

# Corporate Governance

Lenovo has complied with the Code of Best Practice as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the year ended March 31, 2005, except that non-executive directors are not appointed for a specific term as they are subject to retirement by rotation at Annual General Meeting in accordance with the Company's articles of association.

The Code on Corporate Governance Practices replaces the Code of Best Practice effective on January 1, 2005 and applies to disclosure referable to accounting periods commencing on or after January 1, 2005. The Company believes maximizing shareholder returns should have the backing of sound and well-established corporate governance practices. We are committed to applying the principles and practices of good corporate governance programmatically.

In May 2005, the Board set up a Governance Committee and a Strategy Committee. The Governance Committee is to assist the Board in developing its corporate governance principles and directorship practices. The Strategy Committee has the responsibility of assisting the Board in developing the short-term and long-term business strategy for the Company.

## Directors' Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") set out in Appendix 10 to the Listing Rules along with a guidance note to govern the directors' securities transactions. During the year, the directors have complied with the required standard set out in the Model Code and the guidance note.

## Board of Directors

The composition of the Board during the financial year and attendance of individual directors at Board and Board Committee meetings are as follows:

Directors during the year	Attendance / Number of Meetings			
	Board		Board Committees	
	Full board for high level corporate decisions	General corporate matters and execution	Audit Committee	Remuneration Committee
<b>Executive directors</b>				
Mr. Chuanzhi Liu	8/9	48/49	N/A	N/A
Mr. Yuanqing Yang	9/9	49/49	N/A	N/A
Ms. Xuezheng Ma	9/9	49/49	N/A	N/A
<b>Non-executive director</b>				
Mr. Maochao Zeng (resigned on April 30, 2005)	9/9	18/49	4/4	1/2*
<b>Independent non-executive directors</b>				
Mr. Wai Ming Wong	9/9	N/A	4/4	3/3*
Professor Chia-Wei Woo	9/9	N/A	4/4	2/3*
Mr. Lee Sen Ting	9/9	N/A	4/4	N/A

\* Up to the date of this annual report



During the year, Mr. Chuanzhi Liu was the Chairman of the Board with responsibility for the strategic planning and management of the Group. Mr. Yuanqing Yang was the Chief Executive Officer of the Company with responsibility for the overall business and operation of the Group. There was a segregation of the duties to ensure a balance of power and authority. Effective on April 30, 2005, Mr. Liu ceased to be the Chairman of the Board and has been re-designated as a non-executive director. Mr. Yang ceased to be the Chief Executive Officer and has been appointed as the Chairman of the Board to replace Mr. Liu on the same date.

Mr. Stephen M. Ward, Jr. has been appointed as the new Chief Executive Officer and an executive director of the Company with effect from April 30, 2005.

Currently, there are eleven Board members, of whom three are executive directors, five are non-executive directors and three are independent non-executive directors. Two of the non-executive directors serve on the board of directors of Legend Holdings Limited, the controlling shareholder of the Company. The remaining non-executive directors are nominated by investors and have appointed respective alternate director. Each director does not have any family relationships with any other directors of the Company. Biography and responsibility of directors and senior management are set out on pages 38 to 41 of this annual report.

### **Remuneration Committee**

The Remuneration Committee has been established since 2003 with the responsibility of assisting the Board in reviewing and determining the framework or broad policy for the remuneration of executive directors and the allocation of share options, overseeing any major changes in employee benefit structures and considering other topics as defined by the Board.

During the year, the Committee members were Mr. Wai Ming Wong (Committee Chairman), Professor Chia-Wei Woo and Mr. Maochao Zeng. The Committee reviewed the framework for remuneration and incentive plan of senior management of the Company.

Mr. Zeng ceased to be a Committee member on April 30, 2005. His vacancy was replaced by Mr. William O. Grabe (new Committee Chairman) effective on May 26, 2005. Majority of Committee members are independent non-executive directors.

### **Audit Committee**

The Board established the Audit Committee in 1999 with the responsibility of assisting the Board in providing an independent review of the accounts and internal control system. It acts in an advisory capacity and makes recommendations to the Board.



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The Audit Committee meets regularly to review the accounting principles and practices adopted by the Group, discuss internal control and financial reporting matters including the quarterly, interim and annual financial statements before submission to the Board for approval. The external auditors, Chief Financial Officer and the management of Finance Department and Internal Audit Department attend to answer questions on the reports of their work.

During the year, the Committee members were Mr. Wai Ming Wong (Committee Chairman), Professor Chia-Wei Woo, Mr. Lee Sen Ting and Mr. Maochao Zeng. Mr. Zeng ceased to be a Committee member on April 30, 2005. His vacancy was replaced by Mr. Weijian Shan effective on May 26, 2005. The Committee members possess diversified industry experience and the Chairman is a chartered accountant with extensive knowledge and experience in investment banking. All Committee members are non-executive directors and three of them including the Chairman are independent directors.

### **Significant Changes in the Company's Articles of Association**

During the year and up to the date of this annual report, the articles of association of the Company were amended on the date and for the reasons stated below.

- (i) Following the rule amendments to the Companies Ordinance and the Listing Rules, a special resolution was duly passed to make corresponding amendments to the articles of association of the Company. They included the amendments to effect that a director may be removed by an ordinary

resolution instead of a special resolution, the share certificates shall be ready for delivery within ten business days after the lodgment of transfers, and various corporate governance practices of the Company shall be conformed to the Listing Rules. The special resolution as contained in the circular of the Company dated June 15, 2004 was duly passed on July 23, 2004.

- (ii) To entrench the terms of the Series A Cumulative Convertible Preferred Shares, a new class of shares in the share capital of the Company, an ordinary resolution and a special resolution were duly passed to increase the authorized capital of the Company and to add a new Article A to the articles of association of the Company respectively on May 13, 2005. A full text of such resolutions was contained in the circular of the Company dated April 20, 2005.

### **Shareholders' Rights**

The Company is committed to safeguard shareholders' interests and encourage shareholders to attend the Annual General Meeting for which at least 21 days' notice is given. The Chairman of the Board and directors are available to answer questions at the meeting. All shareholders have statutory rights to call for extraordinary general meetings and put forward agenda items for consideration by shareholders. All substantive resolutions at general meetings are decided on a poll. The poll is conducted by the Company's share registrars and the results of the poll are published on the Company's website. Statutory announcements, financial and other information is made available on the Company's website, which is regularly updated.



## Investor Relations

The Company continues to foster an excellent relationship with its investors by maintaining regular meetings with institutional investors and financial analysts. It also makes company information available on the Internet to facilitate its communication with individual investors.

During the year, the Company focused its communications on the progress and outcome of the strategic initiatives that it introduced in the beginning of 2004. Through speaking at investment conferences, one-on-one meetings and conference calls, the Company provided updates on the implementation progress and addressed investor questions.

Following the announcement of its acquisition of IBM's personal computer business, the Company devoted its greatest efforts to providing more information about the acquired business. As the acquisition was completed on April 30, 2005, the Company will continue to update investors about the performance of the combined business, and has made investor information available on over 15 country sites of the Lenovo's global corporate website (<http://www.lenovo.com>).

Lenovo welcomes suggestions from investors and shareholders, and invites them to share their views and suggestions by contacting the Company's investor relations team at [cmk@lenovo.com](mailto:cmk@lenovo.com).

## Information for Investors

### Listing Information

Listing: Hong Kong Stock Exchange  
Stock code: 992

### American Depositary Receipts Level I Program

Ordinary share to ADR 20:1  
Stock code: LNVGY

### Share Information

Board lot size: 2,000 shares

Shares outstanding as of March 31, 2005:  
7,474,796,108 shares

Market capitalization as of March 31, 2005:  
HK\$19,808,209,686

Basic earnings per share for the year ended March 31, 2005:

– Interim 8.39 HK cents  
– Full year 14.99 HK cents

Dividend per ordinary share for the year ended March 31, 2005:

– Interim 2.4 HK cents  
– Full year 5.2 HK cents

### Key Dates

August 11, 2004	1st Quarter Results Announcement
November 16, 2004	Interim Results Announcement
December 2-8, 2004 (both days inclusive)	Closure of Register of Members
December 14, 2004	Payment of Interim Dividend
January 27, 2005	Extraordinary General Meeting
February 4, 2005	3rd Quarter Results Announcement
May 13, 2005	Extraordinary General Meeting
June 8, 2005	Annual Results Announcement
August 3-9, 2005 (both days inclusive)	Closure of Register of Members
August 9, 2005	Annual General Meeting
August 16, 2005	Proposed Payment of Final Dividend





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WE CREATE FUTURE  
VALUE





