



## *Corporate Policy 12*

### **Trading in Securities**

Effective: April 2006

Revised: April 2009, March 2011, November 2011, January 2013, November 2013

Lenovo is committed to ensuring that all of its shareholders and potential shareholders can buy and sell Lenovo's securities fairly. Shareholders and potential shareholders must have confidence that Lenovo's directors, officers, employees and agents cannot derive an unfair advantage as a result of their access to nonpublic information. Accordingly, all directors (including alternate directors), officers, employees and agents are required to deal in shares and handle inside information in accordance with this Trading in Securities Policy. This Policy also serves to protect the reputation of Lenovo and help protect directors, officers, employees and agents and Lenovo from civil and criminal liability.

The basis for this Policy and all actions by Lenovo and its employees must be compliance with laws applicable to the trading of Lenovo's securities. Specifically, it is the policy of Lenovo to observe fully the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) ("SFO") and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

Any questions about this Policy or any related processes should be directed to the Company Secretary. Violations of this Policy must be reported to local legal counsel or to the Company Secretary.

#### **Basic Rules**

Directors, officers, employees and agents of Lenovo may not:

- deal in Lenovo's securities when in the possession of inside information;
- deal in the securities of any company listed on The Stock Exchange of Hong Kong ("HKSE") or any other stock exchange, or any company that is one of Lenovo's customers, vendors, suppliers or business partners, when in the possession of inside information about that company acquired by virtue of having a position at Lenovo;
- disclose Lenovo's inside information to third parties, other than agents of Lenovo such as auditors or outside counsel, or others specifically authorized by the Lenovo Legal Department;
- make recommendations or express opinions on the basis of inside information with regard to trading in securities; or
- otherwise make use of inside information for personal advantage or the advantage of others.

Directors of Lenovo, directs reports to CEO and anyone otherwise designated by the General Counsel may not deal in any Lenovo's securities during any restricted period.



Further, directors of Lenovo and directs reports to CEO may not deal in any Lenovo's securities without first notifying an Approval Authority, receiving a dated written acknowledgement. For directors of Lenovo, after the transaction has taken place, they must also provide written details of the transaction to the Approval Authority within three business days of receiving such details. Form for such notification is attached to this Policy.

In addition to the obligation to notify an Approval Authority as set forth above, directors of Lenovo must also notify HKSE, also within three business days from the day the director knows about the securities transaction. Forms for such notification can be obtained from the Company Secretary.

All provisions of this Policy apply to spouses, minor children, any situation in which the Lenovo's director, officer, employee or agent would be considered to be an interested party, any funds under professional management, and any trust to which the Lenovo's director, officer, employee or agent is a trustee or a beneficiary. It is each director's, officer's, employee's and agent's responsibility to inform professional managers, trustees and co-trustees of the requirements of this Policy.

### **Consequences**

Anyone violating this Policy will be subject to disciplinary action, up to and including termination of employment. People subject to this Policy should also be aware that violation of the SFO, the Listing Rules or any other applicable laws can result in the violator suffering serious fines or imprisonment, and Lenovo suffering serious damage to its reputation.

### **Dealing in Securities**

As used in this Policy, the terms "dealing" and "securities" are defined broadly, and include any transaction in any listed or unlisted stock, ADRs, warrants, debt, or options of Lenovo. Assume any transaction of any security is covered under this Policy unless clarified by the Company Secretary otherwise.

### **Inside Information**

Information is considered unpublished if it has not been formally announced by Lenovo by way of an announcement published on HKSE website (or announcement in other form recognized by the Listing Rules). Information will continue to be considered unpublished until the day after the announcement has been published. Statements by Lenovo's executives are not considered formal announcements that would qualify as publication under the Listing Rules.

To determine whether information is inside information, an individual should ask the following questions:

- Would a member of the public consider the information necessary to value an investment in Lenovo or any of its affiliated companies?
- Would the information be necessary to avoid speculation or manipulation of Lenovo's securities (creation of a false market)?
- Would it be reasonable to expect that the information would affect the price of or market activity in Lenovo's securities or market activity?

If the answer to any of these questions is "yes," the information is inside information.



Categories of information that should always be considered as inside information include:

- regularly recurring matters (such as financial results and dividends);
- exceptional matters (such as acquisitions, connected transactions, etc.);
- signing an important contract (including significant joint venture agreements);
- fund-raising exercises;
- comments on the prospects for future earnings or dividends;
- release of any projected profits of the group by Lenovo or its directors;
- entering into an agreement for the issue of options convertible into securities;
- a large foreign exchange loss;
- major market upheaval in the industries, countries or regions where the company has significant operations or transactions;
- premature removal of auditors before end of their term in office;
- cancellation of an agreement which was previously the subject of an announcement;
- removal or resignation of the chief executive officer;
- Lenovo being aware that its auditors will issue a qualified report on its results;
- any change of accounting policy that may have a significant impact on the accounts; or
- events beyond the control of Lenovo and is of material significance to Lenovo's business, operations or financial performance.

#### **Restricted Period**

The restricted period will be:

- (i) on any day on which the financial results are published and (a) during the period of 60 days immediately preceding the publication date of annual results or, if shorter, the period from the end of the relevant financial year up to the publication date of the results or (b) during the period of 30 days immediately preceding the publication date of the quarterly results (if any) and half-year results or, if shorter, the period from the end of the relevant quarterly or half-year period up to the publication date of the results;
- (ii) when you are in possession of inside information.

The Company Secretary will, in each case, provide notification of when restricted periods commence and end.

#### **Approval Authority**

The following individuals are the Approval Authorities for different individuals covered by this Policy.

##### **Individual**

Chairman of the Board

Director

CEO

Direct reports to CEO

##### **Approval Authority**

CEO, acting as a Director of Lenovo /

Any other Director of Lenovo

Chairman of the Board /

Executive Director

Chairman / Any other Director of Lenovo

CEO



Securities Dealing Notification Form

In accordance with Lenovo's Trading in Securities Policy, before dealing in any securities of Lenovo Group Limited, you are required to provide written notification of your intent to deal to Eric Mok, Company Secretary, on fax no. (852) 22199766 or by e-mail to ericmok@lenovo.com.

Acknowledgement of your written notification is required before dealing in any Lenovo's securities. The Company Secretary shall notify the appropriate individuals within Lenovo and provide you with a written acknowledgement that your Notification Form is in accordance with Lenovo's Policy.

Each written acknowledgement is valid for a period of 5 trading days following the date of the acknowledgement provided at the time of dealing in Lenovo securities such dealing is in compliance with Lenovo's Trading in Securities Policy. After this time, a new written notification must be submitted.

The Company Secretary shall notify the following individuals of your intent to deal:

Individual Submitting Form:	Individual to be Notified:
Chairman of the Board	CEO, acting as a Director of Lenovo / Any other Director of Lenovo
Director	Chairman of the Board / Executive Director
CEO	Chairman / Any other Director of Lenovo
Direct reports to CEO	CEO

Name: \_\_\_\_\_  
 Title: \_\_\_\_\_  
 Phone No.: \_\_\_\_\_  
 E-mail: \_\_\_\_\_

\_\_\_\_\_(please initial) I hereby provide written notification of my intent to deal in the following securities/derivatives, which are held or proposed to be held by myself personally and/or by an associate as follows:

Stock Name (Stock Code)	Number of Securities/Derivatives	Type of Transaction (Disposal, Acquisition, Acceptance, Exercise)

\_\_\_\_\_(please initial) I have read Lenovo's Trading in Securities Policy (Corporate Policy 12) and confirm that I am in compliance with such policy.

\_\_\_\_\_(please initial) I have read the attached Annex that summarizes the Insider Dealing and Market Misconduct provisions of the Securities and Futures Ordinance and confirm that I am in compliance with those provisions.



\_\_\_\_\_(please initial) I have read Lenovo's Model Code for Securities Transactions by Directors of Listed Issuers and confirm that I am in compliance with such policy (for directors only).

\_\_\_\_\_(please initial) I confirm that I will not deal in Lenovo securities/derivatives: (i) on any day on which the financial results are published and (a) during the period of 60 days immediately preceding the publication date of annual results or, if shorter, the period from the end of the relevant financial year up to the publication date of the results or (b) during the period of 30 days immediately preceding the publication date of the quarterly results (if any) and half-year results or, if shorter, the period from the end of the relevant quarterly or half-year period up to the publication date of the results; (ii) when you are in possession of inside information; and (iii) where clearance to deal has not yet received.

\_\_\_\_\_(please initial) I confirm that I am not aware of any confidential, inside information that is likely to materially affect Lenovo's stock price such as:

- (1) Any Lenovo mergers, acquisitions, disposals or joint ventures that are reasonably expected to successfully conclude;
- (2) Any foreseeable future losses, gains, earnings, dividends or profits;
- (3) Any offers or threats to take over Lenovo; and
- (4) Any changes in Lenovo's senior leadership team.

\_\_\_\_\_(please initial) I understand that acknowledgement of this written notification will not necessarily provide to me or the associate(s) any defense against any statutory liability and/or any charge of insider dealing or market misconduct.

Signed: \_\_\_\_\_ Date: \_\_\_\_\_

Print Name: \_\_\_\_\_

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### Acknowledgement

I acknowledge that the required information has been provided above.

Each written acknowledgement is valid for a period of 5 trading days following the date of the acknowledgement provided at the time of dealing in Lenovo's securities such dealing is in compliance with Lenovo's Trading in Securities Policy. After this time, a new written notification must be submitted.

Additional information is needed.

Signed: \_\_\_\_\_ Date: \_\_\_\_\_

Print Name: \_\_\_\_\_



## Annex

### Summary of Insider Dealing and Market Misconduct Provisions

#### 1. Insider Dealing and Market Misconduct

##### 1.1. Types of market misconduct

There are six types of market misconduct relating to dealings in securities:

- insider dealing
- false trading
- price rigging
- disclosure of information about prohibited transactions
- disclosure of false or misleading information inducing transactions
- stock market manipulation

##### 1.2. The prohibition on insider dealing

1.2.1. The Company's substantial shareholders, directors and employees, plus its advisers are prohibited from dealing in the Company's shares (or in those of a related corporation) at a time when:

- a) they possess information which is not known to people who would be likely to deal in those shares if they knew it; and
- b) which information (if known) would be likely to affect the price of the shares materially. (*Section 270, SFO*)

1.2.2. The offence extends to asking or encouraging another person to deal, and to giving them information, knowing or having reasonable cause to believe that the other person will deal.

1.2.3. It is not only individuals that can be accused of insider dealing. Corporations are imputed with the knowledge of their directors and employees. Therefore, in certain circumstances, if the Company deals in another listed company's shares at a time when one of its directors or employees is in possession of inside information, the Company may be guilty of insider dealing too.

##### 1.3. Other market misconduct

1.3.1. False trading takes place where a person does anything with the intention that it creates a false or misleading appearance of:

- a) active trading in securities;
- b) the market for securities; or
- c) the price for dealing in securities;



or being reckless as to whether it would have that effect. (*Sections 274 and 295, SFO*)

1.3.2. Price rigging occurs when a person enters into an artificial transaction which has the effect of maintaining, increasing, reducing, stabilising or causing fluctuations in the price of securities. (*Sections 275 and 296, SFO*)

1.3.3. The offence of disclosing information about prohibited transactions takes place when a person discloses, or authorises or is concerned in the disclosure of, information about a transaction which constitutes market misconduct and where he (or his associate) carried out the market misconduct or expects to benefit as a result of the disclosure. (*Sections 276 and 297, SFO*)

1.3.4. The offence of disclosing false or misleading information takes place when a person discloses false or misleading information which is likely either to induce others to invest, or to affect the price of securities and the person knows that, or is reckless or negligent as to whether the information is false or misleading. (*Sections 277 and 298, SFO*)

1.3.5. Stock market manipulation occurs when a person carries out two or more transactions in relation to securities of a corporation that by themselves, or in conjunction with other transactions, increase, reduce, maintain or stabilize (or are likely to do so) the price of any traded securities, with the intention of inducing another person to purchase or sell (or refrain from purchasing or selling) securities of that corporation. (*Sections 278 and 299, SFO*)

1.3.6. Examples of activities that will usually amount to false trading, price rigging and/or market manipulation are wash sales (where a person uses a nominee to buy and sell shares without the beneficial owner changing) and matched orders (where a person agrees to buy shares at the same price as he has agreed to sell the same number of shares).

1.3.7. The activities set out in paragraphs 1.3.1 to 1.3.6 above are, like insider dealing, both criminal and civil offences in Hong Kong. There are some additional types of misconduct that are only criminal offences. These are:

- a) offences involving fraudulent or deceptive devices in transactions in securities, futures contracts or leveraged foreign exchange trading (*Section 300, SFO*);
- b) offences of disclosure of false or misleading information inducing others to enter into leveraged foreign exchange contracts (*Section 301, SFO*); and
- c) offences of falsely representing dealings in futures contracts on behalf of others (*Section 302, SFO*).

#### **1.4. Consequences of breach**

1.4.1. All six types of market misconduct are criminal offences, punishable in court by a fine of up to HK\$10 million and imprisonment for up to 10 years. Most are also civil offences and will be investigated by the Market Misconduct Tribunal in Hong Kong ("MMT").

1.4.2. The MMT was established to make it easier to prosecute market participants for behaviour which now constitutes market misconduct. The MMT has wide-ranging powers to investigate and obtain evidence in relation to misconduct. Although the



penalties for breaches prosecuted by the MMT (rather than through the courts) are less severe, it is generally considerably easier for a person to be called to account than it was in the past.

1.4.3. The MMT has the power to make the following orders:

- a) a “disqualification order”, preventing the person from being a director, liquidator, receiver or otherwise being involved in the management of the listed company for a period of up to 5 years without the approval of the court;
- b) a “cold shoulder order”, preventing that person from acquiring, disposing or otherwise dealing in securities, futures, leveraged foreign exchange contracts or collective investment schemes for a period of up to 5 years without the approval of the court;
- c) a “cease and desist order”, preventing that person from being involved in any further market misconduct;
- d) a “disgorgement order”, requiring the person to pay to the Government an amount up to the profit obtained;
- e) a “costs order”, requiring the person to pay to the investigating authority an amount considered to be appropriate to compensate for the costs of the investigation; and
- f) a “disciplinary referral order”, requiring that disciplinary action be taken against the person.

1.4.4. A person who commits market misconduct may also be liable to compensate a person who suffers loss as a result of the misconduct.

## **1.5. Obligation to take steps to prevent market misconduct**

The directors, managers, secretary and senior management of the Company are required to take all reasonable measures to ensure that proper safeguards exist to prevent the Company from acting in a way which would constitute market misconduct. (*Section 279, SFO*)

## **1.6. Takeovers and insider dealing**

The fact that the Company is considering making a takeover offer for a Hong Kong listed corporation will be inside information under the Hong Kong legislation. If the Company decides, as part of the lead-up to the takeover offer, to build a strategic stake in the target, this will be permitted, provided that the purpose of the dealing is for the takeover offer, and not to affect the price of the shares.