lenovo 联想

Lenovo Group Limited 聯想集團有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 992)

2004/05 ANNUAL RESULTS ANNOUNCEMENT

FINANCIAL HIGHLIGHTS

- Turnover achieved HK$22,555 million
- EBITDA reached HK$1,174 million
- Profit attributable to shareholders attained HK$1,120 million
- Basic earnings per share was 14.99 HK cents. Fully diluted earnings per share was 14.97 HK cents
- Proposed final dividend is 2.8 HK cents per ordinary share

AUDITED CONSOLIDATED RESULTS

The board of directors (the "Directors") of Lenovo Group Limited (the "Company") is pleased to announce that the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended March 31, 2005, together with comparative figures for last year, are as follows:

CONSOLIDATED PROFIT AND LOSS ACCOUNT

	Note	**2005** *HK$'000*	2004 *HK$'000*
Turnover	*2*	**22,554,678**	23,175,944
Earnings before interest, taxation, depreciation and amortization expenses		**1,173,616**	1,125,129
Depreciation expenses		**(184,490)**	(211,161)
Amortization of intangible assets		**(58,078)**	(34,999)
Impairment of assets		**(51,364)**	–
Gains on disposal of investments		**156,958**	47,558
Finance income		**105,677**	93,368
Profit from operations	*3*	**1,142,319**	1,019,895
Finance costs		**(6,667)**	(2,881)
		1,135,652	1,017,014
Share of losses of jointly controlled entities		**(12,327)**	(39,053)
Share of profits of associated companies		**4,182**	16,891
Profit before taxation		**1,127,507**	994,852
Taxation	*4*	**(35,184)**	20,150
Profit after taxation		**1,092,323**	1,015,002
Minority interests		**27,823**	37,883
Profit attributable to shareholders		**1,120,146**	1,052,885
Dividends	*5*	**388,806**	373,628
Earnings per share			
– Basic	*6*	**14.99 HK cents**	14.09 HK cents
– Fully diluted	*6*	**14.97 HK cents**	13.99 HK cents

CONSOLIDATED BALANCE SHEET

	Note	**As at March 31, 2005** *HK$'000*	As at March 31, 2004 *HK$'000*
Non-current assets			
Intangible assets		**513,078**	646,986
Tangible fixed assets		**878,144**	987,272
Construction-in-progress		**257,159**	260,377
Investments in jointly controlled entities		**191,523**	124,124
Investments in associated companies		**52,067**	112,682
Investment securities		**62,970**	75,982
Deferred tax assets		**53,498**	34,718
Other non-current assets		**569,673**	–
		2,578,112	2,242,141
Current assets			
Inventories		**878,900**	1,393,018
Trade receivables	*7*	**851,337**	1,230,944
Notes receivable		**1,137,174**	520,321
Deposits, prepayments and other receivables		**567,046**	301,513
Tax recoverable		**–**	4,033
Cash and cash equivalents		**3,019,385**	2,650,071
		6,453,842	6,099,900
Current liabilities			
Trade payables	*7*	**2,276,070**	2,155,057
Notes payable		**195,032**	356,531
Accruals and other payables		**716,906**	616,897
Amounts due to jointly controlled entities		**108,446**	108,471
Tax payable		**493**	5,031
Current portion of long term liabilities		**175,866**	55,453
		3,472,813	3,297,440
Net current assets		**2,981,029**	2,802,460
Total assets less current liabilities		**5,559,141**	5,044,601
Financed by:			
Share capital		**186,870**	186,890
Reserves		**5,017,528**	4,301,834
Shareholders' funds		**5,204,398**	4,488,724
Minority interests		**23,609**	29,330
Long-term liabilities		**331,134**	526,547
		5,559,141	5,044,601

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	2005 *HK$'000*	2004 *HK$'000*
Net cash inflow from operating activities	**1,259,545**	817,784
Net cash outflow from investing activities	**(485,782)**	(296,522)
Net cash outflow from financing activities	**(404,430)**	(679,462)
Increase/(decrease) in cash and cash equivalents	**369,333**	(158,200)
Effect of foreign exchange rate changes	**(19)**	(52)
Cash and cash equivalents at the beginning of the period	**2,650,071**	2,808,323
Cash and cash equivalents at the end of the period	**3,019,385**	2,650,071

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital *HK$'000*	**Share premium** *HK$'000*	**Surplus arising on consolidation** *HK$'000*	**Exchange reserve** *HK$'000*	**Investment revaluation reserve** *HK$'000*	**Share redemption reserve** *HK$'000*	**(Accumulated losses)/ retained earnings** *HK$'000*	**Total** *HK$'000*
Balance as at April 1, 2004	186,890	4,762,526	27,871	4,581	(5,976)	2,898	(490,066)	4,488,724
Losses in fair market value of investment securities	–	–	–	–	(4,247)	–	–	(4,247)
Exchange differences	–	–	–	(111)	–	–	–	(111)
Net gains and losses not recognized in the consolidated profit and loss account	–	–	–	(111)	(4,247)	–	–	(4,358)
Profit for the year	–	–	–	–	–	–	1,120,146	1,120,146
Reserves written off on disposal of subsidiaries	–	–	–	(2,377)	–	–	–	(2,377)
Reserves realized on disposal of investment securities	–	–	–	–	(12,908)	–	–	(12,908)
Impairment of investments	–	–	–	–	19,601	–	–	19,601
Exercise of share options	168	15,065	–	–	–	–	–	15,233
Repurchase of shares	(188)	(16,093)	–	–	–	188	–	(16,093)
Dividends paid	–	–	–	–	–	–	(403,570)	(403,570)
As at March 31, 2005	186,870	4,761,498	27,871	2,093	(3,530)	3,086	226,510	5,204,398

	Share capital HK$'000	Share premium HK$'000	Surplus arising on consolidation HK$'000	Exchange reserve HK$'000	Investment revaluation reserve HK$'000	Share redemption reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
Balance as at April 1, 2003	186,934	4,734,055	27,871	4,311	(14,496)	2,589	(752,743)	4,188,521
Surplus in fair market value of investment securities	–	–	–	–	20,144	–	–	20,144
Exchange differences	–	–	–	270	–	–	–	270
Net gains and losses not recognized in the consolidated profit and loss account	–	–	–	270	20,144	–	–	20,414
Profit for the year	–	–	–	–	–	–	1,052,885	1,052,885
Reserves realized on disposal of investment securities	–	–	–	–	(11,624)	–	–	(11,624)
Exercise of share options	265	28,471	–	–	–	–	–	28,736
Repurchase of shares	(309)	–	–	–	–	309	(28,394)	(28,394)
Dividends paid	–	–	–	–	–	–	(761,814)	(761,814)
As at March 31, 2004	186,890	4,762,526	27,871	4,581	(5,976)	2,898	(490,066)	4,488,724

NOTES TO THE ACCOUNTS

1. Basis of preparation

The accounts have been prepared in accordance with accounting principles generally accepted in Hong Kong and comply with accounting standards issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). They have been prepared under the historical cost convention except that investment securities are stated at fair value.

2. Turnover, revenue and segment information

(a) Primary reporting format – business segments

(i) For the year ended March 31, 2005:

	Corporate IT business *HK$'000*	**Consumer IT business** *HK$'000*	**Handheld device business** *HK$'000*	**Other business** *HK$'000*	**Total** *HK$'000*
Profit and loss account					
Turnover	**12,225,923**	**7,768,024**	**2,202,929**	**357,802**	**22,554,678**
Segment operating results	**658,034**	**463,459**	**(54,462)**	**(87,378)**	**979,653**
Amortization of goodwill and marketing right					**(48,605)**
Impairment of assets					**(51,364)**
Gains on disposal of investments					**156,958**
Finance income					**105,677**
Finance costs					**(6,667)**
Contribution to operating profit					**1,135,652**
Share of losses of jointly controlled entities					**(12,327)**
Share of profits of associated companies					**4,182**
Profit before taxation					**1,127,507**
Taxation					**(35,184)**
Profit after taxation					**1,092,323**
Minority interest					**27,823**
Profit attributable to shareholders					**1,120,146**

(ii) For the year ended March 31, 2004:

	Corporate IT business *HK$'000*	Consumer IT business *HK$'000*	Handheld device business *HK$'000*	Other business *HK$'000*	Total *HK$'000*
Profit and loss account					
Turnover	11,925,240	7,760,668	2,050,164	1,439,872	23,175,944
Segment operating results	724,886	432,225	(76,910)	(153,958)	926,243
Amortization of goodwill					(25,274)
Gains on disposal of investments					47,558
Others					(22,000)
Finance income					93,368
Finance costs					(2,881)
Contribution to operating profit					1,017,014
Share of losses of jointly controlled entities					(39,053)
Share of profits of associated companies					16,891
Profit before taxation					994,852
Taxation					20,150
Profit after taxation					1,015,002
Minority interest					37,883
Profit attributable to shareholders					1,052,885

(b) Secondary reporting format – geographical segments

As over 90% of the Group's business operations are located in the People's Republic of China, no geographical segment analysis is presented.

3. Profit from operations

		2005 *HK$'000*	2004 *HK$'000*
(a)	Turnover	**22,554,678**	23,175,944
	Cost of sales	**(19,227,770)**	(19,787,944)
	Gross profit	**3,326,908**	3,388,000
	Finance income	**105,677**	93,368
	Gains on disposal of investments	**156,958**	47,558
	Impairment of assets	**(51,364)**	–
	Distribution expenses	**(1,614,398)**	(1,686,932)
	Administrative expenses	**(354,188)**	(343,306)
	Other operating expenses	**(369,196)**	(443,794)
	Amortization of intangible assets	**(58,078)**	(34,999)
	Total operating expenses *(See (b))*	**(2,395,860)**	(2,509,031)
	Profit from operations	**1,142,319**	1,019,895
(b)	Analysis of total operating expenses by nature:		
	Selling expenses	**(573,017)**	(558,124)
	Promotional and advertising expenses	**(354,540)**	(395,905)
	Staff costs	**(875,433)**	(851,476)
	Other expenses	**(534,792)**	(668,527)
	Amortization of intangible assets	**(58,078)**	(34,999)
	Total operating expenses	**(2,395,860)**	(2,509,031)

4. Taxation

The amount of taxation charged/(credited) to the consolidated profit and loss amount represents:

	2005 *HK$'000*	2004 *HK$'000*
Current taxation outside Hong Kong	**53,183**	14,482
Deferred taxation	**(18,780)**	(35,048)
	34,403	(20,566)
Share of taxation attributable to:		
Jointly controlled entities	**190**	84
Associated companies	**591**	332
Taxation charged/(credited)	**35,184**	(20,150)

5. Dividends

	2005 *HK$'000*	2004 *HK$'000*
Interim dividend of 2.4 HK cents per ordinary share (2003/04: 2.0 HK cents)	**179,378**	149,436
Proposed final dividend of 2.8 HK cents per ordinary share (Final dividend paid, 2003/04: 3.0 HK cents)	**209,428**	224,192
	388,806	373,628

At a board meeting held on June 8, 2005, the Directors recommended a final dividend of 2.8 HK cents per ordinary share. This proposed dividend is not reflected as a dividend payable in these accounts, but will be reflected as an appropriation of retained earnings for the year ended March 31, 2006.

6. Earnings per share

The calculation of basic and diluted earnings per share is based on the following data:

	2005	2004
Earnings for the purpose of basic and diluted earnings per share *(HK$'000)*	**1,120,146**	1,052,885
Weighted average number of shares for the purpose of basic earnings per share	**7,475,070,185**	7,471,766,157
Effect of potential dilutive shares	**9,417,271**	53,541,036
Weighted average number of shares for the purpose of diluted earnings per share	**7,484,487,456**	7,525,307,193

7. Ageing

Ageing analysis of the trade receivables at March 31, 2005 was as follows:

	2005	2004
	HK$'000	*HK$'000*
0 – 30 days	**588,389**	944,212
31 – 60 days	**56,966**	84,481
61 – 90 days	**40,702**	20,862
Over 90 days	**165,280**	181,389
	851,337	1,230,944

Customers for trading business are generally granted credit terms of 30 days. Credit terms for customers of systems integration business normally range from 30 days to 180 days.

Ageing analysis of the trade payables at March 31, 2005 was as follows:

	2005	2004
	HK$'000	*HK$'000*
0 – 30 days	**1,954,188**	1,791,869
31 – 60 days	**149,691**	210,993
61 – 90 days	**59,383**	27,554
Over 90 days	**112,808**	124,641
	2,276,070	2,155,057

8. Condensed balance sheet of the Company

	As at March 31, 2005	As at March 31, 2004
	HK$'000	*HK$'000*
Tangible fixed assets	**25,130**	32,115
Investments	**2,332,288**	2,327,875
Other non-current assets	**565,340**	–
Current assets	**4,387,158**	4,408,126
Current liabilities	**279,137**	130,700
Net current assets	**4,108,021**	4,277,426
Total assets less current liabilities	**7,030,779**	6,637,416
Share capital	**186,870**	186,890
Retained earnings	**2,082,203**	1,685,102
Reserves	**4,761,706**	4,765,424
	7,030,779	6,637,416

BUSINESS REVIEW

The 2004/05 fiscal year was a remarkable one for the Group. Through implementing strategic initiatives set in the beginning of the year, the Group successfully strengthened its leadership position in the China PC market. The Group was also able to pre-empt irrational competitive pricing tactics of second-tier domestic PC vendors and intensified competition from foreign brands. However, as a result of its divestiture of non-core business and the expansion into emerging segment in township market, the Group's consolidated turnover for the 2004/05 fiscal year recorded a slight decrease of 2.7% while its PC shipment grew in line with the market average. The Group maintained its overall gross margin at approximately 14.75% and achieved a 6.4% increase in net profit on lower operating expenses.

Implementation of Strategic Initiatives

The rapid growth and structural changes in the Chinese economy, along with the proliferation of foreign competitors and increasing strength of domestic private enterprises, has led to changes in customer demands and the competitive landscape in China's PC market. To address these changes, Lenovo implemented strategic initiatives at the beginning of the last fiscal year.

- **Business Focus** – Since the beginning of the fiscal year, Lenovo set its priorities to ensure that resources and efforts were more effectively allocated to the core PC and related products business and strengthened the competitiveness of its mobile handset business. This has increased the Group's overall competitiveness and drastically improved its operations during the review period while building a strong foundation for its efforts to globalize the PC business.

- **Customer-oriented Sales Model** – The Group's efforts to build a customer-oriented sales model and organizational structure also met with success during the past year. The Group was able to better meet customer needs and improve the control of its customer information through building a network comprising 110 sales zones spanning 18 regions in China and a direct-to-customer model to serve large customer accounts. Sales to these types of customers increased steadily, accounting for approximately 7.1% of core business turnover.

- **Improved Efficiency** – The Group has also embarked on a series of projects to improve operational efficiencies. During the review period, these efforts helped streamline and reduce the Group's cash cycle to 5.1 days.

Performance of Business Segments

During the 2004/05 fiscal year, the Group's overall business achieved a steady growth rate, due to the successful implementation of its strategic initiatives and favorable macroeconomic conditions in China. Moreover, the government's macroeconomic control measures to cool the economy did not impact the growth of China's PC market which achieved a 19% year-on-year increase in unit shipment during the year ended March 2005.

Corporate IT Business

- Continued IT investments from the government and education sectors and the rapid growth of small-and medium-sized enterprises (SMEs) drove the growth of China's corporate PC market. At the same time, the notebook computer market enjoyed significant growth due to increasing demand for mobile computing.

- As a result of redesigning the Lenovo sales model and introducing tailor-made innovative products, the Group's commercial desktop market share increased over the review period.

- The Group streamlined its notebook product line, reflecting the growing importance of notebook computers in the China PC market. The Group's three distinctive notebook series – Soleil, Tianyi and Xuri – set trends in the market with innovative features. The Group's outstanding R&D and marketing capabilities have strengthened its leadership position in China's notebook computer market.

Consumer IT Business

- The consumer desktop market in China enjoyed better growth in the past year, bolstered by vendors' efforts to penetrate township markets, and the rising demand for large-screen LCD monitors, resulting from declining prices and fashionable designs.

- With a good understanding of customer needs in township markets, Lenovo captured its growth potential by launching Yuanmeng, a desktop computer series emphasizing performance at affordable prices.

- The Group introduced new computer models targeting other segments. For the high-end consumer market, the Group introduced the Tianjiao broadband collaborating desktops, which allows for better utilization of broadband technology such as videophone modules.

Handheld Device Business

- During the year, the mobile handset market in China maintained a steady unit shipment growth of about 16%. The Group's ongoing persistence in developing proprietary products has placed it among the few domestic vendors that enjoyed market share gain during the year.

- During the year under review, the Group began to reap the benefits of its efforts over the past two years of building its sales channels and enhancing its R&D capabilities. Lenovo's mobile handset unit shipment jumped 63% year-over-year, ranking as one of the top five domestic brand names in China in 2004. The Group also saw its gross profit margin for the handset device business rise to 23.8%, leveraging its enhanced product development capability.

FINANCIAL REVIEW

Results Highlights

Comparing with the last year's results, the Group's turnover slightly decreased by 2.7% to HK$22,555 million in the 2004/05 fiscal year. However, EBITDA increased by 4.3% to HK$1,174 million. Profit attributable to shareholders for the year increased by 6.4% to HK$1,120 million. The basic earnings per share and fully diluted earnings per share were 14.99 HK cents and 14.97 HK cents representing increases of 6.4% and 7.0% respectively.

Segment results

Total turnover of corporate IT business grew by 2.5% to HK$12,226 million and segment operating profit decreased by 9.2% to HK$658 million. The turnover of consumer IT business kept in line with last year and reached HK$7,768 million, while the segment operating profit was HK$463 million. Turnover of handheld device business increased by 7.5% to HK$2,203 million for the year while the loss of the business was HK$54 million. During the year, turnover of other business (IT service and contract manufacturing business) dropped by 75.2% to HK$358 million and loss of HK$87 million for the year was recorded.

Gains on disposal of investments

The Group recorded net gains of HK$157 million on disposal of investments during the year ended March 31, 2005. The gains were mainly from the disposal of subsidiaries and associated companies in relation to IT services business and printed circuit board business.

Amortization of marketing right

Marketing right for the Olympic partner program is amortized on a straight-line basis from January 1, 2005 to December 31, 2008. During the year ended March 31, 2005, amortization of HK$32 million was charged to the consolidated profit and loss account.

Impairment of assets

During the year, impairment losses of HK$20 million and HK$31 million for investment securities and goodwill arising from business combination were charged to the consolidated profit and loss account respectively.

Capital expenditure

The Group incurred capital expenditures of HK$177 million for the year ended March 31, 2005, mainly for acquisition of fixed assets, injection into construction-in-progress and optimization of the Group's information technology systems.

Liquidity and financial resources

As at March 31, 2005, total assets of the Group amounted to HK$9,032 million which were financed by shareholders' fund of HK$5,204 million, minority interests of HK$24 million, long-term and current liabilities of HK$3,804 million. The current ratio of the Group was 1.9.

The Group had a solid financial position and maintained a strong and steady cash inflow from its operation activities. As at March 31, 2005, cash and cash equivalents of the Group totaled at HK$3,019 million. The balance consisted of about 0.8% in Hong Kong dollars, 42.0% in US dollars and 57.2% in Renminbi.

Although the Group has consistently been in a very liquid position, credit facilities have nevertheless been put in place for contingency purposes. As at March 31, 2005, the Group's total available credit facilities amounted to HK$3,275 million, of which HK$1,473 million was in trade line, HK$740 million in short term and revolving money market facilities and HK$1,062 million in foreign exchange contract. As at March 31, 2005, the facility drawn down was HK$342 million and HK$94 million for the foreign currency options was utilized.

There was no outstanding bank loan as at March 31, 2005.

There were no assets held under finance lease during the year and as at the year end.

The Group consistently adopted a hedging policy for business transactions to minimize the risk of fluctuations from exchange rates on daily operations. As at March 31, 2005, the Group had outstanding foreign currency options amounting to HK$94 million.

Contingent liabilities

The Group has no material contingent liabilities as at March 31, 2005.

Employees

As at March 31, 2005, the Group had a total of 9,682 employees, 9,625 of whom were employed in Chinese mainland and 57 in Hong Kong and overseas.

The Group implements remuneration policy, bonus and share options schemes with reference to the performance of the Group and individual employees. The Group also provides benefits such as insurance, medical and retirement funds to employees to sustain competitiveness of the Group.

FUTURE PROSPECTS

As the Group became more focused on the PC business, management saw a clear opportunity for Lenovo to accelerate its growth and improve its competitive position by expanding into the global market. Globalization of operations will allow Lenovo to drive costs down and maximize efficiencies. The Group will also maximize the benefits of its innovative technologies which help differentiate its products from competitors, and enhance its premium brand status.

Acquisition of IBM's Personal Computing Division

In May 2005, Lenovo completed its acquisition of IBM's PC business. The Group paid US$1.25 billion to acquire IBM's desktop and notebook computer businesses, as well as its PC-related R&D centers, manufacturing plants, global marketing networks and service centers.

As part of the transaction, Lenovo and IBM entered a broad-based, strategic alliance in which IBM became the preferred services and customer financing provider to Lenovo. Lenovo would be the preferred supplier of PCs to IBM, enabling IBM to offer a full range of personal computing solutions to its enterprise and small and medium business clients.

In association with the acquisition, Lenovo received a US$350 million strategic investment in May 2005 by three of the world's leading private equity firms: Texas Pacific Group, General Atlantic LLC and Newbridge Capital LLC. Lenovo issued unlisted Series A cumulative convertible preferred shares and unlisted warrants to the strategic investors. This investment represented a strong vote of confidence in Lenovo's future.

Personal Computer Business

In 2005 and 2006, demand for notebook computers as well as strength in emerging PC markets is expected to drive growth in the worldwide PC market. Increased adoption in emerging markets for both desktops and notebook computers will present significant growth opportunities as will the trend toward increased notebook adoption in more developed PC markets. These trends, supported by replacement cycles for older systems, are expected to drive worldwide PC growth through the next five years.

In the PC business, the new Lenovo is well situated in terms of product lines and geographic presence to take advantage of the growth opportunities presented in both emerging markets as well as by the ongoing shift in demand to notebook computers.

Globally, the Group's ThinkPad line of notebook computers provides a strong offering to meet the growing demand for mobile computing. In China, Lenovo's notebook offerings also include the Soleil, Tianyi and Xuri. Together, the company has a powerful product line for consumers as well as enterprises, with a range of price points and features.

Lenovo's family of desktops – led by brands such as the Tianjiao, Fengxing, Kaitian, Yangtian – provides a strong competitive base in China and potentially globally, especially when combined with the ThinkCentre line of desktops.

Lenovo has strong products and favorable geographic positioning. Lenovo's business model that addresses the future of the PC business: a company that best balances leading-edge technology and efficiency, offering PC users innovative products and a choice in how they purchase computers.

In addition to being well-positioned to take advantage of key market trends and to sell through multiple worldwide channels, Lenovo will continue to successfully integrate the IBM Personal Computing Division, in order to gain the benefits of near-term cost-savings as well as lay the foundation for the longer-term synergies.

Mobile Handset Business

The mobile handset market in China is expected to continue its steady growth in 2005 and 2006. Lenovo anticipates that competition will remain intense due to the large number of domestic and international brands in the market.

Lenovo believes the way to compete and further advance its position in the China mobile handset market is to focus on improving the value chain as well as to respond promptly to market needs. In the coming year, the Group will enhance its capability to develop and introduce proprietary products emphasizing faster time-to-market and closer ties with suppliers. Lenovo will also further develop its chain-store distribution channel and implement aggressive marketing strategies.

PROPOSED DIVIDEND

The Directors recommended the payment of a final dividend of 2.8 HK cents per ordinary share (2003/04: 3.0 HK cents). Subject to shareholders' approval at the forthcoming annual general meeting, the final dividend will be payable on Tuesday, August 16, 2005 to the shareholders whose names appear on the Register of Members of ordinary shares of the Company on Tuesday, August 9, 2005.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of ordinary shares will be closed from Wednesday, August 3, 2005 to Tuesday, August 9, 2005, both dates inclusive, during which period, no transfer of shares will be registered. In order to qualify for the proposed final dividend, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's share registrar not later than 4:00 p.m. on Tuesday, August 2, 2005.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the year, the Company purchased 7,500,000 ordinary shares of HK$0.025 each in the capital of the Company at prices ranging from HK$2.025 to HK$2.175 per share through The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Such purchases involved a total cash outlay of approximately HK$16 million and were for the purpose of enhancing returns on equity.

Month/Year	**Number of shares repurchased**	**Highest price per share** *(HK$)*	**Lowest price per share** *(HK$)*	**Aggregate consideration paid (including expenses)** *(HK$'000)*
June 2004	7,500,000	2.175	2.025	16,093

The repurchased shares were cancelled and accordingly, the issued share capital was reduced by the nominal value thereof. The premium payable on repurchase was charged against the retained earnings of the Company.

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year.

REVIEW BY AUDIT COMMITTEE

The Audit Committee has been established since 1999 with responsibility of assisting the Board in providing an independent review of the accounts and internal control system. It acts in accordance with its Term of Reference which clearly deal with its membership, authority, duties and frequency of meetings. The current Committee members are Mr Wai Ming Wong (Chairman), Professor Chia-Wei Woo, Mr Lee Sen Ting and Mr Weijian Shan. The majority of the Committee members are independent non-executive directors.

During the 2004/05 fiscal year, the Audit Committee met four times a year and met regularly with the management, the external auditors and the internal audit personnel to review accounting principles and practices adopted by the Group, discuss internal control and financial reporting matters including the quarterly, interim and this annual results before recommending them to the Board for approval.

CODE OF BEST PRACTICE

Apart from the fact that the 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 Company has complied with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange in force prior to January 1, 2005 throughout the year.

PUBLICATION OF RESULTS ON THE STOCK EXCHANGE'S WEBSITE

A detailed result announcement of the Company will be submitted to the Stock Exchange for publication on the website in due course.

By order of the Board
Yuanqing Yang
Chairman

Hong Kong, June 8, 2005

As at the date of this announcement, the Executive Directors are Mr Yuanqing Yang, Mr Stephen M Ward, Jr 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 Independent Non-executive Directors are Mr Wai Ming Wong, Professor Chia-Wei Woo and Mr Lee Sen Ting.

Website: www.lenovo.com

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