
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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.

***lenovo* 联想**

Lenovo Group Limited 联想集团有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 0992)

APPROVAL OF DIRECTORS' SERVICE CONTRACTS

A letter from the Board is set out on pages 4 to 9 of this circular. A letter from the Compensation Committee is set out on page 10 of this circular.

A notice convening the extraordinary general meeting to be held on Tuesday, November 7, 2006 at 3:00 p.m. at The Harbour Room, 3/F., The Ritz-Carlton Hong Kong, 3 Connaught Road, Central, Hong Kong is set out on pages 11 to 13 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 26/F., Tesbury Centre, 28 Queen's Road East, 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.

October 19, 2006

CONTENTS

	<i>Page</i>
DEFINITIONS	1
LETTER FROM THE BOARD	4
LETTER FROM THE COMPENSATION COMMITTEE	10
NOTICE OF EXTRAORDINARY GENERAL MEETING	11

DEFINITIONS

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

“associate”	has the meaning set out in the Listing Rules
“Board”	the board of Directors of the Company
“Cause”	in respect of Mr. Yang’s or Ms. Ma’s Service Contract means, broadly speaking: Mr. Yang’s or Ms. Ma’s (as the case may be) (i) conviction of or admission to a felony or any misdemeanour involving moral turpitude; (ii) wilful misconduct, wilful or gross negligence, fraud, misappropriation or embezzlement; (iii) repeated failure to adhere to the Board’s directions or the Company’s policies; (iv) wilful and continued failure to substantially perform duties assigned after written demand is served; (v) material breach of the restrictive covenants of the relevant Service Contract; or (vi) material breach of any provision of the Service Contract
“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
“Compensation Committee”	the compensation committee of the Board comprising Mr. William O. Grabe, Mr. Wong Wai Ming and Professor Woo Chia-Wei
“Convertible Preferred Share(s)”	Series A Cumulative Convertible Preferred Share(s) of nominal value of HK\$9.175 each in the share capital of the Company which carry voting rights on an “as if” converted basis. One Convertible Preferred Share is convertible into approximately 367 Shares
“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, among other things, the Service Contracts

DEFINITIONS

“Good Reason”	in respect of Mr. Yang’s Service Contract means, broadly speaking: (i) material reduction in Mr. Yang’s authority, duties and responsibilities; (ii) reduction in his annual salary; (iii) the Company’s material and wilful breach of such Service Contract; or (iv) the Company’s inability to obtain the consent of its Shareholders to such Service Contract; and in respect of Ms. Ma’s Service Contract means, broadly speaking: (i) material reduction in Ms. Ma’s authority, duties and responsibilities; (ii) reduction in her annual salary; (iii) the Company’s material and wilful breach of such Service Contract; (iv) Ms. Ma’s removal from the Board or failure to be re-elected to the Board; or (v) the Company’s inability to obtain the consent of its Shareholders to such 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
“Latest Practicable Date”	October 16, 2006, being the latest practicable date for ascertaining certain information contained in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Non-voting Shares”	ordinary unlisted shares of nominal value of 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(s)”	the service contract(s) dated October 9, 2006 entered into by the Company with Mr. Yang Yuanqing, an executive Director and Chairman of the Board and with Ms. Ma Xuezheng, an executive Director, Chief Financial Officer and Senior Vice President of the Company, respectively
“Shareholders”	holders of the Shares and/or Convertible Preferred Shares
“Shares”	ordinary voting shares of nominal value of HK\$0.025 each in the share capital of the Company

DEFINITIONS

“ Stock Exchange ”	The Stock Exchange of Hong Kong Limited
“ US\$ ”	United States Dollar, the lawful currency of the United States of America

This circular contains translations between HK\$ and US\$ at HK\$7.78 = 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.

LETTER FROM THE BOARD

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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)

Executive Directors:

Mr. Yang Yuanqing
Mr. William J. Amelio
Ms. Ma Xuezheng

Registered office:

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

Non-executive Directors:

Mr. Liu Chuanzhi
Mr. Zhu Linan
Mr. James G. Coulter
Mr. William O. Grabe
Mr. Shan Weijian
Mr. Justin T. Chang (*alternate Director to Mr. James G. Coulter*)
Mr. Vince Feng (*alternate Director to Mr. William O. Grabe*)
Mr. Daniel A. Carroll (*alternate Director to Mr. Shan Weijian*)

Independent non-executive Directors:

Mr. Wong Wai Ming
Professor Woo Chia-Wei
Mr. Ting Lee Sen
Mr. John W. Barter III

October 19, 2006

*To the Shareholders and, for information only,
the holders of Non-voting Shares*

Dear Sir or Madam,

APPROVAL OF DIRECTORS' SERVICE CONTRACTS

INTRODUCTION

Mr. Yang Yuanqing was appointed as an executive Director on December 16, 1997 and Chairman of the Board on April 30, 2005. Ms. Ma Xuezheng was appointed as an executive Director on May 15, 1997. Ms. Ma is also the Chief Financial Officer and the Senior Vice President of the Company. On October 9, 2006, the Company entered into the Service Contracts with Mr. Yang and Ms. Ma. The Service Contracts will require the approval of the Shareholders at a general meeting pursuant to Rule 13.68 of the Listing Rules.

LETTER FROM THE BOARD

The Compensation Committee, comprising two independent non-executive Directors and a non-executive Director, has been appointed to advise the Shareholders in respect of the Service Contracts. The letter of advice from the Compensation Committee in relation to the Service Contracts is set out on page 10 of this circular.

The purpose of this circular are (i) to provide the Shareholders and the holders of Non-voting Shares with information regarding the Service Contracts; (ii) to set out the recommendation of the Compensation Committee to the Shareholders in respect of the Service Contracts; and (iii) to give notice of the EGM to the Shareholders to consider, and if thought fit, to approve, among other things, the Service Contracts.

APPROVAL OF DIRECTORS' SERVICE CONTRACTS

On October 9, 2006, the Company entered into the Service Contracts with Mr. Yang, an executive Director and Chairman of the Board and with Ms. Ma, an executive Director, Chief Financial Officer and Senior Vice President of the Company, respectively. The Service Contracts will require the approval of the Shareholders at a general meeting (at which Mr. Yang and Ms. Ma and their associates shall not vote on their own respective matter) pursuant to Rule 13.68 of the Listing Rules.

Term and termination

The term of the appointment of Mr. Yang pursuant to the Service Contract, subject to Shareholders' approval according to Rule 13.68 of the Listing Rules, shall be for an unfixed term commencing from October 9, 2006 (the "**Unfixed Term**") and in accordance with the Company's Articles of Association and cannot be terminated by the Company (save for Cause or by voluntary resignation from Mr. Yang upon giving written notice of at least 30 days to the Company or by termination by Mr. Yang for Good Reason or for Mr. Yang's death or disability).

The term of the appointment of Ms. Ma pursuant to the Service Contract, subject to Shareholders' approval according to Rule 13.68 of the Listing Rules, shall also be for an Unfixed Term commencing from October 9, 2006.

Base salary, bonus and other emoluments

Mr. Yang's annual base salary is US\$584,503 (approximately HK\$4,547,433) and his annual target bonus is US\$974,172 (approximately HK\$7,579,058). Ms. Ma's annual base salary is US\$328,434 (approximately HK\$2,555,217) and her annual target bonus is US\$433,533 (approximately HK\$3,372,887). Mr. Yang's and Ms. Ma's target annual bonuses are only payable if the performance targets for the relevant financial year, as established by the Board or the Compensation Committee, have been met. Pursuant to Mr. Yang's Service Contract, Mr. Yang is also entitled to receive an agreed-upon housing allowance.

LETTER FROM THE BOARD

In addition, Mr. Yang and Ms. Ma are each entitled to an annual long-term equity incentive award with a target value of US\$2,171,291 (approximately HK\$16,892,644) and US\$800,000 (approximately HK\$6,224,000) respectively, which awards shall be subject to the terms of such plans and applicable performance goals as have been or may be established by the Company for such awards. Each of Mr. Yang's and Ms. Ma's annual award shall vest ratably over a four-year period from the date of grant (or such other period as determined by the Board) in accordance with the terms of such plan. Such equity awards may be in the form of, but not limited to, any combination of stock appreciation rights, restricted stock units and other equity or equity-based compensation or cash-based compensation as determined by the Board or the Compensation Committee pursuant to the terms of the Company's applicable plans.

Restrictive covenant

Pursuant to the Service Contracts, each of Mr. Yang and Ms. Ma is bound by a restrictive covenant which provides that for 18 months following the date upon which Mr. Yang or Ms. Ma for any reason cease to be an employee of the Group, each of Mr. Yang and Ms. Ma shall not, among other things and subject to certain exceptions, directly or indirectly engage in 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 in such business as at the date of termination of the Service Contract.

Termination compensation

Certain provisions of the Service Contracts provide that upon termination of the Service Contracts and subject to the Shareholders' approval pursuant to Rule 13.68 of the Listing Rules, each of Mr. Yang and Ms. Ma may be entitled to compensation and other payments (primarily consisting of a portion of the annual salary and annual target bonus, outstanding unvested equity awards and other benefits earned and accrued under the respective Service Contracts) equivalent to more than one year's emoluments depending on a number of factors including the length of service, the amount of the unvested equity awards and the amount of the annual bonus (the "**Relevant Provisions**"). The basis of calculating the compensation and other payments payable to Mr. Yang and Ms. Ma upon termination of the Service Contracts depend largely on the circumstances surrounding the termination – whether the Service Contracts have been terminated by the Company with or without Cause or by Mr. Yang or Ms. Ma with or without Good Reason or upon Mr. Yang's or Ms. Ma's death or disability.

If the Service Contract is terminated upon Mr. Yang's or Ms. Ma's death or disability, each of Mr. Yang and Ms. Ma will be entitled to: (i) receive his/her annual salary and other benefits earned and accrued prior to the date of the termination; and (ii) reimbursement for expenses reasonably and actually incurred prior to the date of termination.

LETTER FROM THE BOARD

If the Service Contract is terminated by the Company for Cause or by voluntary resignation by Mr. Yang or Ms. Ma, each of Mr. Yang and Ms. Ma will be entitled to payments equivalent to the termination payment payable upon termination upon his/her death or disability as specified above except for any bonuses earned but not paid as at the date of termination.

If the Service Contract is terminated by the Company without Cause or for any reason (in respect of Ms. Ma's Service Contract only) or by Mr. Yang or Ms. Ma for Good Reason, Mr. Yang and Ms. Ma shall each be entitled to: (i) a certain portion of his/her then applicable annual salary plus a certain portion of his/her target annual bonus for each year he/she has been employed by the Company; (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 financial year through to the date of termination and a 365-day year); (iii) other benefits earned and accrued prior to the date of termination; and (iv) all other outstanding unvested equity awards shall be credited with one year of additional vesting as of the date of termination (except for the performance share units which shall be paid pro-rata based on actual months of service). Such payments may exceed Mr. Yang's or Ms. Ma's one year's emoluments under the relevant Service Contract.

The compensation and other payments payable to Mr. Yang and Ms. Ma upon termination of the Service Contracts 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 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. Yang or Ms. Ma upon termination of the respective Service Contract.

Approval at the EGM

The Service Contracts including the Unfixed Term and the Relevant Provisions in the relevant Service Contracts will require approval of the Shareholders at a general meeting of the Company (at which Mr. Yang and Ms. Ma and their associates shall not vote on their own respective matter) 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 Latest Practicable Date, Mr. Yang, together with his associates, had the following interests in the Company, namely, 10,200,000 Shares, 11,250,000 share options and 9,149,141 share awards while Ms. Ma, together with her associates, had the following interests in the Company, namely, 23,074,000 Shares, 6,120,000 share options and 2,993,200 share awards, respectively. In the event that the Service Contracts are not approved by the Shareholders, each of Mr. Yang's and Ms. Ma's Service Contract will continue to be valid except that it will be for a term of three (3) years. The Unfixed Term and the Relevant Provisions in each of Mr. Yang's or Ms. Ma's Service Contract shall forthwith become null and void and any payments which may be made to Mr. Yang or Ms. Ma upon termination of each of Mr. Yang's or Ms. Ma's Service Contract will not exceed Mr. Yang's or Ms. Ma's one year's emoluments. Nevertheless, the remaining provisions of the Service Contracts shall remain in effect.

LETTER FROM THE BOARD

The Compensation Committee will advise the Shareholders as to whether the terms of the Service Contracts are fair and reasonable and whether it is in the interest of the Company and the Shareholders as a whole and advise the Shareholders on how to vote.

EXPERT

Towers Perrin, who has given an opinion to the Compensation Committee dated October 19, 2006, is an international human resources consultancy firm. Such opinion was given for incorporation into this circular. Towers Perrin has given and has not withdrawn its written consent to the issue of this circular with the references to its name included in this circular. Towers Perrin does not have any shareholding in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group. Further, Towers Perrin does not have any direct or indirect interest in any assets which have been acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group, since March 31, 2006, being the date up to which the latest published audited consolidated financial statements of the Group were made up.

THE COMPENSATION COMMITTEE

The Compensation Committee will advise the Shareholders in respect of the Service Contracts. The letter of advice from the Compensation Committee in relation to the Service Contracts is set out on page 10 of this circular.

EXTRAORDINARY GENERAL MEETING

A notice convening an EGM is set out on pages 11 to 13 of this circular. The EGM is being convened for the purpose of considering and, if thought fit, passing ordinary resolutions to approve, among other things, the Service Contracts.

A form of proxy for use at the EGM is enclosed. Whether or not you are able to attend the EGM, 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 26/F., Tesbury Centre, 28 Queen's Road East, Hong Kong as soon as possible and in any event no less than 48 hours before the time appointed for the holding of the EGM 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 EGM or any adjourned meeting thereof and, in such event, the relevant form of proxy shall be deemed to be revoked.

LETTER FROM THE BOARD

POLL PROCEDURE

Votes taken at the EGM will be taken by poll.

Pursuant to Article 73 of the Articles of Association of the Company, 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;
- (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;
- (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; or
- (d) as required by the applicable Listing Rules.

GENERAL

Copies of the Service Contracts are available for inspection during normal business hours at Norton Rose at 38/F., Jardine House, 1 Connaught Place, Central, Hong Kong for 14 days from the date of this circular.

Your attention is drawn to the letter from the Compensation Committee set out on page 10 of this circular. The Shareholders are advised to read the aforesaid letter before deciding as to how to vote on the ordinary resolutions approving the Service Contracts.

By order of the Board
Yang Yuanqing
Chairman

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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)

October 19, 2006

*To the Shareholders and, for information only,
the holders of Non-Voting Shares*

Dear Sir or Madam,

APPROVAL OF DIRECTORS' SERVICE CONTRACTS

We refer to the circular of the Company dated October 19, 2006 issued to the Shareholders (the "**Circular**") of which this letter forms part. Capitalised terms used herein shall have the same meanings as defined in the Circular unless the context otherwise requires.

We, being members of the Compensation Committee, hereby write to advise the Shareholders as to whether, in our opinion, the terms of the Service Contracts are fair and reasonable and the Service Contracts are in the interests of the Company and the Shareholders as a whole.

Having taken into account the recommendations of Towers Perrin, an international human resources consultancy firm, we consider that the terms of the Service Contracts (including the Unfixed Term and the Relevant Provisions) are fair and reasonable and the Service Contracts are in the interest of the Company and the Shareholders as a whole.

We have taken into account the factors considered by Towers Perrin, for example, the terms of the Service Contracts would be market competitive with respect to compensation levels for similar positions in the global technology or personal computer sector and the Hong Kong market; the terms would be consistent with the compensation arrangements for individuals with background, experience and responsibilities comparable to those of Mr. Yang and Ms. Ma; the terms would also align with the Company's business strategy and with reference to market practice in respect of termination-related payments.

We therefore recommend the Shareholders to vote in favour of the resolutions in relation to the Service Contracts.

Yours faithfully,
Compensation Committee
Mr. William O. Grabe
Mr. Wong Wai Ming
Professor Woo Chia-Wei

NOTICE OF EXTRAORDINARY GENERAL MEETING

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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)

NOTICE IS HEREBY GIVEN that an extraordinary general meeting of Lenovo Group Limited (the “**Company**”) will be held at The Harbour Room, 3/F., The Ritz-Carlton Hong Kong, 3 Connaught Road, Central, Hong Kong on Tuesday, November 7, 2006 at 3:00 p.m. for the purpose of considering and, if thought fit, passing with or without modification the following resolutions as ordinary resolutions of the Company:

ORDINARY RESOLUTIONS

“(1) THAT:

- (a) the Service Contract, including the Unfixed Term and the Relevant Provisions (each as defined in the Circular issued by the Company dated October 19, 2006), dated October 9, 2006 entered into by and between the Company and Mr. Yang Yuanqing, an executive Director and Chairman of the Board (a copy of which is tabled at the meeting and marked “A” and initialed by the Chairman of the meeting for identification purposes), be and is hereby approved, ratified and confirmed; and
- (b) any one Director, or any one Director and the Company Secretary if the affixation of the common seal is necessary, be and is/are hereby authorised for and on behalf of the Company and/or its subsidiaries to execute all such other documents, instruments and agreements and to do all such acts or things deemed by him/them to be incidental to, ancillary to or in connection with the matters contemplated in the Service Contract.

(2) THAT:

- (a) the Service Contract, including the Unfixed Term and the Relevant Provisions (each as defined in the Circular issued by the Company dated October 19, 2006), dated October 9, 2006 entered into by and between the Company and Ms. Ma Xuezheng, an executive Director, Chief Financial Officer and Senior Vice President of the Company (a copy of which is tabled at the meeting and marked “B” and initialed by the Chairman of the meeting for identification purposes), be and is hereby approved, ratified and confirmed; and

NOTICE OF EXTRAORDINARY GENERAL MEETING

- (b) any one Director, or any one Director and the Company Secretary if the affixation of the common seal is necessary, be and is/are hereby authorised for and on behalf of the Company and/or its subsidiaries to execute all such other documents, instruments and agreements and to do all such acts or things deemed by him/them to be incidental to, ancillary to or in connection with the matters contemplated in the Service Contract.”

By order of the Board

Yang Yuanqing

Chairman

Raleigh, October 19, 2006

Registered office:

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

Executive Directors:

Mr. Yang Yuanqing
Mr. William J. Amelio
Ms. Ma Xuezheng

Non-executive Directors:

Mr. Liu Chuanzhi
Mr. Zhu Linan
Mr. James G. Coulter
Mr. William O. Grabe
Mr. Shan Weijian
Mr. Justin T. Chang (*alternate Director to Mr. James G. Coulter*)
Mr. Vince Feng (*alternate Director to Mr. William O. Grabe*)
Mr. Daniel A. Carroll (*alternate Director to Mr. Shan Weijian*)

Independent non-executive Directors:

Mr. Wong Wai Ming
Professor Woo Chia-Wei
Mr. Ting Lee Sen
Mr. John W. Barter III

NOTICE OF 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 26/F., Tesbury Centre, 28 Queen's Road East, 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, 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 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.