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lenovo 联想

Lenovo Group Limited 联想集团有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 992)

PROPOSED OFF-MARKET REPURCHASE OF NON-VOTING SHARES AND CONNECTED TRANSACTION

On 1 May 2005, the Company entered into a Repurchase Agreement with IBM pursuant to which IBM agreed to sell and the Company agreed to purchase the Excess Shares, representing 435,717,757 Excess Shares, which were issued to IBM as partial consideration pursuant to the terms of the IBM Acquisition. The Excess Shares subject to the Repurchase Agreement are Non-voting Shares and represent approximately 4.7% of the issued share capital of the Company as at the date of this announcement and 47.3% of the issued Non-voting Share capital as at the date of this announcement. The total cash consideration payable by the Company for repurchase of the Excess Shares is approximately US\$152,221,909 (approximately HK\$1,187,330,888) which is equivalent to HK\$2.725 per Excess Share.

Following the Closing of the Share Repurchase and the closing of the Investment Agreement, IBM and its associates will have the following interest in the Company: 821,234,569 Shares and 485,918,702 Non-voting Shares representing 13.4% of the total issued share capital (assuming the issue and full conversion of the Convertible Preferred Shares pursuant to the Investment Agreement). Following the Closing of the Share Repurchase, the Excess Shares will be cancelled and the number of Non-voting Shares in issue will be reduced from 921,636,459 to 485,918,702.

The Share Repurchase is conditional upon, amongst other things, (i) closing of the Investment Agreement; (ii) approval by the Executive; and (iii) approval by at least three-fourths of the votes cast at the EGM on a poll by the Independent Shareholders. IBM and its concert parties will abstain from voting at the EGM. Closing of the Share Repurchase is expected to take place on the first business day after the Independent Shareholders approve the Share Repurchase at the EGM. The Company, the Major Shareholder and the Investors will approach the SFC to determine whether or not the Major Shareholder and the Investors will be eligible to vote at the EGM.

Since the conditions precedent to the Repurchase Agreement may or may not be satisfied, the Repurchase Agreement may or may not be completed and the Share Repurchase may or may not proceed. Shareholders and other investors are advised to exercise caution in dealing in the Shares.

Following the Initial Closing, IBM is deemed to be a connected person of the Company by the Stock Exchange and consequently the Share Repurchase constitutes a connected transaction under the Listing Rules and will be subject to the approval of Independent Shareholders at the EGM.

An Independent Board Committee has been appointed to advise the Independent Shareholders in respect of the Share Repurchase and N M Rothschild & Sons (Hong Kong) Limited has been appointed as the independent financial adviser to advise the Independent Board Committee in respect of the Share Repurchase.

A circular containing, among other things, further details of the Share Repurchase and letters from the independent financial adviser and the Independent Board Committee, together with a notice convening the EGM to approve the Share Repurchase, will be dispatched to Shareholders within 21 days of the date of this announcement.

On the application of the Company, trading in the Shares was suspended from 9:30 a.m. on 3 May 2005 pending the release of this announcement. The Company has applied for resumption of trading in the Shares with effect from 9:30 a.m. on 5 May 2005.

THE REPURCHASE AGREEMENT

Parties: the Company and IBM

Date: 1 May 2005

Excess Shares: 435,717,757 Non-voting Shares, representing approximately 4.7% of the issued share capital of the Company as at the date of this announcement and 47.3% of the issued Non-voting Shares as at the date of this announcement. Following the Share Repurchase IBM will not hold any Excess Shares.

Consideration: approximately US\$152,221,909 (approximately HK\$1,187,330,888) representing HK\$2.725 per Excess Share.

Conditions: the Repurchase Agreement is conditional upon, amongst other things:

- (i) the closing of the Investment Agreement;
- (ii) the approval by the Executive of the Share Repurchase; and
- (iii) the approval of the Share Repurchase by at least three-fourths of the votes cast at the EGM on a poll by Independent Shareholders.

The conditions cannot be waived.

- Completion: the Closing of the Share Repurchase shall take place on the first business day after the fulfilment of all the conditions of the Repurchase Agreement or any other day as may be agreed by the parties thereto (unless terminated earlier in accordance with the Repurchase Agreement).
- Costs: All costs and expenses incurred in connection with the Repurchase Agreement and the transactions contemplated therein shall be paid by the party incurring such costs and expenses, save that all stamp duty in respect of the Share Repurchase will be borne by the Company.

SHARE REPURCHASE PRICE

The Share Repurchase Price was determined after arm's length negotiations between the Company and IBM. The Share Repurchase Price represents:

- (i) a premium of 1.87% to the Issue Price of the Excess Shares of HK\$2.675;
- (ii) a premium of 1.87% to the closing price of the Shares of HK\$2.675 as quoted on the Stock Exchange on 3 December 2004¹ being the last day of trading in Shares on the Stock Exchange before release of the first announcement in relation to the IBM Acquisition;
- (iii) a premium of 12.37% to the closing price of the Shares of HK\$2.425 as quoted on the Stock Exchange on 29 April 2005, being the last day of trading in Shares on the Stock Exchange before signing of the Repurchase Agreement;
- (iv) a premium of 12.37% to the closing price of the Shares of HK\$2.425 as quoted on the Stock Exchange on 29 April 2005 being the last day of trading in Shares on the Stock Exchange before release of this announcement;
- (v) a premium of 12.93% to the 10-day average closing price of the Shares as quoted on the Stock Exchange up to and including 29 April 2005 of HK\$2.413; and
- (vi) a premium of 12.79% to the 6-month daily average closing price of the Shares as quoted on the Stock Exchange since 1 November 2004 up to and including 29 April 2005 of HK\$2.416.

Based on the latest audited consolidated accounts of the Company as at 31 March 2004, the net book asset value was US\$575.48 million (equivalent to approximately US\$0.077 (HK\$0.60) per Share based on 7,475,594,108 Shares in issue as at 31 March 2004). The Share Repurchase Price represents a premium of approximately 354.17% to the net book asset value per Share. Based on the unaudited consolidated accounts of the Company as at 31 December 2004, the net book asset value was US\$646.69 million (equivalent to approximately US\$0.086 (HK\$0.67) per Share based on 7,474,152,108 Shares in issue as at 31 December 2004). The Share Repurchase Price represents a premium of approximately 306.72% to the net book asset value per Share.

For the years ended 31 March 2003 and 31 March 2004, the audited consolidated profits of the Company before taxation and minority interests was approximately US\$131.88 million (HK\$1,028.65 million) (2003) and US\$127.54 million (HK\$994.85 million) (2004) respectively. For the same period, the audited consolidated profits of the Company after tax and minority interests was approximately US\$130.40 million (HK\$1,017.15 million) (2003) and US\$134.99 million (HK\$1,052.89 million) (2004), respectively. For the nine months ended 31 December 2004, the unaudited consolidated profits of the Company before taxation and minority interests was approximately US\$124.63 million (HK\$972.11 million) and the unaudited consolidated profits of the Company after tax and minority interests was approximately US\$122.32 million (HK\$954.12 million).

IBM ACQUISITION

On 7 December 2004, the Company and IBM entered into the Asset Purchase Agreement. The consideration to be paid by the Company is US\$1.25 billion (approximately HK\$9.75 billion), subject to certain adjustments (details of which are set out in the IBM Circular). At the Initial Closing on 30 April 2005, the Company paid cash consideration of US\$650 million (which includes the goodwill deposit paid on 8 December 2004 and interest accrued thereon) (approximately HK\$5.07 billion) and issued 821,234,569 new Shares and 921,636,459 new Non-voting Shares credited as fully paid, in each case, to IBM at the Issue Price (HK\$2.675 per Share and Non-voting Share).

Following Initial Closing of the IBM Acquisition on 30 April 2005, IBM holds approximately 9.9% (comprising voting Shares only) of the total enlarged issued share capital and approximately 18.9% (comprising voting Shares and Non-voting Shares) of the total enlarged issued share capital, in each case, of the Company immediately following the Initial Closing. Notwithstanding this, the Stock Exchange has deemed IBM as a connected person of the Company upon the Initial Closing under the Listing Rules.

The entering into of the Asset Purchase Agreement and the allotment and issue of the Consideration Shares to IBM was approved by the Shareholders at the extraordinary general meeting of the Company held on 27 January 2005.

As stated in the announcement of the Company dated 30 April 2005 and the IBM Circular, with respect to the remaining assets which have not been transferred to the Company as of the Initial Closing, they will be transferred from time to time in one or more subsequent closings to be agreed between the Company and IBM. The Company will make a further announcement when the final subsequent closing takes place and further announcements in respect of other subsequent closings, if appropriate. For further information on the Initial Closing, please refer to the announcement of the Company dated 30 April 2005.

¹ The Non-voting Shares are not listed on the Stock Exchange and therefore there is no specific market price information. The Non-voting Shares are convertible into Shares on a one-for-one basis and accordingly the trading price of Shares on the Stock Exchange is utilised for illustrative purposes.

COMPANY AGREEMENT

Pursuant to the Company Agreement, the Company has agreed to use its reasonable best efforts to arrange for the sale of the Excess Shares to one or more third parties or to undertake, subject to applicable laws and regulations, to repurchase the Excess Shares at a price per Excess Share not less than the higher of (i) the then prevailing market price per Share, and (ii) the Issue Price. The Company and IBM entered into an agreement entitled Amendment, Waiver and Agreement on 30 March 2005 (the “**First Amendment Agreement**”) whereby it was agreed that if the closing of the Investment Agreement did not occur concurrently with the Initial Closing, the prior approval of the Company’s Shareholders for a repurchase of the Excess Shares would be required prior to the closing of the Investment Agreement.

On 29 April 2005, the Company and IBM entered into the Company Agreement Amendment No. 2 (the “**Second Amendment Agreement**”) whereby IBM consented to the closing of the Investment Agreement without the requirement for the Company’s Shareholders to first approve the Share Repurchase, thereby facilitating the Company’s early closing of the Investment Agreement. In consideration, the Company agrees to the following: (i) the Company shall enter into the Repurchase Agreement; (ii) the Company shall use its reasonable best efforts to procure that the sale and purchase of the Excess Shares from IBM to the Company is approved by at least three-fourths of the votes cast by the Independent Shareholders of the Company on a poll in accordance with the applicable laws and regulations; (iii) if the Company fails to complete the Repurchase Agreement during the six-month period immediately following the Initial Closing of the IBM Acquisition, 435,717,757 voting Shares will be deemed, for the purposes of the Company Agreement, to be the Excess Shares in substitution for the 435,717,757 Non-voting Shares; and (iv) the Company shall use its reasonable best efforts to do all things necessary to obtain, prior to the closing of the Investment Agreement, written confirmation from the Executive and the Stock Exchange that the Investors and the Major Shareholder are eligible to vote in favour of the resolution of the Shareholders of the Company to approve the Repurchase Agreement and the transactions contemplated thereby and to maintain such confirmation during the term of the Repurchase Agreement.

Further details of the Company Agreement are contained in the IBM Circular. Further details of the First Amendment Agreement and the Second Amendment Agreement will be included in the circular setting out details the Share Repurchase.

INVESTMENT AGREEMENT

On 30 March 2005, the Company entered into the Investment Agreement with the Investors pursuant to which the Investors agreed to subscribe for, and the Company has agreed to issue, 2,730,000 unlisted Convertible Preferred Shares and unlisted Warrants to subscribe for 237,417,474 Shares for an aggregate cash consideration of US\$350 million (approximately HK\$2,730 million). The Company is not aware of IBM’s voting intention with respect to the extraordinary general meeting to be held to consider and, if thought fit, approve the terms of the Investment Agreement as set out in the Investment Circular, although IBM consented to the closing of the Investment Agreement on 29 April 2005 as set out in the Second Amendment Agreement.

A circular containing details of the terms of the Investment Agreement (“**Investment Circular**”), the Convertible Preferred Shares, the Warrants and the proposed amendments to the articles of association of the Company, together with the notice of the extraordinary general meeting of the Company to be held on 13 May 2005 and the form of proxy, was distributed to the Shareholders on 20 April 2005. It is expected that the closing of the Investment Agreement will occur shortly after approval is obtained from the Company’s Shareholders at the extraordinary general meeting of the Company to be held to consider and, if thought fit, approve the terms of the Investment Agreement.

MAJOR SHAREHOLDER VOTING UNDERTAKING

On 30 April 2005, the Major Shareholder and IBM entered into a voting undertaking agreement pursuant to which the Major Shareholder has, subject to any applicable laws or regulations, the Listing Rules and the requirement and decisions of any applicable authority, undertaken and agreed with IBM to vote (or procure to be voted) in favour of the resolutions proposed at any general meeting of shareholders of the Company to, inter alia, approve all agreements and other arrangements entered into by IBM and the Company or either of their respective subsidiaries or affiliates as of the Initial Closing and to refresh the connected transaction approvals granted in respect of some or all of such transactions. The agreement includes an undertaking to vote in favour of any shareholder resolution that authorises the Company to repurchase any of the Excess Shares.

INVESTOR VOTING UNDERTAKINGS

Following completion of the Investment Agreement, the Investors will become the registered and/or beneficial owners of the Convertible Preferred Shares and the Warrants. The Investors entered into various investor voting undertakings with IBM on 29 April 2005 pursuant to which the Investors covenanted and agreed to vote in favour of the Repurchase Agreement at any general meeting of the Shareholders of the Company subject to any applicable laws or regulations, the Listing Rules and the requirements and decisions of any regulatory authority or governmental authority. The entry into the voting undertakings was a condition precedent the Second Amendment Agreement pursuant to which IBM consented to the closing of the Investment Agreement as set out above. The Investors are not parties to the Second Amendment Agreement.

REASONS FOR THE SHARE REPURCHASE

The Board considers that IBM having consented to the closing of the Investment Agreement prior to the Company having obtained Shareholders’ approval for the Share Repurchase provides the Company with certainty with respect to its fund raising activities and with respect to its working capital requirements.

In consideration for IBM’s consent and after arm’s length negotiations between the Company and IBM, the Company has agreed to a repurchase price of the Excess Shares of HK\$2.725. The Share Repurchase Price is equivalent to the conversion price of the Convertible Preferred Shares into Shares and represents a premium of HK\$0.05 to the Issue Price of the Excess Shares. The Company considers that the conversion price of the Convertible Preferred Shares into Shares provides a useful benchmark for determining the boundaries of the Share Repurchase Price. Furthermore, the Company considers that as the Share Repurchase Price is equivalent to the conversion price of the Convertible Preferred Shares and that the agreement with IBM permits the timely closing of the Investment Agreement, the Repurchase Agreement’s terms and conditions are in the best interests of the Company and the Shareholders as a whole.

The Board also considers that the Repurchase Agreement reduces the dilution effect (on an earnings per share basis) resulting from the closings of the Investment Agreement and the Initial Closing.

In addition, the Company views the investment in the Company by the Investors as being of strategic benefit to the Company from both a financial and operational perspective.

In view of the above, the Board believes that the Share Repurchase is in the interests of the Company and the Shareholders as a whole.

SHAREHOLDING STRUCTURE

Based on the information available to the Directors as at 3 May 2005 (being the latest practicable date for ascertaining certain information contained in this announcement), set out below are the shareholding structures of the Company as at that date and upon Closing of the Share Repurchase.

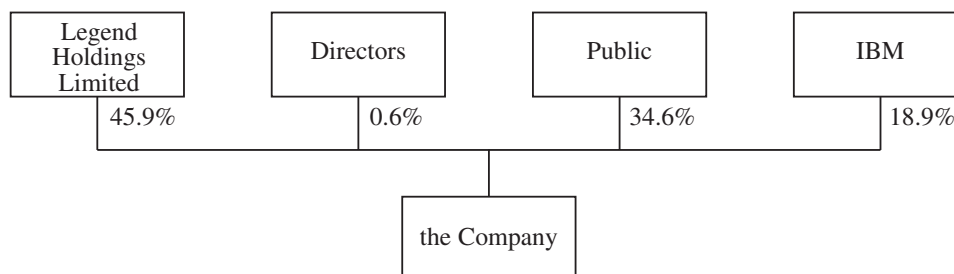
Shareholding Structure after the issue of Convertible Preferred Shares and after the Initial Closing of the IBM Acquisition but before the Closing of Share Repurchase

	As at 3 May 2005		After the issue of Convertible Preferred Shares and after the Initial Closing of the IBM Acquisition but before the Closing of Share Repurchase			
	Number and class of shares	Percentage of total issued share capital (approx.)	Number and class of shares	Percentage of voting rights assuming no conversion of the Non-voting Shares held by IBM (approx.)	Percentage of enlarged ordinary share capital including Non-voting Shares and assuming no conversion of Convertible Preferred Shares (approx.)	Percentage of enlarged ordinary share capital including Non-voting Shares and assuming full conversion of Convertible Preferred Shares (approx.)
Legend Holdings Limited	4,227,699,971 Shares	45.9%	4,227,699,971 Shares	45.5%	45.9%	41.4%
IBM	821,234,569 Shares and 921,636,459 Non-voting Shares	18.9%	821,234,569 Shares, 921,636,459 Non-voting Shares	8.8%	18.9%	17.0%
TPG	–	–	1,560,000 Convertible Preferred Shares	6.2%	0%	5.6%
General Atlantic Group	–	–	780,000 Convertible Preferred Shares	3.1%	0%	2.8%
Newbridge Capital Group	–	–	390,000 Convertible Preferred Shares	1.5%	0%	1.4%
Directors	53,980,000 Shares	0.6%	53,980,000 Shares	0.6%	0.6%	0.5%
Public	3,195,764,137 Shares	34.6%	3,195,764,137 Shares	34.3%	34.6%	31.3%
		<u>100.0%</u>		<u>100%</u>	<u>100%</u>	<u>100%</u>

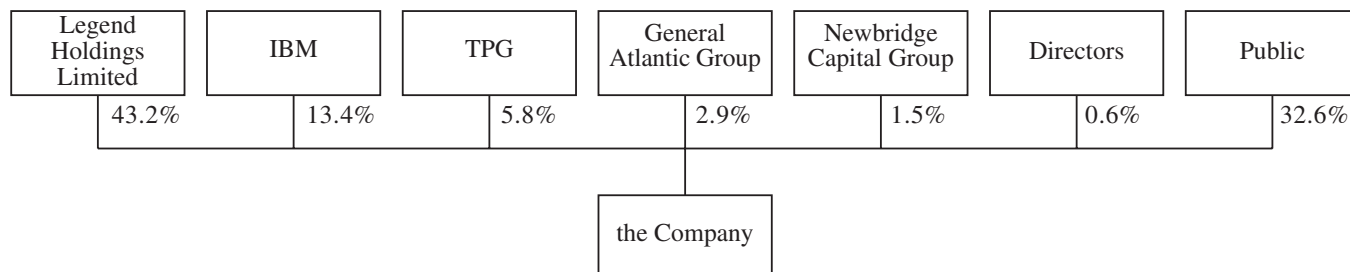
Shareholding Structure after the issue of Convertible Preferred Shares and the Closing of the Share Repurchase

	As at 3 May 2005		After the issue of Convertible Preferred Shares and the Closing of the Share Repurchase				
	Number and class of shares	Percentage of total issued share capital (approx.)	Number and class of shares	Number of voting Shares assuming full conversion of Convertible Preferred Shares and no conversion of the Non-voting Shares held by IBM	Percentage of voting rights assuming no conversion of the Non-voting Shares held by IBM (approx.)	Percentage of enlarged ordinary share capital including Non-voting Shares and assuming no conversion of Convertible Preferred Shares (approx.)	Percentage of enlarged ordinary share capital including Non-voting Shares and assuming full conversion of Convertible Preferred Shares (approx.)
Legend Holdings Limited	4,227,699,971 Shares	45.9%	4,227,699,971 Shares	4,227,699,971	45.5%	48.1%	43.2%
IBM	821,234,569 Shares and 921,636,459 Non-voting Shares	18.9%	1,307,153,271 Shares (i.e. 821,234,569 Shares, 485,918,702 Non-voting Shares)	821,234,569	8.8%	14.9%	13.4%
TPG	-	-	1,560,000 Convertible Preferred Shares	572,477,064	6.2%	0%	5.8%
General Atlantic Group	-	-	780,000 Convertible Preferred Shares	286,238,532	3.1%	0%	2.9%
Newbridge Capital Group	-	-	390,000 Convertible Preferred Shares	143,119,266	1.5%	0%	1.5%
Directors	53,980,000 Shares	0.6%	53,980,000 Shares	53,980,000	0.6%	0.6%	0.6%
Public	3,195,764,137 Shares	34.6%	3,195,764,137 Shares	3,195,764,137	34.3%	36.4%	32.6%
		<u>100.0%</u>		<u>9,300,513,539</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>

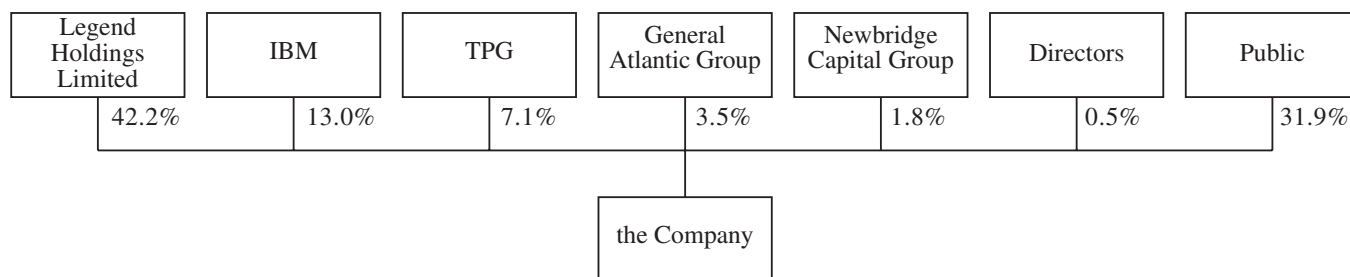
**As at 3 May 2005
Percentage of total issued share capital**



**Immediately upon the full conversion of the Convertible Preferred Shares
(after closing of the Share Repurchase) assuming no exercise of Warrants**



**Immediately upon the full conversion of the Convertible Preferred Shares
(after closing of the Share Repurchase) and full exercise of Warrants**



SOURCE OF FUNDING

The funds required for the Share Repurchase, of approximately US\$152,221,909 (approximately HK\$1,187,330,888), will be financed out of the proceeds of US\$350,000,000 (approximately HK\$2,730,000,000) from the issue of the Convertible Preferred Shares and the Warrants to the Investors pursuant to the Investment Agreement. Closing of the Share Repurchase is conditional, among other things, upon closing of the Investment Agreement. As the Initial Closing occurred prior to the closing of the Investment Agreement, the Company will use a portion of the proceeds raised pursuant to the Investment Agreement to fund the repurchase of the Excess Shares issued to IBM in lieu of cash consideration. The Company believes that the financing of the Share Repurchase will not have any adverse impact on the financial position of the Company.

INFORMATION ON THE COMPANY

The principal activity of the Company is investment holding. Since the closing of IBM Acquisition, the principal activity of the Group is provision of desktop and notebook computers in worldwide markets. The Group also provides information technology products including mobile handsets, servers, peripherals and digital entertainment products in the PRC.

The terms of the Share Repurchase were negotiated at arm’s length between the Company and IBM. The Directors consider that the Share Repurchase is in the best interests of the Company.

INFORMATION ON IBM

IBM is the largest supplier of “hardware”, “software” and information technology services, and pioneered the development and implementation of “e-business” solutions. Over the past decade, IBM has been a leader in the information technology market’s shift of focus from selling hardware, software, and services, to the creation of solutions to clients’ business problems. The common stock of IBM is listed on the New York, Chicago and Pacific stock exchanges and on other exchanges in the USA and around the world.

SHARES REPURCHASE CODE IMPLICATIONS

Pursuant to Rule 2 of the Share Repurchase Code, the Share Repurchase must be approved by the Executive. The Share Repurchase is also conditional upon the approval by at least three-fourths of the votes cast on a poll by disinterested shareholders present in person or by proxy at the EGM. In accordance with the Share Repurchase Code, IBM and its concert parties are required to abstain from voting in respect of the Share Repurchase. All disinterested shareholders within the meaning of the Share Repurchase Code are eligible to vote. The Company, the Major Shareholder and the Investors will approach the SFC to determine whether or not the Major Shareholder and the Investors will be eligible to vote at the EGM.

GENERAL

Following the Initial Closing, the Share Repurchase also constitutes a connected transaction and shall be conditional upon approval by the Independent Shareholders at the EGM under the Listing Rules. The Company, the Major Shareholder and the Investors will approach the Stock Exchange to determine whether or not the Major Shareholder and the Investors will be eligible to vote at the EGM.

A committee of independent non-executive Directors of the Company has been appointed to advise the Independent Shareholders and N M Rothschild & Sons (Hong Kong) Limited has been appointed as the independent financial adviser to advise the Independent Shareholders and the Independent Board Committee formed for the purpose of advising the Independent Shareholders of the Share Repurchase.

A circular containing further details of the terms of the Share Repurchase and letters from the independent financial adviser and the Independent Board Committee, together with the notice of the EGM and the form of proxy, will be distributed to the Shareholders as soon as possible.

IBM and such other shareholders that are deemed by the SFC or the Stock Exchange to be interested in the Share Repurchase and their respective concert parties and associates will abstain from voting at the EGM on the resolutions to approve the Share Repurchase.

RESPONSIBILITY STATEMENT

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this announcement and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this announcement have been arrived at after due and careful consideration and that there are no other facts not contained in this announcement, the omission of which would make any statement in the announcement misleading.

RESUMPTION OF TRADING

On the application of the Company, trading in the Shares was suspended from 9:30 a.m. on 3 May 2005 pending the release of this announcement. The Company has applied for resumption of trading in the Shares with effect from 9:30 a.m. on 5 May 2005.

DEFINITIONS

In this announcement, unless the context requires otherwise, the following terms have the meanings as set out below:

“Asset Purchase Agreement”	the agreement dated 7 December 2004 entered into between the Company and IBM in relation to the IBM Acquisition
“associates”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors of the Company
“Closing”	closing of the Repurchase Agreement in accordance with its terms
“Company”	Lenovo Group Limited, a company incorporated on 5 October 1993 with limited liability under the laws of Hong Kong, the Shares of which are listed on the main board of the Stock Exchange
“Company Agreement”	the company agreement entered into between the Company and IBM on 7 December 2004 which became effective on the Initial Closing, details of which are set out in the section entitled “Company Agreement” in this announcement
“Consideration Shares”	821,234,569 new Shares and 921,636,459 new Non-voting Shares allotted and issued by the Company to IBM to satisfy part of the consideration under the Asset Purchase Agreement
“Convertible Preferred Shares”	Series A cumulative convertible preferred shares of nominal value HK\$9.175 each and stated value of HK\$1,000 in the share capital of the Company
“Directors”	the directors of the Company
“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any delegate of the Executive Director
“Excess Shares”	435,717,757 of the non-voting Consideration Shares issued to IBM to satisfy part of the consideration for the IBM Acquisition
“Extraordinary General Meeting” or “EGM”	the extraordinary general meeting of the Company to be held for the purposes of considering and, if thought fit, approving, among other things, the Share Repurchase
“General Atlantic Group”	collectively, General Atlantic Partners (Bermuda), L.P., GAPSTAR, LLC, GAP Coinvestments III, LLC, GAP Coinvestments IV, LLC and GAPCO GmbH & Co. KG and affiliates that are under common control with such entities
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong Dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“IBM”	International Business Machines Corporation
“IBM Acquisition”	the Group’s acquisition of IBM’s global desktop computer and notebook computer business, details of which are contained in the IBM Circular
“IBM Circular”	the circular of the Company in relation to the IBM Acquisition dated 31 December 2004
“Independent Board Committee”	the independent committee of the board of directors of the Company appointed to advise the Independent Shareholders
“Independent Shareholders”	shareholders who do not have any material interest in the Share Repurchase, being shareholders other than IBM and such other shareholders that are deemed by the SFC or the Stock Exchange to be interested in the Share Repurchase and their respective concert parties and associates
“Initial Closing”	initial closing of the IBM Acquisition on 30 April 2005 in accordance with the terms of the Asset Purchase Agreement
“Investment Agreement”	the investment agreement entered into between the Company and the Investors dated 30 March 2005 in relation to the issue of the Convertible Preferred Shares and the Warrants

“Investment Agreement Closing Date”	the date on which closing of the Investment Agreement takes place in accordance with its terms
“Investors”	TPG IV Acquisition Company LLC, General Atlantic Partners (Bermuda), L.P., GAPSTAR, LLC, GAP Coinvestments III, LLC, GAP Coinvestments IV, LLC, GAPCO GmbH & Co. KG and Newbridge Asia Acquisition Company LLC; and the term “Investor” shall mean any one of them
“Issue Price”	the price of HK\$2.675 per Share and Non-voting Share
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Major Shareholder”	Legend Holdings Limited, the controlling shareholder of the Company holding approximately 45.9% of all the Shares in issue as at the date hereof
“Newbridge Capital Group”	collectively Newbridge Asia Acquisition Company LLC and affiliates that are under common control with such entity
“Non-voting Shares”	ordinary unlisted shares of par value HK\$0.025 each in the share capital of the Company, which have the same rights as the Shares save that the Non-voting Shares shall not carry any voting rights until they are converted into Shares
“Repurchase Agreement”	the agreement dated 1 May 2005 entered into between the Company and IBM in relation to the Share Repurchase
“SFC”	the Securities and Futures Commission
“Shares”	ordinary shares of nominal value of HK\$0.025 each in the share capital of the Company
“Share Repurchase”	the purchase of 435,717,757 Excess Shares, constituting Non-voting Shares, by the Company from IBM pursuant to the Repurchase Agreement
“Share Repurchase Code”	the Hong Kong Code on Share Repurchases
“Share Repurchase Price”	HK\$2.725 per Excess Share
“Shareholders”	holders of the Shares and Convertible Preferred Shares (if any)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“TPG”	collectively TPG IV Acquisition Company LLC and affiliates that are under common control with such entity
“US\$”	United States Dollars, the lawful currency of the United States of America
“Warrants”	237,417,474 unlisted warrants to be issued by the Company entitling the holders of the Warrants to subscribe for the same number of new Shares to be issued upon the exercise of the subscription rights attaching to the Warrants at the price of HK\$2.725 per Share (subject to certain anti-dilution adjustments) at any time from the Investment Agreement Closing Date up to the fifth anniversary of the Investment Agreement Closing Date (both dates inclusive)

This announcement contains translation between HK\$ and US\$ at HK\$7.80 = US\$1.00. The translation shall not be taken as representation that the HK\$ amount could actually be converted into US\$ at that rate, or at all.

As of the date of this announcement, the Executive Directors are Mr Yang Yuanqing, Mr Stephen Maurice Ward Jr. and Ms Ma Xuezheng, the Non-executive Directors are Mr Liu Chuanzhi and Mr Zhu Linan; and the Independent Non-executive Directors are Mr Wong Wai Ming, Professor Woo Chia-Wei, and Mr Ting Lee Sen.

By Order of the Board
Yang Yuanqing
Chairman

Hong Kong, 4 May 2005

“Please also refer to the published version of this announcement in The Standard”