



[For Immediate Release]

Lenovo Announces 2004/05 Annual Results

- **Profit attributable to shareholders grew 6.4 percent to HK\$1.120 billion**
- **Integration of former IBM PC business proceeding smoothly**
- **New products and customer-focused initiatives providing momentum**

(Hong Kong, June 8, 2005) – Lenovo Group Limited (HKSE:992; ADR: LNVGY) today announced its annual results for the period ended March 31, 2005.

In the 2004/05 fiscal year, Lenovo's profit attributable to shareholders increased by 6.4 percent to HK\$1.120 billion. Excluding our investments in globalization -- the amortization of marketing rights for The Olympic Partner Program -- profit attributable to shareholders increased by 9.4 percent to HK\$1.152 billion. Lenovo reported basic earnings per share increased 6.4 percent to 14.99 Hong Kong cents. Lenovo's board of directors has proposed a final dividend of 2.8 HK cents per share.

Consolidated turnover for the 2004/05 fiscal year decreased slightly by 2.7 percent to HK\$22.55 billion, primarily as a result of the Group's divestiture of non-core businesses. Excluding the impact of divestiture of non-core businesses, group turnover increased by 1.6 percent for the full year. . By successfully implementing the strategic initiatives set in the beginning of the year and focusing on its core PC and related products business, Lenovo strengthened its leadership position in the China PC market. During the period, Lenovo's overall gross margin increased to 14.75 percent from 14.62 percent in the prior year.

"The 2004/05 fiscal year was remarkable for Lenovo," said Yuanqing Yang, chairman of Lenovo. "Over the year, we saw the tangible benefits of focusing on our core business segments in the PC market. We strategically adjusted our product line to capture the township and notebook markets in China – both segments with high-volume growth potential – and we built a comprehensive customer-oriented sales model to serve our customers better. We accomplished all of this while planning our acquisition and beginning our integration of IBM's Personal Computing Division."

Steve Ward, Lenovo's chief executive officer said, "It is especially gratifying to note that our team at Lenovo-China continued to delight customers and increase both gross margin and market share while completing the acquisition of IBM's Personal Computing Division. Working together to successfully integrate the two businesses

has only sharpened our focus on customers, on delivering innovative products and executing efficiently.”

Corporate IT Business

Total turnover for Lenovo's corporate IT business grew by 2.5 percent to HK\$12,226 million. During the year, Lenovo's commercial desktop market share increased as a result of redesigning its sales model and introducing tailor-made innovative desktop and notebook products. Lenovo's Corporate IT business also benefited from increased investment by the government and education sectors, the rapid growth of small- and medium-sized enterprises, and significant demand for notebook computing. To take advantage of the increasing demand for notebook computers in China, the Group introduced three distinctive notebook series – Soleil, Tianyi and Xuri – setting trends with innovative features.

Consumer IT Business

Lenovo's turnover in its consumer IT business remained approximately even with the prior fiscal year at HK\$7,768 million. During the year Lenovo implemented an effective customer segmentation strategy and captured the growth potential in the township markets with its Yuanmeng desktop series. In addition, Lenovo introduced high-end models such as the Tianjiao broadband collaborating desktops, which allow better utilization of broadband technology, including videophone modules.

Mobile Handset Business

Turnover in Lenovo's handheld device business increased by 7.5 percent to HK\$2,203 million. For the past two years, the Group has been building its sales channels and enhancing its R&D capabilities. In the 2004/05 fiscal year, Lenovo's mobile handset unit shipments jumped 63 percent, placing it among the top five domestic brand names in China in 2004.

Acquisition of the IBM Personal Computing Division

On May 1, 2005, Lenovo completed its acquisition of IBM's Personal Computing Division, creating the third-largest PC company in the world. The new Lenovo is a global company with 19,000 employees, approximately 14 million units in annual volume and combined annual PC revenue of approximately US\$13 billion (based on 2003 combined revenue for each company).

“In our first 30 days as a new company, we have already made substantial achievements, ” said Mr. Ward. “We have announced the innovative ThinkPad X41 Tablet, one of lightest convertible tablets available, featuring best-in-class battery life. We introduced the new ThinkCentre M52 and A52 desktops, with dual-core

processors. We announced plans to establish an innovation center in the U.S. with five industry leaders – Intel, Microsoft, LANDesk, Symantec and IBM – that will enable customers, business partners and ISVs to collaborate on new personal computing solutions.

“We also held our first Lenovo PartnerWorld in China and introduced 18 new notebook computers and consumer PCs. And last week, we announced an agreement with NBC to be its computer equipment provider and support the network’s coverage of the 2006 Olympic Winter Games in Torino, Italy,” Mr. Ward said.

About Lenovo Group Ltd.

Lenovo (HKSE: 992; ADR: LNVGY) is the world's third-largest personal computing company. Formed by Lenovo Group’s acquisition of the former IBM Personal Computing Division, the company employs 19,000 people worldwide and develops, manufactures, and markets reliable, secure, and easy-to-use technology products. For more information, see www.lenovo.com.

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