



# Lenovo Group Limited 聯想集團有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 0992)

## 2004/05 Interim Results Announcement

### INTERIM RESULTS

The board of directors (the “Board”) of Lenovo Group Limited (the “Company”) are pleased to announce that the unaudited results of the Company and its subsidiaries (the “Group”) for the six months ended 30 September 2004 together with comparative figures for the corresponding period of last year, are as follows:

### CONSOLIDATED PROFIT AND LOSS ACCOUNT

	Notes	3 months ended 30 September 2004 (unaudited) HK\$'000	6 months ended 30 September 2004 (unaudited) HK\$'000	3 months ended 30 September 2003 (unaudited) HK\$'000	6 months ended 30 September 2003 (unaudited) HK\$'000
Turnover	3	<u>5,654,798</u>	<u>11,532,708</u>	<u>6,247,401</u>	<u>11,589,140</u>
Earnings before interest, taxation, depreciation and amortisation expenses		255,662	608,114	294,842	602,170
Depreciation expenses		(50,463)	(101,888)	(49,139)	(97,336)
Amortisation of intangible assets		(7,461)	(15,891)	(8,441)	(15,234)
Impairment of assets		(20,363)	(51,364)	–	–
Gains on disposal of investments		110,294	164,382	6,002	6,002
Finance income		20,895	41,646	19,004	40,049
Profit from operations	4	<u>308,564</u>	<u>644,999</u>	262,268	535,651
Finance costs		(2,776)	(3,500)	–	–
		<u>305,788</u>	<u>641,499</u>	262,268	535,651
Share of losses of jointly controlled entities		(6,090)	(10,110)	(4,910)	(13,539)
Share of (losses)/profits of associated companies		(2,051)	(246)	270	5,379
Profit before taxation		<u>297,647</u>	<u>631,143</u>	257,628	527,491
Taxation	5	(13,593)	(24,905)	(2,079)	1,326
Profit after taxation		<u>284,054</u>	<u>606,238</u>	255,549	528,817
Minority interests		5,992	20,633	5,613	10,601
Profit attributable to shareholders		<u>290,046</u>	<u>626,871</u>	<u>261,162</u>	<u>539,418</u>
Dividend	6	<u>N/A</u>	<u>179,357</u>	<u>N/A</u>	<u>149,436</u>
Earnings per share – basic	7	<u>3.89 HK cents</u>	<u>8.39 HK cents</u>	<u>3.49 HK cents</u>	<u>7.22 HK cents</u>
Earnings per share – fully diluted	7	<u>3.88 HK cents</u>	<u>8.38 HK cents</u>	<u>3.47 HK cents</u>	<u>7.19 HK cents</u>

## CONSOLIDATED BALANCE SHEET

	As at 30 September 2004 (unaudited) HK\$'000	As at 31 March 2004 (audited) HK\$'000
<b>Non-current assets</b>		
Intangible assets	552,487	646,986
Tangible fixed assets	867,707	987,272
Construction-in-progress	290,607	260,377
Investments in jointly controlled entities	193,466	124,124
Investments in associated companies	50,891	112,682
Investment securities	28,283	75,982
Deferred tax assets	34,780	34,718
	<u>2,018,221</u>	<u>2,242,141</u>
<b>Current assets</b>		
Inventories	905,195	1,393,018
Trade receivables	1,714,639	1,230,944
Notes receivable	646,442	520,321
Deposits, prepayments and other receivables	751,331	301,513
Tax recoverable	–	4,033
Cash and cash equivalents	3,126,389	2,650,071
	<u>7,143,996</u>	<u>6,099,900</u>
<b>Current liabilities</b>		
Trade payables	2,479,248	2,155,057
Notes payable	317,475	356,531
Accruals and other payables	688,153	616,897
Amounts due to jointly controlled entities	107,199	108,471
Tax payable	17,341	5,031
Short-term bank loan	125,000	–
Current portion of long-term liabilities	115,659	55,453
	<u>3,850,075</u>	<u>3,297,440</u>
<b>Net current assets</b>	<u>3,293,921</u>	<u>2,802,460</u>
<b>Total assets less current liabilities</b>	<u>5,312,142</u>	<u>5,044,601</u>
<b>Financed by:</b>		
Share capital	186,830	186,890
Reserves	4,703,171	4,301,834
<b>Shareholders' funds</b>	<u>4,890,001</u>	<u>4,488,724</u>
<b>Minority interests</b>	30,800	29,330
<b>Long-term liabilities</b>	<u>391,341</u>	<u>526,547</u>
	<u>5,312,142</u>	<u>5,044,601</u>

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	<b>6 months ended 30 September 2004 (unaudited) HK\$'000</b>	6 months ended 30 September 2003 (unaudited) HK\$'000
Net cash inflow from operating activities	<b>598,326</b>	110,401
Net cash outflow from investing activities	<b>(18,532)</b>	(174,014)
Net cash outflow from financing activities	<b>(103,601)</b>	(631,736)
Increase/(decrease) in cash and cash equivalents	<b>476,193</b>	(695,349)
Effect of foreign exchange rate changes	<b>125</b>	(4)
Cash and cash equivalents at the beginning of the period	<b>2,650,071</b>	2,808,323
Cash and cash equivalents at the end of the period	<b>3,126,389</b>	2,112,970

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital (unaudited) HK\$'000	Share premium (unaudited) HK\$'000	Surplus arising on consolidation (unaudited) HK\$'000	Exchange reserve (unaudited) HK\$'000	Investment revaluation reserve (unaudited) HK\$'000	Share redemption reserve (unaudited) HK\$'000	Accumulated losses (unaudited) HK\$'000	Total (unaudited) HK\$'000
Balance as at 1 April 2004	186,890	4,762,526	27,871	4,581	(5,976)	2,898	(490,066)	4,488,724
Deficit in fair market value of investment securities	-	-	-	-	(1,322)	-	-	(1,322)
Exchange differences	-	-	-	13	-	-	-	13
Net gains and losses not recognised in the consolidated profit and loss account	-	-	-	13	(1,322)	-	-	(1,309)
Profit for the period	-	-	-	-	-	-	626,871	626,871
Reserves written off on disposal of subsidiaries	-	-	-	(2,377)	-	-	-	(2,377)
Reserves realised on disposal of investment securities	-	-	-	-	(12,908)	-	-	(12,908)
Impairment of investments	-	-	-	-	19,601	-	-	19,601
Exercise of share options	128	11,556	-	-	-	-	-	11,684
Repurchase of shares	(188)	(16,093)	-	-	-	188	-	(16,093)
Dividend paid	-	-	-	-	-	-	(224,192)	(224,192)
As at 30 September 2004	<b>186,830</b>	<b>4,757,989</b>	<b>27,871</b>	<b>2,217</b>	<b>(605)</b>	<b>3,086</b>	<b>(87,387)</b>	<b>4,890,001</b>
Balance as at 1 April 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	-	-	-	-	13,707	-	-	13,707
Exchange differences	-	-	-	(4)	-	-	-	(4)
Net gains and losses not recognised in the consolidated profit and loss account	-	-	-	(4)	13,707	-	-	13,703
Profit for the period	-	-	-	-	-	-	539,418	539,418
Reserves realised on disposal of investment securities	-	-	-	-	(341)	-	-	(341)
Exercise of share options	8	758	-	-	-	-	-	766
Repurchase of shares	(234)	-	-	-	-	234	(20,124)	(20,124)
Dividend paid	-	-	-	-	-	-	(612,378)	(612,378)
As at 30 September 2003	<b>186,708</b>	<b>4,734,813</b>	<b>27,871</b>	<b>4,307</b>	<b>(1,130)</b>	<b>2,823</b>	<b>(845,827)</b>	<b>4,109,565</b>

Notes:

**1. Basis of preparation**

The Board is responsible for the preparation of the Group's unaudited interim financials. These unaudited interim 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.

**2. Principal accounting policies**

The principal accounting policies and methods of calculations used in the preparation of these unaudited interim financials are consistent with those used in the annual accounts for the year ended 31 March 2004.

**3. Turnover, revenue and segment information**

**3A. Primary reporting format – business segments**

(i) For the six months ended 30 September 2004:

	Corporate IT business (unaudited) HK\$'000	Consumer IT business (unaudited) HK\$'000	Handheld device business (unaudited) HK\$'000	Other business (unaudited) HK\$'000	Total (unaudited) HK\$'000
Profit and loss account					
Turnover	<u>6,228,287</u>	<u>3,818,778</u>	<u>1,191,327</u>	<u>294,316</u>	<u>11,532,708</u>
Segment operating results	<u>313,188</u>	<u>239,969</u>	<u>1,363</u>	<u>(53,031)</u>	501,489
Amortisation of goodwill					(11,154)
Impairment of assets					(51,364)
Gains on disposal of investments					164,382
Finance income					41,646
Finance costs					<u>(3,500)</u>
Contribution to operating profit					641,499
Share of losses of jointly controlled entities					(10,110)
Share of losses of associated companies					<u>(246)</u>
Profit before taxation					631,143
Taxation					<u>(24,905)</u>
Profit after taxation					606,238
Minority interests					<u>20,633</u>
Profit attributable to shareholders					<u><u>626,871</u></u>

(ii) For the six months ended 30 September 2003:

	Corporate IT business (unaudited) HK\$'000	Consumer IT business (unaudited) HK\$'000	Handheld device business (unaudited) HK\$'000	Other business (unaudited) HK\$'000	Total (unaudited) HK\$'000
Profit and loss account					
Turnover	<u>5,855,356</u>	<u>4,138,201</u>	<u>908,359</u>	<u>687,224</u>	<u>11,589,140</u>
Segment operating results	<u>369,775</u>	<u>237,716</u>	<u>(43,527)</u>	<u>(63,375)</u>	500,589
Amortisation of goodwill					(10,989)
Gains on disposal of investments					6,002
Finance income					40,049
Finance costs					—
Contribution to operating profit					535,651
Share of losses of jointly controlled entities					(13,539)
Share of profits of associated companies					5,379
Profit before taxation					527,491
Taxation					1,326
Profit after taxation					528,817
Minority interests					10,601
Profit attributable to shareholders					<u>539,418</u>

### 3B. 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.

### 4. Profit from operations

	3 months ended 30 September 2004 (unaudited) HK\$'000	6 months ended 30 September 2004 (unaudited) HK\$'000	3 months ended 30 September 2003 (unaudited) HK\$'000	6 months ended 30 September 2003 (unaudited) HK\$'000
(a) Turnover	<u>5,654,798</u>	<u>11,532,708</u>	6,247,401	11,589,140
Cost of sales	<u>(4,874,050)</u>	<u>(9,828,870)</u>	(5,357,790)	(9,864,801)
Gross profit	780,748	1,703,838	889,611	1,724,339
Finance income	20,895	41,646	19,004	40,049
Gains on disposal of investments	110,294	164,382	6,002	6,002
Impairment of assets	(20,363)	(51,364)	—	—
Distribution expenses	(399,509)	(818,412)	(446,224)	(832,162)
Administrative expenses	(75,673)	(170,616)	(88,894)	(181,192)
Other operating expenses	(100,367)	(208,584)	(108,790)	(206,151)
Amortisation of intangible assets	(7,461)	(15,891)	(8,441)	(15,234)
Total operating expenses (see (b))	<u>(583,010)</u>	<u>(1,213,503)</u>	(652,349)	(1,234,739)
Profit from operations	<u>308,564</u>	<u>644,999</u>	262,268	535,651
(b) Analysis of operating expenses by nature:				
Selling expenses	(129,472)	(285,794)	(147,902)	(291,952)
Promotional and advertising expenses	(98,193)	(184,141)	(105,109)	(189,345)
Staff costs	(200,753)	(434,349)	(234,473)	(458,496)
Other expenses	(147,131)	(293,328)	(156,424)	(279,712)
Amortisation of intangible assets	(7,461)	(15,891)	(8,441)	(15,234)
Total operating expenses	<u>(583,010)</u>	<u>(1,213,503)</u>	(652,349)	(1,234,739)

5. **Taxation**

	3 months ended 30 September 2004 (unaudited) HK\$'000	6 months ended 30 September 2004 (unaudited) HK\$'000	3 months ended 30 September 2003 (unaudited) HK\$'000	6 months ended 30 September 2003 (unaudited) HK\$'000
Taxation outside Hong Kong	13,154	24,834	5,470	11,554
Deferred taxation	454	(62)	(3,377)	(13,097)
	<u>13,608</u>	<u>24,772</u>	2,093	(1,543)
Share of taxation attributable to: jointly controlled entities	(15)	11	–	84
associated companies	–	122	(14)	133
	<u><u>13,593</u></u>	<u><u>24,905</u></u>	<u><u>2,079</u></u>	<u><u>(1,326)</u></u>

6. **Dividend**

	6 months ended 30 September 2004 (unaudited) HK\$'000	6 months ended 30 September 2003 (unaudited) HK\$'000
Interim dividend, declared after period end, of 2.4 HK cents (2003/04: 2.0 HK cents) per share	<u><u>179,357</u></u>	<u><u>149,436</u></u>

7. **Earnings per share**

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

	6 months ended 30 September 2004 (unaudited)	6 months ended 30 September 2003 (unaudited)
Earnings for the purposes of basic and diluted earnings per share (HK\$'000)	<u><u>626,871</u></u>	<u><u>539,418</u></u>
Weighted average number of shares for the purposes of basic earnings per share	7,476,022,359	7,469,327,977
Effect of potential dilutive shares	<u><u>6,162,854</u></u>	<u><u>30,914,415</u></u>
Weighted average number of shares for the purposes of diluted earnings per share	<u><u>7,482,185,213</u></u>	<u><u>7,500,242,392</u></u>

8. **Ageing analysis**

Ageing analysis of trade receivables as at 30 September 2004 is as follow:

	As at 30 September 2004 (unaudited) HK\$'000	As at 30 June 2004 (unaudited) HK\$'000	As at 31 March 2004 (audited) HK\$'000
0-30 days	1,411,565	1,233,249	944,212
31-60 days	176,109	77,050	84,481
61-90 days	12,082	19,358	20,862
Over 90 days	114,883	166,584	181,389
	<u><u>1,714,639</u></u>	<u><u>1,496,241</u></u>	<u><u>1,230,944</u></u>

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

Ageing analysis of trade payables as at 30 September 2004 is as follow:

	As at 30 September 2004 (unaudited) HK\$'000	As at 30 June 2004 (unaudited) HK\$'000	As at 31 March 2004 (audited) HK\$'000
0-30 days	1,991,482	1,567,468	1,791,869
31-60 days	355,502	335,793	210,993
61-90 days	42,177	69,766	27,554
Over 90 days	90,087	130,210	124,641
	<u><u>2,479,248</u></u>	<u><u>2,103,237</u></u>	<u><u>2,155,057</u></u>

## 9. Condensed balance sheet of the Company

	As at 30 September 2004 (unaudited) HK\$'000	As at 31 March 2004 (audited) HK\$'000
Tangible fixed assets	24,505	32,115
Investments	2,334,365	2,327,875
Current assets	4,175,612	4,408,126
Current liabilities	124,438	130,700
Net current assets	4,051,174	4,277,426
Total assets less current liabilities	6,410,044	6,637,416
Share capital	186,830	186,890
Retained earnings	1,462,941	1,685,102
Reserves	4,760,273	4,765,424
	6,410,044	6,637,416

### INTERIM DIVIDEND

The Board has declared an interim dividend of 2.4 HK cents (2003/04: 2.0 HK cents) per share for the six months ended 30 September 2004, absorbing an aggregate amount of approximately HK\$179 million (2003/04: HK\$149 million), to shareholders whose names appear on the Register of Members of the Company on 8 December 2004. The interim dividend will be paid on 14 December 2004.

### CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from 2 December 2004 to 8 December 2004, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the interim dividend, all completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's Share Registrar, Abacus Share Registrars Limited of the Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong for registration not later than 4:00 p.m. on 1 December 2004.

### FINANCIAL REVIEW

#### Results

For the six months ended 30 September 2004, the Group achieved an interim turnover of approximately HK\$11,533 million. Profit attributable to shareholders rose to approximately HK\$627 million during the period, representing an increase of 16.21% against HK\$539 million recorded in the same period last year. Basic earnings per share and fully diluted earnings per share were 8.39 HK cents and 8.38 HK cents, representing increases of 16.20% and 16.55% respectively as compared with the same period last year.

#### Segment results

During the period, turnover of corporate IT business amounted to HK\$6,228 million and segment operating profit reached HK\$313 million. As for consumer IT business, turnover was HK\$3,819 million and segment operating profit reached HK\$240 million. The turnover of handheld device business increased to HK\$1,191 million, segment operating loss of HK\$44 million was recorded last year while segment operating profit of HK\$1.36 million was recorded this year. Turnover of other businesses (IT services and contract manufacturing business) decreased to HK\$294 million, mainly caused by deconsolidation of the contract manufacturing business since 1 June 2004, with segment operating loss reduced to HK\$53 million.

#### Gains on disposal of investments

The Group recorded a net gains of HK\$164 million on disposal of investments during the period. The gain was mainly from the disposal of subsidiaries and associated companies in relation to IT services business and printed circuit board business.

#### Impairment of assets

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\$110 million during the six months ended 30 September 2004, mainly for acquisition of fixed assets, injection into construction-in-progress and optimisation of the Group's information technology systems.

## Liquidity and financial resources

As at 30 September 2004, total assets of the Group amounted to HK\$9,162 million, which was financed by shareholders' funds of HK\$4,890 million, minority interests of HK\$31 million, long-term and current liabilities of HK\$4,241 million. The current ratio of the Group was 1.86.

The Group had a solid financial position and maintained a strong and steady cash inflow from its operating activities. As at 30 September 2004, cash and cash equivalents of the Group totaled at HK\$3,126 million, of which about 12% were in Hong Kong dollars, 26% in US dollars and 62% in Renminbi.

The Group is consistently in a very liquid position and has also arranged credit facilities for contingency purposes. As at 30 September 2004, the Group's total available credit facilities amounted to HK\$4,060 million, of which HK\$1,851 million was in trade line, HK\$1,038 million in short term and revolving money market facilities and HK\$1,171 million in foreign currency contracts and options. As at 30 September 2004, the facility drawn down was HK\$435 million in trade line, HK\$125 million in short term and revolving money market facilities, and HK\$390 million in foreign currency contracts and options. The Group consistently adopts a hedging policy for business transactions to minimize the risk of fluctuation from exchange rates on daily operations.

The Group's outstanding bank loan as at 30 September 2004 was HK\$125 million. When compared with shareholders' funds of HK\$4,890 million, the Group's gearing ratio was 0.026. There were no assets held under finance lease during the period and as at the period end.

## Contingent liabilities

The Group had no material contingent liabilities as at 30 September 2004.

## Employees

As at 30 September 2004, the Group had a total of 9,206 employees, 9,148 of whom were employed in Chinese mainland and 58 were employed in Hong Kong and overseas.

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

## BUSINESS REVIEW AND PROSPECTS

In the first half of the 2004/05 fiscal year, the Group further implemented its strategic initiatives and strengthened the fundamentals of various business segments. The unit shipment growth of Lenovo PCs was consistent with the market rate during the July to September quarter. Lenovo market share increased over the previous quarter, reaching about 27%. Notebook and mobile handset businesses continued their rapid growth. The Group's interim turnover was in line with that in the same period last year. The Group's gross margin reduced slightly to 14.77% while net profit increased by 16.21%, as compared with the same period last year.

The period under review saw the initial effects of the macroeconomic control measures of the Chinese government. The Chinese PC market maintained steady growth with the government and education sectors remained as the major sources of demand. While the demand for desktop computers recorded stable growth, the unit shipment of notebook computers, promoted by wireless connectivity, increased rapidly. The demand for home PCs in township market burgeoned. The overall desktop and notebook computer ASPs in the market declined more rapidly as competitive tendering became a major way of purchase for the government and education sectors, the prices of mainstream home PCs declined and the prices of certain components also came down. During the period, the unit shipment growth in the Chinese mobile handset market slowed down. Due to the disadvantage of domestic vendors in research capabilities as compared to their foreign counterparts, the aggregate market share of domestic vendors decreased. Some domestic vendors grew faster due to their focus on research and development.

During the first half of the fiscal year, the Group adopted an innovative approach to develop its non-core business. Rather, it focused its management and market resources on developing its computer and mobile handset businesses. For its corporate and consumer IT businesses, the Group was able to better meet customer needs and improved its control of customer information through setting up a network comprising 108 sales zones spanning 18 regions and an integrated distribution model that combines channel sales and direct-to-customer sales. The improved control of customer information helps the Group optimize its commercial customer portfolio, and enhance its capabilities in managing business leads and targeting commercial customers. During the period, Lenovo also stepped up its penetration of the small and medium enterprise (SME) market in an effort to alleviate the impact on ASP and gross margin from the competitive tendering in the government and education sectors. In the consumer market, the Group actively developed market segment with high volume growth potentials by launching the "Yuanmeng" PC series designed for township



home users and the “Xuri” notebook computer series for low-end market. The Group believes it stands to benefit from the steady growth in demand by the users in township market. In view of the irrational price competition among second-tier PC vendors and intensified competition from foreign brands since the beginning of the year, the Group proactively adopted certain market tactics. With the principle of maintaining a healthy operation in mind, the Group leveraged its price advantage and strategically adjusted its product line to capture the low-end market and to explore the market segments with high volume growth potentials. Lenovo effectively minimized the impact from the aggressive moves of its competitors and increased its market share.

The Group’s handheld device business reported a satisfactory growth during the period with a year-on-year unit shipment growth of 105%, despite the competitive market environment. While the profit margins of other Chinese vendors narrowed, the Group was able to maintain its gross margin at above 23%, thanks to its persistence in developing proprietary products with unique features and implementing the “10,000-shop expansion project”.

Looking into the second half of the fiscal year, the Group expects the Chinese PC market to continue its steady growth under a friendlier competitive environment and the market ASP to reduce at a slower pace. Benefits of the strategic initiatives that the Group has implemented for six months will be more apparent. The Group’s strategy to strengthen its ties with customers will allow it to improve its capability in serving quality customers. It also expects its efforts in cultivating the market segment with high volume growth potentials to bear fruit. Lenovo will continue to strengthen its competitiveness and explore new opportunities in both domestic and overseas markets. The Group believes it will be able to bring long term stable returns to investors.

#### PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S LISTED SECURITIES

During the six months ended 30 September 2004, the Company purchased its own shares on The Stock Exchange of Hong Kong Limited as follows:

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 subsequently cancelled and accordingly, the issued share capital of the Company was reduced by the nominal value thereof. The premium payable on repurchase was charged against the share premium account 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 period.

#### REVIEW BY AUDIT COMMITTEE

The Audit Committee of the Company has reviewed the interim report for the six months ended 30 September 2004. It meets regularly with the management, the external auditors and the internal audit personnel to discuss the accounting principles and practices adopted by the Group and internal control and financial reporting matters.

#### CODE OF BEST PRACTICE

None of the Directors is aware of any information that would reasonably indicate that the Company is not, or was not for any part of the accounting period covered by this interim results, in compliance 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, except that non-executive directors of the Company 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.

By order of the Board  
**Liu Chuanzhi**  
Chairman

Hong Kong, 16 November 2004

*As at the date of this announcement, the Board comprises three executive directors, namely Mr Liu Chuanzhi, Mr Yang Yuanqing and Ms Ma Xuezheng, one non-executive director, namely Mr Zeng Maochao, and three independent non-executive directors, Mr Wong Wai Ming, Professor Woo Chia-Wei and Mr Ting Lee Sen.*

*The results announcement of the Company will be published on the websites of the Company and The Stock Exchange of Hong Kong Limited.*

Website: [www.lenovo.com](http://www.lenovo.com)

“Please also refer to the published version of this announcement in The Standard and South China Morning Post”