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Lenovo Group Limited 联想集团有限公司

(Incorporated in Hong Kong with limited liability)
(Stock Code: 0992)

**RESIGNATION AND APPOINTMENT OF
EXECUTIVE DIRECTOR, PRESIDENT AND CHIEF EXECUTIVE OFFICER
APPROVAL OF A DIRECTOR'S SERVICE CONTRACT**

The Board announces that following discussion with Mr. Stephen M. Ward, Jr., it had been agreed that Mr. Ward resigned as an executive Director, President and Chief Executive Officer of the Company on December 20, 2005. Mr. William J. Amelio was appointed as an executive Director, President and Chief Executive Officer of the Company with effect from December 20, 2005 to replace Mr. Ward.

On December 20, 2005, the Company entered into the Service Contract with Mr. Amelio. The Service Contract will require the approval of the Shareholders at a general meeting pursuant to Rule 13.68 of the Listing Rules.

An Independent Board Committee comprising all the independent non-executive Directors (other than any independent non-executive Director who has a material interest in the Service Contract) will be formed to advise the Shareholders and the holders of Non-voting Shares in respect of the Service Contract.

A circular containing the advice of the Independent Board Committee together with a notice convening the EGM will be sent to the Shareholders and, to the holders of Non-voting Shares for information only, in due course.

Dealing in the Shares on the Stock Exchange was suspended at the request of the Company from 9:30 a.m. on December 21, 2005 (Hong Kong time). Application has been made by the Company for the resumption in the dealing in the Shares on the Stock Exchange with effect from 9:30 a.m. on December 22, 2005 (Hong Kong time).

RESIGNATION AND APPOINTMENT OF EXECUTIVE DIRECTOR, PRESIDENT AND CHIEF EXECUTIVE OFFICER

The Board announces that following discussion with Mr. Stephen M. Ward, Jr., it had been agreed that Mr. Ward resigned as an executive Director, President and Chief Executive Officer of the Company on December 20, 2005. Mr. William J. Amelio was appointed as an executive Director, President and Chief Executive Officer of the Company with effect from December 20, 2005 to replace Mr. Ward.

Mr. Ward joined the Group from IBM in April 2005 following the closing of the acquisition of the personal computer business by the Company from IBM. His services were important to ensure a smooth transition and integration of the merged businesses of the Group following the acquisition. With the Group's integration of IBM's personal computer business on track and the Group's organizational integration complete, the Company is accelerating its planning for the next phase of growth. Mr. Ward

and the Board agreed that now is the right time for this transition. The Board considers that Mr. Amelio's combined experience in the industry in which the Group operates would enable him to lead the Group to the next phase of growth.

The appointment of Mr. Ward as an executive Director, President and Chief Executive Officer of the Company was neither terminated by Mr. Ward for "Good Reason" (as defined in the July Circular) nor by the Company for "Cause" (as defined in the July Circular). As stated above, the termination was agreed following discussion between the Company and Mr. Ward, and the parties agreed that no notice as required under the service contract between the Company and Mr. Ward dated April 30, 2005 will be given.

As the appointment of Mr. Ward was not terminated for "Cause" (as defined in the July Circular), pursuant to the service contract between the Company and Mr. Ward dated April 30, 2005 (details of which are set out in the July Circular), Mr. Ward will be entitled to the following termination payments: (i) pro-rated base salary earned up to the date of termination; (ii) retirement and retiree medical benefits; (iii) one year's base salary; (iv) target annual bonus for 2005; (v) pro-rated annual target bonus for 2005; (vi) disability insurance for one year after termination; (vii) all unvested equity awards being fully vested on the date of termination; and (viii) cash payment equivalent to the actual value of all vested and unvested cash-based long-term incentive awards. The final amount of the above payments is being determined.

Mr. Ward confirmed that he has no disagreement with the Board and there are no matters in respect of his resignation that need to be brought to the attention of the Shareholders and the holders of Non-voting Shares. The Board also confirmed that there are no matters in respect of Mr. Ward's resignation or his discussion with the Board pertaining to his resignation that need to be brought to the attention of the Shareholders and the holders of Non-voting Shares. The Board takes this opportunity to thank Mr. Ward for his valuable contributions to the Company.

BACKGROUND OF MR. WILLIAM J. AMELIO

Mr. Amelio, aged 48, has been appointed as an executive Director, President and Chief Executive Officer of the Company with effect from December 20, 2005. Prior to joining the Company, Mr. Amelio was the Senior Vice President for the Asia-Pacific and Japan regions of Dell Inc. Prior to joining Dell in March 2001, Mr. Amelio was Executive Vice President and Chief Operating Officer of the retail and financial group of NCR Corporation from July 2000 to March 2001. From 1997 until 2000, Mr. Amelio was President of AlliedSignal Inc.'s turbo charging systems business and President and Chief Executive Officer of Honeywell International Inc.'s transportation and power-systems divisions after the merger of AlliedSignal and Honeywell. Mr. Amelio also spent 18 years from 1979 to 1997 with IBM and held a variety of senior-management positions, including as General Manager of Worldwide Operations for IBM's personal computing business. Mr. Amelio has not previously held any positions with the Company or any of its subsidiaries. Mr. Amelio has not held any directorship in any listed public company in the last three years and has no relationship with any other Directors, senior management, substantial shareholders or controlling shareholders of the Company. The Company entered into the Service Contract which is for an initial term of three years and, subject to Shareholders' approval pursuant to Rule 13.68 of the Listing Rules, such contract will automatically continue for successive one-year periods. Mr. Amelio will be entitled to the base salary, bonus and other emoluments as specified below. According to the register maintained by the Company pursuant to Part XV of the Securities and Futures Ordinance, as at the date of this announcement, neither Mr. Amelio nor any of his associates holds any Shares.

APPROVAL OF DIRECTOR'S SERVICE CONTRACT

On December 20, 2005, the Company entered into the Service Contract with Mr. Amelio, as an executive Director, President and Chief Executive Officer of the Company. The Service Contract will require the approval of the Shareholders at a general meeting pursuant to Rule 13.68 of the Listing Rules.

Term and termination

The Service Contract is for an initial term of three years from December 20, 2005 (the “**Initial Term**”) and, subject to the Shareholders’ approval pursuant to Rule 13.68 of the Listing Rules, will automatically continue for successive one-year periods (the “**Continuing Term**”) unless either party gives written notice of termination at least 60 days prior to the expiration of the Initial Term or any subsequent annual renewal period, as applicable (save for termination by the Company for Cause, by Mr. Amelio for Good Reason or upon Mr. Amelio’s death or disability).

Base salary, bonus and other emoluments

Mr. Amelio’s annual base salary is US\$750,000 (approximately HK\$5,812,500) and his annual target bonus is US\$1,000,000 (approximately HK\$7,750,000), the latter is only payable if the performance targets for the relevant financial year, as established by the Board or the compensation committee prior to the commencement of the financial year, have been met. If such performance targets have been exceeded, subject to, among other things, the recommendation of the compensation committee (comprising a majority of independent non-executive Directors at the relevant time) and the approval of the Board (at which Board meeting Mr. Amelio shall abstain from voting), Mr. Amelio may be entitled to an increased bonus, in the Company’s discretion, of up to US\$2,000,000 (approximately HK\$15,500,000) for the relevant financial year. For the avoidance of doubt, such increased bonus (if payable) will be inclusive of the annual target bonus of US\$1,000,000.

Pursuant to the Service Contract, the Company shall grant to Mr. Amelio an initial equity award of restricted stock units with a current fair market value on the date of grant of US\$4,000,000 (approximately HK\$31,000,000), subject to the terms of the Company’s applicable equity incentive plan. The initial equity award shall vest upon the third anniversary of the date of the Service Contract. The Company shall also grant to Mr. Amelio annual long-term equity awards with a target value of US\$3,000,000 (approximately HK\$23,250,000) if the performance targets for the relevant financial year have been met and subject to the terms of the Company’s applicable equity incentive plan. Such equity awards may be in the form of any combination of stock appreciation rights, restricted stock units, other equity-based compensation and/or other compensation of a similar nature as determined by the Board or the compensation committee pursuant to the terms of the applicable plans of the Company. The annual long-term equity awards shall vest ratably over a five-year period from the date of grant. Mr. Amelio shall also receive (i) a one-time US\$1.5 million payment that is subject to whole or partial repayment if the Service Contract is terminated by Mr. Amelio other than for Good Reason or due to Mr. Amelio’s death or disability; and (ii) certain expatriate allowances and relocation expenses incurred in connection with his employment under the Service Contract.

Restrictive covenant

Pursuant to the Service Contract, Mr. Amelio is bound by a restrictive covenant which provides that for 18 months following the date upon which Mr. Amelio shall for any reason (other than in the event of a termination by Mr. Amelio due to the Company's inability to obtain the approval of the Shareholders at the EGM in connection with the Service Contract within 90 days from the date of the Service Contract) cease to be an employee of the Group, Mr. Amelio shall not, among other things, and subject to certain exceptions, directly or indirectly engage in or otherwise compete with any business, primarily engaged in the development, manufacture, marketing and sale of computers and related equipment and services (including any and all other business that after the date of the Service Contract, and from time to time during the term of the Service Contract, become material with respect to the Group's then-overall business), anywhere that the Group (including the successors and assigns of the Company and its subsidiaries) engages or is actively preparing to engage in as at the date of termination of the Service Contract.

Termination compensation

Certain provisions of the Service Contract provide that upon termination of the Service Contract, and subject to the Shareholders' approval pursuant to Rule 13.68 of the Listing Rules, Mr. Amelio may be entitled to compensation and other payments (primarily consisting of one year's base salary and target bonus, benefits earned and accrued, reimbursement for expenses reasonably and actually incurred and accelerated vesting of equity-based incentives) equivalent to more than one year's emoluments depending on a number of factors including the amount of his unvested equity awards and the entitlement and amount of his target bonus (the "**Relevant Provisions**"). The basis of calculating the compensation and other payments payable to Mr. Amelio upon termination of the Service Contract depends largely on the circumstances surrounding the termination – whether the Service Contract has been terminated by the Company with or without Cause, by Mr. Amelio with or without Good Reason or upon Mr. Amelio's death or disability.

If the Service Contract is terminated upon Mr. Amelio's death or disability, Mr. Amelio will be entitled to: (i) his pro-rated base salary from the beginning of the relevant financial year up to the date of termination; (ii) other benefits earned and accrued up to the date of termination or due which remain unpaid; and (iii) reimbursement for expenses reasonably and actually incurred in connection with fulfilling his duties under the Service Contract prior to the date of termination.

If the Service Contract is terminated by the Company for Cause or by Mr. Amelio without Good Reason, Mr. Amelio will be entitled to payments equivalent to the termination payment payable upon termination upon his death or disability as specified above except for any bonuses or awards earned but not paid as at the date of termination.

If the Service Contract is terminated by the Company without Cause or by Mr. Amelio for Good Reason, he will be entitled to: (i) one year's base salary; (ii) pro-rated annual target bonus for the year of such termination (calculated based on the actual number of days elapsed from the beginning of the relevant financial year through to the date of termination and a 365-day year); (iii) annual target bonus for the year in which his termination occurs; (iv) other benefits earned and accrued up to the date of termination or due which remain unpaid; (v) reimbursement for expenses reasonably and actually incurred in connection with fulfilling his duties under the Service Contract prior to the date of termination; (vi) all unvested initial equity award will become fully vested; and (vii) all other outstanding unvested equity awards shall be credited with one year of additional vesting as of the date of termination. Such payments may exceed one year of Mr. Amelio's emoluments under the Service Contract.

The compensation and other payments payable to Mr. Amelio upon termination of the Service Contract will be calculated in accordance with the Relevant Provisions, to this extent, the amount will be set according to objective criteria. However, certain components of the compensation package (primarily the annual target bonus and the amount and term of the long-term incentive equity awards) will be subject to the recommendation of the compensation committee and approval of the Board.

There will not be a cap on the compensation and other payments payable to Mr. Amelio upon termination of the Service Contract.

Reimbursement and indemnification

Pursuant to the Service Contract, the Company will reimburse Mr. Amelio for all reasonable attorneys fees and costs in connection with any claims or legal action threatened or brought against him with respect to his entering into the Service Contract and commencing employment with the Company. The Company will also indemnify Mr. Amelio, to the fullest extent permitted by law, against all liabilities, costs and expenses incurred or damages sustained by Mr. Amelio in connection with any action, suit or proceedings to which Mr. Amelio may be made party by reason of his being or having been a Director or officer of the Company.

Approval at the EGM

Accordingly, the Service Contract will require approval of the Shareholders at a general meeting of the Company pursuant to Rule 13.68 of the Listing Rules. According to the register maintained by the Company pursuant to Part XV of the Securities and Futures Ordinance, as at the date of this announcement, neither Mr. Amelio nor any of his associates holds any Shares.

In the event that the Service Contract is not approved by the Shareholders at the EGM, it will continue to be valid except that it will be for the Initial Term and any payments which may be made to Mr. Amelio upon termination of the Service Contract will not exceed Mr. Amelio's one year's emoluments.

An Independent Board Committee will be formed to advise the Shareholders and holders of Non-voting Shares as to whether the terms of the Service Contract (including the Continuing Term and the Relevant Provisions) are fair and reasonable and whether the Service Contract is in the interests of the Company and the Shareholders and holders of Non-voting Shares as a whole and to advise the Shareholders on how to vote.

Voting undertakings

Legend Holdings Limited, 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 and GAPCO GmbH & Co. KG (the "**Undertaking Shareholders**") have given undertakings to Mr. Amelio to vote in favour of the resolution approving the Service Contract at the EGM. The voting undertakings have been given with a view to securing Mr. Amelio's services to the Company which the Undertaking Shareholders consider to be invaluable to the Company. The Undertaking Shareholders' interest in the Service Contract is no different from that of any other Shareholder. The Undertaking Shareholders have confirmed that they do not have any connection with Mr. Amelio and his associates other than the voting undertakings stated above and that they have not received any benefits from the provision of the voting undertakings.

GENERAL

A circular containing the advice of the Independent Board Committee together with a notice convening the EGM will be sent to the Shareholders and, to the holders of Non-voting Shares for information only, in due course.

At the request of the Company, trading in the Shares on the Stock Exchange was suspended from 9:30 a.m. on December 21, 2005 (Hong Kong time), pending the issue of this announcement. An application has been made by the Company to the Stock Exchange for the resumption of trading in the Shares on the Stock Exchange from 9:30 a.m. on December 22, 2005 (Hong Kong time).

DEFINITIONS

In this announcement, unless the context requires otherwise, the following terms have the meanings as set out below:

“associate”	has the meaning set out in the Listing Rules
“Board”	the board of Directors of the Company
“Cause”	means, broadly speaking, Mr. Amelio’s: (i) conviction of or formal admission to a felony, a crime involving moral turpitude, dishonesty, breach of trust or unethical business conduct or any crime involving the Group; (ii) wilful misconduct, wilful or gross negligence, fraud, misappropriation or embezzlement in the performance of his duties under the Service Contract; (iii) repeated failure to adhere to directions, policies and practices or to devote substantially all of his business time and efforts to the performance of his duties under the Service Contract; (iv) wilful and continued failure to substantially perform duties properly assigned to him; (v) breach of restrictive covenants set out in the Service Contract; or (vi) material breach of any provision of the Service Contract and failure to cure such breach following written notice from the Company
“Company”	Lenovo Group Limited, a company incorporated on October 5, 1993 with limited liability under the laws of Hong Kong, the Shares of which are listed on the main board of the Stock Exchange
“controlling shareholder”	has the meaning set out in the Listing Rules
“Convertible Preferred Shares”	Series A Cumulative Convertible Preferred Shares of nominal value HK\$9.175 each in the share capital of the Company
“Directors”	the directors of the Company
“EGM”	the extraordinary general meeting of the Company to be held for the purpose of considering and, if thought fit, approving the Service Contract

“Good Reason”	means, broadly speaking: (i) material reduction of Mr. Amelio’s authority, duties and responsibilities, or the assignment to Mr. Amelio of duties materially inconsistent with his position or positions in the Company; (ii) reduction in Mr. Amelio’s annual base salary; (iii) material and wilful breach of any provision of the Service Contract by the Company; (iv) the Company’s inability to cause Mr. Amelio to be appointed to the Board within the first 60 days from the date of the Service Contract and to cause Mr. Amelio to be continuously re-elected to the Board during the remainder of the term of the Service Contract; or (v) the Company’s inability to obtain the consent of the Shareholders to approve the Service Contract within the first 90 days from the date of the Service Contract
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong Dollar, 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
“Independent Board Committee”	the independent board committee comprising the independent non-executive directors of the Company (other than any independent non-executive director who has a material interest in the Service Contract) for the purpose of advising the Shareholders in connection with the Service Contract
“July Circular”	the shareholders circular of the Company dated July 23, 2005
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Non-voting Shares”	ordinary unlisted shares of nominal value HK\$0.025 each in the ordinary share capital of the Company, which have the same rights as the Shares save that the Non-voting Shares do not carry any voting rights until they are converted into Shares
“Service Contract”	the service contract dated December 20, 2005 entered into between the Company and Mr. Amelio
“Shareholders”	holders of Shares or Convertible Preferred Shares
“Shares”	ordinary shares of nominal value HK\$0.025 each in the ordinary share capital of the Company which carry voting rights
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary”	has the meaning set out in the Listing Rules
“substantial shareholder”	has the meaning set out in the Listing Rules
“US\$”	United States Dollar, the lawful currency of the United States of America

This announcement contains translations between HK\$ and US\$ at HK\$7.75 = US\$1. The translation shall not be taken as representation that the HK\$ amount could actually be converted into US\$ at that rate, or at all.

As of the date of this announcement, the executive Directors are Mr. Yuanqing Yang, Mr. William J. Amelio and Ms. Xuezheng Ma; the non-executive Directors are Mr. Chuanzhi Liu, Mr. Linan Zhu, Mr. James G. Coulter, Mr. William O. Grabe, Mr. Weijian Shan, Mr. Justin T. Chang (alternate Director to Mr. James G. Coulter), Mr. Vince Feng (alternate Director to Mr. William O. Grabe) and Mr. Daniel A. Carroll (alternate Director to Mr. Weijian Shan); and the independent non-executive Directors are Mr. Wai Ming Wong, Professor Chia-Wei Woo, Mr. Lee Sen Ting and Mr. John W. Barter III.

By Order of the Board
Yuanqing Yang
Chairman

New York, December 21, 2005

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