICE OF THE EXTRAORDINARY GENERAL MEETING

- (b) With respect to rights upon the distribution of assets upon liquidation, dissolution or winding up of the Company, whether voluntary or involuntary (a “**Liquidation**”), the Series A Preferred Shares shall rank (i) junior to each other class or series of equity securities which by its terms ranks senior to the Series A Preferred Shares as to distribution of assets upon a Liquidation, (ii) on a parity with each other class or series of equity securities which by its terms ranks on a parity with the Series A Preferred Shares as to distribution of assets upon a Liquidation, and (iii) prior to the Company’s ordinary shares (including the Ordinary Shares and the Non-Voting Shares) and, except as specified above, all other classes and series of equity securities of the Company issued after the date of the original issuance of Series A Preferred Shares by the Company. With respect to the distribution of assets upon a Liquidation, whether voluntary or involuntary, all equity securities of the Company to which the Series A Preferred Shares rank senior, including the Ordinary Shares and the Non-Voting Shares, are collectively referred to herein as “**Junior Liquidation Securities**”; all equity securities of the Company to which the Series A Preferred Shares rank on parity, are collectively referred to herein as “**Parity Liquidation Securities**”; and all equity securities of the Company to which the Series A Preferred Shares rank junior are collectively referred to herein as “**Senior Liquidation Securities**”.
- (c) The Series A Preferred Shares shall be subject to the creation of Junior Dividend Securities and Junior Liquidation Securities (collectively, “**Junior Securities**”). No Parity Dividend Securities or Parity Liquidation Securities (collectively, “**Parity Securities**”), or Senior Dividend Securities or Senior Liquidation Securities (collectively, “**Senior Securities**”) shall exist and be outstanding while any Series A Preferred Shares shall be issued and outstanding be created except in accordance with the terms hereof, including, without limitation, Article A(12)(a)(i) hereof.

(2) Dividends

- (a) Series A Preferred Shares shall accumulate dividends at a rate of 4.5% per annum of the Stated Value. Dividends shall begin to accumulate on the Series A Preferred Shares from the Issue Date and shall be deemed to accumulate from day to day whether or not there shall be funds of the Company legally available for the payment of such dividends and whether or not such dividends are declared. Dividends shall accumulate on the basis of a 360-day year consisting of twelve 30-day months (four 90-day quarters), and any dividend payable on the Series A Preferred Shares for any partial dividend period shall be computed based upon the actual number of days elapsed in the period for which it is payable.
- (b) Payment of dividends shall be made in cash, in four equal quarterly instalments (except that in the case of a partial dividend period, the instalment shall be calculated in accordance with the last sentence of Article A(2)(a)) on the last day of March, June, September and December of each year after the Issue Date, or if any such date is not a Business Day, the Business Day next preceding such day (each

NOTICE OF THE EXTRAORDINARY GENERAL MEETING

such date, regardless of whether any dividends have been paid or declared and set aside for payment on such date, a “**Dividend Payment Date**”), to the Holders as of the fifteenth day prior to the relevant Dividend Payment Date. Dividends shall be paid only when, as and if declared by the Board of Directors out of funds at the time legally available for the payment of dividends provided that at the time of each such payment, no default or event of default exists or would result from such payment under the terms of the agreements governing indebtedness of the Company entered into in connection with the Company’s acquisition of the personal computer business of International Business Machines Corporation and outstanding on the date hereof. Accumulated dividends (including dividends accumulated on any Arrearage) not paid in cash on a Dividend Payment Date pursuant to the preceding sentence shall constitute an Arrearage from and after such Dividend Payment Date.

- (c) Dividends on the Series A Preferred Shares shall be cumulative, and from and after (i) any Dividend Payment Date on which any dividend, including any Arrearage, that has accumulated or been deemed to have accumulated through such date (including on any Arrearage) has not been paid in full, (ii) any payment date set for a redemption pursuant to Article A(4) or Article A(5) on which any Redemption Price is not paid in full or (iii) any payment date set for a redemption pursuant to Article A(6) on which any COC Redemption Price is not paid in full, additional dividends shall accumulate in respect of the amount of such unpaid dividends, unpaid Redemption Price or unpaid COC Redemption Price, as the case may be (the “**Arrearage**”), at the rate of 4.5% per annum (or such lesser rate as may be the maximum rate that is then permitted by applicable law). Such additional dividends in respect of any Arrearage shall be deemed to accumulate from day to day whether or not there shall be funds of the Company legally available for the payment of such dividends and whether or not such dividends are declared until the Arrearage is paid, shall be calculated as of such successive Dividend Payment Date and shall constitute an additional Arrearage from and after any Dividend Payment Date to the extent not paid on such Dividend Payment Date. References in any Article herein to “dividends” that have accumulated or that have been deemed to have accumulated with respect to the Series A Preferred Shares shall include the amount, if any, of any Arrearage together with any dividends accumulated or deemed to have accumulated on any Arrearage pursuant to this Article A(2)(c). Additional dividends in respect of any Arrearage may be declared and paid at any time, in whole or in part, without reference to any regular Dividend Payment Date, to the Holders on such special record date as may be fixed by the Board of Directors (which special record date shall be no less than 5 days prior to the corresponding payment date). All dividends, including dividends accumulated or deemed to have accumulated in respect of any Arrearage shall be paid in cash subject to the proviso in the penultimate sentence of Article A(2)(b).

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- (d) All dividends paid on the Series A Preferred Shares shall be allocated pro rata on a share-by-share basis among all such Series A Preferred Shares then in issue. Dividends that are declared and paid in an amount less than the full amount of dividends, including any Arrearage, accumulated or deemed to have accumulated on the Series A Preferred Shares (and on any Arrearage) shall be applied first to the earliest dividend which has not theretofore been paid. All cash payments of dividends on the Series A Preferred Shares shall be made in such currency of Hong Kong as at the time of payment is legal tender for payment of public and private debts.

(3) Liquidation Preference

- (a) In the event of a Liquidation, before any payment shall be made or any assets distributed to the holders of any Junior Liquidation Securities, the Holders of Series A Preferred Shares then in issue shall be entitled to receive out of the assets of the Company an amount per share equal to the sum of (i) the unpaid dividends and Arrearages, if any, accumulated or deemed to have accumulated thereon (including on any Arrearage) to the date of final distribution to such Holders, whether or not such dividends are or have been declared or earned, and (ii) the Stated Value thereof, and no more. After any such payment in full, the holders of Series A Preferred Shares shall not, as such, be entitled to any further participation in any distribution of assets of the Company. All the assets of the Company available for distribution to shareholders after payment of the liquidation preferences of any Senior Liquidation Securities shall be distributed ratably (in proportion to the full distributable amounts to which holders of Series A Preferred Shares and Parity Liquidation Securities, if any, are respectively entitled upon such Liquidation) among the holders of the Series A Preferred Shares then in issue and Parity Liquidation Securities, if any, when such assets are not sufficient to pay in full the aggregate amounts payable thereon.
- (b) Neither a consolidation, amalgamation, or merger of the Company with or into any other Person or Persons, nor a sale, conveyance, lease, exchange or transfer of all or a substantial part of the Company's assets for cash, securities or other property to a Person or Persons shall be deemed to be a Liquidation for purposes of this Article A(3), but the Holders shall nevertheless be entitled from and after any such consolidation, amalgamation, merger or sale, conveyance, lease, exchange or transfer of all or a substantial part of the Company's assets to the rights provided by this Article A(3) following any such transaction (and such rights shall be in addition to the rights provided by Article A(6)).

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(4) Redemption at the Option of the Company

- (a) At any time or from time to time, on and after the seventh anniversary of the Issue Date, the Company shall have the right (subject to the legal availability of funds therefor), at its option and election at any time, or from time to time, to redeem all or part (in minimum increments of 1,000 shares) the issued and outstanding Series A Preferred Shares in accordance with the provisions of this Article A(4). The redemption price for such Series A Preferred Shares shall be paid in cash out of funds legally available therefor and shall be in an amount per share equal to the sum of (i) the unpaid dividends and Arrearages, if any, accumulated or deemed to have accumulated thereon (including on any Arrearage) to the date of actual payment of the Redemption Price, whether or not such dividends are or have been declared, and (ii) the Stated Value (such sum being referred to as the “**Redemption Price**”). In case of any redemption under this Article A(4) of less than all of the Series A Preferred Shares, the shares to be redeemed shall be redeemed on a pro rata basis among all Holders.
- (b) Written notice of the redemption of the issued and outstanding Series A Preferred Shares pursuant to this Article A(4) (the “**Redemption Notice**”) shall be sent to all Holders to be redeemed by first class mail, postage prepaid, at each such Holder’s address as it appears on the register of members of the Company, not more than 60 nor fewer than 30 days prior to the date fixed for redemption pursuant to this Article A(4) (the “**Redemption Date**”); *provided, however*, that any failure to give such Redemption Notice or any defect therein or in the mailing thereof shall not affect the validity of the proceedings for the redemption of any Series A Preferred Shares, except as to any Holder to whom the Company has failed to give such Redemption Notice or except as to any Holder to whom such Redemption Notice was defective. In order to facilitate the redemption of Series A Preferred Shares pursuant to this Article A(4), the Board of Directors may fix a record date for the determination of the Holders whose Series A Preferred Shares will be redeemed, which record date shall not be more than five Business Days prior to the date such Redemption Notice is mailed. In addition to any information required by law, such Redemption Notice shall state: (i) the Redemption Date; (ii) the record date, if any; (iii) the Redemption Price; (iv) the number of Series A Preferred Shares to be redeemed and, if fewer than all Series A Preferred Shares held by such Holder are to be redeemed, the number of such Holder’s Series A Preferred Shares to be redeemed; (v) the place or places where certificates for such Series A Preferred Shares are to be surrendered for payment of the Redemption Price; (vi) that payment of the Redemption Price of Series A Preferred Shares will be made only upon surrender of the certificates representing such shares as specified in such Redemption Notice; and (vii) that, unless the Company defaults in paying the Redemption Price of the Series A Preferred Shares called for redemption, dividends on such Series A Preferred Shares shall cease to accumulate on and after the Redemption Date. Upon the mailing of any such Redemption Notice, the Company shall become obligated to redeem at the time of redemption specified therein Series A Preferred Shares called for redemption. Notwithstanding any other provision of this Article A(4), each Holder of a Series A Preferred Share shall have the right to convert such Series A Preferred Share into Ordinary Shares pursuant to Article A(8) at any time prior to the Redemption Date.

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- (c) The Company shall, no later than 11:00 a.m., Hong Kong time, on any Redemption Date pursuant to this Article A(4), deposit with its share registrar or other redemption agent having a capital and surplus of at least US\$250,000,000, as a trust fund for the benefit of the Holders of the Series A Preferred Shares to be redeemed, cash that is sufficient in amount to redeem the Series A Preferred Shares to be redeemed in accordance with the notice required by Article A4(b) (other than those theretofore surrendered for conversion into Ordinary Shares), with irrevocable instructions and authority to such share registrar or other redemption agent to pay to the respective Holders of such shares, as evidenced by a list of such Holders certified by an officer of the Company, the aggregate Redemption Price for the shares to be redeemed upon surrender of their respective share certificates. Any such deposit of funds shall be irrevocable, except that (i) if any Series A Preferred Shares called for redemption are converted pursuant Article A(8), any funds deposited with such share registrar or other redemption agent shall be paid to the Company upon its request, and (ii) any balance of monies so deposited by the Company and unclaimed by the Holders of the Series A Preferred Shares entitled thereto at the expiration of 12 months from the applicable Redemption Date shall be repaid, together with any interest or other earnings earned thereon, to the Company. After any such repayment, such transfer or redemption agent shall be relieved of all responsibility to the Holders entitled to the funds so repaid, and such Holders shall look only to the Company for payment without interest or other earnings as general creditors of the Company.
- (d) If (i) a Redemption Notice has been mailed in accordance with Article A(4)(b) above and (ii) on or before the applicable Redemption Date, all funds necessary for such redemption have been deposited as provided in Article A(4)(c), then, from and after such Redemption Date, dividends on the Series A Preferred Shares so called for redemption shall cease to accumulate, and said shares shall no longer be deemed to be in issue and shall not have the status of Series A Preferred Shares, whether or not certificates representing such Series A Preferred Shares have been delivered to the share registrar of the Company, and all rights of the Holders thereof as Holders (except the right to receive from the Company the Redemption Price for each of such Holder's Series A Preferred Shares) shall cease. Upon surrender, in accordance with the relevant Redemption Notice, of the certificates for any shares so redeemed, such shares shall be redeemed by the Company at the Redemption Price and thereafter cancelled in accordance with the Companies Ordinance. Notwithstanding the foregoing provisions of this Article A(4)(d), if the Company shall default in the payment of the Redemption Price in respect of any Series A Preferred Share on the applicable Redemption Date, dividends on such share shall continue to accumulate, and the Holder of such share shall continue to have all rights as a Holder of such Series A Preferred Share unless and until such share is redeemed and such price is paid in accordance with the terms hereof.

NOTICE OF THE EXTRAORDINARY GENERAL MEETING

(5) Redemption at the Option of the Holder

- (a) At any time or from time to time, on and after the seventh anniversary of the Issue Date, any Holder, in accordance with the procedures set forth in this Article A(5), may require the Company to redeem all or any part of such Holder's Series A Preferred Shares at a price per share equal to the Redemption Price.
- (b) In the event a Holder shall elect to require the Company to redeem all or any portion of such Holder's Series A Preferred Shares (in minimum increments of 1,000 shares) pursuant to this Article A(5), such Holder shall deliver a written notice (a "**Holder Notice**") to the Company so stating, it being understood that such Holder shall have the right to deliver a Holder Notice prior to the seventh anniversary of the Issue Date; *provided* that the Holder Optional Redemption Date shall be after the seventh anniversary of the Issue Date. The Holder Notice (and each Subsequent Notice, as defined below) shall include: (i) the certificate number and number of Series A Preferred Shares to be redeemed and (ii) the account or accounts (together with wire payment instructions) into which the Redemption Price is to be paid. On or prior to the 10th day after receipt of any Holder Notice, the Company shall send a notice of redemption pursuant to this Article A(5) (a "**Notice of Holder Optional Redemption**") to all Holders, by first class mail, postage prepaid, at each such Holder's address as it appears on the register of members of the Company, which notice shall specify the date fixed for redemption pursuant to this Article A(5) (the "**Holder Optional Redemption Date**"), which shall be not more than 60 nor fewer than 30 days after the date of such Notice of Holder Optional Redemption; *provided, however*, that any failure to give such Notice of Holder Optional Redemption or any defect therein or in the mailing thereof shall not affect the validity of the proceedings for the redemption of any Series A Preferred Shares, except as to any Holder to whom the Company has failed to give such Notice of Holder Optional Redemption or to whom such notice was defective. In addition to any information required by law, such Notice of Holder Optional Redemption shall state: (i) the Holder Optional Redemption Date; (ii) the Redemption Price; (iii) the place or places where certificates for such Series A Preferred Shares are to be surrendered for payment of the Redemption Price; (iv) that payment of the Redemption Price of Series A Preferred Shares will be made only upon surrender of such shares as specified in such Notice of Holder Optional Redemption; and (v) that, unless the Company defaults in paying the Redemption Price of the Series A Preferred Shares called for redemption, dividends on such Series A Preferred Shares shall cease to accumulate on and after the Holder Optional Redemption Date.
- (c) At any time during the period from delivery of a Holder Notice until the date that is 15 days prior to the Holder Optional Redemption Date, any Holder shall be entitled to deliver additional written notices (each, a "**Subsequent Notice**") to the Company electing to require the Company to redeem all or any portion of the Series A Preferred Shares held by such Holder on the Holder Optional Redemption Date (other than those theretofore surrendered for conversion into Ordinary Shares). The

NOTICE OF THE EXTRAORDINARY GENERAL MEETING

Company shall redeem all of the Series A Preferred Shares specified in the Holder Notice and any Subsequent Notice delivered in accordance with this Article A(5)(c) (other than those theretofore surrendered for conversion into Ordinary Shares) on the Holder Optional Redemption Date, as provided in Article A(5)(d). Upon the mailing of any Holder Notice or timely Subsequent Notice, such Holder shall be deemed to have irrevocably elected to cause the Company to redeem the number of such Holder's Series A Preferred Shares specified in such Holder Notice or Subsequent Notice. Upon the mailing of any Holder Notice or timely Subsequent Notice, the Company shall become obligated to redeem at the time of redemption specified therein the number of such Series A Preferred Shares specified therein out of funds legally available therefor.

- (d) In the event a Holder shall deliver a Holder Notice or a Subsequent Notice to the Company pursuant to Article A(5)(b), the Company shall, no later than 11:00 a.m., Hong Kong time on the Holder Optional Redemption Date, pay, by wire transfer of immediately available funds to the account or accounts specified by the Holder in the Holder Notice or Subsequent Notice, cash that is sufficient in amount to redeem the shares to be redeemed in accordance with Article A(5)(b) (other than those theretofore surrendered for conversion into Ordinary Shares); *provided* that, prior to the Holder Optional Redemption Date, such Holder shall have delivered to the Company the certificate or certificates representing the Series A Preferred Shares to be redeemed. Notwithstanding any other provision of this Article A(5), each Holder of a Series A Preferred Share shall have the right to convert such Series A Preferred Share into Ordinary Shares pursuant to Article A(8) at any time prior to the Holder Optional Redemption Date.
- (e) From and after the date on which payment of the Redemption Price is made as provided in Article A(5)(d), dividends on the Series A Preferred Shares so redeemed shall cease to accumulate, and said shares shall be cancelled in accordance with the Companies Ordinance, whether or not certificates representing such Series A Preferred Shares have been delivered to the share registrar, and all rights of the Holders thereof as Holders shall cease. Notwithstanding the foregoing provisions of this Article A(5)(e), if the Company shall default in the payment of the Redemption Price in respect of any Series A Preferred Share on the applicable Holder Optional Redemption Date, dividends on such share shall continue to accumulate, and the Holder of such Series A Preferred Share shall continue to have all rights as a Holder of such share unless and until such share is redeemed and such Redemption Price is paid in accordance with the terms hereof.

(6) Redemption Upon a Change of Control

- (a) In the event there occurs a Change of Control, any Holder as of the date of such Change of Control, in accordance with the procedures set forth in this Article A(6), may require the Company to redeem any or all of the Series A Preferred Shares held by such Holder at a price per share equal to the sum of (i) 100% of the unpaid

NOTICE OF THE EXTRAORDINARY GENERAL MEETING

dividends, if any, accumulated or deemed to have accumulated thereon (including on any Arrearage) to the date of actual payment of the COC Redemption Price that have not become Arrearages, whether or not such dividends are or have been declared, and (ii) 101% of the sum of the Stated Value plus any Arrearages (the “**COC Redemption Price**”).

- (b) Notice of any Change of Control (a “**Change of Control Notice**”) shall be sent to all Holders on or prior to the fifth Business Day after a Change of Control. Failure by the Company to give the Change of Control Notice or any defect therein or in the mailing thereof shall not affect the validity of the proceedings for the redemption of any Series A Preferred Shares, except as to any Holder to whom the Company has failed to give such Change of Control Notice or except as to any Holder to whom such notice was defective. In addition to any information required by law, such Change of Control Notice shall set forth: (i) in reasonable detail the transaction or transactions constituting such Change of Control and set forth each Holder’s right to require the Company to redeem any and all Series A Preferred Shares held by such Holder out of funds legally available therefor; (ii) the date fixed for redemption pursuant to this Article A(6) (the “**COC Redemption Date**”), which date shall be not fewer than 30 nor more than 45 days after the date of such Change of Control Notice; (iii) the COC Redemption Price; (iv) the procedures to be followed by such Holders in exercising their rights to cause such redemption, including the place or places where certificates for such shares are to be surrendered for payment of the COC Redemption Price; (v) that payment of the COC Redemption Price of Series A Shares called for redemption will be made only upon surrender of the certificates representing such shares as specified in the Change of Control Notice; and (vi) that, unless the Company defaults in paying the COC Redemption Price of the Series A Preferred Shares as to which a COC Redemption Notice is delivered in accordance with this Article A(6), dividends on each Series A Preferred Share to be redeemed shall cease to accumulate on the COC Redemption Date.
- (c) In the event a Holder shall elect to require the Company to redeem any or all of such Holder’s Series A Preferred Shares pursuant to this Article A(6), such Holder shall deliver, at least 15 days prior to the COC Redemption Date specified in the Change of Control Notice, or, if such notice is not given as required by under Article A(6)(b), at any time following the last day on which the Company was required to give such notice (in which case the COC Redemption Date with respect to the Change of Control shall be the date which is the later of (x) 15 days following the last day the Company was required to give the Change of Control Notice in accordance with Article A(6)(b) and (y) 30 days following the delivery of such election by such Holder), a written notice (the “**COC Redemption Notice**”), in the reasonable form specified by the Company, to the Company stating: (i) the certificate number and number of Series A Preferred Shares to be redeemed pursuant to this Article A(6) and (ii) the account or accounts (together with wire payment instructions) into which the Redemption Price is to be paid. The Company shall redeem the number of Series A Preferred Shares specified in each COC Redemption

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Notice on the COC Redemption Date with respect to the Change of Control fixed by the Company or as provided in the preceding sentence. The Company shall comply with any securities laws and regulations thereunder to the extent such laws and regulations are applicable in connection with the redemption of Series A Preferred Shares as a result of a Change of Control. Notwithstanding any other provision of this Article A(6), each Holder of a Series A Preferred Share shall have the right to convert such Series A Preferred Share into Ordinary Shares pursuant to Article A(8) at any time prior to the COC Redemption Date.

- (d) The Company shall, no later than 11:00 a.m., Hong Kong time, on any redemption date pursuant to this Article A(6), deposit with its share registrar or other redemption agent having a capital and surplus of at least US\$250,000,000, as a trust fund for the benefit of the Holders of the Series A Preferred Shares to be redeemed, cash that is sufficient in amount to redeem the shares to be redeemed in accordance with this Article A(6) (other than those theretofore surrendered for conversion into Ordinary Shares), with irrevocable instructions and authority to such share registrar or other redemption agent to pay to the respective Holders of such shares, as evidenced by a list of such Holders certified by an officer of the Company, the aggregate COC Redemption Price for the shares to be redeemed upon surrender of their respective share certificates. Any such deposit of funds shall be irrevocable, except that (i) if any Series A Preferred Shares called for redemption are converted pursuant to Article A(8), any funds deposited with such share registrar or other redemption agent shall be paid to the Company upon its request, and (ii) any balance of monies so deposited by the Company and unclaimed by the Holders of the Series A Preferred Shares entitled thereto at the expiration of 12 months from the applicable COC Redemption Date shall be repaid, together with any interest or other earnings earned thereon, to the Company. After any such repayment, such transfer or redemption agent shall be relieved of all responsibility to the Holders entitled to the funds so repaid, and such Holders shall look only to the Company for payment without interest or other earnings as general creditors of the Company.
- (e) If, (i) a COC Redemption Notice has been given in accordance with Article A(6)(c) above and (ii) on or before the applicable COC Redemption Date, all funds necessary for such redemption shall have been deposited as provided in Article A(6)(d), then, from and after the COC Redemption Date, dividends on the Series A Preferred Shares to be redeemed in accordance with this Article A(6) shall cease to accumulate, and said shares shall no longer be deemed to be in issue and shall not have the status of Series A Preferred Shares, whether or not certificates representing such Series A Preferred Shares have been delivered to the share registrar of the Company, and all rights of the Holders thereof as Holders (except the right to receive from the Company the COC Redemption Price for each of such Holder's Series A Preferred Shares) shall cease. Upon surrender, in accordance with said COC Redemption Notice, of the certificates for any shares so redeemed, such shares shall be redeemed by the Company at the COC Redemption Price and thereafter cancelled in accordance with the Companies Ordinance. Notwithstanding the foregoing

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provisions of this Article A(6)(e), if the Company shall default in the payment of the COC Redemption Price in respect of any Series A Preferred Share on the COC Redemption Date under this Article A(6), dividends on such share shall continue to accumulate without giving effect to the provisions of the first sentence of this Article A(6)(e), and the Holder of such Series A Preferred Share shall continue to have all rights as a Holder of such Series A Preferred Share unless and until such share is redeemed and such price is paid in accordance with the terms hereof.

- (f) Notwithstanding any other provision of this Article A(6), the right of any and all Holders to cause the Company to redeem Series A Preferred Shares shall be subject to the condition that (i) all principal of, interest on, and premium, if any, and all other obligations of the Company under agreements for indebtedness of the Company entered into in connection with the Company's acquisition of the personal computer business of International Business Machines Corporation and outstanding on the date hereof shall have been repaid or prepaid in full in cash at the time of such redemption or (ii) at the time of each such redemption, no default or event of default exists or would result from such redemption under the agreements for indebtedness of the Company entered into in connection with the Company's acquisition of the personal computer business of International Business Machines Corporation and outstanding on the date hereof.

(7) Application of Funds

In the event that, in connection with the redemption of any Series A Preferred Shares pursuant to Article A(4), Article A(5) or Article A(6), the Company shall make total payment in an aggregate amount less than the aggregate Redemption Price or the aggregate COC Redemption Price, as applicable, for all Series A Preferred Shares to be redeemed (including in the event the funds of the Company legally available for redemption of Series A Preferred Shares on any date fixed for redemption are insufficient to redeem the total number of Series A Preferred Shares to be redeemed on such date), those funds available for such payment shall be allocated pro rata among the Holders who are entitled to receive payment in connection with such redemption, based on each Holder's proportion of the total number of Series A Preferred Shares to be redeemed. Notwithstanding the foregoing provisions of this Article A(7), any Series A Preferred Share as to which the Redemption Price or COC Redemption Price, as applicable, is not paid in full on the redemption date under Article A(4), Article A(5) or Article A(6), as applicable, dividends on such share shall continue to accumulate, and the Holder of such Series A Preferred Share shall continue to have all rights as a Holder of such share unless and until such share is redeemed and such price is paid in accordance with the terms hereof. In the event that funds legally available for redemption of Series A Preferred Shares are insufficient to redeem the total number of Series A Preferred Shares on any date fixed for redemption, at any time thereafter when additional funds are legally available for the redemption of any Series A Preferred Shares, such funds will immediately be used to redeem all or any part of the balance of the Series A Preferred Shares that the Company has become obliged to redeem on any date fixed for redemption but that it has not redeemed.

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(8) Conversion

- (a) At the option and election of the holder thereof, each Series A Preferred Share may be converted in the manner provided herein at any time into fully paid Ordinary Shares. As of the Conversion Date with respect to a Series A Preferred Share, subject to subsection (e) this Article A(8), such Series A Preferred Share shall be converted into that number of Ordinary Shares (as such shares shall then be constituted) equal to the quotient of (i) the Stated Value, divided by (ii) the Conversion Price in effect on the Conversion Date.
- (b) Conversion of Series A Preferred Shares may be effected by any Holder thereof upon the surrender to the Company at the office of the transfer agent for the Series A Preferred Shares, of the certificate for such Series A Preferred Shares to be converted, accompanied by a written notice (a “**Conversion Notice**”) in the form set forth in Article A(8)(c), stating that such Holder elects to convert all or a specified whole number of Series A Preferred Shares represented by such certificate in accordance with the provisions of this Article A(8) and specifying the name or names in which such Holder wishes the certificate or certificates for Ordinary Shares to be issued, and shall be accompanied by transfer taxes, if required pursuant to Article A(8)(g).
- (c) Conversion pursuant to subsection (b) of this Article A(8) shall be deemed to have occurred at the close of business on the first date (the “**Conversion Date**”) on which the relevant Conversion Notice has been given by the Holder of the Series A Preferred Shares to be converted and the certificate or certificates representing the Series A Preferred Shares to be converted have been surrendered as provided in subsection (b) of this Article A(8). As of such time:
 - (i) the rights of the Holder thereof as to the shares being converted shall cease except for the right to receive Ordinary Shares and cash in lieu of fractional Ordinary Shares in accordance herewith;
 - (ii) the person in whose name any certificate or certificates for the Ordinary Shares shall be issuable upon such conversion shall be deemed to have become on the Conversion Date the holder of record of the shares represented thereby; *provided, however*, that if any such surrender occurs on any date when the share transfer books of the Company shall be closed, the conversion shall be effected on the next succeeding day on which such share transfer books are open, and the person in whose name the certificates are to be issued shall be the record holder thereof for all purposes, but such conversion shall be at the Conversion Price in effect on the date upon which certificate or certificates representing such Series A Preferred Shares were surrendered.

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- (d) The Company shall promptly (and in any event within seven Business Days) after the Conversion Date, issue and allot the relevant Ordinary Shares and issue and cause to be delivered as directed by the Holder of the Series A Preferred Shares being converted: (i) certificates representing the number of validly issued and fully paid and nonassessable full Ordinary Shares to which such Holder shall be entitled, (ii) any cash that is required to be paid pursuant to Article A(8)(e), and (iii) if less than the full number of Series A Preferred Shares evidenced by the surrendered certificate or certificates is being converted, a new certificate or certificates, of like tenor, for the number of Series A Preferred Shares evidenced by such surrendered certificate or certificates less the number of Series A Preferred Shares being converted.
- (e) In connection with the conversion of any Series A Preferred Share, no fractions of Ordinary Shares shall be issued, but in lieu thereof the Company shall pay a cash adjustment in respect of such fractional interest in an amount equal to such fractional interest multiplied by the Closing Price per Ordinary Share on the Conversion Date (or on the Trading Day immediately preceding the Conversion Date, if the Conversion Date is not a Trading Day). If more than one Series A Preferred Share shall be surrendered for conversion by the same Holder on the same Conversion Date, the number of full Ordinary Shares issuable on conversion thereof shall be computed on the basis of the total number of Series A Preferred Shares so surrendered. On or before the earlier of (i) the Dividend Payment Date next occurring after the Conversion Date with respect to a Series A Preferred Share and (ii) the tenth day after such Conversion Date, the Company shall pay to the Holder of such Series A Preferred Share on the record date for such Dividend Payment Date or such Conversion Date, as the case may be, all dividends and Arrearages accumulated or deemed to have accumulated thereon (including on any Arrearage) and unpaid in respect of such Series A Preferred Share through the Conversion Date.
- (f) To the extent that any Series A Preferred Share is to be redeemed pursuant to Article A(4), Article A(5) or Article A(6) hereof, from and after the applicable redemption date, the right of a Holder to convert such Series A Preferred Share pursuant to this Article A(8) shall cease and terminate, except if the Company shall default in payment of the Redemption Price or the COC Redemption Price, as the case may be, on the applicable redemption date, in which case all such rights shall continue unless and until such Series A Preferred Share is redeemed and such price is paid in full in accordance with the terms hereof. Notwithstanding anything in the foregoing to the contrary, if the Conversion Date shall occur with respect to any Series A Preferred Share on or prior to any redemption date pursuant to Article A(4), Article A(5) or Article A(6) hereof, such Series A Preferred Share shall be converted by the Company into Ordinary Shares in the manner provided in this Article A(8).

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- (g) The issue of certificates representing the Ordinary Shares on conversions of the Series A Preferred Shares shall be made without charge to the holders of such shares for any issuance tax in respect thereof imposed by the government of Hong Kong or any political subdivision thereof or other cost incurred by the Company in connection with such conversion and/or the issuance of such Ordinary Shares. The Company shall not, however, be required to pay any tax which may be payable in respect of any transfer involved in the issue and delivery of shares in any name other than the name in which the Series A Preferred Shares with respect to which such Ordinary Shares are issued are registered, and the Company shall not be required to issue or deliver any such certificate unless and until the person or persons requesting the issue thereof shall have paid to the Company the amount of such tax or shall have established to the reasonable satisfaction of the Company that such tax has been paid.
- (9) Adjustment of Conversion Price. The Conversion Price shall be subject to adjustment as follows:
- (a) Share Dividends. In case at any time after the original issuance of the Series A Preferred Shares, the Company shall pay or make a dividend or other distribution on all or any portion of its Common Shares or shall make a dividend or other distribution on any other class of shares of its capital stock, which dividend or distribution is paid or payable, in whole or in part, in Common Shares, the Conversion Price in effect at the opening of business on the Business Day following the date fixed for the determination of shareholders entitled to receive such dividend or other distribution shall be reduced by multiplying such Conversion Price by a fraction of which (x) the *numerator* shall be the number of Common Shares outstanding at the close of business on the date fixed for such determination and (y) the *denominator* shall be the *sum of* (1) such number of Common Shares outstanding and (2) the total number of Common Shares constituting such dividend or other distribution, such reduction to become effective immediately after the opening of business on the Business Day following the date fixed for such determination. If any dividend or other distribution of the type described in this Article A(9)(a) is declared but not so paid or made, the Conversion Price shall again be adjusted to be the Conversion Price that would then be in effect if such dividend or distribution had not been declared.
- (b) Stock Splits and Reverse Splits. In case at any time after the date of the original issuance of the Series A Preferred Shares, all or any portion of the Common Shares outstanding shall be subdivided into a greater number of Common Shares, the Conversion Price in effect at the opening of business on the Business Day following the day upon which such subdivision becomes effective shall be proportionately reduced, and, conversely, in case at any time after the date of the original issuance of the Series A Preferred Shares, all or any portion of the Common Shares outstanding shall be combined into a smaller number of Common Shares, the Conversion Price in effect at the opening of business on the Business Day following

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the day upon which such combination becomes effective shall be proportionately increased, such reduction or increase, as the case may be, to become effective immediately after the opening of business on the Business Day following the day upon which such subdivision or combination becomes effective.

- (c) Special Dividends. In case at any time after the date of the original issuance of the Series A Preferred Shares, the Company shall, by dividend or otherwise, distribute to all holders of Common Shares evidences of its indebtedness or assets (including securities, rights, warrants or options, but excluding (i) any Common Shares, rights, warrants or options issued in a Below Market Issuance effected in compliance with Article A(10) or a Qualifying Issuance, (ii) any dividend or distribution paid exclusively in cash, (iii) any dividend or distribution referred to in Article A(9)(a) and (iv) any dividend or distribution comprising a transaction to which Article A(9)(m) applies), the Conversion Price in effect immediately prior to the close of business on the date fixed for the determination of shareholders entitled to receive such distribution shall be reduced by multiplying such Conversion Price by a fraction of which (x) the *numerator* shall be (1) the current market price per Ordinary Share (determined as provided in Article A(9)(g)) on the date fixed for such determination, *less* (2) the then-fair market value (determined in reasonable good faith by the Board of Directors) of the assets or evidence of indebtedness so distributed, divided by the number of Common Shares outstanding on the date fixed for such determination, and (y) the *denominator* shall be such current market price per Ordinary Share, such adjustment to become effective immediately prior to the opening of business on the Business Day following the date fixed for the determination of shareholders entitled to receive such distribution. If any dividend or distribution of the type described in this Article A(9)(c) is declared but not so paid or made, the Conversion Price shall again be adjusted to the Conversion Price that would then be in effect if such dividend or distribution had not been declared. The Company shall provide any Holder, upon receipt of a written request therefor, with any indenture or other instrument defining the rights of the holders of any indebtedness or assets referred to in this Article A(9)(c).
- (d) Cash Dividends. In case at any time after the date of the original issuance of the Series A Preferred Shares, the Company shall, by dividend or otherwise, make a distribution to all holders of Common Shares consisting exclusively of cash (excluding any cash that is distributed pursuant to a transaction to which Article A(9)(m) applies or as part of a distribution referred to in Article A(9)(c)) in an aggregate amount that, combined together with the aggregate amount of any other dividends and other distributions to all holders of Common Shares made exclusively in cash within the 12 months preceding the date of payment of such distribution (excluding any distribution paid prior to the date of original issuance of the Series A Preferred Shares) and in respect of which no adjustment pursuant to this Article A(9)(d) has been made exceeds the greater of (i) 2.0% of the *product of* (A) the current market price per Ordinary Share on the date fixed for the determination of shareholders entitled to receive such distribution *multiplied by* (B) the number of

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Common Shares outstanding on such date, then, and in each such case, immediately after the close of business on the date fixed for such determination, and (ii) 35% of the consolidated net earnings of the Company for the 12-month period preceding the date fixed for the determination of the shareholders entitled to receive such distribution (such amount the “*Excess*”), the Conversion Price in effect immediately prior to the close of business on the date fixed for determination of the shareholders entitled to receive such distribution shall be reduced by multiplying such Conversion Price by a fraction (x) the *numerator* of which shall be equal to (1) the current market price per Ordinary Share (determined as provided in Article A(9)(g)) on the date fixed for such determination *less* (2) an amount equal to the *quotient of* (a) the *Excess divided by* (b) the number of Common Shares outstanding on the date fixed for such determination and (y) the *denominator* of which shall be the current market price per Ordinary Share (determined as provided in Article A(9)(g)) on the date fixed for such determination. If any dividend or other distribution of the type described in this Article A(9)(d) is declared but not so paid or made, the Conversion Price shall again be adjusted to the Conversion Price that would then be in effect if such dividend or distribution had not been declared.

- (e) Below Market Issuance. If the Company shall effect a Below Market Issuance (whether or not in compliance with Article A(10)) at a subscription, exercise or conversion price per Common Share, as the case may be, that is less than 85% of the current market price per Ordinary Share (determined as provided in Article A(9)(g)) on the Determination Date, then solely with respect to the Series A Preferred Shares held by Holders who did not participate in such Below Market Issuance pursuant to Article A(10), the Conversion Price in effect at the close of business on the Determination Date shall be reduced by multiplying such Conversion Price by a fraction of which (x) the *numerator* shall be the *sum of* (1) the number of Common Shares outstanding at the close of business on the Determination Date and (2) the number of Ordinary Shares that the Aggregate Consideration for such Below Market Issuance would subscribe at 85% of such current market price and (y) the *denominator* shall be the *sum of* (1) the number of Common Shares outstanding at the close of business on the Determination Date and (2) the number of Common Shares issued in (or issuable upon the exercise or conversion of the rights, warrants or options issued in) such Below Market Issuance, such reduction to become effective immediately prior to the opening of business on the Business Day following the Determination Date. This Article A(9)(e) shall not apply to (i) any dividend or distribution referred to in Article A(9)(a) or (ii) any dividend or distribution upon a transaction to which Article A(8)(m) applies.
- (f) Reclassification. The reclassification of Common Shares into securities other than Common Shares (other than any reclassification upon a transaction to which Article A(9)(m) applies) shall be deemed to involve (i) a distribution of such securities other than Common Shares to all holders of Common Shares (and the effective date of such reclassification shall be deemed to be “the date fixed for the determination of shareholders entitled to receive such distribution” within the meaning of Article

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A(9)(c)) and (ii) a subdivision or combination, as the case may be, of the number of Common Shares outstanding immediately prior to such reclassification into the number of Common Shares outstanding immediately thereafter (and the effective date of such reclassification shall be deemed to be “the day upon which such subdivision or combination becomes effective” within the meaning of Article A(9)(b)).

- (g) Market Price Determination. For the purpose of any computation under Article A(10) or paragraphs (c), (d), (e) or (f) of this Article A(9), the current market price per Ordinary Share on any date shall be deemed to be the average of the daily Closing Prices per Ordinary Share for the ten consecutive Trading Days immediately preceding the earlier of such date and the day before the “ex date” with respect to the issuance or distribution requiring such computation. For purposes of this Article A(9)(g), the term “ex date,” when used with respect to any issuance or distribution, means the first date on which the Ordinary Shares trades regular way on the applicable securities exchange or in the applicable securities market without the right to receive such issuance or distribution.
- (h) The Company may (but shall not be required to) make such reductions in the Conversion Price, in addition to those required by paragraphs (a) through (f) of this Article A(9), as it considers to be advisable to avoid or diminish any income tax to holders of Common Shares or rights to subscribe for Common Shares resulting from any dividend or distribution of shares of capital stock (or rights to acquire shares of capital stock) or from any event treated as such for income tax purposes. The Company from time to time may reduce the Conversion Price by any amount for any period of time if the period is at least twenty days, the reduction is irrevocable during the period and the Board of Directors (or, to the extent permitted by applicable law, a duly authorised committee thereof) shall have made a determination that such reduction would be in the best interests of the Company, which determination shall be conclusive. Whenever the Conversion Price is reduced pursuant to the preceding sentence, the Company shall give to each Holder a written notice of the reduction at least fifteen days prior to the date the reduced Conversion Price takes effect, and such notice shall state the reduced Conversion Price and the period it will be in effect.
- (i) Notwithstanding any other provision of this Article A(9), no adjustment to the Conversion Price shall reduce the Conversion Price below the then nominal value per Ordinary Share, and any such purported adjustment shall instead reduce the Conversion Price to such nominal value. The Company hereby covenants not to take any action (i) to increase the nominal value of the Ordinary Shares or (ii) that would or does result in any adjustment in the Conversion Price that would cause the Conversion Price to be less than the then nominal value of the Ordinary Shares.

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- (j) Notwithstanding any other provision of this Article A(9), no adjustment in the Conversion Price (and no related adjustment in the number of Ordinary Shares into which a Series A Preferred Share is convertible) need be made until all cumulative adjustments to the Conversion Price amount to 1% or more of the Conversion Price as last adjusted. Any adjustments that are not made shall be carried forward and taken into account in any subsequent adjustment.
- (k) Whenever the Conversion Price is adjusted as herein provided:
 - (i) the Company shall compute the adjusted Conversion Price, as well as the related change in the number of Ordinary Shares into which Series A Preferred Shares are convertible, and shall prepare a certificate signed by the Company Secretary or any director of the Company setting forth the adjusted Conversion Price and the number of Ordinary Shares into which Series A Preferred Shares are convertible and showing in reasonable detail the facts upon which such adjustments were based; and
 - (ii) a notice stating that the Conversion Price and the number of Ordinary Shares into which Series A Preferred Shares are convertible has been adjusted and setting forth the adjusted Conversion Price and the adjusted number of Ordinary Shares into which Series A Preferred Shares are convertible, shall as soon as reasonably practicable be given by the Company to each Holder.
- (l) In any case in which this Article A(9) provides that an adjustment shall become effective immediately after a record date for an event, the Company may defer until the occurrence of such event (i) issuing to the Holder of Series A Preferred Shares converted after such record date and before the occurrence of such event the additional Ordinary Shares issuable upon such conversion by reason of the adjustment required by such event over and above the Ordinary Shares issuable upon such exercise before giving effect to such adjustment and (ii) paying to such Holder any amount in cash in lieu of any fractional Ordinary Share pursuant to Article A(8)(e).
- (m) In the event that the Company shall be a party to any transaction, including without limitation any (i) recapitalisation or reclassification of Common Shares (other than a decrease in nominal value, or a change from nominal value to no nominal value, or as a result of a subdivision or combination of Common Shares), (ii) any consolidation or amalgamation or reconstruction of the Company with, or merger of the Company into, any other Person, any merger of another Person into the Company (other than a merger that does not result in a reclassification, conversion, exchange or cancellation of outstanding Common Shares), (iii) any sale or transfer of all or substantially all of the assets of the Company, or (iv) any compulsory share exchange, pursuant to which Common Shares are converted into the right to receive other securities, cash or other property, then lawful provision shall be made as part of the terms of such transaction whereby each Holder shall have the right thereafter,

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to convert such Series A Preferred Shares into the kind and amount of securities, cash and other property receivable upon such recapitalisation, reclassification, consolidation, amalgamation, reconstruction, merger, sale, transfer or share exchange by a holder of the number of Ordinary Shares into which such Series A Preferred Shares might have been converted immediately prior to such recapitalisation, reclassification, consolidation, amalgamation, reconstruction, merger, sale, transfer or share exchange. The Company or the Person formed by such consolidation or amalgamation or reconstruction or resulting from such merger or which acquires such assets or which acquires the Company's shares, as the case may be, shall make such necessary provisions (including in its certificate or articles of incorporation or other constituent documents if necessary) to establish such right and shall also make lawful provision so that all other terms hereof shall remain in full force and effect following such recapitalisation, reclassification, consolidation, amalgamation, reconstruction, merger, sale, transfer or share exchange. Such provisions shall provide for adjustments which, for events subsequent to the effective date of such provisions, shall be as nearly equivalent as may be practicable to the adjustments provided for in Article A(10) and this Article A(9), and all other terms of such new securities shall be substantially equivalent to the terms provided herein. The above provisions shall similarly apply to successive recapitalisations, reclassifications, consolidations, amalgamations, mergers, reconstructions, sales, transfers or share exchanges.

- (n) No Adjustment. Notwithstanding anything to the contrary set forth herein, no adjustment to the Conversion Price or the number of Ordinary Shares issuable upon conversion of Series A Preferred Shares shall be made pursuant to this Article A(9) as a result of, or in connection with, (i) the issuance of Common Shares or other equity interests of the Company (or options or rights to subscribe for such Common Shares or other equity interests) issued to directors, officers or employees of the Company or its Subsidiaries pursuant to a stock option or other similar plan adopted by the Board of Directors or an employment agreement approved by the Board of Directors, or the modification, renewal or extension of any such plan or agreement approved by the Board of Directors, or (ii) the issuance of Ordinary Shares upon the conversion of Series A Preferred Shares or the exercise of warrants issued by the Company on the Issue Date (or any warrants issued by the Company in replacement for such warrants).
- (o) In case:
 - (i) the Company shall authorise or take an action that would, upon consummation, require an adjustment to the Conversion Price pursuant to subparagraphs (a), (b), (c), (d), (e) or (f) of Article A(9); or
 - (ii) of any transaction to which Article A(9)(m) applies; or
 - (iii) of the Liquidation of the Company;

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then the Company shall cause to be given to the Holder, by first-class mail, postage prepaid, at such Holder's last address as it appears on the register of members of the Company, at least twenty days prior to the proposed record or effective date as the case may be, notice stating (x) the date on which a record (if any) is to be taken for the purpose of such action, dividend or distribution, or, if a record is not to be taken, the date as of which the holders of Common Shares to be entitled to such dividend or distribution are to be determined or (y) the date on which such action, such transaction to which Article A(9)(m) applies or such dissolution, liquidation or winding up is expected to become effective, and the date as of which it is expected that holders of Common Shares shall be entitled to exchange their Common Shares for securities or other property deliverable upon such action, such transaction to which Article A(9)(m) applies or such dissolution, liquidation or winding up (but no failure to mail such notice or any defect therein or in the mailing thereof shall affect the validity of the corporate action required to be specified in such notice). Any such notice of a Liquidation shall also set forth, in addition to any information required by applicable law, the payment date or dates when, and the place or places where, the amounts distributable to each Holder in such circumstances shall be payable.

(10) Below Market Issuances

- (a) So long as any Series A Preferred Shares remain outstanding, the Company shall not (x) issue rights, warrants or options (including rights, warrants or options embedded in convertible or derivative securities) exercisable for or convertible into Common Shares at an exercise or conversion price per Common Share (or equivalent thereof), or (y) issue Common Shares at a subscription price per Common Share (or equivalent thereof) (net of underwriting discounts and commissions), in each case less than the current market price per Ordinary Share (determined as provided in Article A(9)(g)) on the date of such issuance (or, in the case of any issuance effected by dividend or distribution to shareholders, the date fixed for determination of shareholders entitled to receive such dividend or distribution) (such date, the **"Determination Date"** and such issuance a **"Below Market Issuance"**), unless the Company shall have delivered to each Holder, not less than 15 days before the Determination Date, a written notice of such Below Market Issuance, which shall set forth in reasonable detail the terms and conditions of such Below Market Issuance and each Holder's right (the **"Participation Right"**) to acquire, at the same price and otherwise on the same terms and conditions as are offered to third parties, a percentage of such Common Shares (or rights, warrants, options or other securities convertible into or exercisable for a percentage of such Common Shares) equal to the percentage of the Company's outstanding Common Shares represented by the Ordinary Shares issuable upon the conversion of Series A Preferred Shares held on the Determination Date by such Holder (such percentage to be determined as of the Determination Date after giving effect to the deemed issuance of such Ordinary Shares but before giving effect to the Below Market Issuance) (its **"Pro Rata Portion"**).

NOTICE OF THE EXTRAORDINARY GENERAL MEETING

- (b) Each Holder shall be entitled to exercise its Participation Right by delivering a written notice (a “**Participation Notice**”) to the Company prior to the Determination Date, which Participation Notice shall set forth the number of such Common Shares, rights, warrants, options or other securities it elects to acquire, which shall not exceed such Holder’s Pro Rata Portion.
 - (c) Any consideration received in return for the rights, warrants or options issued in a Below Market Issuance shall be taken into account in determining (i) whether any rights, warrants or options have a subscription, conversion or exercise price per share, as the case may be, that is less than the current market price per Ordinary Share (determined as provided in Article A(9)(g)) on the Determination Date, and (ii) the aggregate consideration which the Company receives for the Common Shares (or will receive upon the exercise or conversion of the rights, warrants or options) issued in the Below Market Issuance (the “**Aggregate Consideration**”). The value of the Aggregate Consideration, to the extent other than cash, shall be determined in the reasonable good faith judgment of the Board of Directors.
 - (d) The Participation Right shall not apply to: (i) any dividend or distribution referred to in Article A(9)(a); (ii) any dividend or distribution upon a transaction to which Article A(9)(m) applies; (iii) any issuance of Common Shares in a bona fide underwritten offering in which the price per Common Share received by the Company, net of all underwriting discounts and commissions paid to the underwriters in such offer, is at least 97% of the current market price per Ordinary Share (determined as provided in Article A(9)(g)) on the Determination Date (a “**Qualifying Issuance**”); (iv) the issuance of Common Shares or other equity interests of the Company (or options or rights to subscribe for such Common Shares or other equity interests) issued to directors, officers or employees of the Company or its Subsidiaries pursuant to a stock option or other similar plan adopted by the Board of Directors or an employment agreement approved by the Board of Directors, or the modification, renewal or extension of any such plan or agreement approved by the Board of Directors; or (v) the issuance of Ordinary Shares upon the conversion of Series A Preferred Shares or the exercise of warrants issued by the Company on the Issue Date (or any warrants issued by the Company in replacement for such warrants).
- (11) Certain Undertakings of the Company. The Company undertakes to and with each Holder that so long as any Series A Preferred Shares remain outstanding, it will comply with the following provisions of this Article A(11).
- (a) If an offer is made to the holders of Ordinary Shares (or such holders other than the offeror and/or any Person controlled by the offeror and/or Persons acting in concert with the offeror) to repurchase, redeem or otherwise acquire (including in an exchange for other securities) Ordinary Shares (or a scheme of arrangement or a similar proposal is made having the same effect), the Company shall forthwith give notice of such offer or scheme or proposal to each Holder.

NOTICE OF THE EXTRAORDINARY GENERAL MEETING

- (b) All Ordinary Shares issued and allotted upon conversion of Series A Preferred Shares: (i) will upon delivery be duly and validly issued, fully paid and non-assessable, free of all liens and charges and not subject to any preemptive rights; and (ii) shall rank *pari passu* in all respects with the fully paid Ordinary Shares in issue on the Conversion Date of the Series A Preferred Shares so converted and shall accordingly entitle the holders thereof to participate in full in all dividends or other distributions paid or made on the Ordinary Shares on or after such Conversion Date, other than any dividend or other distribution previously declared, or recommended or resolved to be paid or made for which the record date is on or before the Conversion Date.
- (c) If on the Conversion Date with respect to any Series A Preferred Share, any Ordinary Shares are admitted to listing on the HKSE, the Company shall ensure that all Ordinary Shares allotted upon conversion of such Series A Preferred Share shall be admitted to listing on the HKSE.
- (d) The Company shall not repurchase, redeem or otherwise acquire (including in an exchange for other securities) any Ordinary Shares of the Company other than in: (i) any offer to repurchase, redeem or otherwise acquire (including an offer to exchange for other securities) Ordinary Shares that is extended to holders of Ordinary Shares generally, including the Investors and their Affiliates that hold Series A Preferred Shares or Ordinary Shares, written notice of which shall have been provided to each Holder no fewer than 10 Business Days before the last date on which tenders can be made in response to such offer; (ii) bona fide on-market transactions effected through the facilities of the HKSE (or any other recognized stock exchange or national quotation system on which the equity securities of the Company are quoted or listed or admitted for trading) in accordance with all applicable rules and regulations and in which the Company's offer to purchase can be accepted by market participants generally; or (iii) any offer to repurchase, redeem or otherwise acquire up to 435,717,757 Ordinary Shares and/or Non-Voting Shares, in the aggregate, of the Company from International Business Machines Corporation.
- (e) From and after the date of original issuance of the Series A Preferred Shares, so long as any Series A Preferred Shares remain outstanding, the Company shall at all times reserve and keep available for issuance and delivery upon conversion of Series A Preferred Shares, free from preemptive rights, the number of authorised but unissued Ordinary Shares as may at any time be required for issuance or delivery upon conversion of all the Series A Preferred Shares then outstanding.

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(12) Restrictive Covenants

- (a) So long as any Series A Preferred Shares shall be in issue, and unless the consent or approval of a greater number of Series A Preferred Shares shall then be required by law, without first obtaining a Qualifying Resolution given in person or by proxy or by authorised representative at a separate general meeting at which the holders of such shares shall be entitled to vote separately as a class, or by written consent, the Company shall not:
- (i) authorise, create, allot, issue or permit to exist any Senior Securities or Parity Securities (whether by merger, consolidation, amalgamation or otherwise);
 - (ii) reclassify, redesignate, convert or exchange any shares of any capital or capital stock of the Company into Senior Securities or Parity Securities (whether by merger, consolidation, amalgamation or otherwise);
 - (iii) authorise, create, allot, issue or permit to exist any security exchangeable for, convertible into, or evidencing the right to subscribe for any Senior Securities or Parity Securities (whether by merger, consolidation, amalgamation or otherwise);
 - (iv) authorise, create, allot, issue or permit to exist any class or series of equity securities, or any shares of any class or series of equity securities, or any security convertible into or exercisable for any class or series of equity securities, redeemable mandatorily or redeemable at the option of the holder thereof at any time on or prior to the seventh anniversary of the Issue Date (whether or not only upon the occurrence of a specified event) (whether by merger, consolidation, amalgamation or otherwise);
 - (v) amend, alter or repeal any provision of the Articles of Association, or authorise or take any other action which would require the approval of the Company's shareholders, to alter or change the powers, preferences, designations, rights, qualifications, limitations or restrictions of the Series A Preferred Shares or any Senior Securities or Parity Securities so as to affect the Series A Preferred Shares in any material adverse respect (whether by merger, consolidation, amalgamation or otherwise);
 - (vi) declare or pay or set apart for payment dividends or make any other distributions on any Junior Securities, or redeem or repurchase any Junior Securities or any warrants, rights or options exercisable for or convertible into any Junior Securities (other than (A) dividends, distributions, redemptions, or repurchases made in the form of, or exchangeable for, Junior Securities, or warrants, rights or options exercisable for or convertible into Junior Securities, and (B) from time to time during the period in which Series A Preferred Shares are in issue, redemptions or repurchases of Junior Securities held by

NOTICE OF THE EXTRAORDINARY GENERAL MEETING

management of the Company in connection with termination of employment, retirement and similar circumstances), unless prior to or concurrently with such declaration, payment, setting apart for payment, other distribution, redemption or repurchase, as the case may be, (x) all dividends, including any Arrearages, that have accumulated or been deemed to have accumulated through such date (including on any Arrearage) on the Series A Preferred Shares and on any Parity Dividend Securities shall have been paid with respect to all past dividend periods with respect to the Series A Preferred Shares and such Parity Dividend Securities shall have been paid in full and (y) sufficient funds shall have been set apart for the payment of the dividend for the current dividend period with respect to the Series A Preferred Shares and any Parity Dividend Securities; or

(vii) declare or pay or set apart for payment dividends or make any other distributions on any Parity Securities, or redeem or repurchase any Parity Securities or any warrants, rights or options exercisable for or convertible into any Parity Securities (other than (A) dividends or distributions effected ratably on Series A Preferred Shares and all Parity Securities, in proportion to the total amounts (including Arrearages and any dividends accumulated or deemed to have accumulated on the Series A Preferred Shares) to which the holders of all such securities are then entitled, (B) redemptions or repurchases in exchange for shares of Junior Securities, or warrants, rights or options exercisable for or convertible into Junior Securities, and (C) other redemptions or repurchases effected ratably on Series A Preferred Shares and all Parity Securities, in proportion to the total amounts (including Arrearages and any dividends accumulated or deemed to have accumulated on the Series A Preferred Shares) to which the holders of all such securities are then entitled; or

(viii) amend, alter or repeal this Article A(12).

(13) Voting Rights

- (a) The Holders of Series A Preferred Shares shall have no voting rights except as set forth in this Article A(13), or in Article A(12) hereof or as otherwise from time to time required by law.
- (b) So long as any Series A Preferred Shares are in issue, each Series A Preferred Share shall entitle the Holder thereof to vote on all matters voted on by holders of Ordinary Shares, and the Series A Preferred Shares shall vote together with Ordinary Shares as a single class. On any such matter, each Series A Preferred Share shall entitle the Holder thereof to a number of votes equal to the number of Ordinary Shares into which such Series A Preferred Share is convertible at the time of the record date with respect to such vote (assuming all conditions precedent to such conversion have been satisfied and that such conversion had occurred as of the record date for such vote).

NOTICE OF THE EXTRAORDINARY GENERAL MEETING

- (c) At any separate general meeting at which the Holders of Series A Preferred Shares shall be entitled to vote separately as a class, (i) a quorum for the conduct of business shall be no less than two Persons holding or representing by proxy or by authorised representatives Series A Preferred Shares representing, in the aggregate, at least one-third of the aggregate Stated Value of all Series A Preferred Shares then in issue, and (ii) each Holder of Series A Preferred Shares present in person or by proxy or by authorised representative shall be entitled to one vote per Series A Preferred Share.

(14) Other Securities

The Company shall not enter into any agreement or issue any security that directly conflicts with this Article A.

(15) Additional Definitions

For the purposes of this Article A(15), the following terms shall have the meanings indicated:

“**Affiliate**” means, with respect to Person, any other Person that directly or indirectly controls, is controlled by or is under common control with such Person (it being understood, that a Person shall be deemed to “control” another Person, for purposes of this definition, if such Person directly or indirectly has the power to direct or cause the direction of the management and policies of such other Person, whether through holding ownership interests in such other Person, through agreements or otherwise).

“**Aggregate Consideration**” has the meaning set forth in Article A(10)(c).

“**Approved Person**” means the Company, International Business Machines Corporation or Legend Holdings Limited, in each case, together with their respective controlled Affiliates.

“**Arrearage**” has the meaning set forth in the Articles of Association, as in effect from time to time.

“**Articles of Association**” means the Articles of Association of the Company, as amended from time to time.

“**Below Market Issuance**” has the meaning set forth in Article A(10)(a).

“**Beneficially Own**” with respect to any securities means having the power, directly or indirectly, to vote or direct the voting of, or to dispose or direct the disposition of, such securities. A Person shall be deemed to Beneficially Own all such securities that such Person has the right to acquire by conversion or otherwise whether such right is exercisable immediately or after the passage of time. The terms “**Beneficial Ownership**” and “**Beneficial Owner**” have correlative meanings.

NOTICE OF THE EXTRAORDINARY GENERAL MEETING

“Board of Directors” means the Board of Directors of the Company or any authorised committee thereof.

“Business Day” means any day, other than a Saturday, Sunday or a day on which banking institutions in Hong Kong are authorised or obligated by law or executive order to close.

“Change of Control” means (i) the consummation of (a) sale of all or substantially all the assets of the Company and its subsidiaries, (b) the acquisition of beneficial ownership, directly or indirectly, by any Person other than the Company or any of its subsidiaries of any equity interest in IBM Products Asia Pte Ltd (Singapore) or any successor thereto or (c) a sale of capital stock, business combination, merger, amalgamation, consolidation or joint venture as a result of which any of the following shall have occurred: (i) any Person or group of persons acting in concert (other than an Approved Person) being the beneficial owner, directly or indirectly, of in excess of 40% of the total voting power or equity interest in the Company or any successor thereto or (ii) a majority of the Board of Directors consisting of Persons other than Continuing Directors. As used in this definition, “voting power” in any Person shall mean the right to vote for the election of directors or other equivalent managing body of such Person or, if there are no such directors or managing body, the right to make material business decisions with respect to such Person; and (ii) the adoption of a plan relating to the liquidation or dissolution of the Company shall have been completed, whether or not otherwise in compliance with the provisions of hereof.

“Change of Control Notice” has the meaning set forth in Article A(6)(b).

“Closing Price” means, with respect to an Ordinary Share on any day, the closing price (based on a Trading Day from 9:30 a.m. to 4:00 p.m. Hong Kong time) per security on the HKSE for the Ordinary Shares on such day or, in case no such sale takes place on such day, the average of the reported closing bid and asked prices per security, regular way, in each case on the HKSE, or, if the Ordinary Shares are not listed or admitted to trading on the HKSE, on the principal national securities exchange or quotation system on which the Ordinary Shares are quoted or listed or admitted to trading, or, if not quoted or listed or admitted to trading on any national securities exchange or quotation system, the average of the closing bid and asked prices per security on the over-the-counter market on the day in question as reported by a generally accepted reporting service, or if not so available, in such manner as reasonably determined by the Board of Directors.

“COC Redemption Date” has the meaning set forth in Article A(6)(b).

“COC Redemption Notice” has the meaning set forth in Article A(6)(c).

“COC Redemption Price” has the meaning set forth in Article A(6)(a)

“Common Shares” means Ordinary Shares and Non-Voting Shares.

NOTICE OF THE EXTRAORDINARY GENERAL MEETING

“**Continuing Directors**” means (a) the members of the Company’s Board of Directors on the Issue Date and (b) any other Person nominated for election or appointed to the Board of Directors by the affirmative vote of the Continuing Directors who at the time represent the majority of the members of the Board of Directors.

“**Conversion Price**” means HK\$2.725, as adjusted from time to time pursuant to Article A(9).

“**Determination Date**” has the meaning set forth in Article A(10)(a).

“**Dividend Payment Date**” has the meaning set forth in Article A(2)(b).

“**Excess**” has the meaning set forth in Article A(9)(d).

“**General Atlantic**” means, collectively, General Atlantic Partners (Bermuda), L.P., GapStar, LLC, GAP Coinvestments III, LLC, GAP Coinvestments IV, LLC and GAPCO GmbH & Co. KG and any permitted assignee of the foregoing.

“**Governmental Entity**” means any government or political subdivision or department thereof, any governmental or regulatory body (including the HKSE or any other securities exchange or securities quotation system), any commission (including the Hong Kong Securities and Futures Commission), board, bureau, agency or instrumentality, or any court or arbitrator or alternative dispute resolution body, or other entity controlled directly or indirectly by any government or political subdivision or department thereof, in each case whether federal, state, local or foreign.

“**HK\$**” means Hong Kong Dollars.

“**HKSE**” means the Stock Exchange of Hong Kong Limited.

“**Holder**” means the record holder of one or more Series A Preferred Shares, as shown on the register of members of the Company, it being understood that a “Holder” as of any particular date means the record holder of one or more Series A Preferred Shares, as shown on the register of members the Company as of the close of business on such date.

“**Holder Notice**” has the meaning set forth in Article A(5)(b).

“**Holder Optional Redemption Date**” has the meaning set forth in Article A(5)(b).

“**Hong Kong**” means the Hong Kong Special Administrative Region of the People’s Republic of China.

“**Investor**” means any of TPG, Newbridge or General Atlantic, and “**Investors**” means, collectively, TPG, Newbridge and General Atlantic.

“**Issue Date**” means the date on which the Convertible Preferred Share are first issued.

NOTICE OF THE EXTRAORDINARY GENERAL MEETING

“**Junior Dividend Securities**” has the meaning set forth in Article A(1)(a).

“**Junior Liquidation Securities**” has the meaning set forth in Article A(1)(b).

“**Junior Securities**” has the meaning set forth in Article A(1)(c).

“**Liquidation**” has the meaning set forth in Article A(1)(b).

“**Newbridge**” means Newbridge Asia Acquisition Company LLC and any permitted assignee of Newbridge Asia Acquisition Company LLC.

“**Non-Voting Shares**” means non-voting ordinary shares, nominal value HK\$0.025 per share, of the Company.

“**Notice of Holder Optional Redemption**” has the meaning set forth in Article A(5)(b).

“**Ordinary Shares**” mean the class of share capital of the Company designated as ordinary shares, nominal value HK\$0.025 per share, as of the Issue Date. For purposes of Article A(9) hereof, “Ordinary Shares” shall be deemed to include any class or classes resulting from any reclassification or reclassifications thereof.

“**Parity Dividend Securities**” has the meaning set forth in Article A(1)(a).

“**Parity Liquidation Securities**” has the meaning set forth in Article A(1)(b).

“**Parity Securities**” has the meaning set forth in Article A(1)(c).

“**Participation Notice**” has the meaning set forth in Article A(10)(b).

“**Participation Right**” has the meaning set forth in Article A(10)(a).

“**Person**” means any individual, corporation, company, association, partnership, limited liability company, joint venture, trust, unincorporated organization or Governmental Entity.

“**Pro Rata Portion**” has the meaning set forth in Article A(10)(a).

“**Preferred Shares**” means any series of preferred shares of the Company.

“**Qualifying Issuance**” has the meaning set forth in Article A(10)(d).

“**Qualifying Resolution**” means either: (a) a resolution passed at a separate general meeting of the Holders duly convened for the conduct of business by the Holders of 75% of the outstanding Series A Preferred Shares (whether represented in person, by proxy or by authorised representative); or (b) a consent or consents in writing, setting forth the action so taken shall be signed by the Holders of 75% of the outstanding Series A Preferred Shares.

NOTICE OF THE EXTRAORDINARY GENERAL MEETING

“**Redemption Price**” has the meaning set forth in Article A(4)(a).

“**Securities Act**” means the United States Securities Act of 1933, as amended.

“**Senior Dividend Securities**” has the meaning set forth in Article A(1)(a).

“**Senior Liquidation Securities**” has the meaning set forth in Article A(1)(b).

“**Senior Securities**” has the meaning set forth in Article A(1)(c).

“**Series A Preferred Shares**” has the meaning set forth in the preamble hereto.

“**Stated Value**” means HK\$1,000 per share.

“**Subsequent Notice**” has the meaning set forth in Article A(5)(c).

“**TPG**” means TPG IV Acquisition Company LLC and any permitted assignee of TPG IV Acquisition Company LLC.

“**Trading Day**” means any day on which the HKSE is open for trading, or if the Ordinary Shares are not listed or admitted for trading on the HKSE, any day on which the principal national securities exchange or quotation system on which the Ordinary Shares are quoted or listed or admitted to trading is open for trading, or if the Ordinary Shares are not so quoted, listed or admitted to trading, any Business Day.

“**US\$**” means United States Dollars.

“**Voting Securities**” means the Ordinary Shares and any other securities of the Company entitled to vote generally for the election of directors.

(16) Miscellaneous

(a) Notices. Any notice referred to in this Article A shall be in writing and, unless first-class mail shall be specifically permitted for such notices under the terms hereof, shall be deemed to have been given upon personal delivery thereof, upon transmittal of such notice by telecopy (with confirmation of receipt by telecopy or telex) or five days after transmittal by registered or certified mail, postage prepaid, addressed as follows:

- (i) if to the Company, to its office at 23rd Floor, Lincoln House, Taikoo Place, 979 King’s Road, Quarry Bay, Hong Kong (Attention: Corporate Secretary);
- (ii) if to a Holder of Series A Preferred Shares, to such Holder at the address of such Holder as listed in the register of members of the Company; or
- (iii) to such other address as the Company or such holder, as the case may be, shall have designated by notice similarly given.

NOTICE OF THE EXTRAORDINARY GENERAL MEETING

- (b) Transfer Agent. The Company shall appoint, and may from time to time discharge and change, a transfer agent for the Series A Preferred Shares. Upon any such appointment or discharge of a transfer agent, the Company shall send notice thereof to each Holder of Series A Preferred Shares.
- (c) Record Dates. In the event that the Series A Preferred Shares shall be registered under either the Securities Act or the U.S. Securities Exchange Act of 1934, as amended, the Company shall establish appropriate record dates with respect to payments and other actions to be made with respect to the Series A Preferred Shares.””

By Order of the Board
Liu Chuanzhi
Chairman

Hong Kong, 20 April 2005

Registered office:

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

Executive Directors:

Mr Liu Chuanzhi
Mr Yang Yuanqing
Ms Ma Xuezheng

Non-executive Director:

Mr Zeng Maochao

Independent Non-executive Directors:

Mr Wong Wai Ming
Professor Woo Chia-Wei
Mr Ting Lee Sen

NOTICE OF THE EXTRAORDINARY GENERAL MEETING

Notes:

1. A member entitled to attend and vote at the Extraordinary General Meeting convened by this notice is entitled to appoint one or more proxies to attend and vote in his stead. A proxy need not be a member of the Company.
2. To be effective, the instrument appointing a proxy together with the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority, must be completed and lodged at the share registrar of the Company, Abacus Share Registrars Limited at Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong, not less than 48 hours before the time for holding the Extraordinary General Meeting or any adjournment thereof.
3. A form of proxy for use at the meeting is enclosed. Completion and return of the form of proxy will not preclude you from attending and voting in person at the Extraordinary General Meeting or any adjournment thereof and, in such event, the relevant form of proxy shall be deemed to be revoked.
4. Where there are joint registered holders of any Share, any one of such persons may vote at the Extraordinary General Meeting, either personally or by proxy, in respect of such Share as if he were solely entitled thereto; but if more than one of such joint registered holders be present at the Extraordinary General Meeting personally or by proxy, then the registered holder so present whose name stands first on the register of members of the Company in respect of such Share will alone be entitled to vote in respect thereof.
5. The translation into Chinese language of the notice (including the Special Resolution) which contains the proposed new Articles of Association is for reference only. In case of any discrepancies, the English version shall prevail.
6. The votes to be taken in the Extraordinary General Meeting will be taken by way of poll.