

Microsoft to Sell over \$1 Billion in Software to Lenovo

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Lenovo Group signs a deal with Microsoft to buy Windows, Office and other software suites for its personal computers in a deal worth as much as \$1.3 billion.

The agreement emulates one inked in 2006, worth \$1.2 billion over one year, to pre-install Microsoft's Windows operating system software on Lenovo's computers, deemed a major step in China's efforts to combat piracy.

A Beijing-based spokesman for China's largest PC maker said on Thursday that the framework agreement, encompassing this fiscal year, had been signed on Wednesday in the United States.

"Our projection is the price tag could be as much as \$1.3 billion for this fiscal year," the spokesman said. "Last year's agreement was executed very well."

Both firms hoped to advance "one of the most important goals of international business: the protection of intellectual property," Lenovo senior vice president Chen Shaopeng, who attended the signing ceremony, said in a statement on Thursday.

In November 2005, Lenovo became the first personal computer manufacturer to pre-install Windows on all of its product lines for the Chinese market.

The move followed a Chinese government decree that required all PCs made in China to have licensed operating software installed before leaving the factory, as part of Beijing's efforts to crack down on piracy.

Details of the 2007 purchasing agreement would be finalised later, the Beijing-based spokesman said.

Lenovo now sells pre-installed Microsoft software on computers sold in more than 65 countries around the world.

Microsoft and Lenovo last month announced they would build a joint research and development innovation centre in China, marking Microsoft's first such endeavor with an OEM partner, it said.

The centre will focus on technologies for the China market and concentrate on mobile devices and ways to build products on top of Microsoft's software, it said.

Lenovo - one of several Chinese companies trying to craft an international brand - commands a dominant market share in Asia excluding Japan but faces fierce competition from Dell Inc. and Hewlett-Packard elsewhere.

The Chinese firm is now vying with Taiwan's Acer Inc. for the mantle of world's third-largest PC manufacturer, tracking behind Hewlett-Packard and Dell.

Lenovo has also been grappling with expenses arising from layoffs and corporate streamlining after its \$1.25 billion purchase of IBM's PC arm in 2005.

Lenovo's shares fell 0.7 percent to HK\$2.91 on Thursday, broadly in line with the main market's 0.5 percent dip. The stock has gained more than

5 percent over the last year.

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