**[For Immediate Release]**

**Lenovo Announces 2004/05 Third Quarter Results**

**Core Business Turnover, Profit and Market Share Increase**

**Acquisition of IBM PC Business Proceeding On-Track**

(Hong Kong, February 4, 2005) - **Lenovo Group Limited** ("Lenovo") ( HKSE:992; ADR: LNVGY) today announced its third quarter results for the period ended December 31, 2004.

In the third quarter of the 2004/05 fiscal year, turnover of the Group's core business increased 4%. Operating profits grew substantially at 19% over the same period last year. As part of the Group's strategy of focusing on core business, it continued to reduce non-core businesses and adopt new mechanisms to develop IT services and motherboard businesses. The total group turnover in the third quarter decreased slightly 3.7% compared with that of last year (amounting to HK$6.309 billion). Profits attributable to shareholders reached HK$327 million, remaining at the same level compared with last year. During the period, Lenovo PC shipments grew by 19.1%. According to IDC statistics data, the Group's PC market share has increased for three consecutive quarters reaching 28.1%, further reinforcing the Group's market share lead over its competitors.

**Yang Yuanqing, Lenovo President and CEO said**, "In the 2004 fiscal year, Lenovo carried out a focused business strategy, further implemented strategic initiatives, emphasized a customer-oriented approach, and optimized our distribution model. All of these contributed to the continued rise of our market share and sustained improvement in operational efficiency. Key businesses such as notebook computers continued to show strong growth. At the same time, Lenovo made great progress in our globalization strategy. The acquisition of IBM's global desktop computer and notebook computer business is progressing smoothly and on schedule."

In addition to its solid performance, Lenovo also made a remarkable breakthrough in implementing its globalization strategy during this last quarter. On December 8, 2004, Lenovo and IBM announced a definitive agreement for Lenovo to acquire IBM's global PC business at US$1.25 billion (about HK$9.75 billion). The agreement includes both IBM's desktop and notebook computer businesses, as well as its PC-related R&D centers, manufacturing plants, global marketing networks and service centers. It also includes the use of the IBM brand without further payment for 5 years and permanent ownership of the globally famous "Think" trademark. At the same time, IBM will hold 18.9% of Lenovo's total shares, becoming a long-term strategic partner of Lenovo.

While commenting on the progress of the acquisition, Mr. Yang said, "The process is proceeding in an orderly manner as planned. After the deal announcement, Lenovo and IBM have been discussing the transaction with customers and business partners, sharing with them the advantages of the transaction for customers in terms of future product innovation, quality and service. Results of a recent customer survey show positive response to our outreach, with more than 90% of IBM customers indicating a favorable response regarding the deal. They confirmed that they are most interested in innovation and high quality, which IBM traditionally delivers and which are exactly what the new Lenovo will also deliver in the future. In addition, we are receiving an enthusiastic response from employees, of both Lenovo and IBM Personal Computing Division (PCD), to their future with the new Lenovo."

Yang outlined the new Lenovo's key strategic focus areas for the coming year: First, efforts will be made to clarify corporate governance matters and to establish the supporting functions so as to offer better support and guidance for the business operations of Lenovo China and Lenovo International (the current IBM PCD). Second, Lenovo's five R&D centers will continue to develop innovative products under the Lenovo, ThinkPad and ThinkCentre brands. Exciting new product line extensions will be pursued. Third, new synergies in procurement and supply chain integration will be realized, providing real value to shareholders. Fourth, Lenovo China and Lenovo International will continue to operate independently, to assure continuation of the highest levels of service and support and to guarantee business stability and a smooth transition for customers.

Lenovo also announced its post-transaction organizational structure and senior management. Yang Yuanqing, currently president and chief executive officer of Lenovo, will serve as the Chairman of the new Lenovo; Stephen M. Ward, Jr., currently IBM senior vice president and general manager of IBM Personal Systems Group, will serve as the Chief Executive Officer; Mary Ma, Lenovo senior vice president, will remain Chief Financial Officer; Fran O'Sullivan, currently IBM PCD's general manager, will become Chief Operations Officer of Lenovo International; Liu Jun, Lenovo senior vice president, will become the Chief Operations Officer of Lenovo China; Liu Zhijun, Lenovo vice president, will continue to be responsible for Lenovo mobile business; Deepak Advani, currently IBM PCD vice president of Marketing and Strategy for PCD, will become Chief Marketing Officer of the new Lenovo; Ravi Marwaha, currently IBM PCD vice president of Worldwide Sales, will be responsible for the new Lenovo's worldwide sales; Qiao Song, Lenovo senior vice president, will become the Chief Procurement Officer of the new Lenovo; He Zhiqiang (George He), Lenovo senior vice president, will be responsible for corporate research and development system of the new Lenovo; Peter Hortensius, currently vice president, Products and Offerings, PCD, will be responsible for the worldwide product development of the new Lenovo; Bill Matson from IBM will be responsible for human resource system. Wang Xiaoyan, Lenovo senior vice president, will be responsible for the development of information systems worldwide of the new Lenovo, as well as the administration management of Lenovo China.

Looking to the future, when all necessary approvals are received, Mr. Yang is fully confident of the successful combination and enhanced long-term returns to shareholders. He said that a powerful brand name, global scale and efficiency will be the core competencies of the new Lenovo. Lenovo will continue to pursue constant innovation and quality improvement to maintain the premium brand image of both IBM and Lenovo. In addition, the new Lenovo will build its global scale by leveraging the complementary nature of Lenovo and IBM PC's customer bases, product offerings and geographic deployment. It will also increase focus on emerging Asian markets like China and India, as well as notebook computer business development. Lenovo will leverage IBM's business platform to bring its powerful consumer and SME product and business model to the global market. Furthermore, the new Lenovo will utilize its highly sophisticated operating platform in China to achieve world-class operational efficiency.

**About Lenovo**

Lenovo Group Limited (HKSE: 992; ADR: LNVGY) is a leading IT enterprise in China. The Group engages primarily in the manufacturing and sale of desktop computers, notebook computers, mobile handsets, servers and peripherals in China. Lenovo brand PCs have been the best seller in China since 1997, commanding a 27.0 percent unit share of China's PC market in 2003. Lenovo PCs also ranked number one in the Asia Pacific (excluding Japan) market with a 12.6 percent market share in 2003 (source: IDC).

Lenovo was listed on The Stock Exchange of Hong Kong in 1994 and is currently a constituent stock of the Hang Seng Index and the MSCI China Free Index. Its American Depositary Receipts are traded in the United States. In March 2004, Lenovo joined The Olympic Partner Program of the International Olympic Committee (IOC) as the first Chinese company to become the computer technology equipment partner of the IOC for the period from 2005 to 2008. On December 8, 2004, Lenovo and IBM announced a definitive agreement to acquire IBM's global desktop computer and notebook computer business. The transaction is expected to be completed in the second quarter of 2005.
For more information, please visit www.Lenovo.com

***(N.B.: Enclosed please find the consolidated profit and loss account of Lenovo Group Ltd.)***

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**For more information:**
**Lenovo Group Limited**
Ms. Feon Lee Tel: (852) 2516 4843
Web site: www.lenovo.com
E-mail: cmk@lenovo.com

# 2004/05 Third Quarter Results

## Consolidated profit and loss account

| | 3 months ended 31 December 2004 (unaudited) *HK$'000* | 9 months ended 31 Decemeber 2004 (unaudited) *HK$'000* | 3 months ended 31 December 2003 (unaudited) *HK$'000* | 9 months ended 31 December 2003 (unaudited) *HK$'000* |
|---|---|---|---|---|
| Turnover | **6,308,795** | **17,841,503** | **6,552,281** | **18,141,421** |
| Earnings before interest, taxation, depreciation and amortisation expenses | **370,392** | **978,506** | **310,947** | **913,117** |
| Depreciation expenses | **(43,380)** | **(145,268)** | **(51,704)** | **(149,040)** |
| Amortisation of intangible assets | **(5,250)** | **(21,141)** | **(10,254)** | **(25,488)** |
| Impairment of assets | **-** | **(51,364)** | **-** | **-** |
| (Losses)/gains on disposal of investments | **(5,189)** | **159,193** | **45,375** | **51,377** |
| Finance income | **23,905** | **65,551** | **34,218** | **74,267** |
| Profit from operations | **340,478** | **985,477** | **328,582** | **864,233** |
| Finance costs | **(2,283)** | **(5,783)** | **(391)** | **(391)** |
| | **338,195** | **979,694** | **328,191** | **863,842** |
| Share of losses of jointly controlled entities | **(1,180)** | **(11,290)** | **(25,514)** | **(39,053)** |
| Share of profits of associated companies | **3,948** | **3,702** | **10,932** | **16,311** |
| Profit before taxation | **340,963** | **972,106** | **313,609** | **841,100** |
| Taxation | **(17,864)** | **(42,769)** | **421** | **1,747** |
| Profit after taxation | **323,099** | **929,337** | **314,030** | **842,847** |
| Minority interests | **4,149** | **24,782** | **11,121** | **21,722** |
| Profit attributable to shareholders | **327,248** | **954,119** | **325,151** | **864,569** |
| Dividend | **N/A** | **179,378** | **N/A** | **149,436** |
| Earnings per share - basic | **4.37 HK cents** | **12.76 HK cents** | **4.35 HK cents** | **11.57 HK cents** |
| Earnings per share - fully diluted | **4.36 HK cents** | **12.74 HK cents** | **4.31 HK cents** | **11.50 HK cents** |

**Basis of preparation**

The Board is responsible for the preparation of the Group's unaudited quarterly financials. These unaudited quarterly financials have been prepared in accordance with Statement of Standard Accounting Practice No. 25 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. These condensed accounts should be read in conjunction with the audited accounts for the year ended 31 March 2004.