NEW WORLD. NEW THINKING.

2008/09 Annual Report Lenovo Group Limited

STOCK CODE 992

ABOUT LENOVO

Lenovo (HKSE: 992) (ADR: LNVGY) is dedicated to building exceptionally engineered personal computers. Lenovo's business model is built on innovation, operational efficiency and customer satisfaction as well as a focus on investment in emerging markets. Formed by Lenovo Group's acquisition of the former IBM Personal Computing Division, the company develops, manufactures and markets reliable, high quality, secure and easy-to-use technology products and services worldwide. Lenovo has major research centers in Yamato, Japan; Beijing, Shanghai and Shenzhen, China; and Raleigh, North Carolina.

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Exceptionally Engineered

Lenovo engineers design and create exceptionally engineered PCs by constantly challenging themselves with seemingly impossible goals. Luckily, our engineers are among the best in the world. At Lenovo, it's not about simply meeting customer expectations. It's about exceeding our own.

ThinkPad X300 notebook

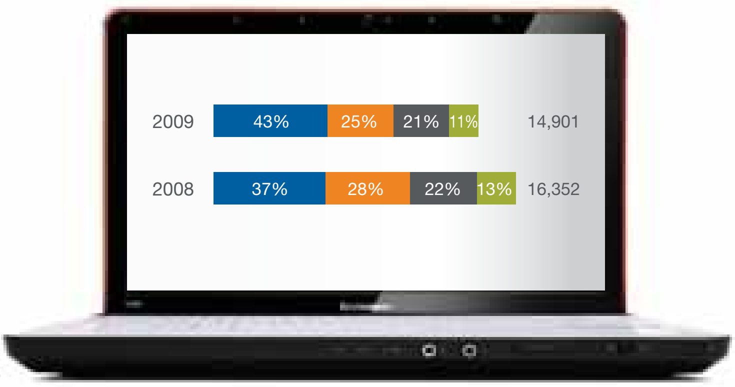
FINANCIAL HIGHLIGHTS

For the year ended March 31	**2009 US$ million**	2008 US$ million	Year-on-year Change
Continuing Operations[1]			
Sales	**14,901**	16,352	-8.9%
Gross profit[2]	**1,779**	2,450	-27.4%
Gross profit margin[2] (%)	**11.9**	15.0	-3.1 pts
Operating expenses[2]	**1,773**	1,921	-7.7%
Expense-to-revenue ratio[2] (%)	**11.9**	11.7	0.2 pts
EBITDA[2]	**216**	798	-72.9%
Pre-tax income[2]	**29**	560	-94.8%
Pre-tax income margin[2] (%)	**0.2**	3.4	-3.2 pts
Group Results			
(Loss)/Profit attributable to shareholders	**(226)**	484	N/A
EPS – basic (US cents)	**(2.56)**	5.51	N/A
EPS – diluted (US cents)	**(2.56)**	5.06	N/A
Interim dividend per share (HK cents)	**3.0**	3.0	–
Final dividend per share (HK cents)	**–**	12.8	N/A
Total dividend per share (HK cents)	**3.0**	15.8	-81.0%
Cash and Working Capital			
Bank deposits and cash	**1,863**	2,191	-15.0%
Total bank borrowings	**685**	561	22.1%
Net cash reserves	**1,178**	1,630	-27.7%
Cash conversion cycle (days)	**(23)**	(28)	5

Notes:
1 The disposal of mobile handset business was completed in March 2008. Continuing operations exclude mobile handset business.
2 Excluding restructuring charges and one-off charges.

Sales Analysis by Geography – Continuing Operations[1]

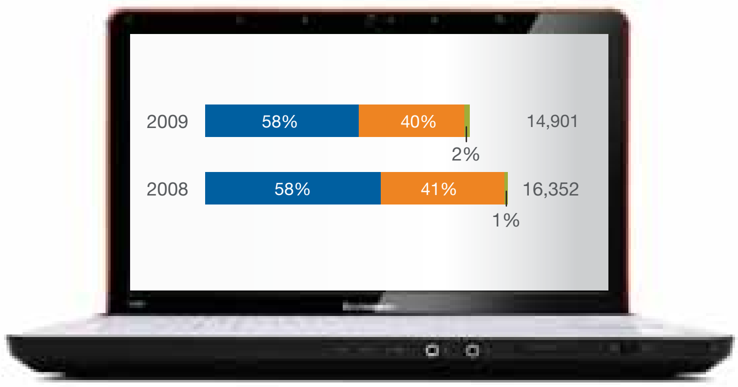
for the year ended March 31 (US$ million)



- Greater China
- Americas
- Europe, Middle East & Africa
- Asia Pacific (excluding Greater China)

Sales Analysis by Product – Continuing Operations[1]

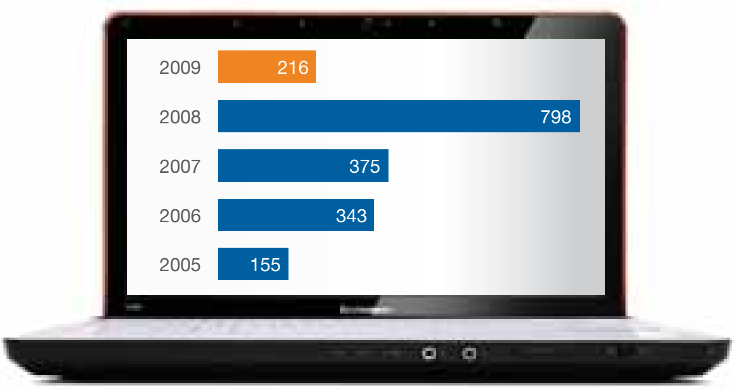
for the year ended March 31 (US$ million)



- Notebook computer
- Desktop computer
- Others

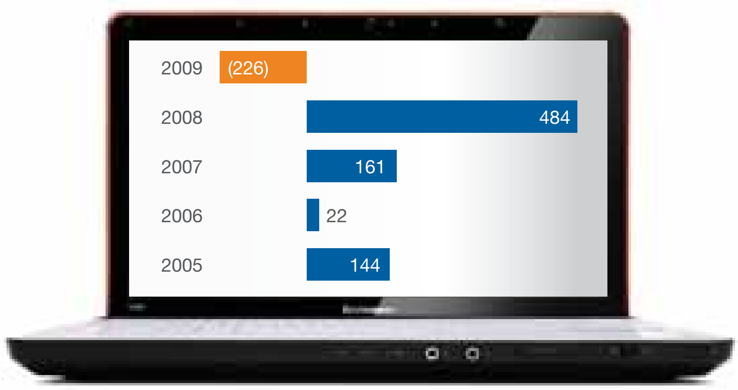
EBITDA – Continuing Operations[1,2]

for the year ended March 31 (US$ million)



(Loss)/Profit Attributable to Shareholders

for the year ended March 31 (US$ million)



Notes:

1 The disposal of mobile handset business was completed in March 2008. Continuing operations exclude mobile handset business.

2 Excluding restructuring charges and one-off charges.

IdeaPad Y650 notebook

Pioneering

Lenovo is always striving to break new ground in the PC industry. Our culture encourages venturing into unknown territory to develop trailblazing products, solutions and services. These breakthroughs are the result of Lenovo's drive to constantly challenge convention.

Lenovo USB Smartcard Keyboard

IdeaPad Y550 notebook

Passionate

Solutions that fit your needs and your lifestyle.

ThinkPad W700ds mobile workstation

Creative

Products built to be more intuitive and more capable.

"I believe the decisive actions that we have taken to combat the economic crisis and the efforts to execute various strategic priorities will enable Lenovo to emerge as a more competitive company when the market recovers."

In the 2008/09 fiscal year, the PC industry was hard hit by the global economic crisis and as a result the operating environment for Lenovo became extremely challenging. Under the unprecedented economic crisis, enterprise customers delayed their purchase and cut down spending on PCs, leading to a reduction in global commercial PC demand. At the same time, the growth of the China PC market also slowed down as it was affected by the macroeconomic conditions. These unfavorable factors impacted Lenovo's business performance in the second half of the 2008/09 fiscal year and also highlighted the urgency for the Group to improve its execution and operational efficiency.

Since its acquisition of IBM's PC business, Lenovo has progressed smoothly in the integration of its global operations and attained a number of achievements through steady implementation against its strategic directions. To meet the current economic challenges, Lenovo will remain steadfast in pursuing the defined strategic priorities and take decisive actions to alleviate the impact. First, Lenovo realigned its resources and organizational structure to boost operational efficiency and reduce expenses. It strives to stabilize the Group's business performance by focusing on enhancing the competitiveness and profitability of its core businesses. Furthermore, Lenovo will endeavor to strengthen its position in the China PC market by leveraging the government's economic stimulus package to grow its business, accelerate its expansion into other emerging markets and the consumer PC market and at the same time strengthen its leading position in the worldwide commercial market.

The Group also introduced a series of changes in its management team to boost its ability to execute business strategies. Yang Yuanqing returned to the role of Chief Executive Officer in which he will apply his extensive experience in China and the insights that he has gained during the course of Lenovo's internationalization. When Lenovo acquired IBM's PC business in 2005, Yang Yuanqing considered working closely with managers from diverse cultural backgrounds and leadership styles a major challenge. In the four years following the acquisition, he has gained valuable experiences that laid the groundwork for him to lead Lenovo towards success in the future. Rory Read, our newly appointed Chief Operating Officer, is very strong in execution and will work with Yang Yuanqing as the core of management, overseeing day-to-day operation of the Group.

In the twenty five years since Lenovo was founded, I have encountered many challenges, some seemingly insurmountable. We weathered through all the storms with courage, faith and luck, but also insights into corporate leadership that we have gained over the course. The Board of Directors has entrusted me with the chairmanship again to support the new management team in maximizing returns to shareholders. I am confident of living up to this expectation. I would like to take this opportunity to thank William Amelio for his contribution during his tenure at Lenovo. His expertise in operations and efforts in cultivating a global corporate culture have been instrumental in making Lenovo one of the leaders in the industry.

Up against the severe global economic crisis, I expect Lenovo will continue to face significant challenges in the near future and see its business performance affected. However, I have strong confidence in the new management team and believe it will be able to effectively implement the defined strategies and fully realize Lenovo's strengths in business model, innovation and lean cost structure. These efforts will take Lenovo to new heights and return Lenovo to the path of sustainable and profitable growth. I believe the decisive actions that we have taken to combat the economic crisis and the efforts to execute various strategic priorities will enable Lenovo to emerge as a more competitive company when the market recovers.

I would like to express my gratitude to our shareholders, my fellow board members, customers and employees for their continuous support for Lenovo. I hope the Group will continue to have your strong support in the future. We are committed to bringing sustainable long-term returns to our shareholders.

Liu Chuan Zhi

Liu Chuanzhi
Chairman of the Board
Hong Kong, May 21, 2009

"As a company, we have embraced the challenge posed by the current business environment by drawing on our core strengths to position Lenovo for rapid growth as the economy starts to thaw and show signs of recovery."

The last year has been one of the most challenging for business in modern times, affecting companies everywhere, and it was no different for Lenovo. The dramatic downturn in the global economy impacted Lenovo's results, interrupting a long run of consistently strong growth. Clearly the global economy is beyond our control, but we are not satisfied with our performance in 2008/09 and are hard at work to deliver solid improvements in our performance in the year ahead.

Already we have taken decisive action to streamline our company and have redoubled our efforts to deliver against key strategic priorities. We announced a restructuring plan in January that will significantly cut costs. As a company, we have embraced the challenge posed by the current business environment by drawing on our core strengths to position Lenovo for rapid growth as the economy starts to thaw and show signs of recovery.

Everyone at Lenovo is focused on meeting this challenge and that includes me, as I have returned to the CEO role. I thank William Amelio, my predecessor, for his work in helping to build Lenovo into a global company. As CEO, my singular focus is to return to strong, sustained growth and furthering our goal of making Lenovo the world's leading PC company.

ACHIEVEMENTS IN 2008/09

During the 2008/09 fiscal year we realized some notable successes:

- We continued to strengthen our business in China, our largest market, where we continued to increase market share.

- Lenovo grew faster than the market in such key emerging markets as Russia, Brazil and Turkey, demonstrating how we can tailor our proven China business model into success in other emerging markets, which collectively represent tomorrow's high-growth opportunities.

- Our commitment to driving customer value through innovation continued, exemplified by the release of the ThinkPad X301, and dozens of other award-winning products.
- The IdeaPad S10 rapidly gained share in the entry-price netbook PC category and brought about significant wins in key education accounts around the world.
- Our efforts at the Beijing 2008 Olympic Games were recognized in an analysis conducted by the GLM TrendTopper™ as the most effective leveraging by any sponsor, helping to continue raising global awareness and brand stature.

Lenovo's strategy has likewise been streamlined to reflect a results-driven approach to succeeding in this highly challenged environment; we have fine-tuned our priorities in order to maximize our opportunities for growth. We will continue to protect and build upon our strength in China and in commercial and global accounts as we seek to expand aggressively into new areas of strength, especially key emerging markets such as Brazil, India and Russia.

STRATEGIC PRIORITIES

The global PC market remains challenging going into 2009/10. In the new fiscal year, Lenovo will maintain its focus on the following priorities:

- **Execution:** We have set clear targets and focus on execution. We will remain flexible in our tactics so we can succeed in this challenging and ever-changing business environment. Through continuous improvement, we will execute with more speed and greater effectiveness, enhancing the competitiveness of our already strong business model.
- **Performance:** Our strength in China and in our relationship business across the globe will serve as the foundation upon which we build and grow our entire business. Further, we will drive efficiency throughout our operations while improving our cost structure.
- **New Growth:** Extending the success of our China business model into emerging markets such as India, Russia and Brazil represents a major opportunity for Lenovo. Similarly, we will grow our consumer and SMB business outside China and continue our strong growth in the entry-level PC market.
- **Innovation:** Product innovation remains a hallmark of Lenovo, and we remain committed to innovation leadership and quality. Lenovo will continue to invest in delivering exceptionally engineered PCs.

CULTURE

Lenovo is a global company with significant operations on six continents. Everyone at Lenovo takes great pride in our ability to attract top talent from diverse backgrounds and from around the world. We have made tremendous progress in integrating this talented, diverse group into a cohesive, New World company.

Now we must build on that success and create chemistry and teamwork across the company, wherein we view our differences and diversity as sources of strength that help us achieve our goals. As that trust deepens, we will increase our speed, efficiency and discipline, cultivating a collaborative culture suitable for a leading IT company.

My intention is that we succeed not only in the current fiscal year, but well into the coming years and decades. My dream has always been to develop a company that is built to last. I have great appreciation for and belief in our employees around the world. They are the reason I am confident that Lenovo will succeed.

Y. Yang

Yang Yuanqing
Chief Executive Officer
Hong Kong, May 21, 2009

LENOVO MANAGEMENT TEAM

1 **Liu Chuanzhi**
Chairman of the Board

2 **Yang Yuanqing**
Chief Executive Officer

3 **Rory Read**
President and
Chief Operating Officer

4 **Wong Wai Ming**
Senior Vice President and
Chief Financial Officer

5 **Milko van Duijl**
Senior Vice President,
Mature Markets

6 **He Zhiqiang**
Senior Vice President and
Chief Technology Officer

7 **Kenneth DiPietro**
Senior Vice President,
Human Resources

8 **Robert Cones**
Senior Vice President,
Office of Operations and Web Sales

9 **Gerry Smith**
Senior Vice President,
Global Supply Chain

10 **Michael O'Neill**
Senior Vice President and
General Counsel

11 **Chen Shaopeng**
Senior Vice President, Emerging Markets

12 **Fran O'Sullivan**
Senior Vice President, THINK Product Group

13 **Liu Jun**
Senior Vice President, IDEA Product Group

14 **Peter Hortensius**
Senior Vice President, ThinkPad branded notebooks

15 **Christopher Askew**
Senior Vice President, Lenovo Services

16 **Qiao Song**
Senior Vice President and Chief Procurement Officer

17 **Wang Xiaoyan**
Senior Vice President and Chief Information Officer

18 **David Schmoock**
Senior Vice President, Operations for Lenovo's Mature Markets

19 **Qiao Jian**
Vice President, Corporate Strategy and Planning

Inspired

Designs that outclass the competition.

IdeaCentre A600 all-in-one desktop

ThinkCentre M55 desktop

Confident

A world leader in technology, reliability and security.

Dynamic

Our commitment to worldsourcing enables Lenovo to deliver consistent value by reacting quickly to global market requirements and changing customer needs. This approach makes maximum use of our resources to create the best products in the most efficient and effective way.

IdeaPad S Series netbooks

Business Review

Despite the challenging macro environment during the 2008/09 fiscal year, the Group stayed focus on improving cost efficiency and competitiveness and made steady progress in various areas.

The impact of the global economic crisis in 2008 reached far and wide. It has significantly affected the worldwide PC market demand as many large enterprises delayed purchase decisions and reduced IT budgets. Even the growth of the China PC market has slowed down under the economic challenges. At the same time, the PC industry as a whole has shifted dramatically and rapidly to lower price points, imposing additional pressures on industry players.

During the 2008/09 fiscal year, the year-on-year growth of worldwide PC market shipments decelerated to approximately 4 percent, mainly supported by consumer and low-priced notebook segments. The China PC market and worldwide commercial PC segment in which Lenovo® is heavily weighted showed significant slowdown in the second half of the fiscal year under the economic crisis. In addition, the Group could not enjoy the benefits of the growth in transaction space as it has not adequately addressed the worldwide transaction segment outside China, in particular the consumer market. Lenovo reported lower-than-market growth in its worldwide PC shipments which only increased by approximately 2 percent year-on-year. As a result, the Group's market share decreased slightly to 7.6 percent, ranking number four worldwide during the fiscal year.

The Group's financial performance in the second half of the 2008/09 fiscal year was significantly impacted by the widespread economic slowdown. Lenovo's overall sales for the fiscal year decreased 9 percent year-on-year to approximately US$14,901 million, resulting from the slower PC shipment growth and a steeper-than-normal decline in average selling prices exacerbated by the weak economic backdrop. The Group's gross margin performance was further affected by the continued shift in the market to lower price points, aggressive pricing and currency fluctuations. The gross margin (excluding one-off items) for the fiscal year declined to 11.9 percent from 15.0 percent while gross profit (excluding one-off items) decreased 27 percent year-on-year to approximately US$1,779 million.

In anticipation of continued deterioration in the global economic environment, Lenovo announced a global resource restructuring plan in January 2009 to reduce costs and enhance operational efficiency. About 2,500 employees were eliminated as a result of this action which is expected to realize annual savings of approximately US$300 million on a run rate basis in the coming fiscal year. Despite Lenovo's efforts to control expenses during the 2008/09 fiscal year, the decline in sales and pressure on gross margin resulted in 95 percent year-on-year decline in the Group's profit before taxation (excluding the cost of restructuring actions and one-off charges) to approximately US$29 million for the year. The Group reported a loss attributable to shareholders of approximately US$226 million, after accounting for US$146 million of restructuring costs and US$71 million of one-off charges. This compared to a profit attributable to shareholders (including US$20 million net profit from discontinued operations) of US$484 million in the previous fiscal year.

Refreshed retail store, Beijing, China

PERFORMANCE OF GEOGRAPHIES

The worldwide PC market showed year-on-year negative growth in the second half of the 2008/09 fiscal year, caused by the widespread economic slowdown. No country was immune in this PC market slowdown. Lenovo's performance in various geographies was also affected in varying degrees. Nevertheless, the Group continued to acquire commercial customers at a strong pace, resulting in an increase of its worldwide commercial market share to approximately 10.9 percent during the year.

Greater China

Lenovo Greater China accounted for approximately 43 percent of the Group's overall sales in the 2008/09 fiscal year, continuing to be the largest sales contributor. The growth of China PC market was negatively impacted by earthquake, floods, softer consumer demand and, later in the fiscal year, the global economic slowdown. Nevertheless, owing to its outstanding execution and leadership position across all customer segments, the Group achieved approximately 8 percent year-on-year growth in PC shipments in China as compared to the 4 percent growth of the overall market. Lenovo strengthened its number one position by gaining 0.9 percentage points in market share, accounting for approximately 28.8 percent of the market.

The Group's solid performance in China was attributable to continuous efforts to enhance its dual business model. In the 2008/09 fiscal year, Lenovo implemented a business management system for its transaction model to ensure a more consistent performance across the country. At the same time, Lenovo expanded its channel partnerships by collaborating with Taobao, the largest Internet retail website in China, and it also refreshed storefronts to strengthen the coverage of consumer and small- and medium-sized business (SMB) customers. The Group also formed a strategic relationship with Alibaba, the largest online business-to-business (B2B) marketplace, to launch a customized Lenovo eCommerce PC model for SMB in China.

ThinkPad T400 notebook

In view of the robust growth of notebook demand in China, Lenovo focused its resources on expanding its leadership in this segment. The Group's alignment of its end-to-end business model, specifically tailored for high-end as well as mainstream notebook segments, resulted in outstanding sales performance of the ThinkPad® brand during the year. The Group also saw significant improvement in its customer acquisition capability via its relationship business, particularly in the public sector.

Americas

In the 2008/09 fiscal year, the Americas accounted for approximately 25 percent of Lenovo's overall sales. The PC market in the United States was sluggish and in particular the commercial segment was hard hit by the economic crisis. Although Lenovo's efforts to increase its presence in the transaction segment helped offset some of the impact of the reduction in commercial spending, the Group still reported a year-on-year decline of approximately 6 percent in PC unit shipments in the Americas.

The commercial market conditions in the Americas deteriorated significantly in the 2008/09 fiscal year as many large enterprise customers delayed their purchase decisions and cut IT spending to reduce costs while struggling under the unprecedented economic challenges. Lenovo implemented a market crisis program by tailoring its offerings even more to increase customer value during the economic downturn. In addition, the Group also introduced significant enhancements to its relationship model, including expanding its market footprint by increasing channel partner relationships, increasing share-of-wallet with tailor-made product catalogs for the mid-market and public sectors, and using dedicated sales teams focused on new business acquisition.

IdeaPad Y430 notebook

With improved execution, establishment of an integrated business management system and expansion into the consumer segment, Lenovo delivered better-than-market growth in the Americas' transaction business space. The Group reported a 14 percent year-on-year growth in PC unit shipments during the 2008/09 fiscal year by gaining traction in consumer and SMB markets, as well as in Latin America. The launch of IdeaPad™ S-series netbook at the Consumer Electronics Show 2009 brought additional excitement with favorable feedback from both retail and value added reseller business partners.

Europe, Middle East and Africa (EMEA)

Lenovo enjoyed solid growth in Europe, Middle East and Africa (EMEA) up until the economic crisis hit in the summer of 2008. The extreme currency fluctuations during the year posed additional challenges to the Group in EMEA which accounted for approximately 21 percent of Lenovo's overall sales. Due to the significant contraction of desktop demand and Lenovo's limited participation in consumer and entry-level PC segments in the geography, the Group reported a lower-than-market PC shipments growth of 6 percent year-on-year for the 2008/09 fiscal year.

In view of the demand decline in its relationship business, Lenovo aligned resources to capture available market opportunities while initiating measures to alleviate the impact of the decline. For example, the Group won several significant strategic global accounts by focusing on back-end execution, customer experience and segment coverage expansion. At the same time, Lenovo implemented best practices in its demand generation efforts targeting mid-market and public sector customers across the EMEA region while focusing on sales retention, acquisition and account development process. Lenovo continued to outgrow the market in the mid-market segment with solid margin performance.

Despite the challenging market environment, Lenovo stayed focused on enhancing its transaction business model in EMEA. On the commercial side, Lenovo optimized business partner segmentation and coverage to achieve better return on resource investment. In addition to France, the Group expanded into the consumer market in Turkey in August 2008 and quickly drove significant increase in its share of the notebook market in Turkey to more than 8 percent in the second half of the 2008/09 fiscal year. In the fourth fiscal quarter, Lenovo completed its consumer notebook portfolio build-up in the geography with its successful launch of IdeaPad netbook computer which has been a very popular PC form factor across EMEA.

Asia Pacific (excluding Greater China)

In the 2008/09 fiscal year, Asia Pacific (excluding Greater China) contributed approximately 11 percent to Lenovo's overall sales. The growth of the PC market in this geography slowed down significantly due to the negative growth of the Indian market in addition to the impact of the global economic crisis. Lenovo reported a year-on-year decline of approximately 14 percent in PC shipments for the year.

ThinkPad SL500 notebook in the classroom

The Group’s performance in this geography was impacted by execution issues in both India and Japan, which offset the higher growth achieved in the rest of the geography in the first half of the year. Even though Lenovo achieved the number one position in the education segment in Australia and New Zealand in the 2008/09 fiscal year, it saw its PC shipments in large enterprise and high-end segments under great pressure in the second half of the year when the market showed marked slowdown with the widespread economic crisis.

In the 2008/09 fiscal year, the Group implemented several actions to improve its business operations in India. However, the Group had to scale back its business in the Indian PC market which faced severe challenges with market demand due to both domestic issues and the global economic crisis. In Japan, Lenovo also met with significant challenges due to the weakness in the commercial market. Nevertheless, the Group was encouraged with the enthusiastic market response to its launch of IdeaPad netbooks in the fiscal fourth quarter.

PERFORMANCE OF PRODUCT GROUPS

Lenovo takes pride in its innovation leadership in the PC industry. During the 2008/09 fiscal year, the Group continued to lead the industry in introducing new key technologies and product platforms. More importantly, it successfully launched a number of new models to address the growth in SMB and consumers markets.

Notebook Computers

Notebook computers were the primary source of growth for the worldwide PC market in the 2008/09 fiscal year, mainly driven by consumer demand and the shift to lower price points. Lenovo’s notebook

ThinkPad R Series notebook

business increased its share of the Group's total sales to approximately 58 percent, with a 14 percent year-on-year increase in unit shipments. The Group's limited participation in the entry-level segment and the consumer market outside of China impacted its shipment performance compared to the overall market, resulting in a year-on-year lower market share of approximately 7.2 percent.

During the 2008/09 fiscal year, Lenovo once again demonstrated its leadership in notebook computing for business users by launching a new portfolio of ThinkPad notebooks in July 2008 based on Intel® Centrino® 2 processor technology. Lenovo also brought many of the technologies first pioneered in the industry-acclaimed ThinkPad X300 notebook - such as solid state drive storage, LED backlit displays and GPS functionality - to select models in the product line. The ThinkPad T400 earned numerous product awards from leading publications, including the "Editors' Choice" award from *PC Magazine* for its cutting-edge features such as switchable graphics and delivering an unequaled typing experience.

The Group expanded SMB addressability with the new SL-series of ThinkPad notebooks, bringing the quality and reliability that ThinkPad is known for to the SMB market. The award-winning SL-series features cutting-edge technologies, such as built-in high speed mobile broadband connectivity, and excellent multimedia capabilities as well as a black glossy cover for a stylish design.

Following the debut of IdeaPad in early 2008, Lenovo brought new colors, sizes and features to its consumer notebook series by launching 15 models during the 2008/09 fiscal year. The new IdeaPad notebooks were designed for style, mobility, entertainment and

IdeaPad S Series netbooks

performance and offer a variety of colors and screen sizes. In addition, IdeaPad notebooks offer consumer-focused features such as expanded facial recognition for simple and convenient log-on as well as OneKey™ Rescue System, High-Definition Multimedia Interface (HDMI) and optional Blu-ray DVD players on select models.

In September 2008, Lenovo entered the rapidly-growing netbook PC market with IdeaPad S9 and S10 netbook computers. The Group introduced a new super-slim netbook to complement the product portfolio and address the needs of first time buyers. The 10.2-inch screen IdeaPad S10 netbook swept a number of product awards from leading publications including the "Top Five Netbooks – No. 1" by *PC World* and "The Best Netbook We've Seen All Year" by *Wired Magazine*. The positive market reception of the Group's netbooks immediately positioned Lenovo as the leading brand in China's netbook market and helped drive its overall notebook shipments growth in the second half of the fiscal year.

Desktop Computers

During the 2008/09 fiscal year, the desktop computer market showed a decline in unit shipments due to decreased commercial spending and increased consumer demand for notebook computers. Desktop computers accounted for approximately 40 percent of Lenovo's total sales in the fiscal year. The Group reported a better-than-market performance in unit shipments which showed approximately a 7 percent year-on-year decline, resulting in an increase of market share to approximately 8.0 percent.

Lenovo continued to deliver exceptionally engineered desktop offerings with a greater emphasis on customer segmentation. The Group designed the ThinkCentre® M58/M58p specifically for the demands of large enterprises in the business and education markets. Power Manager, a ThinkVantage® technology, allows customers to save energy and lower electricity costs by enabling system administrators to monitor and remotely control the amount of electricity used. ThinkCentre M58p ranked first in the desktop category of the Green Electronics Survey 2008 by Greenpeace.

The Group retooled its desktop computer portfolio in March 2009 to give commercial customers lower cost options. The new ThinkCentre A58 gave SMB customers reliable, secure and affordable desktop technology in a new design, while the ThinkCentre M58e provides the technologies and green features that mid-market segment and large enterprises need to stay productive and efficient. Saving energy and expenses are critically important during an economic downturn.

ThinkCentre M58e desktop

ThinkCentre®

IdeaCentre K230 desktop

Lenovo continually improved its product design for the environment. All ten of its ThinkVision® monitors, ranging from 17 to 24 inches wide, satisfied the Energy Star 5.0 criteria and carried an Electronic Products Environmental Assessment Tool (EPEAT) Gold rating. All use 30 to 60 percent less energy than previous models.

Lenovo strengthened its leading position in China's desktop computer market by introducing tailor-made models such as the ultra-small-form-factor model of the Yangtian series for small business customers. At the same time, the Group remained focused on simplifying its product portfolio to drive operational efficiency and reduce costs. In January 2009, it took a significant step by integrating the Kaitian series, which targeted large enterprises, with the ThinkCentre M-series in China.

During the fiscal year, Lenovo introduced six consumer desktop computer models to tap the consumer market outside China. The Group delivered the next generation of consumer desktop computing by introducing

ideacentre™

IdeaCentre A600 all-in-one desktop

IdeaCentre™ A600 – its first all-in-one desktop – in January 2009. The sleek IdeaCentre A600 all-in-one features a 21.5-inch frameless screen, and provides discerning space-conscious and style-conscious users a modern design that measures only one inch at its slimmest point. Lenovo also introduced more powerful desktop computer models such as IdeaCentre K220 and K230 that are aimed at satisfying the computing appetites of the entire family and providing an exciting interactive and entertainment computing experience. The Lenovo H200 desktop rounded out the line-up as a low-cost and high-value PC designed for customers on a budget to perform basic computing applications.

REVIEW OF BUSINESS & OPERATIONAL INITIATIVES

Despite the challenging macro environment during the 2008/09 fiscal year, the Group stayed focus on improving cost efficiency and competitiveness and made steady progress in various areas.

Consumer Business

The Group continued to expand its coverage of the worldwide consumer market during the 2008/09 fiscal year with its successful launches in Turkey and Poland and the enabling of direct web sales in the United States. Lenovo's Idea brand PC shipments outside China increased 96 percent year-on-year, driven by the successful launch of the IdeaPad netbook series, strong growth momentum in its key emerging markets and rapid ramp-up in select mature markets. Lenovo quickly gained traction and claimed the number one position in China's netbook PC market in the second half of the 2008/09 fiscal year and ranked third in Asia Pacific overall.

ThinkPad W700 mobile workstation

Emerging Markets

During the 2008/09 fiscal year, the Group steadily expanded into emerging markets and enjoyed year-on-year share gains in some countries, including Turkey, Russia and Brazil. In March 2009, the Group took a significant step in enhancing the development of emerging markets by creating two new business units - one focusing on customers in mature markets and the other focusing on customers in emerging markets. This realignment of the organizational structure is aimed at leveraging synergies that exist among similar markets sharing similar dynamics in customer buying behaviors, product trends and go-to-market approaches.

Relationship & Transaction Business Models

Despite the slowdown in the relationship business during the 2008/09 fiscal year, Lenovo held its market position through increasing contributions from newly acquired relationship accounts, maintaining the business among large enterprise customers and setting up dedicated public sector teams to capture government stimulus spending in major markets. The increased emphasis on demand generation during the fourth fiscal quarter also yielded benefits.

The Group's transaction business continued to build momentum around the world, accounting for approximately 37 percent of Lenovo's PC sales excluding Greater China in the 2008/09 fiscal year. Despite the economic challenges in the second half of the fiscal year, Lenovo's overall transaction business performed in line with the market, driven by expanded coverage of consumer retail and SMB resellers, improved partner productivity, growth in selected countries and business partner demand generation programs.

Services, Software & Peripherals

Among the high-margin adjacent businesses, Lenovo Services delivered approximately 20 percent year-on-year increase in sales during the 2008/09 fiscal year. Lenovo was able to offset some of the impacts of reduced enterprise spending by launching multiple new services offerings, including ThinkPlus™ Services and Asset Recovery Services, to meet ever expanding customer needs. However, Lenovo's Software and Peripherals business sales declined approximately 8 percent year-on-year in the 2008/09 fiscal year but remained a significant profit contributor and continued to see strong growth in China. The Group continued to expand its software and peripherals offerings by introducing new technology such as Secure Managed Client technology and ConstantSecure Remote Disable. In collaboration with partners, Lenovo also launched Anti-Theft technology and Lenovo ConstantConnect in the second half of the fiscal year.

Workstations & Servers

With respect to its expansion into the higher margin product markets, Lenovo laid the foundation during the fiscal year to position the company for strong growth

ThinkServer product family

in the post-recovery environment. In January 2009, Lenovo launched the world's first dual-screen mobile workstation – the ThinkPad W700ds – that combined a new balance of unique design with complex engineering and unparalleled performance to meet users' needs in the fields that demand high computing capabilities.

The Group completed its entry into the server market in late 2008. The launch of ThinkServer™ portfolio, which was designed to deliver a better server experience for the SMB customer, enabled Lenovo to better serve this customer group.

Global Supply Chain

Lenovo's global supply chain made solid improvements in efficiency and delivery times while significantly reducing material and end-to-end costs during the 2008/09 fiscal year. Improving on serviceability has always been a key priority at Lenovo. The use of Lean Six Sigma methodologies resulted in streamlined materials management, reduced manufacturing cycle times, and a focused effort to simplify the product portfolio. As a result, the Group improved on serviceability of its notebook and desktop computers by 8 percent year-on-year.

The Group also delivered a 10-percent year-on-year improvement in cost per box. Strict controls over operating expenses, plant and distribution optimization work, and a strong effort to reduce excess and scrap material contributed to the end-to-end cost improvements. At the same time, Lenovo worked closely with its materials suppliers to drive lower parts costs. Through negotiations of long-term agreements, strategic bulk-buying arrangements, and supplier consolidations, Lenovo delivered significant materials cost reductions across the major commodities.

Lenovo ConstantConnect PC card

Customer Services

Throughout the year, Lenovo remained committed to delighting its customers around the world with industry leading service and support. In the 2008/09 fiscal year, Lenovo improved its independent Customer Delight scores by 10 percentage points year-on-year through ongoing analysis and implementation of best practices globally.

Lenovo's commitment to delighting customers was further validated by gaining the leadership position in both Notebook and Desktop Corporate IT Buying Behavior & Customer Satisfaction Surveys by Technology Business Research (TBR) during the year. Lenovo also ranked first in the 21st Annual PC Magazine's Readers Survey for Services & Support. In addition, Lenovo garnered geography specific service and support accolades by winning the CCID Consulting's best support award in China for the 11th consecutive year. Lenovo was also the only IT company in China to have ever been awarded four stars from Help Desk Institute (HDI).

Brand Building

The global spotlight was shining on the Lenovo brand during the 2008 Olympic Games in Beijing. Lenovo demonstrated its technical strengths in delivering a flawless performance that met the unprecedented demand of the Beijing Games. A network of 30,000 pieces of equipment, including desktop and notebook computers, touch-screen devices and printers supported by more than 600 Lenovo engineers delivered worldwide excellence in support of the Beijing Games. On top of this strong performance, Lenovo activated a comprehensive on-site marketing program that marked the recognition of Lenovo as a worldwide brand and featured exciting interactive experiences highlighting Lenovo's technology innovations.

Building on the success of its sponsorships of the Beijing Olympic Games, the Group partnered with motor racing's Formula One Vodafone McLaren Mercedes team. Formula One provides an outstanding showcase for Lenovo's technology, and keeps Lenovo at the forefront of an arena where performance counts.

Athletes at the Lenovo i.Lounge in the Olympic village

The Lenovo Showcase on the Olympic Green

Lenovo's trackside signage on display in Malaysia

Financial Review

The Group completed the disposal of its entire interests in the Greater China mobile handset operations on March 31, 2008. The analysis presented below covers the continuing operations of the Group for the year ended March 31, 2009.

For the year ended March 31	**2009** **US$'000**	2008 US$'000
Sales	**14,901,351**	16,351,503
Earnings before interest, taxation, depreciation, amortization, impairment charge, gain/loss on disposal of available-for-sale financial assets and restructuring costs (EBITDA)	**215,979**	798,089
(Loss)/profit attributable to shareholders	**(226,392)**	464,343
Earnings per share (US cents)		
– Basic	**(2.56)**	5.29
– Diluted	**(2.56)**	4.86
Dividend per ordinary share (HK cents)		
– Interim dividend	**3.0**	3.0
– Final dividend	**–**	12.8

RESULTS

For the year ended March 31, 2009, the Group achieved total sales of approximately US$14,901 million. Loss attributable to shareholders for the year was approximately US$226 million, representing a decrease of US$691 million as compared to last year's profit attributable to shareholders of US$464 million. Gross profit margin for the year was 11.7 percent down from 15.0 percent reported last year. The balance sheet position remained strong, bank deposits and cash and cash equivalents totaled US$1,863 million as at March 31, 2009. Basic loss per share and diluted loss per share of the Group's continuing operations were US2.56 cents and US2.56 cents, representing a decrease of US7.85 cents and US7.42 cents respectively as compared with last year.

The Group has adopted geographical segments as the primary reporting format. Geographical segments comprise Americas, EMEA (Europe, Middle East and Africa), Asia Pacific (excluding Greater China), and Greater China.

For the year ended March 31	**2009** Sales US$'000	**2009** Segment operating results US$'000	2008 Sales US$'000	2008 Segment operating results US$'000
Americas	**3,749,946**	**(130,015)**	4,506,451	88,915
Europe, Middle East and Africa	**3,120,158**	**(184,239)**	3,606,048	122,549
Asia Pacific (excluding Greater China)	**1,597,215**	**(122,889)**	2,113,250	(2,701)
Greater China	**6,434,032**	**354,179**	6,125,754	426,248
Corporate or unallocated		**(128,096)**		(153,228)
	14,901,351	**(211,060)**	16,351,503	481,783
Other income-net		**929**		17,261
Finance income		**59,977**		52,048
Finance costs		**(38,142)**		(38,366)
Share of profits of associated companies		**351**		124
(Loss)/profit before taxation		**(187,945)**		512,850
Taxation		**(38,444)**		(47,613)
(Loss)/profit for the year		**(226,389)**		465,237

Note:

Segment operating profit/(loss) presented above include the impact of one-off items of US$216,403,000 (2008: US$47,640,000), comprising mainly costs on termination of onerous contracts, severance and related costs, accelerated depreciation of property, plant and equipment and impairment of intangible assets. The segment operating profit/(loss) before these one-off items are: Americas (US$68,224,000) (2008: US$105,399,000); Europe, Middle East and Africa (US$100,560,000) (2008: US$137,406,000); Asia Pacific (excluding Greater China) (US$93,568,000) (2008: US$12,387,000); Greater China US$377,368,000 (2008: US$427,459,000) and corporate or unallocated (US$109,673,000) (2008: (US$153,228,000)) respectively.

Other income - net

Other income comprises mainly dividend income from available-for-sale financial assets. Other income reported last year represents gain on disposal of investments and available-for-sale financial assets of approximately US$20 million, net of impairment charge of approximately US$3 million.

Selling and distribution expenses

Selling and distribution expenses for the year ended March 31, 2009 decreased by 15.0 percent as compared to last year. This is principally attributable to a US$80 million decrease in amortization of intangible assets and US$39 million decrease in contracted services.

Administrative expenses

The Group also experienced an increase in administrative expenses for the year ended March 31, 2009 of 5.4 percent as compared to last year. The increase is caused by the increase in depreciation and amortization charges, contracted services; and set off with decrease in staff costs.

Research and development expenses

The Group continues making investment towards its commitment to deliver the most innovative products in the industry. Research and development spending for the year ended March 31, 2009 decreased by 4.2 percent as compared to last year.

Other operating expenses - net

The Group recorded net other operating expenses for the year ended March 31, 2009 of US$166 million, an increase of 328.4 percent as compared to last year. Other operating expenses mainly comprise one-off items, including restructuring charge of US$146 million (2008: US$48 million), primarily associated with a resource redeployment plan to substantially reduce operational costs, eliminate duplications across organizations, and improve efficiencies by more closely aligning the Group's structure and growth strategies, impairment of server license of US$19 million (2008: Nil), warranty costs not reimbursable by suppliers of US$15 million (2008: Nil), and bad debt provision of US$9 million (2008: Nil).

Major expense items

For the year ended March 31	**2009 US$'000**	2008 US$'000
Depreciation of property, plant and equipment and amortization of prepaid lease payments	**143,269**	88,025
Amortization and impairment of intangible assets	**83,729**	127,313
Employee benefit costs, *including*	**1,237,250**	1,194,196
– long-term incentive awards	***54,114***	*53,328*
– severance and related costs	***116,077***	*44,070*
Termination of onerous contracts	**19,996**	3,570
Rental expenses under operating leases	**45,976**	34,703

CAPITAL EXPENDITURE

The Group incurred capital expenditures of US$194 million (2008: US$284 million, excluding discontinued operations) during the year ended March 31, 2009, mainly for the acquisition of plant and equipment, completion of construction-in-progress and investments in the Group's information technology systems.

LIQUIDITY AND FINANCIAL RESOURCES

At March 31, 2009, total assets of the Group amounted to US$6,308 million (2008: US$7,200 million), which were financed by shareholders' funds of US$1,311 million (2008: US$1,613 million), minority interests of US$177,000 (2008: US$174,000), and non-current and current liabilities of US$4,997 million (2008: US$5,587 million). At March 31, 2009, the current ratio of the Group was 0.92 (2008: 1.05).

The Group has a solid financial position. At March 31, 2009, bank deposits, cash and cash equivalents totaled US$1,863 million (2008: US$2,191 million), of which 65.7 (2008: 63.9) percent was denominated in United States dollars, 24.5 (2008: 20.4) percent in Renminbi, 2.8 (2008: 2.2) percent in Euros, 1.9 (2008: 2.9) percent in Japanese Yen, and 5.1 (2008: 10.6) percent in other currencies.

The Group adopts a conservative policy to invest the surplus cash generated from operations. At March 31, 2009, 81.0 (2008: 72.1) percent of cash are bank deposits, and 19.0 (2008: 27.9) percent of cash are investments in liquid money market fund of investment grade.

Due to the unprecedented global economic challenges, the Group continued to incur a significant operating loss in the fourth quarter. The global resource redeployment plan announced in January also realized a significant restructuring charge. The substantial loss incurred in the fourth quarter triggered a breach of certain financial covenants in connection with the US$400 million 5-year revolving and term loan facility with syndicated banks. The Group has obtained consent from the syndicated banks the waiver from strict compliance with those financial covenants and will enter into a revised loan agreement. At March 31, 2009, this facility was fully utilized and the facility will expire in March 2011.

The Group also has a 5-year fixed rate loan facility with a bank in China expiring in March 2011. At March 31, 2009, the outstanding loan balance was US$65 million (2008: US$100 million).

To secure more long-term funding for the Group in case the economy continues to stay weak, the Group has obtained a new US$300 million 3-year term loan facility with a bank in China in March 2009. This facility was utilized to the extent of US$200 million at March 31, 2009.

The Group has also arranged other short-term credit facilities. At March 31, 2009, the Group's total available credit facilities amounted to US$4,210 million (2008: US$2,628 million), of which US$279 million (2008: US$384 million) was in trade lines, US$498 million (2008: US$406 million) in short-term and revolving money market facilities and US$3,433 million (2008: US$1,838 million) in forward foreign exchange contracts. At March 31, 2009, the amounts drawn down were US$91 million (2008: US$150 million) in trade lines, US$1,964 million (2008: US$1,127 million) being used for the forward foreign exchange contracts; and US$20 million (2008: US$61 million) in short-term bank loans.

At March 31, 2009, the Group's outstanding bank loans represented the term loans of US$665 million (2008: US$500 million) and short-term bank loans of US$20 million (2008: US$61 million). When compared with total equity of US$1,311 million (2008: US$1,613 million), the Group's gearing ratio was 0.52 (2008: 0.35). The net cash position of the Group at March 31, 2009 is US$1,178 million (2008: US$1,630 million).

	2009 **US$ million**	2008 US$ million
Bank deposits and cash and cash equivalents	**1,863**	2,191
Less: total borrowings	**(685)**	(561)
	1,178	1,630

The Group adopts a consistent hedging policy for business transactions to reduce the risk of currency fluctuation arising from daily operations. At March 31, 2009, the Group had commitments in respect of outstanding forward foreign exchange contracts amounting to US$1,964 million (2008: US$1,127 million).

The Group's forward foreign exchange contracts are either used to hedge a percentage of future intercompany transactions which are highly probable, or used as fair value hedges for the identified assets and liabilities.

The Group issued 2,730,000 convertible preferred shares at the stated value of HK$1,000 per share and unlisted warrants to subscribe for 237,417,474 shares for an aggregated cash consideration of approximately US$350 million. The convertible preferred shares bear a fixed cumulative preferential cash dividend, payable quarterly, at the rate of 4.5 percent per annum on the issue price of each convertible preferred share. The convertible preferred shares are redeemable, in whole or in part, at a price equal to the issue price together with accrued and unpaid dividends at the option of the Company or the convertible preferred shareholders at any time after the maturity date at May 17, 2012. On November 2, 2007, 955,001 convertible preferred shares were converted into 350,459,078 voting ordinary shares. The fair value of the liability component and equity component of the convertible preferred shares, and warrants at March 31, 2009 amounted to approximately US$216 million (2008: US$211 million), US$7 million (2008: US$7 million) and US$35 million (2008: US$35 million) respectively. The warrants will expire on May 17, 2010.

CONTINGENT LIABILITIES

The Group, in the ordinary course of its business, is involved in various other claims, suits, investigations, and legal proceedings that arise from time to time. Although the Group does not expect that the outcome in any of these other legal proceedings, individually or collectively, will have a material adverse effect on its financial position or results of operations, litigation is inherently unpredictable. Therefore, the Group could incur judgments or enter into settlements of claims that could adversely affect its operating results or cash flows in a particular period.

HUMAN RESOURCES

At March 31, 2009, the Group had a total of 22,511 (2007/08: 23,111) employees.

The Group implements remuneration policy, bonus and long-term incentive 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

While it braces itself against the current economic challenges, Lenovo is confident that with the successful execution of strategic priorities based on its business strengths, Lenovo will emerge as a stronger player in the PC market.

The economic crisis is expected to drive negative growth in the global economy in 2009. Against this backdrop, the commercial PC market will remain weak while consumer PC purchasing will also tighten as a result of a decline in discretionary spending in the short term. The worldwide PC industry is expected to see a year-on-year decline in unit shipments for the 2009/10 fiscal year according to industry analyst forecast. The continuous shift of product mix toward entry-level PCs will lead to faster decrease in average selling prices and exert greater pressure on industry players.

The Group expects the operating environment to remain very challenging in the 2009/10 fiscal year. Nevertheless, Lenovo has taken decisive actions to meet these challenges. It will continue to strive to realize its strategic aspiration of delivering profitable growth and gaining share through consistent performance, unmatched innovation, the capability to meet its customer commitments and a fast, disciplined winning culture. The Group believes its strategic priorities, recently realigned organization and emphasis on execution will enable it to regain growth momentum and fuel the growth that will deliver future success.

STRATEGIC PRIORITIES

Lenovo's strategy has not changed but evolved to take it to the next level. The simplified strategy facilitates execution, which is crucial to success as we hone the art of turning the Group's energy and resources into tangible results. With greater clarity and focus on accountability and efficiency, Lenovo's strategic priorities are aimed at stabilizing the Group's business and driving growth in critical market opportunities. During the 2009/10 fiscal year, Lenovo will strive to protect its core business in China and the worldwide commercial market. At the same time, the Group will attack the growth opportunities as presented in the worldwide transaction space and emerging markets.

Lenovo system being delivered in rural China

Expand Leadership in China

Although the growth in China's PC market also slowed due to the economic crisis, it is generally expected to be relatively resilient in response to the government's economic stimulus package. With its leadership position and well-defined expansion plans, Lenovo is well-positioned to benefit from the comparatively stable PC demand and capture the new opportunities arising in the market, such as 3G notebook bundling projects and the "PC to the Countryside" project that allows rural PC buyers to claim rebates from the government. Lenovo has built strategic relationships with telecom carriers and, since 2004, secured first-mover advantage in rural market development in China. The Group is confident that in the next few years it will benefit from its strong brand and extensive sales and services networks built over the past years through its involvement in rural projects. Lenovo will also continue to drive growth in

IdeaPad Y550 notebook

consumer, SMB, large enterprise and public sectors in China by refining its business model to address the dynamics in customer needs and buying patterns.

Strengthen Global Commercial Business
Restoring profitability in its worldwide commercial business is critical to Lenovo's future success. The Group has taken restructuring actions in early 2009 to actively manage expenses for greater efficiency and competitiveness in its commercial business. In the 2009/10 fiscal year, Lenovo will leverage the strong business pipeline resulting from signing key contracts in global account, and increase attach rates for services as well as software and peripherals. The pipeline will also benefit from dedicated efforts to capture increased government stimulus spending in key markets. The Group's exceptionally engineered products tailored for the commercial market and its experienced sales team will make Lenovo the commercial segment's top choice as the economy recovers and when pent-up demand for PC replacements gradually comes into play.

Establish Sustainable Transaction Model
The Group's worldwide transaction business presents great opportunities for growth in both consumer and SMB markets. Lenovo will put in place a competitive cost structure and plans to leverage both Idea and Think brands to create a winning product portfolio in the transaction market space. In the 2009/10 fiscal year, Lenovo will launch a strong line-up of close to 50 consumer desktop and notebook computer models catering to the diversified consumer needs, focusing on the product trends creating demand for all-in-one PC, ultra-portable, and 3G-enabled connections. In addition, the Group will continue to increase its coverage of the worldwide market by strengthening its sales and channel networks and use quarterly product campaigns to drive tight end-to-end execution.

Expand in Emerging Markets
Accounting for about 80 percent of the world's total population, emerging markets continue to be a key focus of the Group in driving future growth. In the 2009/10 fiscal year, Lenovo plans to set up a flexible regional management system that allows its teams to swiftly respond to market changes with quick decision making to address product, channel and marketing needs. The Group will also leverage its successful channel network management system in China to foster closer ties with channel partners in other emerging markets to achieve win-win results. More importantly, Lenovo will ensure its success in emerging markets by building up a dedicated end-to-end operation that supports services, product development and supply chain needs.

REALIGNMENT OF ORGANIZATIONAL STRUCTURE

To align the Group more closely with its strategic direction and market dynamics, Lenovo announced in March 2009 a new organizational structure that supports speed, efficiency and execution. The Group is now organized around its customer segments with the creation of two new business units – one focusing on customers in mature markets, and the other focusing on customers in emerging markets. This realignment enables Lenovo to better leverage synergies that exist among similar markets that may be separated geographically but share market dynamics that impact its customers, products and go-to-market approach. The goal is to create a faster, more streamlined organization that can adapt quickly to growth opportunities while more effectively focusing resources on the Group's core business.

At the same time, the Group's product organizations were also realigned to help reinforce its focus on innovation and better serve both commercial and consumer customers. The new Think Product Group focuses primarily on commercial customers, relationship business model and the premium end of the SMB transaction market. The new Idea Product Group focuses on consumer and SMB transaction business in emerging and mature markets, and entry-level products.

BUILDING SUCCESS ON STRENGTHS

The Group's dominant position in China's PC market and its ability to deliver profitable growth have been built on the fundamental strengths that lie in its dual business model, lean cost structure and innovation leadership. In the 2009/10 fiscal year, Lenovo will expand these strengths further to strive for execution excellence across its global operation.

Effective Business Model

Lenovo's dual business model sets its products, services and business process around customer need and market segmentation. This tightly integrated, end-to-end model allows the Group to quickly react to market dynamics and changes in the back-end.

Expanding its transaction business outside China is critical to achieving Lenovo's goal of gaining scale. In the 2009/10 fiscal year, the Group will further strengthen the global implementation of its back-end driven transaction model in order to deliver more consistent and sustainable performance in international markets. Through quick identification of back-end opportunities, product portfolio definition and a push model, Lenovo will be able to capture opportunities in the more price sensitive market segments and react rapidly to changes in market dynamics.

Lenovo will continue to implement the best practices of its relationship business model from country to country. At the same time, Lenovo will refine its infrastructure, including finance, employee compensation and IT systems, so that it can accurately identify issues, measure results and provide incentives for improvements.

Lenovo employee working to solve an IT issue

Lean Cost Structure

The Group's distinctive capability and expertise in managing costs and expenses in China allows it to achieve high efficiency and has been one of the most important factors for its success in China. This has become more critical under the current economic conditions.

In the 2009/10 fiscal year, Lenovo will replicate this lean cost structure in other emerging markets. With the restructuring actions announced in January 2009, Lenovo is expected to realize annual savings of approximately US$300 million on a run rate basis in the 2009/10 fiscal year. At the same time, Lenovo plans to continuously improve the efficiency and expense structure of its relationship business through internal best practice sharing and external benchmarking to increase its marketplace competitiveness.

The Group will also review the costs of its IT system, services and global supply chain to identify additional opportunities for improvement. Given global economic instability, the shift in mix from desktops to notebooks and the overall volume decline in the PC industry, the Group is carefully evaluating its manufacturing footprint with a strategy that includes a mix of in-house, contract manufacturing, and ODM solutions.

Innovation Leadership

Lenovo owns the greatest track record for innovation in the PC industry and remains committed to innovation in its products and technology.

While it needs to be cost-effective, innovation can drive business and add value for customers. Lenovo's research triangle in Beijing, Yamato and Raleigh allows the Group to achieve the lowest innovation cost in the industry and continue to break new ground in developing innovative products. Going forward, Lenovo will continue to focus on delivering innovation based on its four key priorities: outstanding premium Think products; creative and stylish Idea products; innovation that drives new business opportunities; and innovation that is efficient and customer-focused.

A WINNING CULTURE

To achieve all its goals with execution excellence, Lenovo needs a truly integrated team that can transfer energy into results by keeping its commitments and achieving targets day in and day out. The Group has made good progress integrating its teams following the acquisition in 2005. Efforts at organizing culture training sessions and trust workshops, as well as enhancing the human resource planning and performance management processes have proven instrumental.

Lenovo will continue to cultivate a fast, disciplined winning culture suitable for a PC company that needs to act fast and efficiently in the marketplace. The Group will emphasize particularly the importance of keeping commitments which is indispensable in achieving execution excellence. At the same time, the Group will promote the spirit of entrepreneurship, encouraging its management team to proactively take ownership of their jobs and meet challenges as if they were the owner of the business. Lenovo strives to make the differences and diversity of its teams into a source of strengths to achieve its goals.

While it braces itself against the current economic challenges, Lenovo is confident that with the successful execution of strategic priorities based on its business strengths, Lenovo will emerge as a stronger player in the PC market.

the Lenovo New World culture

ThinkCentre M58 desktop with ThinkVision dual screen display

Responsible

Committed to products which are more energy efficient and environmentally friendly.

Inquisitive

Exploring opportunities with cutting-edge research and development.

ThinkPad X61 tablet notebook

Innovative

At Lenovo, innovation is at the core of everything we do. We're always searching for new and better ways to make our customers more productive and competitive in their pursuits. Whatever you do, we build solutions that will help you do it better.

ThinkPad USB Portable Secure Hard Drive

CORPORATE GOVERNANCE PRACTICES

The Board of Directors (the "Board") and the management of the Company strive to attain and uphold a high standard of corporate governance and to maintain sound and well-established corporate governance practices for the interest sake of shareholders, customers and staff.

The Company abides strictly by the governing laws and regulations of the jurisdictions where it operates and observes the applicable guidelines and rules issued by regulatory authorities. It regularly undertakes review on its corporate governance system to ensure it is in line with international and local best practices.

Throughout the year ended March 31, 2009, the Company has complied with the code provisions of the Code on Corporate Governance Practices (the "CG Code") in Appendix 14 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Exchange"), and where appropriate, met various recommended best practices in the CG Code, save for the deviations which are explained below.

Code A.4.1

Code A.4.1 of the CG Code articulates that non-executive directors should be appointed for a specific term, subject to re-election. All the existing non-executive directors of the Company currently and the year through do not have specific terms of appointment. Nevertheless, non-executive directors are subject to retirement by rotation at annual general meetings under the Company's articles of association accomplishing the same purpose as a specific term of appointment.

Code A.5.4

The Board has adopted the Model Code for Securities Transactions by Directors of Listed Issuer ("Model Code") prevailing before January 1, 2009. Revised Model Code complying with new requirements effective from January 1, 2009 was adopted by the Board on May 21, 2009. Notwithstanding this, the Board and relevant employees were informed of the new changes made in the Model Code and complied with the requirements of the new Model Code throughout the year.

Code C.3.3 (g)

The Audit Committee of the Company regularly discusses with the management the system of internal control and ensure an effective internal control system albeit that amendment of the terms of reference of Audit Committee were merely approved by the Board on May 21, 2009 to include new responsibility including the adequacy of resources, qualifications and experience of staff of accounting and financial reporting function, and training programmes and budget.

Apart from the foregoing, the Company met the recommended best practices in the CG Code as disclosed in the respective sections of this report. Particularly, the Company published quarterly financial results and business review within 45 days after the end of the relevant period in addition to interim and annual results. Quarterly financial results enhanced the shareholders to assess the performance, financial position and prospects of the Company. The quarterly financial results were prepared using the accounting standards consistent with the policies applied to the interim and annual accounts.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code set out in Appendix 10 to the Listing Rules and devised based on the principles of the Model Code a comprehensive operative company policy to govern securities transactions by directors and designated senior management of the Company. All the directors of the Company have confirmed, after specific enquiry, their compliance with the required standard during the year.

THE BOARD

The Company together with its subsidiary companies (collectively the "Group") is controlled through its Board who is responsible for steering the success of the Group by overseeing the overall strategy and directing and supervising its affairs in a responsible and effective manner, whilst management is responsible for the daily operations of the Group under the leadership of the Chief Executive Officer (the "CEO"). The Board has formulated a clear written policy that stipulates the circumstances under which the management should report to and obtain prior approval from the Board before making decisions or entering into any commitments on behalf of the Group. The Board will regularly review the policy.

The specific responsibilities reserved to the Board for its decision and consideration cover: annual budget, major capital and equity transactions, major disposals and acquisitions, connected transactions, recommendation on appointment or reappointment of auditors and other significant operational and financial matters.

In addition, the Board is responsible for the preparation of financial statements for each financial year which gives a true and fair view of the state of affairs of the Group on a going concern basis while the external auditor's responsibilities to shareholders are set out in the Independent Auditor's Report on page 75 of this annual report.

As at the date of this annual report, there were eleven Board members consisting of one executive director, six non-executive directors and four independent non-executive directors. Accordingly, non-executive directors accounted for a vast majority of the Board whereas the independent non-executive directors represented more than one-third of the Board, thus exhibiting a strong independent element which enhanced independent judgement. Mr. John W. Barter III, an independent non-executive director of the Company, has the appropriate professional qualifications, or accounting or related financial management expertise as required under the Listing Rules. The biographies and responsibilities of directors and senior management are set out on pages 61 to 64 of this annual report.

During the year and up to the date of this annual report, the following changes in the Board structure of the Company occurred: (i) Mr. Shan Weijian resigned as a non-executive director of the Company with effect from May 23, 2008 whereas his alternate Mr. Daniel A. Carroll ceased to act in such position on the same date; (ii) Mr. William J. Amelio resigned as an executive director, president and CEO with effect from February 5, 2009; (iii) Mr. Yang Yuanqing became the CEO of the Company and ceased to be the Chairman of the Board effective on February 5, 2009; (iv) in place of Mr. Yang, Mr. Liu Chuanzhi was appointed the Chairman of the Board concurrently; and (v) Dr. Wu Yibing was appointed non-executive director of the Company on May 21, 2009.

Save for the relationships (including financial, business, family, other material and relevant relationships) as detailed below and in the biography of directors set out on pages 61 and 62 of this annual report, there is no other relationship among the Board and the chief executives to the best knowledge of the Board members as at the date of this annual report:

1. Mr. Liu Chuanzhi, Mr. Zhu Linan and Dr. Wu Yibing, non-executive directors, either serve on the board of directors or the management team of Legend Holdings Limited, the controlling shareholder of the Company.

2. Among the non-executive directors of the Company, Mr. James G. Coulter being a partner of TPG Capital (formerly known as TPG) was nominated by TPG Capital pursuant to the Investment Agreement dated March 30, 2005, details of which were disclosed in the Company's circular dated April 20, 2005. In 2007, Ms. Ma Xuezheng, a non-executive director of the Company, became a managing director of TPG Capital. Thus, Ms. Ma is work associate of Mr. Coulter.

3. Mr. William O. Grabe, a Managing Director of General Atlantic Group, was nominated by General Atlantic Group as a non-executive director of the Company pursuant to the Investment Agreement dated March 30, 2005, details of which were disclosed in the Company's circular dated April 20, 2005. Mr. Grabe is related to Mr. John W. Barter III, an independent non-executive director of the Company, in that (i) Mr. Barter serves on the board of Genpact Limited and Dice Holdings, Inc. which are portfolio companies of General Atlantic Group and (ii) Mr. Barter is a limited partner co-investor in an investment fund company managed by General Atlantic Group. In this respect, Mr. Grabe and Mr. Barter are business related by their bonds with General Atlantic Group.

The Board meets at least four times a year at approximately quarterly intervals to review the financial performance of the Group, the overall group strategy and operations with active participation of majority of directors. Board meetings were scheduled two years in advance to facilitate maximum attendance of directors. Notices of not less than thirty days prior to regular Board meetings were given to all members of the Board. For other Board meetings, directors were given as much notice as is reasonable and practicable in the circumstances.

Meeting agenda were finalized by the Chairman in consultation with members of the Board. For regular Board meetings, directors received agenda with supporting Board papers seven days before meetings while documents with updated financial figures three days prior to meetings. Minutes of Board and committee meetings were circulated to the respective Board members for comment where appropriate and duly kept in minutes book for inspection by any director.

All the directors have direct access to the General Counsel and Company Secretary of the Company who are responsible for advising the Board on corporate governance and compliance issues. Written procedures are also in place for directors to seek, at the Company's expenses, independent professional advice in performing their directors' duties. No request was made by any director for such advice during the year. The Company has arranged appropriate insurance to cover the liabilities of the directors arising from corporate activities. The insurance coverage is reviewed on an annual basis.

On a bimonthly basis, management furnished updates of the financial performance of the Company to all members of the Board. Every Board member was furnished with a copy of Non-statutory Guidelines on Directors' Duties published by the Hong Kong Companies Registry and a comprehensive induction package on appointment to ensure that he/she has a proper understanding of the operations and business of the Company and that he/she is fully aware of his/her responsibilities as a director.

It is expressly provided in the Company's articles of association that, unless otherwise permissible in the articles of association, a director shall not vote on any resolution of the Board approving any contract or arrangement or any other proposal in which he/she is materially interested nor shall he/she be counted in the quorum present at the meeting.

Each of the independent non-executive directors has made a confirmation of independence pursuant to rule 3.13 of the Listing Rules. The Company is of the view that all independent non-executive directors meet the independence guidelines set out in rule 3.13 of the Listing Rules and are independent in accordance with the terms of the guidelines.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The positions of the Chairman of the Board and CEO are held by separate individuals to ensure a segregation of duties in order that a balance of power and authority is achieved. The Chairman leads the Board in the determination of its strategy and in the achievement of its objectives whereas the CEO has delegated authority of the Board to take direct charge of the Group on a day-to-day basis and is accountable to the Board for the financial and operational performance of the Group.

As at the date of this annual report, the posts of Chairman and CEO were held by Mr. Liu Chuanzhi and Mr. Yang Yuanqing respectively.

There is no relationship of any kind (including financial, business, family, other material and relevant relationships) between the Chairman and the CEO.

BOARD COMMITTEES

The Company has preserved four board committees ("Board Committees") with defined terms of reference (which are available upon written request to the Company Secretary) – Audit Committee, Compensation Committee, Strategy Committee and Governance Committee. The terms of reference of Audit Committee and Compensation Committee reference those set out in the CG Code prevailing from time to time.

Should need arise, the Board will authorize an independent board committee comprising all the independent non-executive directors to review, approve and monitor connected transactions (including continuing connected transactions) that should be approved by the Board.

Minutes of committee meetings are circulated to members of the relevant Board Committees for comment and are open for inspection by any director.

The following lists out the membership, responsibilities and the summary of work that each Board Committee performed on behalf of the Board during the financial year:

Audit Committee

Membership

All members of the Audit Committee (defined as "Committee" in this section) are non-executive directors, the majority of which including the Committee Chairman are independent non-executive directors. The members during the year were Mr. John W. Barter III (Committee Chairman), Professor Woo Chia-Wei, Mr. Ting Lee Sen, Mr. Shan Weijian and Ms. Ma Xuezheng. Mr. Shan resigned as a Committee member concurrent with his resignation as director of the Company effective on May 23, 2008.

The Committee members possess diversified industry experience and the Chairman has the accounting or related financial management expertise.

Responsibilities and summary of work

The Committee is responsible for assisting the Board in providing an independent review of the financial statements and internal control system. It acts in an advisory capacity and makes recommendations to the Board. The Committee met with external auditors and management of the finance and internal audit functions of the Company at least four times a year at quarterly interval and is authorized to obtain independent professional advice to support its function. In each of these regular meetings, a separate executive session was arranged for the Committee to meet with external auditors, Internal Auditor and General Counsel in the absence of management to discuss matters relating to any issues arising from the audit and any other matters such persons would like to raise.

The Committee met four times during the year and has reviewed and/or approved items including:

- The accounting principles and practices adopted by the Group
- The financial reporting matters including the quarterly, interim and annual financial statements, announcements, interim report and annual report before submission to the Board for approval
- 2007/08 internal audit and business control review and 2008/09 internal audit report of the Group
- 2007/08 external audit progress report and 2008/09 audit plan of the Group
- Non-audit services provided by external auditors
- Continuing connected transactions of the Group
- Recommendation on re-appointment of external auditors

Compensation Committee

Membership

All members of the Compensation Committee (defined as "Committee" in this section) are non-executive directors, the majority of whom are independent non-executive directors. The current members are Mr. William O. Grabe (Committee Chairman), Professor Woo Chia-Wei and Mr. Ting Lee Sen with Ms. Ma Xuezheng and Mr. Zhu Linan appointed as observers on May 23, 2007 and May 21, 2009 respectively.

Responsibilities and summary of work

The Committee is responsible for considering and recommending to the Board the Company's compensation policy, including its long-term incentive policy. It is also responsible for the determination of the compensation level and package paid to the Chairman of the Board, CEO and other directors and senior management. The Committee is authorized to obtain outside independent professional advice to support its function.

In the year ended March 31, 2009, the Committee held nine meetings in which the following activities were resolved to be undertaken:

- Approval of 2005/06 LTI PSU and 2007/08 LTI Performance RSU payout recommendations
- Approval of changes in respect of 2008/09 bonus and LTI plans and 2009/10 LTI plan design
- Review of 2008/09 employee bonus plan
- To submit 2008/09 non-executive director pay recommendation by independent consultant for the Board's approval
- Approval of 2008/09 pay recommendations and 2007/08 actual bonus payouts for senior management including the Chairman of the Board and the CEO
- Approval of additional 2008/09 LTI budget and 2009/10 merit and LTI budget
- Approval of 2009/10 LTI grants to senior management
- Approval of severance package to ex-CEO
- Approval of 2009/10 compensation package for the President and COO
- To conduct market and compliance review
- To agree upon the 2008/09 annual compensation committee planning calendar

No director or any of his associates has been involved in deciding his/her own compensation.

Strategy Committee

Membership

The Strategy Committee (defined as "Committee" in this section) currently comprises Mr. Liu Chuanzhi (Committee Chairman), Mr. Yang Yuanqing, Mr. James G. Coulter and Mr. William O. Grabe with Ms. Ma Xuezheng acting as an observer since May 23, 2007. Concurrent with the changes in Board composition on February 5, 2009 as specified in the above section headed "The Board", Mr. Liu was nominated Chairman in place of Mr. Yang with effect from the same date.

Responsibilities and summary of work

The Committee is responsible for assisting the Board in determining the vision, the long-term strategy and intermediate targets for the Company and reviewing the annual targets of the Company. The Committee is also responsible for the assessment of the performance of the Chairman of the Board and the CEO and making proposals to the Compensation Committee.

The Committee met four times during the year to review the business performance and business strategy of the Group and it also assessed the performance of ex-Chairman and ex-CEO for 2007/08.

Governance Committee

Membership
The Governance Committee (defined as "Committee" in this section) currently is composed of Mr. Liu Chuanzhi (Committee Chairman), Mr. Yang Yuanqing and Mr. James G. Coulter.
Responsibilities and summary of work
The Committee is to assist the Board in overseeing Board organization and senior management succession planning, developing its corporate governance principles and determining Board evaluation criteria and process.

BOARD AND COMMITTEE MEETINGS

The composition of the Board as at the date of this annual report and attendance of individual directors at meetings of the Board and Board Committee during the financial year were as follows:

	Attendance/Meetings in the year			
Directors	**Board** (Total no.: 6)	**Audit Committee** (Total no.: 4)	**Compensation Committee** (Total no.: 9)	**Strategy Committee** (Total no.: 4)
Executive director				
Mr. Yang Yuanqing (CEO)	6/6	–	–	4/4
Non-executive directors				
Mr. Liu Chuanzhi (Chairman)	6/6	–	–	4/4
Mr. Zhu Linan	6/6	–	–	–
Ms. Ma Xuezheng	6/6	4/4	–	–
Mr. James G. Coulter	5/6	–	–	4/4
Mr. William O. Grabe	6/6	–	9/9	4/4
Dr. Wu Yibing[2]	N/A	–	–	–
Independent non-executive directors				
Professor Woo Chia-Wei	6/6	4/4	9/9	–
Mr. Ting Lee Sen	6/6	4/4	9/9	–
Mr. John W. Barter III	5/6	4/4	–	–
Dr. Tian Suning	5/6	–	–	–

Notes:

1. The attendance record of each individual director is based on the number of Board or Board Committee meetings held and attended by the respective director having the attendance right during his/her term of service during the financial year.

2. Dr. Wu was appointed non-executive director on May 21, 2009

COMPENSATION POLICY

Lenovo recognizes the importance of attracting and retaining top-caliber talent and is strongly committed to effective corporate governance. Consistent with this philosophy, the Company has a formal, transparent and performance-driven compensation policy covering its directors and senior management.

Lenovo's compensation policy for its directors and senior management is to ensure that compensation is aligned to support the Company's strategy, attract and retain top talent, reinforce the Company's performance driven culture, and reflects the market practices of other leading international and IT-focused enterprises, with particular focus on those who compete in the PC sector.

Non-Executive Directors

To ensure that non-executive directors are appropriately remunerated, in 2008 the Compensation Committee engaged an independent international compensation consulting firm who conducted an analysis of the compensation package of non-executive directors and recommended to the Board to increase the additional cash retainer amounts for the non-executive directors.

In making its recommendations, which were subsequently approved by the Board (comprising only executive directors) and shareholders of the Company, the firm also reviewed other relevant factors such as the time commitment, workload, job requirements and responsibilities of the non-executive directors and compared with those of the peers companies and general industry.

The compensation of non-executive directors is comprised of an annual cash retainer equal to US$60,000 (approximately HK$468,000) and an annual award of Stock Appreciation Rights (SARs) and Restricted Stock Units (RSUs) which can be settled in either Lenovo shares or their cash equivalent upon exercise. SARs and RSUs are subject to a three-year vesting period and are otherwise subject to the same terms and conditions of the SAR and RSU schemes described below.

The Chairman of the Audit Committee also receives an additional cash retainer equal to US$20,000 (approximately HK$156,000). The Chairman of the Compensation Committee receives an additional cash retainer of US$10,000 (approximately HK$78,000).

Details of the compensation of the non-executive directors are included in note 11 to the financial statements. SAR and RSU awards outstanding for non-executive directors as of March 31, 2009 under this scheme are presented below.

Chairman, Executive Directors and Senior Management

To ensure that Lenovo's compensation reflects the policy principles described above, the Compensation Committee considers a number of relevant factors including: salaries and total compensation paid by comparable companies, job responsibilities and scope, employment conditions elsewhere in the Company, location and market practices, Company business performance and individual performance.

Lenovo's compensation structure for its employees, including the Chairman of the Board, executive directors and senior management, is comprised of base salaries and allowances, performance bonus, long-term incentives, retirement benefits, and benefits in kind. These components are described in more detail below.

Fixed Compensation

Fixed compensation includes base salary, allowances and benefits-in-kind (e.g. medical, dental and life insurance, etc.). Base salary and allowances are set and reviewed annually for each position, reflecting competitive market positioning for comparable positions, market practices, as well as the Company's performance and individual contribution to the business. Allowances are also provided to facilitate temporary and permanent staff relocations. Benefits-in-kind are reviewed regularly taking into consideration relevant industry and local market practices.

Performance Bonus

Chairman of the Board and CEO, as well as senior management and selected employees of the Company are eligible to receive a performance bonus payable in cash. The amounts paid under the plan are based on the performance of the Company and its subsidiaries, performance groups and/or geographies as appropriate, as well as the performance of the individual.

Long-Term Incentive Program

The Company operates a Long-Term Incentive Program ("LTI Program") which was approved by the Company on May 26, 2005. The purpose of the LTI Program is to attract, retain, reward and motivate executive and non-executive directors, senior management and selected top-performing employees of the Company and its subsidiaries.

Under the LTI Program, the Company maintains three types of equity-based compensation vehicles: (i) share appreciation rights, (ii) restricted share units, and (iii) performance-based share units. These vehicles are described in more detail below.

(i) Share Appreciation Rights ("SARs")

SARs entitle the holder to receive the appreciation in value of the Company's share price above a predetermined level. SARs are typically subject to a vesting schedule of up to four years.

(ii) Restricted Share Units ("RSUs")

RSUs are equivalent to the value of one ordinary share of the Company. Once vested, RSUs are converted to an ordinary share, or its cash equivalent. RSUs are typically subject to a vesting schedule of up to four years. Dividends are typically not paid on RSUs.

(iii) Performance Based Share Units

The Company has three performance based share unit plans, the 2005 Performance Share Unit (PSU) plan, the 2007 Performance RSU plan and the 2008 Performance RSU Plan. The 2005 PSU plan was discontinued in 2006 however, the Company continues to honor grants previously awarded. All outstanding awards vested completely on May 1, 2008.

The Performance RSU plans have been discontinued; however, the Company continues to honor grants previously awarded. All outstanding awards will vest completely by June 1, 2012.

The Company reserves the right, at its discretion, to pay any awards under the LTI Program in cash or ordinary shares. The Company has created and funded a trust to pay shares to eligible recipients. In the case of SARs, awards are due after exercise by the recipient. In the case of RSUs, awards are due after the employee satisfies any vesting conditions.

The number of units that are awarded under the plan is set and reviewed annually, reflecting competitive market positioning, market practices, especially those among Lenovo's competitors, as well as the Company's performance and an individual's actual and expected contribution to the business. In certain circumstances, awards under the LTI Program may be made to support the attraction of new hires. Award levels and mix may vary.

During the year, eligible executive directors and senior management received an annual award comprised of SARs and RSUs.

Awards outstanding for executive and non-executive directors as of March 31, 2009 under the LTI Program are presented below.

Share Option Scheme

The Company operates two share option schemes, the "New Option Scheme" and the "Old Option Scheme". Details of the programs are set out in the Directors' Report on pages 57 and 58. Options outstanding for executive and non-executive directors as of March 31, 2009 under these schemes are presented in the Directors' Report on page 59.

No options were granted under these schemes during the year.

Retirement Benefits

The Company operates a number of retirement schemes for its employees, including executive directors and senior management. These schemes are reviewed regularly and intended to deliver benefit levels that are consistent with local market practices. Details of the programs are set out in the Directors' Report on pages 69 to 71.

Long-Term Incentive Awards

The total number of awards of the members of the Board, including the Chairman of the Board and CEO, under the LTI Program as at March 31, 2009 is set out below.

Name	Award Type	Fiscal Year of Award	Effective price (HK$)	As at April 1, 2008 (unvested)	Awarded during the year	Vested during the year	As at March 31, 2009 (unvested)	Total outstanding as at March 31, 2009	Max no. of shares subject to conditions	Vesting period (mm.dd.yyyy)
Mr. Liu Chuanzhi	SAR	05/06	3.15	188,000	–	188,000	–	564,000	564,000	05.01.2006 - 05.01.2008
	SAR	06/07	2.99	260,000	–	130,000	130,000	390,000	390,000	06.01.2007 - 06.01.2009
	SAR	07/08	3.94	297,000	–	99,000	198,000	297,000	297,000	06.01.2008 - 06.01.2010
	SAR	08/09	5.88	–	195,980	–	195,980	195,980	195,980	06.01.2009 - 06.01.2011
	RSU	06/07	2.99	86,667	–	43,333	43,334	43,334	43,334	06.01.2007 - 06.01.2009
	RSU	07/08	3.94	99,000	–	33,000	66,000	66,000	66,000	06.01.2008 - 06.01.2010
	RSU	08/09	5.88	–	78,390	–	78,390	78,390	78,390	06.01.2009 - 06.01.2011
Mr. Yang Yuanqing	SAR	05/06	2.42	3,181,356	–	1,590,689	1,590,667	6,362,756	6,362,756	05.01.2006 - 05.01.2009
	SAR	06/07	2.35	10,039,249	–	3,346,416	6,692,833	13,385,665	13,385,665	06.01.2007 - 06.01.2010
	SAR	07/08	3.94	6,002,009	–	1,500,502	4,501,507	6,002,009	6,002,009	06.01.2008 - 06.01.2011
	SAR	08/09	5.88	–	3,939,855	–	3,939,855	3,939,855	3,939,855	06.01.2009 - 06.01.2012
	RSU	05/06	2.42	464,395	–	232,199	232,196	232,196	232,196	05.01.2006 - 05.01.2009
	RSU	06/07	2.35	2,230,945	–	743,648	1,487,297	1,487,297	1,487,297	06.01.2007 - 06.01.2010
	RSU	07/08	3.94	3,556,710	3,167,695	1,681,102	5,043,303	5,043,303	5,043,303	06.01.2008 - 06.01.2011
	RSU	08/09	5.88	–	2,801,675	–	2,801,675	2,801,675	2,801,675	06.01.2009 - 06.01.2012
	PSU	05/06	2.42	928,795	–	928,795	–	–	–	100% vested with partial payout
Mr. Zhu Linan	SAR	05/06	3.15	188,000	–	188,000	–	564,000	564,000	05.01.2006 - 05.01.2008
	SAR	06/07	2.99	260,000	–	130,000	130,000	390,000	390,000	06.01.2007 - 06.01.2009
	SAR	07/08	3.94	297,000	–	99,000	198,000	297,000	297,000	06.01.2008 - 06.01.2010
	SAR	08/09	5.88	–	195,980	–	195,980	195,980	195,980	06.01.2009 - 06.01.2011
	RSU	06/07	2.99	86,667	–	43,333	43,334	43,334	43,334	06.01.2007 - 06.01.2009
	RSU	07/08	3.94	99,000	–	33,000	66,000	66,000	66,000	06.01.2008 - 06.01.2010
	RSU	08/09	5.88	–	78,390	–	78,390	78,390	78,390	06.01.2009 - 06.01.2011
Ms. Ma Xuezheng	SAR	05/06	2.42	1,040,750	–	520,375	520,375	2,081,500	2,081,500	05.01.2006 - 05.01.2009
	SAR	06/07	2.35	3,082,421	–	1,027,474	2,054,947	4,109,895	4,109,895	06.01.2007 - 06.01.2010
	SAR	07/08	3.94	297,000	–	99,000	198,000	297,000	297,000	06.01.2008 - 06.01.2010
	SAR	07/08	5.62	693,130	–	173,283	519,847	693,130	693,130	06.01.2008 – 06.01.2011
	SAR	08/09	5.88	–	195,980	–	195,980	195,980	195,980	06.01.2009 - 06.01.2011
	RSU	05/06	2.42	151,950	–	75,975	75,975	75,975	75,975	05.01.2006 - 05.01.2009
	RSU	06/07	2.35	1,027,474	–	342,491	684,983	684,983	684,983	06.01.2007 - 06.01.2010
	RSU	07/08	3.94	99,000	–	33,000	66,000	66,000	66,000	06.01.2008 - 06.01.2010
	RSU	07/08	5.62	231,041	–	57,760	173,281	173,281	173,281	06.01.2008 - 06.01.2011
	RSU	08/09	5.88	–	78,390	–	78,390	78,390	78,390	06.01.2009 - 06.01.2011
	PSU	05/06	2.42	303,900	–	303,900	–	–	–	100% vested with partial payout
Mr. James G.Coulter	SAR	06/07	2.99	260,000	–	130,000	130,000	390,000	390,000	06.01.2007 - 06.01.2009
	SAR	07/08	3.94	297,000	–	99,000	198,000	297,000	297,000	06.01.2008 - 06.01.2010
	SAR	08/09	5.88	–	195,980	–	195,980	195,980	195,980	06.01.2009 - 06.01.2011
	RSU	06/07	2.99	86,667	–	43,333	43,334	43,334	43,334	06.01.2007 - 06.01.2009
	RSU	07/08	3.94	99,000	–	33,000	66,000	66,000	66,000	06.01.2008 - 06.01.2010
	RSU	08/09	5.88	–	78,390	–	78,390	78,390	78,390	06.01.2009 - 06.01.2011

Columns "As at April 1, 2008 (unvested)" through "Total outstanding as at March 31, 2009" fall under the heading "Number of units".

Name	Award Type	Fiscal Year of Award	Effective price (HK$)	Number of units: As at April 1, 2008 (unvested)	Awarded during the year	Vested during the year	As at March 31, 2009 (unvested)	Total outstanding as at March 31, 2009	Max no. of shares subject to conditions	Vesting period (mm.dd.yyyy)
Mr. William O. Grabe	SAR	05/06	3.15	188,000	–	188,000	–	564,000	564,000	05.01.2006 - 05.01.2008
	SAR	06/07	2.99	260,000	–	130,000	130,000	390,000	390,000	06.01.2007 - 06.01.2009
	SAR	07/08	3.94	297,000	–	99,000	198,000	297,000	297,000	06.01.2008 - 06.01.2010
	SAR	08/09	5.88	–	195,980	–	195,980	195,980	195,980	06.01.2009 - 06.01.2011
	RSU	06/07	2.99	86,667	–	43,333	43,334	43,334	43,334	06.01.2007 - 06.01.2009
	RSU	07/08	3.94	99,000	–	33,000	66,000	66,000	66,000	06.01.2008 - 06.01.2010
	RSU	08/09	5.88	–	78,390	–	78,390	78,390	78,390	06.01.2009 - 06.01.2011
	RSU	08/09	6.01	–	16,223	16,223	–	–	–	Note 1
	RSU	08/09	5.54	–	4,144	4,144	–	–	–	Note 2
	RSU	08/09	1.62	–	83,719	83,719	–	–	–	Note 1
	RSU	08/09	1.75	–	3,113	3,113	–	–	–	Note 2
Professor Woo Chia-Wei	SAR	05/06	3.15	188,000	–	188,000	–	564,000	564,000	05.01.2006 - 05.01.2008
	SAR	06/07	2.99	260,000	–	130,000	130,000	390,000	390,000	06.01.2007 - 06.01.2009
	SAR	07/08	3.94	297,000	–	99,000	198,000	297,000	297,000	06.01.2008 - 06.01.2010
	SAR	08/09	5.88	–	195,980	–	195,980	195,980	195,980	06.01.2009 - 06.01.2011
	RSU	06/07	2.99	86,667	–	43,333	43,334	43,334	43,334	06.01.2007 - 06.01.2009
	RSU	07/08	3.94	99,000	–	33,000	66,000	66,000	66,000	06.01.2008 - 06.01.2010
	RSU	08/09	5.88	–	78,390	–	78,390	78,390	78,390	06.01.2009 - 06.01.2011
	RSU	08/09	6.01	–	12,978	12,978	–	–	–	Note 1
	RSU	08/09	5.54	–	3,486	3,486	–	–	–	Note 2
	RSU	08/09	1.62	–	71,759	71,759	–	–	–	Note 1
	RSU	08/09	1.75	–	2,666	2,666	–	–	–	Note 2
Mr. Ting Lee Sen	SAR	05/06	3.15	188,000	–	188,000	–	564,000	564,000	05.01.2006 - 05.01.2008
	SAR	06/07	2.99	260,000	–	130,000	130,000	390,000	390,000	06.01.2007 - 06.01.2009
	SAR	07/08	3.94	297,000	–	99,000	198,000	297,000	297,000	06.01.2008 - 06.01.2010
	SAR	08/09	5.88	–	195,980	–	195,980	195,980	195,980	06.01.2009 - 06.01.2011
	RSU	06/07	2.99	86,667	–	43,333	43,334	43,334	43,334	06.01.2007 - 06.01.2009
	RSU	07/08	3.94	99,000	–	33,000	66,000	66,000	66,000	06.01.2008 - 06.01.2010
	RSU	08/09	5.88	–	78,390	–	78,390	78,390	78,390	06.01.2009 - 06.01.2011
	RSU	08/09	6.01	–	12,978	12,978	–	–	–	Note 1
	RSU	08/09	5.54	–	3,486	3,486	–	–	–	Note 2
	RSU	08/09	1.62	–	71,759	71,759	–	–	–	Note 1
	RSU	08/09	1.75	–	2,666	2,666	–	–	–	Note 2
Mr. John W. Barter III	SAR	05/06	3.15	188,000	–	188,000	–	564,000	564,000	05.01.2006 - 05.01.2008
	SAR	06/07	2.99	260,000	–	130,000	130,000	390,000	390,000	06.01.2007 - 06.01.2009
	SAR	07/08	3.94	297,000	–	99,000	198,000	297,000	297,000	06.01.2008 - 06.01.2010
	SAR	08/09	5.88	–	195,980	–	195,980	195,980	195,980	06.01.2009 - 06.01.2011
	RSU	06/07	2.99	86,667	–	43,333	43,334	43,334	43,334	06.01.2007 - 06.01.2009
	RSU	07/08	3.94	99,000	–	33,000	66,000	66,000	66,000	06.01.2008 - 06.01.2010
	RSU	08/09	5.88	–	78,390	–	78,390	78,390	78,390	06.01.2009 - 06.01.2011
	RSU	08/09	6.01	–	19,468	19,468	–	–	–	Note 1
	RSU	08/09	5.54	–	4,076	4,076	–	–	–	Note 2
	RSU	08/09	1.75	–	3,115	3,115	–	–	–	Note 2
Dr. Tian Suning	SAR	07/08	5.14	151,950	–	50,650	101,300	151,950	151,950	09.01.2008 - 09.01.2010
	SAR	08/09	5.88	–	195,980	–	195,980	195,980	195,980	06.01.2009 - 06.01.2011
	RSU	07/08	5.14	50,650	–	16,883	33,767	33,767	33,767	09.01.2008 - 09.01.2010
	RSU	08/09	5.88	–	78,390	–	78,390	78,390	78,390	06.01.2009 - 06.01.2011

Note 1: Proceeds in respect of quarterly deferral grants to be paid only at point of termination from the board of directors or unforeseen emergency.

Note 2: Dividends paid with respect to eligible deferral grants.

The total number of awards granted in the year (including members of the Board and employees) under the LTI Program is set out below.

			Number of units								
	Award type	Effective price (HK$)	As at April 1, 2008 (unvested)	Awarded during the year	Vested during the year	Exercised during the year	Cancelled/ lapsed during the year	As at March 31, 2009 (unvested)	Total outstanding as at March 31, 2009	Max no. of shares subject to conditions	Vesting period (mm.dd.yyyy)
All directors	SAR	2.35 – 5.88	49,662,178	8,180,861	17,190,685	–	–	40,652,354	74,062,951	74,062,951	05.01.2006 - 06.01.2012
	RSU	1.62 – 6.01	26,110,751	13,703,256	6,920,904	–	–	32,893,103	32,893,103	32,893,103	05.01.2006 - 06.01.2012
	PSU	2.42	1,232,695	–	1,232,695	–	–	–	–	–	100% vested with partial payout
All other employees	SAR	1.46 – 8.07	250,155,655	281,964,784	107,982,412	22,717,711	51,354,953	372,783,074	636,919,132	636,919,132	05.01.2006 - 01.01.2013
	RSU	1.38 – 8.07	168,146,541	218,220,449	75,106,865	–	61,471,698	249,788,427	270,502,871	270,502,871	05.01.2006 - 01.01.2013
	PSU	2.32 – 3.73	9,750,223	–	9,655,148	–	95,075	–	–	–	
Total	SAR	1.46 – 8.07	299,817,833	290,145,645	125,173,097	22,717,711	51,354,953	413,435,428	710,982,083	710,982,083	05.01.2006 - 01.01.2013
	RSU	1.38 – 8.07	194,257,292	231,923,705	82,027,769	–	61,471,698	282,681,530	303,395,974	303,395,974	05.01.2006 – 01.01.2013
	PSU	2.32 – 3.73	10,982,918	–	10,887,843	–	95,075	–	–	–	–

EXTERNAL AUDITOR

The Group's external auditor is PricewaterhouseCoopers ("PwC"), who is remunerated mainly for its audit services provided to the Group. The Company has adopted a policy on engagement of external auditor for non-audit services, under which the external auditor is required to comply with the independence requirements under Code of Ethics for Professional Accountants issued by Hong Kong Institute of Certified Public Accountants. External auditor may provide certain non-audit services to the Group given that these do not involve any management or decision making functions for and on behalf of the Group; or perform any self assessments; or acting in an advocacy role for the Company. The engagement of the external auditor for permitted and approved non-audit services shall be approved by the Audit Committee if the value of such non-audit services equals to or above US$320,000.

During the year, PwC provided audit and non-audit services to the Group.

The fees paid or payable to PwC for audit and non-audit services for the financial year ended March 31, 2009 and the comparative figures for the financial year ended March 31, 2008 are as follows:

	2009 US$mn	2008 US$mn
Audit		
– 2006/07	**–**	1.3
– 2007/08	**0.4**	4.9
– 2008/09	**5.2**	–
	5.6	6.2
Non-audit	**0.8**	0.4
Total	**6.4**	6.6

INTERNAL CONTROL

The Board acknowledges its responsibility to ensure the Company maintains sound and effective internal controls. This is achieved through a defined management structure with specified limits of authority and defined control responsibility to:

- Achieve business objectives and safeguard assets against unauthorized use or disposition;
- Ensure maintenance of proper accounting records for the provision of reliable financial information for internal use or for publication; and
- Ensure compliance with the relevant legislation and regulations.

To achieve this, the Company has established an integrated framework of internal controls which is consistent with the COSO (the Committee of Sponsoring Organizations of the Treadway Commission) framework.

Within this framework, management performs periodic enterprise wide risk assessments and continuously monitor and report the progress of action plans to address the key risks. They also track and report on the implementation of strategic initiatives, business plans, budgets and financial results. As part of the focus on financial integrity, all relevant senior executives regularly verify the accuracy and completeness of the quarterly financial statements and compliance with key internal controls.

While management is responsible for the design, implementation and maintenance of internal controls, the Board and its Audit Committee oversee the actions of management and monitor the effectiveness of the established controls. To assist the Audit Committee in its oversight and monitoring activities, the Company maintains an independent worldwide Internal Audit function which provides objective assurance to the Audit Committee that the system of internal controls is effective and operating as intended.

Internal Audit has unrestricted access to all corporate operations, records, data files, computer programs, property, and personnel. To preserve the independence of the internal audit function, the Head of Internal Audit reports directly to the Audit Committee on all audit matters and to the Chief Financial Officer on administrative matters. The Head of Internal Audit is authorized to communicate directly with the Chairman of the Board and other Board members.

In selecting the audits to perform each year, Internal Audit uses information collected throughout the year from process owners, the risk assessment team, senior executives, external auditors and the Board of Directors. The developed audit plan is reviewed by the Audit Committee, who are also given quarterly updates on the performance of the plan and key findings. Ad hoc reviews may also be performed on areas of concern identified by Management or the Audit Committee. Internal Audit also perform internal investigations related to allegations of business conduct violations. Internal Audit partners with Legal, Human Resources, and subject matter experts where necessary to ensure the appropriate expertise when performing these investigations. The management of the business units and process are informed of any required actions resulting from these reviews, and Internal Audit monitors the corrective actions to completion.

To ensure that Internal Audit is following best practice, multiple project teams have been established utilizing auditors from all geographies to research and implement the best practice for each step of the audit process. Once the best practice has been determined by the responsible project team, it is presented to the Internal Audit "Process Council" which consists of the Audit Directors and representatives from each geography, for review and implementation. In addition, to help ensure the quality of the Internal Audit function and provide assurance that the Internal Audit function is in conformity with the Standards of the Institute of Internal Auditors, the Audit Committee periodically commissions an independent external quality assurance review of the Internal Audit function.

Regarding procedures and internal controls for the handling and dissemination of price-sensitive information, the Company is aware of its obligations under the Listing Rules and the overriding principle that information which is expected to be price-sensitive should be announced immediately it is the subject of a decision. The Company conducts its affairs with close regard to the "Guide on Disclosure of Price-sensitive Information" issued by the Hong Kong Stock Exchange in 2002 and has implemented policies and procedures which strictly prohibit unauthorized use of confidential and sensitive information, and has communicated to all relevant staff regarding this matter. In addition, only Directors and delegated officers can act as the Company's spokesperson and respond to external enquiries about the Company's affairs.

The Board, through the Audit Committee of the Company, conducts a continuous review of the effectiveness of the internal control system operating in the Company and considers it is adequate and effective. The review covers all material controls, including financial, operational and compliance controls, and risk management functions. The Board is not aware of any significant areas of concern which may affect the shareholders. The Board is satisfied that the Company has fully complied with the code provisions on internal controls as set forth in the Code on Corporate Governance.

COMMUNICATION WITH SHAREHOLDERS

The Company is committed to safeguard shareholders' interests and encourage shareholders to attend the annual general meetings for which sufficient notices will be given. Shareholders are therefore encouraged to actively participate at such meetings. The 2008 Annual General Meeting of the Company held on July 25, 2008 was attended by, among others, Chairman of the Board, CEO, Chief Financial Officer, Chairman of the Audit Committee, Chairman of the Compensation Committee and representatives of external auditor PwC to answer questions raised by shareholders at the meeting. Resolutions passed at the 2008 Annual General Meeting included: adoption of the Group's audited accounts for the year ended March 31, 2008 together with the directors' report and independent auditor's report, declaration of final dividend, re-election of retiring directors and authorization to fix directors' fees, re-appointment of external auditor and authorization to fix auditor's fee and grant of general mandates to the Board to issue and repurchase shares of the Company. All the resolutions proposed at the 2008 Annual General Meeting were decided by way of poll voting. The poll was conducted by Tricor Abacus Limited, the Company's share register, as scrutineer and the results of the poll were published on the Company's website (www.lenovo.com/hk/publication) and the Exchange's website (www.hkex.com.hk).

INVESTOR RELATIONS

Lenovo continues to promote investor relations by maintaining regular dialogues with investors and securities analysts. During the year, management attended a number of major investment conferences and met investors around the world in non-deal roadshows, in addition to regular one-on-one investor meetings and quarterly results announcement presentations.

The Company is widely covered by securities analysts. To enhance their understanding of Lenovo's operations and strategy, the Company organized two analyst roundtables during the year, in which Lenovo's senior executives discussed the Company's efforts on product development and improving efficiencies in its global supply chain. The events were well-attended by analysts who appreciated Lenovo's dedication to investor relations.

The Company is pleased to see that its commitment to investor relations has been well-recognized by the investment community as it received a number of accolades during the 2008/09 fiscal year. Lenovo ranked third in the "Best Quoted Company for Investor Relations" in the Thomson Reuters Extel Asia Pacific Survey 2008. The Company's Investor Relations executive was ranked first place for the "Top Three IR Professional – Hong Kong" in the same survey. In the IR Magazine Awards 2008 (Hong Kong & Taiwan), Lenovo was awarded the "Grand Prix for the Best Overall Investor Relations by a PRC-domiciled Small or Mid-Cap Company Listed on the Hong Kong Stock Exchange" and "the Certificate of Excellence".

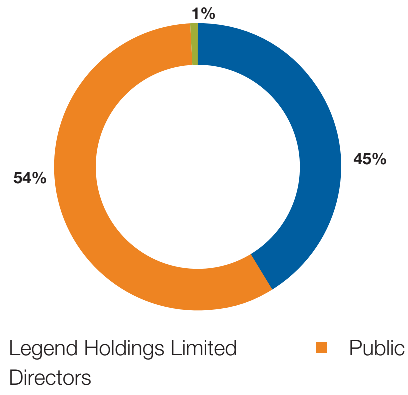
Lenovo's investor relations team remains committed to maintaining open and efficient communication with the investment community even in times of market uncertainty. It will continue to focus on maintaining transparency, consistency, clarity, creditability and accessibility when it communicates the latest developments of the market and Lenovo with investors.

The Company welcomes suggestions from investors and shareholders, and invites them to share their views and suggestions by contacting its Investor Relations team at ir@lenovo.com.

Shareholders

According to the shareholders' list of the ordinary voting shares (defined as "Shares" in this section unless specified otherwise) of the Company as at March 31, 2009, there were 1,429 registered shareholders holding the Shares, of whom 98.11 percent had their registered addresses in Hong Kong. However, the actual number of investors in the Shares may be larger than that as a substantial portion of such shareholdings are held through nominees, custodian houses and HKSCC Nominees Limited.

Beneficial Shareholding Structure as at March 31, 2009*



* Representing all ordinary shares.

Shareholdings as at March 31, 2009

Size of Registered Shareholdings	No. of Shareholders	% of Shareholders	No. of Shares	% of Issued Share Capital
2,000 or below	305	21.343%	562,372	0.006%
2,001-10,000	733	51.295%	5,126,000	0.056%
10,001-100,000	351	24.563%	10,962,272	0.119%
100,001-1,000,000	27	1.889%	7,526,000	0.082%
Above 1,000,000	13	0.910%	9,187,212,762	99.737%
Total	1,429	100.000%	9,211,389,406	100.000%

Remarks:

(i) A board lot size comprises 2,000 Shares.

(ii) 48.578 percent of all the issued Shares were held through HKSCC Nominees Limited.

Market Capitalization and Public Float

As at March 31, 2009, the market capitalization of listed shares of the Company was approximately HK$16.4 billion based on the total number of 9,211,389,406 issued Shares of the Company and the closing price of HK$1.78 per share.

The daily average number of traded Shares was approximately 52.3 million Shares over an approximate free float of 5,041 million Shares in the 2008/09 fiscal year. The highest trading price for the Share was HK$6.75 per share on May 21, 2008 and the lowest was HK$1.32 per share on March 3, 2009.

In accordance with the publicly available information and as far as the Directors are aware, the Company has maintained a public float of more than 25 percent of the Company's issued Shares throughout the financial year ended March 31, 2009 and has continued to maintain the public float as at the date of this annual report.

INFORMATION FOR INVESTORS

Listing Information	
Listing	Hong Kong Stock Exchange
Stock code	992
American Depositary Receipts Level I Program	
Ordinary share to ADR	20:1
Stock code	LNVGY
Share Information	
Board lot size	2,000 shares
Ordinary voting shares outstanding as of March 31, 2009	9,211,389,406 shares
Market capitalization as of March 31, 2009	HK$16,396,273,143 (Approx. US$2,102 million)
Basic earnings per share for the year ended March 31, 2009	(2.56) U.S. cents
Dividend per ordinary share for the year ended March 31, 2009	
– Interim	3.0 HK cents
– Total	3.0 HK cents
Key Dates	
First Quarter Results Announcement	August 7, 2008
Interim Results Announcement	November 6, 2008
Closure of Register of Members for Interim Dividend	November 24-28, 2008 (Both days inclusive)
Payment of 2008/09 Interim Dividend	December 5, 2008
Third Quarter Results Announcement	February 5, 2009
Annual Results Announcement	May 21, 2009
Annual General Meeting	July 29, 2009

CORPORATE SOCIAL RESPONSIBILITY

As a global company, Lenovo implements and supports sustainable business practices with respect to the environment, employees, customers, and stakeholders around the world. Lenovo's corporate social responsibility commitments encompass:

- The environment
- Employee health and welfare
- Global supply chain, and
- Corporate social investments

Highlights from 2008 are summarized in the section below. More extensive information on sustainability and corporate social responsibility can be found at: http://www.lenovo.com.cn.

The Environment

Lenovo is committed to accountability and leadership in environmental affairs and continues to build upon a history of environmental achievement. With the foundation of a robust Environmental Management System (EMS) each Lenovo employee and manager bears a personal responsibility to conserve natural resources, develop, manufacture, and market products that are safe for the user and the environment, energy efficient, and recyclable. Lenovo's EMS assures the highest level of environmental protection for Lenovo's products as well as Lenovo's site operations worldwide.

Lenovo's Environmentally Conscious Products program specifies the elimination of potential health hazards and minimizing the environmental impact of its products across the complete product life cycle. Lenovo's priority is to use environmentally preferable materials whenever applicable and is a leader in the use of recycled content in its products including post-consumer recycled plastics. Specific examples include Lenovo's entire line of ThinkVision monitors, which use over 27 percent post-consumer recycled content, select ThinkCentre desktop PCs that use up to 27 percent post-consumer recycled polymers, and the Lenovo ThinkStation™ D20 workstation which uses nearly 30 percent post consumer content, equivalent to 19 plastic drinking water bottles.

Reduced energy consumption is also a major goal of Lenovo's Environmentally Conscious Products program. In January 2009, Lenovo announced that multiple Lenovo ThinkPad, IdeaPad, ThinkCentre PCs and the complete line of ThinkVision monitors were tested to meet or exceed the new United States Environmental Protection Agency (EPA) Energy Star 5.0 criteria approximately nine months before the new stringent criteria were scheduled to take place. As of April 2009, Lenovo offered over 25 products that meet the Energy Star 5.0 criteria.

Lenovo also participates in the Electronic Product Environmental Assessment Tool (EPEAT) program. EPEAT rates electronic products on an extensive list of environmental attributes including post-consumer recycled content and energy efficiency. Lenovo continues to lead the PC industry with products registered as EPEAT Gold or Silver certified. Lenovo was the first manufacturer to register an EPEAT Gold monitor and its complete line of ThinkVision monitors and several ThinkPad notebooks and ThinkCentre desktop PCs are also EPEAT Gold certified.

Lenovo offers product take-back and recycling programs for both consumer and business customers worldwide. Lenovo offers these programs in every country it conducts business, with many of those programs free to the consumer. Lenovo's free recycling program in China, which was introduced in 2006, has led to a paradigm shift in asset recovery for the country. For business customers, Lenovo's Asset Recovery Service (ARS) provides computer take-back, data destruction, refurbishment and recycling services.

During 2008, Lenovo financed or managed the processing of over 39.9 million pounds of Lenovo owned or customer returned computer equipment with nearly 80 percent reused or recycled, and only 1.47 percent disposed in landfills. Customer returned equipment made up over 37 percent of this total processed tonnage. Since Lenovo was established as a global company in May of 2005, Lenovo has processed over 129 million pounds of computer equipment through its contracted service providers.

In an effort to minimize Lenovo's climate change impact and reduce its carbon footprint, Lenovo uses local manufacturing facilities in the Americas, Europe and Asia, as well as lower carbon shipping methods such as truck and rail, when appropriate. Furthermore, lighter and smaller products, more compact and reusable packaging materials, bulk shipping alternatives, and distribution facilities allow for lighter loads, load consolidation and full truck load shipments. In 2008, Lenovo shifted 7 percent of notebooks from air to lower carbon ocean transport. Also, in 2008, Lenovo was certified by the United States Environmental Protection Agency as a SmartWay transportation provider. The SmartWay brand identifies products and services that reduce transportation related emissions. This certification further demonstrates the environmental strength of Lenovo's environmentally friendly modes of transport.

Employee Health and Welfare

Lenovo is fully committed to providing a safe and healthy working environment for its employees worldwide. This global commitment is clearly essential to the company's productivity and values. The company's Global Occupational Health and Safety (OHS) organization has established world class standards for employee workplace safety. Lenovo is recognized as a leading employer offering competitive compensation packages, abiding by applicable minimum wage requirements in every country and region where it operates, providing equipment that is safe to use, and focusing continually on preventing injuries. In the past year, Lenovo's global supply chain was certified OHSAS 18001 compliant by the Bureau Veritas Certification, a world-renowned certification body.

Global Supply Chain

Lenovo is focused on driving sustainable activities through its internal operations as well as the operations of its global suppliers. The Company has driven numerous process improvements initiatives that have had an immediate, positive impact on the environment. Examples include local manufacturing strategies to shorten ship requirements, the award winning use of thermoplastics and other recycled packaging materials. All of these initiatives help reduce the environmental impact from Lenovo products. All Lenovo supply chain facilities meet ISO14001 requirements.

As a member of the Electronics Industries Citizenship Coalition (EICC), Lenovo is helping to lead a global, standards-based approach to monitoring suppliers across a broad range of sustainability and social responsibility issues. Lenovo's policies and processes are consistent with the requirements of the EICC for ensuring that working conditions in the electronics industry supply chain are safe, that workers are treated with respect and dignity and that manufacturing processes are environmentally responsible. By working together, Lenovo and other member companies are creating a comprehensive strategy for a standards-based approach for monitoring suppliers' performance across several areas of social responsibility.

Ninety-eight percent of Lenovo's tier one production suppliers have agreed to comply with the EICC and have agreed to be audited by third-party EICC-approved auditors. Lenovo completed third party independent EICC compliance audits on five manufacturing facilities in China and India with strong results, validating Lenovo's high standards for its own global supply chain (GSC) operations. During this past fiscal year, Lenovo has also begun to work with its direct suppliers to expand its audit program to tier two suppliers.

Corporate Social Investments

Lenovo's "Hope through Entrepreneurship" program was developed to encourage individuals around the world to make an impact. This innovative program encourages global business development while helping transform the lives of people and their communities worldwide. One way Lenovo does this is through its support of microfinance institutions such as Opportunity International, Kiva and Planet Finance. These institutions bring much needed capital in the form of micro loans to entrepreneurs in Africa, Asia, Latin America and Eastern Europe. Lenovo dedicates one percent of earnings to corporate social investments, focusing on initiatives which reflect the company's capabilities and core values.

Directors' Report & Financial Statements

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152 Five-year Financial Summary

The directors submit their report together with the audited financial statements of the Company and its subsidiaries (collectively, the "Group") for the year ended March 31, 2009.

Principal business and geographical analysis of operations

The principal activity of the Company is investment holding. The activities of its principal subsidiaries are set out in note 38 to the financial statements.

Details of the analyses of the Group's turnover, revenue and segment information for the year by geographical location and by principal business are set out in note 5 to the financial statements.

Results and appropriations

The results of the Group for the year are set out in the consolidated income statement on page 76.

The state of affairs of the Group and of the Company as at March 31, 2009 is set out in the balance sheets on page 77.

The consolidated cash flows of the Group for the year are set out in the statement on page 78.

An interim dividend of HK3.0 cents (2007/08: HK3.0 cents) per ordinary share, amounting to a total of about HK$276 million (approximately US$36 million) (2007/08: HK$269 million (approximately US$35 million)), was paid to shareholders during the year.

The directors do not recommend the payment of a final dividend for the year ended March 31, 2009 (2007/08: HK12.8 cents).

Five-year financial summary

A summary of the results for the year and of the assets and liabilities of the Group as at March 31, 2009 and for the last four financial years are set out on page 152.

Reserves

Movements in the reserves of the Group and of the Company during the year are set out in the consolidated statement of changes in equity, and note 31 to the financial statements.

Distributable reserves

At March 31, 2009, the distributable reserves of the Company amounted to US$545,702,000 (2007/08: US$792,934,000).

Bank loans

Particulars of bank loans as at March 31, 2009 are set out in notes 29(b) and 33 to the financial statements.

Donations

Charitable and other donations made by the Group during the year amounted to US$2,993,372 (2007/08: US$7,796,652).

Property, plant and equipment

Details of the movements in property, plant and equipment of the Group and of the Company are set out in note 15 to the financial statements.

Share capital

Details of the movements in the share capital of the Company are set out in note 30 to the financial statements.

Subsidiaries and associated companies

Particulars of the Company's principal subsidiaries and associated companies as at March 31, 2009 are set out in notes 38 and 20 to the financial statements respectively.

Management contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

Major customers and suppliers

During the year, the Group sold less than 11 percent of its goods and services to its five largest customers. The percentages of purchases for the year attributable to the Group's major suppliers are as follows:

The largest supplier	28 percent
Five largest suppliers combined	54 percent

None of the directors of the Company, their associates or any shareholder (which to the knowledge of the directors owns more than 5 percent of the Company's share capital) had an interest in the major suppliers noted above.

Directors' rights to acquire shares or debentures

Share Option Schemes

At the Extraordinary General Meeting of the Company held on March 25, 2002, the shareholders of the Company approved the adoption of a new share option scheme ("New Option Scheme") and the termination of the old share option scheme ("Old Option Scheme"). Although no further options may be granted under the Old Option Scheme, all remaining provisions will remain in force to govern the exercise of all the options previously granted.

1. Old Option Scheme

The Old Option Scheme was adopted on January 18, 1994 and was terminated on April 26, 2002. The Old Option Scheme was designed to provide qualified employees with appropriate incentives linked to share ownership. Only employees, including directors, of the Group could participate in the Old Option Scheme. Total number of options must not exceed 10 percent of the issued share capital of the Company. The maximum entitlement of any individual participant thereunder must not exceed 2.5 percent of the shares in issue. The exercise price for options was determined based on not less than 80 percent of the average closing price of the listed ordinary shares for the 5 trading days immediately preceding the date of grant. Options granted were exercisable at any time during a period of 10 years.

As at March 31, 2009, the total number of shares which may be issued on the exercise of the outstanding options granted thereunder is 124,878,000 ordinary shares, representing approximately 1.36 percent of the issued share capital of the Company (including ordinary shares but not Series A Cumulative Convertible Preferred Shares) as at the date of this report.

2. New Option Scheme

(a) Purpose

The New Option Scheme became effective on April 26, 2002. It serves as a way of providing incentives to and attracting qualified participants for better performance of the Group by allowing them to participate in increases in the value of the Company.

(b) Qualified participants

1. (i) any employee or officer, executive or non-executive director (or persons proposed to be appointed as such) of the Group;

   (ii) any consultant, professional or other adviser to the Group;

   (iii) any director, executive and senior officer of any associated company of the Company; and

   (iv) the trustee of any trust pre-approved by the directors of which the beneficiary (or in case of discretionary trust, the discretionary objects) include any of the above-mentioned persons; and

2. (i) any customer, supplier, agent, partner, distributor, professional or other advisers of, or consultants or contractors to, the Group; and

   (ii) the trustee of any trust pre-approved by the directors of which the beneficiary (or in case of discretionary trust, the discretionary objects) include any of the above-mentioned persons.

Directors' rights to acquire shares or debentures *(continued)*

Share Option Schemes *(continued)*

2. New Option Scheme *(continued)*

(c) *Maximum number of shares*

As at March 31, 2009, the maximum number of ordinary shares available for issue under the New Option Scheme is 133,133,051, representing approximately 1.45 percent of the issued share capital of the Company (including ordinary shares but not Series A Cumulative Convertible Preferred Shares) as at the date of this report.

(d) *Maximum entitlement of each qualified participant*

The maximum number of ordinary shares issued and to be issued upon exercise of share options granted to each qualified participant (including both exercised and outstanding options) in any 12-month period up to the date of grant shall not exceed 1 percent of the ordinary shares of the Company in issue. Any further grant of share options in excess of this limit is subject to shareholders' approval in general meeting of the Company.

Share options to be granted to a director or chief executive of the Company or any of their respective associates are subject to approval by the independent non-executive directors of the Company. In addition, any grant of share options to an independent non-executive director of the Company or any of their respective associates, when aggregated with all share options (whether exercised, cancelled or outstanding) already granted to any of them during the 12-month period up to the date of grant, in excess of 0.1 percent of the ordinary shares of the Company in issue and with an aggregate value in excess of HK$5,000,000, is subject to shareholders' approval in general meeting of the Company.

(e) *Timing for exercise of options*

In respect of any particular option, the directors may in their absolute discretion determine the period within which an option may be exercised provided that such period must expire no later than 10 years from the date upon which the option is deemed to be accepted by the grantee. Option will then lapse to the extent not exercised during the option period.

(f) *Acceptance of offers*

An option shall be deemed to have been granted and accepted when the duplicate offer letter comprising acceptance of the option duly signed by the grantee shall have been received by the Company on or before the last day for acceptance as set out in the offer letter.

(g) *Basis for determination of exercise price*

The exercise price must be no less than the highest of: (i) the closing price of the listed ordinary shares on the date of grant; (ii) the average of the closing prices of the listed ordinary shares of the Company for the 5 trading days immediately preceding the date of grant; or (iii) the nominal value of the ordinary shares.

(h) *Life of the scheme*

The New Option Scheme shall be valid and effective for a period of 10 years from April 26, 2002, the date on which it is deemed to take effect in accordance with its terms.

Directors' rights to acquire shares or debentures *(continued)*

Share Option Schemes *(continued)*

3. Outstanding options

Particulars of the outstanding options are as follows:

	Options held at April 1, 2008	Options granted during the year	Options exercised during the year	Options cancelled/ lapsed during the year	Options held at March 31, 2009	Exercise price HK$	Grant date (MM.DD.YYYY)	Exercise period (MM.DD.YYYY)
Old Option Scheme								
Directors								
Mr. Liu Chuanzhi	2,250,000	–	2,250,000	–	0	2.876	08.31.2001	08.31.2001 to 08.30.2011
Mr. Yang Yuanqing	6,000,000	–	–	–	6,000,000	4.072	04.16.2001	04.16.2001 to 04.15.2011
	2,250,000	–	–	–	2,250,000	2.876	08.31.2001	08.31.2001 to 08.30.2011
Ms. Ma Xuezheng	2,920,000	–	–	–	2,920,000	4.072	04.16.2001	04.16.2001 to 04.15.2011
	1,600,000	–	–	–	1,600,000	2.876	08.31.2001	08.31.2001 to 08.30.2011
Continuous contract employees	6,696,000	–	186,000	–	6,510,000	4.038	01.28.2000	01.28.2000 to 01.27.2010
	55,012,000	–	2,962,000	–	52,050,000	4.312	01.15.2001	01.15.2001 to 01.14.2011
	21,902,000	–	3,006,000	–	18,896,000	4.072	04.16.2001	04.16.2001 to 04.15.2011
	832,000	–	832,000	–	0	2.904	08.29.2001	08.29.2001 to 08.28.2011
	38,316,000	–	3,664,000	–	34,652,000	2.876	08.31.2001	08.31.2001 to 08.30.2011
New Option Scheme								
Directors								
Mr. Liu Chuanzhi	3,000,000	–	3,000,000	–	0	2.245	04.26.2003	04.26.2003 to 04.25.2013
Mr. Yang Yuanqing	3,000,000	–	–	–	3,000,000	2.245	04.26.2003	04.26.2003 to 04.25.2013
Ms. Ma Xuezheng	1,600,000	–	–	–	1,600,000	2.245	04.26.2003	04.26.2003 to 04.25.2013
Continuous contract employees	9,116,000	–	420,000	–	8,696,000	2.435	10.10.2002	10.10.2002 to 10.09.2012
	33,456,000	–	1,936,000	–	31,520,000	2.245	04.26.2003	04.26.2003 to 04.25.2013
	79,367,051	–	3,876,000	–	75,491,051	2.545	04.27.2004	04.27.2004 to 04.26.2014
	1,740,000	–	1,740,000	–	0	2.170	07.08.2004	07.08.2004 to 07.07.2014
Other participants	12,362,000	–	1,076,000	–	11,286,000	2.435	10.10.2002	10.10.2002 to 10.09.2012
	1,540,000	–	–	–	1,540,000	2.245	04.26.2003	04.26.2003 to 04.25.2013

Notes:

1. Weighted average closing price of the listed ordinary shares of the Company immediately before the dates on which the options were exercised by continuous contract employees under the Old Option Scheme was HK$5.375.
2. Weighted average closing price of the listed ordinary shares of the Company immediately before the dates on which the options were exercised by continuous contract employees under the New Option Scheme was HK$5.746.
3. Weighted average closing price of the listed ordinary shares of the Company immediately before the dates on which the options were exercised by other participants under the New Option Scheme was HK$5.562.

4. Valuation of share options

The share options granted are not recognized in the financial statements until they are exercised. The directors consider that it is not appropriate to value the share options on the ground that certain crucial factors for such valuation are variables which cannot be reasonably determined at this stage. Any valuation of the share options based on speculative assumptions in respect of such variables would not be meaningful and the results thereof may be misleading to the shareholders. Thus, it is more appropriate to disclose only the market price and exercise price.

Directors' rights to acquire shares or debentures *(continued)*

Long-term incentive program

The Company adopted the LTI Program on May 26, 2005, under which the Board or the trustee of the program shall select the employees (including but not limited to the directors) of the Group for participation in the program, and determine the number of shares to be awarded.

Details of the program and the movement in the number of awards for the year ended March 31, 2009 are set out in the Corporate Governance section on pages 44 to 47.

Apart from the share option schemes and the LTI Program, at no time during the year ended March 31, 2009 was the Company or any of its subsidiaries a party to any arrangements to enable the directors of the Company to acquire benefits by means of acquisitions of shares in, or debentures of, the Company or any body corporate.

Purchase, sale, redemption or conversion of the Company's securities

During the year, the Company purchased 77,628,000 ordinary voting shares of HK$0.025 each in the capital of the Company at prices ranging from HK$5.00 to HK$5.99 per share on The Stock Exchange of Hong Kong Limited.

Month/Year	Number of shares repurchased	Highest price per share HK$	Lowest price per share HK$	Aggregate Consideration paid (excluding expenses) HK$
April 2008	29,228,000	5.58	5.00	154,574,380
May 2008	3,000,000	5.99	5.79	17,573,000
June 2008	42,400,000	5.96	5.20	231,088,920
July 2008	3,000,000	5.49	5.13	15,947,540

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

During the year, the trustee of the LTI Program purchased 24,710,000 ordinary voting shares from the market for award to employees upon vesting. Details of the program are set out in the Corporate Governance section on pages 44 to 47.

On May 8, 2008, the Company received a written notice from IBM for the conversion of 375,282,756 ordinary non-voting shares and as a result of such conversion, the 375,282,756 ordinary non-voting shares were converted into same number of fully paid ordinary voting shares of the Company on May 15, 2008.

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities and no further conversion notice was received during the above-mentioned period.

Directors

The directors during the year and up to the date of this report were:

Chairman and Non-executive Director

Mr. Liu Chuanzhi

Executive Directors

Mr. Yang Yuanqing
Mr. William J. Amelio (resigned on February 5, 2009)

Non-executive Directors

Mr. Zhu Linan
Ms. Ma Xuezheng
Mr. James G. Coulter
Mr. William O. Grabe
Dr. Wu Yibing (appointed on May 21, 2009)
Mr. Shan Weijian (resigned on May 23, 2008)
Mr. Justin T. Chang
(Alternate director to Mr. James G. Coulter)
Mr. Daniel A. Carroll (resigned on May 23, 2008)
(Alternate director to Mr. Shan Weijian)

Directors *(continued)*

Independent Non-executive Directors

Professor Woo Chia-Wei
Mr. Ting Lee Sen
Mr. John W. Barter III
Dr. Tian Suning

In accordance with articles 92 and 101 of the Company's articles of association, Dr. Wu Yibing, Ms. Ma Xuezheng, Mr. William O. Grabe and Mr. John W. Barter III will retire and, being eligible, will offer themselves for re-election at the forthcoming Annual General Meeting.

The Company has received from each of independent non-executive directors an annual confirmation of his independence pursuant to rule 3.13 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules"). The Company considers they are independent.

Biography of directors and senior management

Biography of directors

Chairman and non-executive director

Mr. Liu Chuanzhi, 65, is Chairman of the Board and a non-executive director of the Company. Mr. Liu returned to the position of Chairman on February 5, 2009. Mr. Liu is the leading founder of Lenovo Group and was the Chairman of the Board and an executive director of the Company from 1994 and 1993 respectively until Lenovo's completion of acquisition of IBM Personal Computing Division on April 30, 2005. He graduated from the Department of Radar Communications at Xian Military Communications Engineering College of China and has substantial experience in the computer industry. Mr Liu is a director and president of Legend Holdings Limited, the controlling shareholder of the Company.

Executive director

Mr. Yang Yuanqing, 44, is an executive director and assumed the duties of Chief Executive Officer of the Company on February 5, 2009. Prior to that, he was the Chairman of the Board from April 30, 2005. Before taking up the office as Chairman, Mr. Yang was the Chief Executive Officer of the Company and has been an executive director since December 16, 1997. He has more than 20 years of experience in the field of computer. Under his leadership, Lenovo has been China's best-selling PC brand since 1997. Mr. Yang holds a Master's degree from the Department of Computer Science at the University of Science and Technology of China. Mr. Yang is also a guest professor at the University of Science and Technology and a member of the New York Stock Exchange's International Advisory Committee.

Non-executive directors

Mr. Zhu Linan, 46, has been a non-executive director of the Company since April 30, 2005. He has more than 20 years of management experience. He graduated with a Master's degree in Electronic Engineering from Shanghai Jiao Tong University in 1987. He was a Senior Vice President of the Group. Mr. Zhu is also a director of Legend Holdings Limited, the controlling shareholder of the Company.

Ms. Ma Xuezheng, 56, has been a non-executive Vice Chairman of the Company since May 23, 2007. Prior to that, she was an executive director and Chief Financial Officer of the Company since 1997 and 2000 respectively and held directorship in various subsidiaries of the Company. Ms. Ma has more than 30 years of experience in financial and executive management. She graduated from Capital Normal University in 1976 with a Bachelor of Arts degree. Ms. Ma is currently the managing director of TPG Capital an equity investment firm having a substantial interest in the convertible preferred shares of the Company. She is a director of Shenzhen Development Bank (listed on the Shenzhen Stock Exchange) and also an independent non-executive director of Standard Chartered Bank (Hong Kong) Limited.

Mr. James G. Coulter, 49, has been a non-executive director of the Company since May 17, 2005. Mr. Coulter is a founding partner of TPG (an equity investment firm having a substantial interest in the convertible preferred shares of the Company). Prior to founding TPG, from 1986 to 1992, Mr. Coulter was a Vice President of the Robert M. Bass Group, Inc. (now doing business as Keystone Group, L.P.). From 1986 to 1988, Mr. Coulter was also associated with SPO Partners, an investment firm that focuses on public market and private minority investments. Mr. Coulter also serves on the Boards of Directors of The Neiman Marcus Group, Inc. and J Crew Group, Inc. (NYSE listed).

Mr. William O. Grabe, 71, has been a non-executive director of the Company since May 17, 2005. Mr. Grabe is a Managing Director of General Atlantic LLC, an equity investment firm having a substantial interest in the convertible preferred shares of the Company, and has been with the General Atlantic Group since 1992. Prior to that, he served as the Vice President and Corporate Officer of IBM. Mr. Grabe is also a director of the following listed companies: Patni Computer Systems Limited (Mumbai Stock Exchange and NYSE listed), Gartner Inc. (NYSE listed) and Compuware Corporation (NASDAQ listed).

Biography of directors and senior management *(continued)*

Biography of directors *(continued)*

Non-executive directors

Dr. Wu Yibing, 41, has been appointed as a non-executive director of the Company on May 21, 2009. Dr. Wu received a Ph.D. from Harvard University and a B.Sc. from the University of Science and Technology of China. He is the Managing Director and Executive Vice President of Legend Holdings Limited, the controlling shareholder of the Company. Prior to that, he was the chief transformation officer of the Company and was responsible for designing and implementing process and organizational changes and overseeing key strategic initiatives. From 1996 to 2008, Dr. Wu was a senior partner, general manager of Beijing office and head of Asia-Pacific Post-Merger Management Practice of McKinsey & Company ("McKinsey"). He has served clients in China, across Asia-Pacific, and in the U.S. from a wide range of industries including high tech, telecom, health care, energy, and financial services. Before joining McKinsey, Dr. Wu worked as a technology licensing consultant at Harvard University.

Alternate director

Mr. Justin T. Chang, 41, has been an alternate director to Mr. James G. Coulter since May 17, 2005. Mr. Chang is retired Partner and Managing Director of TPG Capital, where he was employed from 1993 to 2008. Mr. Chang also sits on the board of directors of UTAC Holdings. Mr. Chang received his MBA from Harvard Business School and his Bachelor degree, cum laude, from Yale University.

Independent non-executive directors

Professor Woo Chia-Wei, 71, has been an independent non-executive director of the Company since August 23, 1999. Professor Woo is Senior Advisor to The Shui On Group, and is also President Emeritus and University Professor Emeritus of Hong Kong University of Science and Technology. From April 2007 till March 2008, he served on the Hong Kong Special Administrative Region's Commission on Strategic Development and the Chinese People's Political Consultative Conferences. In addition, Professor Woo is an independent non-executive director of First Shanghai Investments Ltd. and Shanghai Industrial Holdings Ltd. (both listed on the Hong Kong Stock Exchange).

Mr. Ting Lee Sen, 66, has been an independent non-executive director of the Company since February 27, 2003. He has extensive knowledge and experience in IT industry and is the Managing Director of W.R. Hambrecht + Co. and Board Director of Microelectronics Technology Inc. (listed on Taiwan Stock Exchange). He is also a former corporate vice president of Hewlett-Packard Company, where he worked for more than 30 years. Mr. Ting obtained a Bachelor of Science degree in Electrical Engineering from the Oregon State University in 1965. He attended graduate studies in the same field at Stanford University and is a graduate of the Stanford Executive Program.

Mr. John W. Barter III, 62, has been an independent non-executive director of the Company since August 10, 2005. Mr. Barter holds a Bachelor of Science degree in Physics from Spring Hill College and an MBA in Finance from Tulane University. He has acquired extensive knowledge and experience in finance and accounting from senior management positions held in both the industrial and technology sectors. Between 1977 and 1997 he held a number of senior management positions with AlliedSignal, Inc. a then NYSE listed company engaged in the development, and manufacturing of aerospace, automotive and advanced materials products and was the chief financial officer of this company from 1988 to 1994. Between 1998 and 2001 he was a director and from 2000 to 2001, the chief financial officer of Kestrel Solutions, Inc. a U.S. company engaged in the development of communications equipment. Mr. Barter is currently also a non-executive director of each of SRA International, Inc., Dice Holdings, Inc. and Genpact Limited (all NYSE listed).

Dr. Tian Suning, 45, has been an independent non-executive director of the Company since August 2, 2007. Dr. Tian holds a Ph.D. in natural resource management from Texas Tech University and a M.S. degree in ecology from Chinese Academy of Sciences. He is the founder and chairman of a Chinese focused private equity fund China Broadband Capital Partners, L.P.. He held various senior positions in China Netcom Group Corporations (Hong Kong) Ltd. (Hong Kong Stock Exchange and NYSE listed) from 1999 to 2007 and was a vice chairman of PCCW Ltd. (Hong Kong Stock Exchange listed) between 2005 and 2007. From 1994 till 1999, he was co-founder and CEO of AsiaInfo Holdings, Inc. (a NASDAQ listed company providing internet technology in China) of which he is now a non-executive director. He is currently an independent non-executive director of MasterCard International Incorporated and Taiking Life Insurance Ltd. In addition, he is a non-executive director and chairman of Media China Corporation Limited (a company listed on Hong Kong Stock Exchange and formerly known as Asian Union New Media (Group) Limited) and a senior advisor of KKR.

Biography of directors and senior management *(continued)*

Biography of senior management

Mr. Rory Read, 47, joined the Group in June 2006 and was appointed President and Chief Operating Officer on February 5, 2009, with responsibility for driving growth, execution, profitability and performance of Lenovo's business globally. He is also acting President of the Latin America group. Mr. Read has a proven track record for leading substantial business turnarounds and driving gains in share and profitability. Prior to joining the Group, Mr. Read held numerous key executive positions around the world with IBM. Mr. Read graduated Magna Cum Laude with a Bachelor's degree in Information Systems from Hartwick College.

Mr. Christopher J. Askew, 47, joined the Group in August 2006 and is currently Senior Vice President of Lenovo Services. Mr. Askew was the Vice President of Dell Services, Asia-Pacific and Japan before joining the Group and has extensive global experience in the services business having held senior leadership roles in Europe, Asia and the U.S.. Mr. Askew was educated at George Green Grammar School in London.

Mr. Chen Shaopeng, 40, joined the Group in 1993 and is currently Senior Vice President of Emerging Markets responsible for all business in China, the rest of Asia, Russia & CIS, East Europe, the Middle East and Africa, including large enterprises, SMB and consumer. Mr. Chen has expertise in the sales and marketing of IT products and held various leadership positions in regional sales, the commercial desktop PC business, national & international sales and marketing. Mr. Chen holds a Bachelor's degree of Engineering from Beijing Technology and Business University and an EMBA degree from Tsinghua University.

Mr. Robert Cones, 48, joined the Group in May 2005 and is currently Senior Vice President of Office of Operations & Web Sales. Mr. Cones was the Vice President and CFO for IBM's Personal Systems Group prior to joining the Group and has extensive experience in financial planning, operations, business metrics, strategy and financial controls. He holds a Master of Science degree in Industrial Management from Union College.

Mr. Kenneth DiPietro, 50, joined the Group in June 2006 and is currently Senior Vice President of Human Resources. Mr. DiPietro was a Corporate Vice President at Microsoft Corporation before joining the Group and has extensive experience in both human resources and organizational development. He holds a Bachelor's of Science degree in Industrial and Labour Relations from Cornell University.

Mr. He Zhiqiang, 46, joined the Group in 1986 and is currently Senior Vice President and Chief Technology Officer. He has expertise in R&D of computer products, development of R&D system and R&D project management. He graduated with a Master's degree in Computer Sciences from the Institute of Computing Technology of the Chinese Academy of Sciences.

Dr. Peter D. Hortensius, 48, joined the Group in May 2005 and is the Senior Vice President for ThinkPad branded notebooks. Dr. Hortensius was the Vice President, Products and Offerings, for IBM's Personal Computing Division prior to joining the Group and has extensive expertise in product and technology R&D. He holds a Doctorate degree in Electrical Engineering from the University of Manitoba.

Mr. Liu Jun, 40, joined the Group in 1993 and is currently Senior Vice President of the IDEA Product Group responsible for all IDEA-branded desktops, notebooks, peripherals and software. Prior to that, Mr. Liu held a broad range of leadership positions in Lenovo including president of the Consumer Business Group and leader of R&D, corporate strategy, the desktop PC business unit and global supply chain. He holds a Bachelor's degree in Automation and an EMBA, both from Tsinghua University and completed executive programs at Harvard University and Stanford University.

Mr. Michael O'Neill, 53, joined the Group in July 2007 as Senior Vice President and General Counsel and is responsible for the Group's legal, corporate governance, security and government relations globally. Mr. O'Neill was most recently a partner in a law firm where he was general counsel for the firm's international practices. He also served on the Board of TRW Inc. Prior to that, he spent 16 years at Honeywell where he held several senior legal positions. Mr. O'Neill holds both Juris Doctor and MBA degrees from the University of Baltimore and a Master's of Government Contracting degree from George Washington University.

Ms. Fran O'Sullivan, 50, joined the Group in May 2005 and is currently Senior Vice President of the THINK Product Group, with worldwide responsibility for all THINK-branded desktops, notebooks, workstations, servers, displays, peripherals and software. Ms. O'Sullivan was the General Manager of the PC Division of IBM before joining the Group and has extensive experience in the Personal Computer industry. She graduated from the University of Virginia with a Bachelor of Science degree in Electrical Engineering.

Ms. Qiao Jian, 41, joined the Group in 1990 and is currently Vice President, Corporate Strategy and Planning, responsible for global strategy design and execution. Ms. Qiao has extensive experience in strategy, human resources, marketing and branding. She holds a Bachelor's degree in management science from Fudan University and holds an EMBA from China-Europe International Business School.

Biography of directors and senior management *(continued)*

Biography of senior management *(continued)*

Mr. Qiao Song, 41, joined the Group in 1991 and is currently Senior Vice President and Chief Procurement Officer. He has expertise in product development, sales and marketing, and supply chain and procurement management. Mr. Qiao graduated from the Department of Computer Science and Technology with a Bachelor of Engineering degree at Tsinghua University.

Mr. David Schmoock, 40, joined the Group in 2006 and is currently Senior Vice President, Operations for Lenovo's Mature Markets. Before joining the Group, he was Vice President of Dell marketing for Asia-Pacific/Japan. Mr. Schmoock holds a Bachelor of Arts degree in Political Science from Columbia University.

Mr. Gerry Smith, 45, joined the Group in August 2006 as Senior Vice President, Global Supply Chain and is responsible for the Group's global procurement, logistics, supply planning, manufacturing operations, sales and fulfillment operations. Before joining the Group, Mr. Smith was Vice President of the Display Line of Business of Dell. Mr. Smith holds a Bachelor's degree in Finance and Marketing from Pacific Lutheran University.

Mr. Milko van Duijl, 46, joined the Group in May 2005 and is currently Senior Vice President of Mature Markets overseeing all business in Western Europe, the United States, Canada, Japan, Australia, New Zealand, and Global Accounts, including large enterprises, SMB and consumer. Mr. van Duijl was the Vice President, EMEA, of IBM's PC Division before joining the Group and has extensive knowledge and expertise of the IT industry, as well as international business management. He holds a doctorandus title/MBA from the University of Rotterdam.

Ms. Wang Xiaoyan, 47, joined the Group in 1994 and is currently Senior Vice President and Chief Information Officer responsible for Lenovo's information technology strategy and operations. Ms. Wang has extensive experience in establishment of IT information systems, finance and administration. She graduated from Beijing Institute of Technology with a Master's degree in Engineering and holds an EMBA from China-Europe International Business School.

Mr. Wong Wai Ming, 51, is Senior Vice President and Chief Financial Officer of the Company. Mr. Wong has more than 15 years of experience in investment banking and was a member of HKSE Listing Committee. He was an independent non-executive director of the Company from March 30, 1999 until his appointment to the position of CFO on May 23, 2007. Mr. Wong is a member of the HKICPA and the Institute of Chartered Accountants in England and Wales and holds a Bachelor's degree in Management Sciences from the Victoria University of Manchester, U.K.

Directors' service contracts

On December 20, 2005, Mr. William J. Amelio, the then executive director, President and Chief Executive Officer of the Company, entered into a service contract with the Company for an initial term of 3 years which will automatically continue for successive one-year periods unless otherwise terminated by either party. Upon termination of the service contract, Mr. Amelio may be entitled to compensation and other payments equivalent to more than one year's emoluments depending on a number of factors including the amount of his unvested equity awards and the entitlement and amount of his target bonus. The service contract was approved by the shareholders at an extraordinary general meeting of the Company held on May 24, 2006 (at which Mr. Amelio and his associates abstained from voting) pursuant to rule 13.68 of the Listing Rules. Mr. Amelio resigned as an executive director, the President and the Chief Executive Officer of the Company with effect from February 5, 2009.

On October 9, 2006, the Company entered into the service contract with Mr. Yang Yuanqing, the executive director and the then Chairman of the Board of the Company, for an unfixed term commencing from October 9, 2006. Upon termination of the service contract, Mr. Yang may be entitled to compensation and other payments equivalent to more than one year's emoluments depending on a number of factors including the length of service, the amount of the unvested equity awards and the amount of the annual bonus. The service contract was approved by the shareholders at an extraordinary general meeting of the Company held on November 7, 2006 (at which Mr. Yang and his associates abstained from voting) pursuant to Rule 13.68 of the Listing Rules. Mr. Yang became the Chief Executive Officer of the Company and ceased to act as the Executive Chairman of the Board with effect from February 5, 2009 but he continues to act as an executive director of the Company.

Save as disclosed above, none of the directors has a service contract with the Company which is not determinable within one year without payment of compensation, other than statutory compensation.

Directors' interests in contracts

No contracts of significance in relation to the Group's business to which the Company or its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, existed at the end of the year or at any time during the year.

Directors' interests

As at March 31, 2009, the interests and short positions of the directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register maintained by the Company under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuer in the Listing Rules ("Model Code") were as follows:

Interests in the shares and underlying shares of the Company

		Capacity and number of shares/underlying shares held				
Name of Director	**Interests in shares/ underlying shares**	**Personal interests**	**Family interests**	**Corporate interests**	**Trust**	**Aggregate long position**
Mr. Liu Chuanzhi	Ordinary voting shares	16,134,892	976,000	–	–	17,110,892
	Share awards	1,634,704	–	–	–	1,634,704
						18,745,596
Mr. Yang Yuanqing	Ordinary voting shares	14,882,337	–	–	–	14,882,337
	Share options	11,250,000	–	–	–	11,250,000
	Share awards	39,254,756	–	–	–	39,254,756
						65,387,093
Mr. Zhu Linan	Ordinary voting shares	3,844,892	–	–	–	3,844,892
	Share awards	1,634,704	–	–	–	1,634,704
						5,479,596
Ms. Ma Xuezheng	Ordinary voting shares	17,053,098	–	–	7,240,000	24,293,098
	Share options	6,120,000	–	–	–	6,120,000
	Share awards	8,456,134	–	–	–	8,456,134
						38,869,232
Mr. James G. Coulter	Ordinary voting shares	124,912	–	634,721,524 *(Note 3)*	–	634,846,436
	Share awards	1,070,704	–	–	–	1,070,704
						635,917,140
	Preferred shares	–	–	1,267,500	–	1,267,500
Mr. William O. Grabe	Ordinary voting shares	393,313	–	–	–	393,313
	Share awards	1,634,704	–	–	–	1,634,704
						2,028,017
Professor Woo Chia-Wei	Ordinary voting shares	354,853	–	–	–	354,853
	Share awards	1,634,704	–	–	–	1,634,704
						1,989,557

Directors' interests *(continued)*

Interests in the shares and underlying shares of the Company *(continued)*

Name of Director	Interests in shares/ underlying shares	Capacity and number of shares/underlying shares held: Personal interests	Family interests	Corporate interests	Trust	Aggregate long position
Mr. Ting Lee Sen	Ordinary voting shares	354,800	–	–	–	354,800
	Share awards	1,634,704	–	–	–	1,634,704
						1,989,504
Mr. John W. Barter III	Ordinary voting shares	309,708	–	–	–	309,708
	Share awards	1,634,704	–	–	–	1,634,704
						1,944,412
Dr. Tian Suning	Ordinary voting shares	17,085	–	–	–	17,085
	Share awards	460,087	–	–	–	460,087
						477,172

Notes:

1. Share options represent underlying shares convertible into ordinary voting shares. Particulars of directors' interests in the share options of the Company are set out under the section "Share Option Schemes".

2. Share awards represent underlying shares convertible into ordinary voting shares. Details of share awards are set out under the section "Compensation Policy" in Corporate Governance section.

3. Mr. James G. Coulter has a deemed corporate interest in these underlying shares derived from the preferred shares and warrants convertible into ordinary voting shares by virtue of his shareholding in TPG Advisors IV, Inc., Tarrant Capital Advisors, Inc., TPG Advisors III, Inc. and T^3 Advisors II, Inc..

Save as disclosed above, as at March 31, 2009, none of the directors or chief executive of the Company or their associates had any interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register maintained by the Company under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Substantial shareholders' interests in securities of the Company

As at March 31, 2009, the following persons (not being a director or chief executive of the Company) had an interests in the shares or underlying shares of the Company as recorded in the register maintained under section 336 of the SFO:

Name	Nature of interests in long position	Capacity and number of shares/ underlying shares held: Beneficial owner	Corporate interests	Aggregate long position	Percentage *(Note 13)*
Legend Holdings Limited *(Note 1)*	Ordinary voting shares	2,667,636,724	1,502,775,247 *(Note 2)*	4,170,411,971	45.13%
Employees' Shareholding Society of Legend Holdings Limited *(Note 3)*	Ordinary voting shares	–	4,170,411,971	4,170,411,971	45.13%
TPG Advisors IV, Inc.	Preferred Shares	–	628,921	628,921	35.43%
TPG GenPar IV, L.P.	Preferred Shares	–	628,921	628,921	35.43%

Substantial shareholders' interests in securities of the Company *(continued)*

Name	Nature of interests in long position	Capacity and number of shares/ underlying shares held: Beneficial owner	Capacity and number of shares/ underlying shares held: Corporate interests	Aggregate long position	Percentage *(Note 13)*
TPG IV Acquisition Company LLC *(Note 4)*	Preferred Shares	628,921	–	628,921	35.43%
Mr. David Bonderman *(Note 5)*	Underlying shares	–	634,721,524	634,721,524	7.09%
	Preferred Shares	–	1,267,500	1,267,500	71.41%
T^3 II Acquisition Company, LLC *(Note 6)*	Preferred Shares	182,279	–	182,279	10.27%
T^3 Partners II, L.P. *(Note 6)*	Preferred Shares	–	182,279	182,279	10.27%
T^3 GenPar II, L.P. *(Note 6)*	Preferred Shares	–	182,279	182,279	10.27%
T^3 Advisors II, Inc.	Preferred Shares	–	182,279	182,279	10.27%
TPG III Acquisition Company, LLC *(Note 7)*	Preferred Shares	202,800	–	202,800	11.43%
TPG Partners III, L.P. *(Note 7)*	Preferred Shares	–	202,800	202,800	11.43%
TPG Partners IV, L.P. *(Note 7)*	Preferred Shares	628,921	–	628,921	35.43%
TPG GenPar III, L.P. *(Note 7)*	Preferred Shares	–	202,800	202,800	11.43%
TPG Advisors III, Inc.	Preferred Shares	–	202,800	202,800	11.43%
Newbridge Asia Acquisition Company LLC *(Note 8)*	Preferred Shares	253,500	–	253,500	14.28%
Newbridge Asia III, L.P. *(Note 8)*	Preferred Shares	–	253,500	253,500	14.28%
Newbridge Asia GenPar III, L.P. *(Note 8)*	Preferred Shares	–	253,500	253,500	14.28%
Newbridge Asia Advisors III, Inc. *(Note 8)*	Preferred Shares	–	253,500	253,500	14.28%
Tarrant Advisors, Inc.	Preferred Shares	–	253,500	253,500	14.28%
GAP (Bermuda) Ltd.	Preferred Shares	–	426,244	426,244	24.01%
General Atlantic Partners (Bermuda) L.P. *(Note 9)*	Preferred Shares	426,244	–	426,244	24.01%
GAPCO GmbH & Co. KG *(Note 10)*	Preferred Shares	793	–	793	0.04%
GAPCO Management GmbH	Preferred Shares	–	793	793	0.04%

Substantial shareholders' interests in securities of the Company *(continued)*

Name	Nature of interests in long position	Capacity and number of shares/ underlying shares held — Beneficial owner	Corporate interests	Aggregate long position	Percentage *(Note 13)*
General Atlantic Partners 81, L.P. *(Note 11)*	Preferred Shares	39,202	–	39,202	2.21%
Gapstar, LLC *(Note 12)*	Preferred Shares	6,343	–	6,343	0.36%
General Atlantic LLC	Preferred Shares	–	45,545	45,545	2.57%
GAP Coinvestments IV, LLC	Preferred Shares	7,222	–	7,222	0.41%
GAP Coinvestments III, LLC	Preferred Shares	27,695	–	27,695	1.56%

Notes:

1. The English company name "Legend Holdings Limited" is a direct transliteration of its Chinese company name.
2. The shares were beneficially held by Right Lane Limited, a direct wholly-owned subsidiary of Legend Holdings Limited.
3. Employees' Shareholding Society of Legend Holdings Limited is an equity holder of Legend Holdings Limited which in turn wholly owns Right Lane Limited. Therefore, it is taken to be interested in any shares in which they are interested.
4. TPG IV Acquisition Company LLC is indirectly wholly owned by TPG Advisors IV, Inc.
5. Mr. David Bonderman has an interest in underlying shares by virtue of his shareholding in TPG Advisors IV, Inc., TPG Advisors III, Inc., T^3 Advisors II, Inc. and Tarrant Capital Advisors, Inc.
6. These companies are directly/indirectly owned by T^3 Advisors II, Inc.
7. These companies are directly/indirectly owned by TPG Advisors III, Inc.
8. These companies are directly/indirectly owned by Tarrant Advisors, Inc.
9. GAP (Bermuda) Ltd. is the general partner of General Atlantic Partners (Bermuda), L.P.
10. GAPCO Management GmbH is the general partner of GAPCO GmbH & Co. KG.
11. General Atlantic LLC is the general partner of General Atlantic Partners 81, L.P.
12. GapStar, LLC is directly wholly owned by General Atlantic LLC.
13. The percentage of interests is based on the aggregate nominal value of the shares/underlying shares comprising the interests held as a percentage of the aggregate nominal value of all the issued share capital of the Company of the same class immediately after the relevant event and as recorded in the register maintained under section 336 of the SFO.

Save as disclosed above, as at March 31, 2009, no other interest or short positions in the shares or underlying shares of the Company were recorded in the register maintained under section 336 of the SFO.

Retirement scheme arrangements

The Company provides defined benefit pension plans and defined contribution plans for its employees. These benefits form an important part of the company's total compensation and benefits program that is designed to attract and retain highly skilled and talented employees.

Defined benefit pensions plans

Chinese Mainland-Retirement Schemes

The Group participates in respective local municipal government retirement schemes in the mainland of China ("Chinese Mainland") whereby it is required to make an annual contribution of no more than 20 percent of three times the monthly average salaries as set out by the local municipal government each year. The local municipal governments undertake to assume the retirement benefit obligations of all retirees of the qualified employees in the Chinese Mainland. In July 2006, the Group has established a supplemental retirement program for its employees in China. This is a defined contribution plan, with voluntary employee participation.

In addition to the above, the Group has defined benefits and/or defined contribution plans that cover substantially all regular employees, and supplemental retirement plans that cover certain executives. Information on the principal pension sponsored by the Lenovo Group is summarized in this section.

United States of America ("U.S.")-Lenovo Pension Plan

The Company provides U.S. regular, full-time and part-time employees who were employed by IBM prior to being hired by the Company and who were members of the IBM Personal Pension Plan ("PPP") with non-contributory defined benefit pension benefits via the Lenovo Pension Plan. The plan is frozen to new entrants.

The Lenovo Pension Plan consists of a tax-qualified plan and a non-tax-qualified (non-qualified) plan. The qualified plan is funded by company contributions to an irrevocable trust fund, which is held for the sole benefit of participants and beneficiaries. The non-qualified plan, which provides benefits in excess of U.S. Internal Revenue Service limitations for tax-qualified plans, is unfunded.

Pension benefits are calculated using a five year average final pay formula that determines benefits based on a participant's salary and years of service, including prior service with IBM. The benefit is reduced by the amount of the IBM PPP benefit accrued to May 1, 2005, which will be paid by IBM's trust.

For the year ended March 31, 2009, an amount of US$6,117,117 was charged to the income statement with respect to the qualified and non-qualified plans.

The principal results of the most recent actuarial valuation of the plan at March 31, 2009 were the following:

- The actuarial valuation was prepared by Fidelity. The actuaries involved are fully qualified under the requirements of U.S. law.
- The actuarial method used was the Projected Unit Credit Cost method and the principal actuarial assumptions were:
  - Discount rate: 5.50%
  - Expected return on plan assets: 5.00%
  - Future salary increases: 3.00%
- The qualified plan was 89% funded at the actuarial valuation date.
- There was a deficit of US$5,211,891 under the qualified plan for this reason at the actuarial valuation date.

Retirement scheme arrangements *(continued)*

Defined benefit pensions plans *(continued)*

Japan-Pension Plan

The Company operates a hybrid plan that consists of a defined contribution up to the annual tax-deductible limit (Yen 216,000) plus a cash balance plan with contributions of 7% of pay. The plan is funded by company contributions to a qualified pension fund and an irrevocable trust fund which is held for the sole benefit of participants and beneficiaries.

For the year ended March 31, 2009, an amount of US$3,695,000 was charged to the income statement with respect to this plan.

The principal results of the most recent actuarial valuation of the plan at March 31, 2009 were the following:

- The actuarial valuation was prepared by Mitsubishi Trust Bank. The actuaries involved are fully qualified under the requirements of Japanese law.

- The actuarial method used was the Projected Unit Credit Cost method and the principal actuarial assumptions were:

– Discount rate:	2.50%
– Future revaluation rate:	2.50%
– Future salary increases:	3.10%

- The plan was 58% funded at the actuarial valuation date.

- There was a deficit of US$33,987,000 under this plan at the actuarial valuation date.

Germany-Pension Plan

The Company operates a hybrid plan that provides a defined contribution for some participants and a final pay defined benefit for other participants, depending on which former IBM plan they were in.

Employees hired by IBM before January 1, 1992 have a defined benefit based on a final pay formula. Employees hired from 1992 to 1999 have a combination of a defined benefit based on a final pay formula and a defined contribution plan with employee required contributions of 7% of pay above the social security ceiling and a 100% company match. Employees hired in or after 2000 have a combination of a cash balance plan with an employer contribution of 2.95% of pay below the social security ceiling, and a voluntary defined contribution plan where employees can contribute specific amounts through salary sacrifice.

The plan is partially funded by company and employee contributions to an insured support fund with DBV-Winterthur up to the maximum tax-deductible limits. In line with standard practice in Germany, the remainder is unfunded (book reserve).

For the year ended March 31, 2009, an amount of US$1,607,000 was charged to the income statement with respect to this plan.

The principal results of the most actuarial valuation of the plan at March 31, 2009 were the following:

- The actuarial valuation was prepared by Kern, Mauch & Kollegen. The actuaries involved are fully qualified under German law.

- The actuarial method used was the Projected Unit Credit Cost method and the principal actuarial assumptions were:

– Discount rate:	5.00%
– Future salary increases:	2.20%
– Future pension increases:	1.75%

- The plan was 63% funded at the actuarial valuation date.

- There was a deficit of US$8,909,000 under this plan at the actuarial valuation date.

Retirement scheme arrangements *(continued)*

Defined Contribution Plans

United States of America ("U.S.")-Lenovo Savings Plan

U.S. regular, full-time and part-time employees are eligible to participate in the Lenovo Savings Plan, which is a tax-qualified defined contribution plan under section 401(k) of the Internal Revenue Code. The Company matches 50 percent of the employee's contribution up to the first 6 percent of the employee's eligible compensation. In addition, for employees who have also completed one year of service and who do not participate in the Lenovo Pension Plan, the Company provides a profit sharing contribution of 5 percent of eligible compensation. Some prior employees of IBM receive additional company contributions varying from 1% to 4% of eligible compensation depending on their age and service as defined under the prior IBM plan they participated in. Employee contributions are voluntary. All contributions, including the Company match, are made in cash, in accordance with the participants' investment elections.

The Company match is immediately vested. However the 5% Company profit sharing contribution is subject to 3 years vesting. Forfeitures of Company contributions arising from employees who leave before they are fully vested in Company contributions are used to reduce future Lenovo contributions. For the period April 1, 2008 to March 31, 2009, the amount of forfeitures was US$709,001, none of which had been used to reduce Lenovo contributions, leaving US$900,575 at March 31, 2009 to be used to reduce Lenovo contributions in the future.

U.S. Lenovo Executive Deferred Compensation Plan

The Company also maintains an unfunded, non-qualified, defined contribution plan, the Lenovo Executive Deferred Compensation Plan ("EDCP"), which allows eligible executives to defer compensation, and to receive Company matching contributions, with respect to amounts in excess of Internal Revenue Service limits for tax-qualified plans. Compensation deferred under the plan, as well as Company matching contributions are recorded as liabilities.

Deferred compensation amounts may be directed by participants into an account that replicates the return that would be received had the amounts been invested in similar Lenovo Savings Plan investment options. Company matching contributions, are directed to participant accounts and fluctuate based on changes in the stock prices of the underlying investment portfolio.

United Kingdom ("UK")-Lenovo Savings Plan

UK regular, full-time and part-time employees are eligible to participate in the Lenovo Stakeholder Plan, which is a tax-qualified defined contribution "stakeholder" plan. For employees hired after April 30, 2005, the Company contributes 6% of an employee's eligible compensation to the employee's account each year until he is 35, and then contributes 8% of his eligible compensation after that age. Prior employees of IBM receive Company contributions varying from 6.7% to 30% of eligible compensation depending on their service and the prior IBM plan they participated in.

Company contributions to the plan are immediately vested and there are no forfeitures.

Canada – Lenovo Savings Plan

Canadian regular, full-time and part-time employees are eligible to participate in the Lenovo Savings Plan, which is a tax-qualified defined contribution plan. The Company contributes 3% to 6% of the employee's eligible compensation, depending on years of service. All contributions, including the Company match, are made in cash, in accordance with the participants' investment elections.

Hong Kong – Mandatory Provident Fund

The Group operates a Mandatory Provident Fund Scheme for all qualified employees employed in Hong Kong. They are required to contribute 5 percent of their compensations (subject to the ceiling under the requirements set out in the Mandatory Provident Fund legislation). The employer's contribution will increase from 5 percent to 7.5 percent and 10 percent respectively after completion of five and ten years of service by the relevant employees.

Facility agreement with covenant on controlling shareholder

The Company entered into a facility agreement with a syndicate of banks on March 13, 2006 (the "Facility Agreement") for a term loan facility of up to US$400 million (the "Facility"). The Facility is repayable on the 42nd, 48th, 54th and 60th months after March 13, 2006. The Facility Agreement includes, inter alia, terms to the effect that it will be an event of default if Legend Holdings Limited, the controlling shareholder of the Company: (i) is not or ceases to be the direct or indirect beneficial owner of 35% or more of the issued share capital of the Company; (ii) does not or ceases to control the Company; or (iii) is not or ceases to be the single largest shareholder of the Company. As at March 31, 2009, the Facility has been fully drawn by the Company.

Connected transactions

During the year, the following transactions constitute continuing connected transactions of the Company and require disclosure in the annual report pursuant to rule 14A.45 of the Listing Rules.

Continuing connected transactions

1. On May 23, 2007, the Company entered into a service agreement (the "Service Agreement") with Mr. Wong Wai Ming ("Mr. Wong") for an initial term of 3 years in respect of the appointment of Mr. Wong as its chief financial officer and senior vice president with effect from July 15, 2007. Pursuant to the Service Agreement, the total annual compensation of Mr. Wong shall not exceed HK$40,000,000. Mr. Wong was an independent non-executive director of the Company within the preceding 12 months prior to May 23, 2007 thus a connected person within the meaning of the Listing Rules. Details of the Service Agreement are set out in the Company's announcement dated May 23, 2007.

2. On January 30, 2008, Lenovo Manufacturing Limited ("Lenovo Manufacturing") and Lenovo Beijing Limited ("Lenovo Beijing"), the Company's wholly-owned subsidiaries (collectively the "Vendors"), entered into a conditional agreement (the "S&P Agreement") with Jade Ahead Limited ("Jade Ahead"), Ample Growth Enterprises Limited ("Ample Growth") and others (collectively the "Purchasers"), pursuant to which the Vendors agreed to dispose of and the Purchasers agreed to purchase the entire registered capital of 聯想移動通信科技有限公司 (Lenovo Mobile Communication Technology Ltd.) ("Lenovo Mobile") at an aggregate consideration of US$100,000,000 subject to adjustment (the "Consideration") (the "Disposal"). Both Jade Ahead and Ample Growth are regarded as associates of the controlling shareholder of the Company and thus connected persons within the meaning of the Listing Rules. Details of the Disposal are set out in the Company's announcement dated January 30, 2008 and circular dated February 20, 2008. The S&P Agreement and the transactions contemplated thereunder were approved by the independent shareholders at an extraordinary general meeting of the Company on March 17, 2008. The Disposal was completed on March 31, 2008 (the "Completion").

   Pursuant to the S&P Agreement, the Purchasers and the Vendors have agreed to, inter alia, the following:

   (a) Lenovo Manufacturing or its designee shall have a right to subscribe from Lenovo Mobile for up to 5% of its total registered capital on a fully-diluted basis (the "Option") exercisable at any time within four years following the Completion of the Disposal, provided that the Option shall be terminated upon the listing of the business or operations of Lenovo Mobile on a PRC or an internationally recognized stock exchange. The exercise price of the Option shall equal to the pro rata portion of the Consideration subject to adjustment for the interest to be purchased or subscribed. The Option was granted to Lenovo Manufacturing as part of the transactions contemplated under the S&P Agreement at nil consideration.

   (b) Lenovo Beijing agreed to grant an entrusted loan in the principal amount of US$25,000,000 to Lenovo Mobile at the prevailing base lending rate published by the People's Bank of China as at the date of entering into of the relevant loan agreement(s) for a term of up to three years as its working capital after Completion (the "Entrusted Loan"). The Entrusted Loan will be secured by a charge over the assets (including the receivables and inventories) of Lenovo Mobile equivalent to principal amount of the Entrusted Loan.

   (c) Lenovo Beijing agreed to provide certain transition services include sharing of office spaces, provision of logistic, administrative and information technology services to Lenovo Mobile on an allocated fee plus tax basis up to March 31, 2009 pursuant to the transition services agreement entered on March 25, 2008 (the "TSA"). It was estimated that the aggregate annual transaction amount for the provision of the transition services under the TSA will not exceed HK$40,000,000.

Connected transactions *(continued)*

Continuing connected transactions *(continued)*

3. On March 31, 2009, the Company entered into a Master Services Agreement with Lenovo Mobile, replacing the TSA mentioned in paragraph 2(c) above, in respect of the sharing of office spaces, provision of logistic, administrative and information technology services by the Group to 聯想控股有限公司(Legend Holdings Limited) and its subsidiaries and associates (the "Legend Group") for a term of three years commencing from April 1, 2009 and expiring on March 31, 2012. The annual cap amount of the transactions for each of the three financial years ending March 31, 2012 are HK$25,000,000. Details of this Master Services Agreement are set out in the Company's announcement dated March 31, 2009.

4. On September 5, 2008, the Company entered into three master agreements (the "Master Agreements") with Lenovo Mobile, APLL-Zhiqin Technology Logistics Limited ("APLL") and 北京聯想調頻科技有限公司 (Beijing Legend Tiaopin Technology Limited) ("Legend Tiaopin"), respectively for a term commencing from September 5, 2008 and expiring on March 31, 2010. Lenovo Mobile, APLL and Legend Tiaopin are regarded as associates of the controlling shareholder of the Company and thus connected persons within the meaning of the Listing Rules. Details of the Master Agreements are set out in the Company's announcement dated September 9, 2008.

   Products/Services provided under the Master Agreements:

   Master Agreement with Lenovo Mobile

   (i) Sale of mobile handsets, IT products and services, R&D services for computing devices (the "Legend Products and Services") from the Legend Group to the Group; and

   (ii) Sale of personal computers, servers, peripherals and the related services (the "Computing Products and Services") from the Group to the Legend Group.

   Master Agreement with APLL

   (i) Provision of logistics service from the Legend Group to the Group; and

   (ii) Sale of the Computing Products and Services from the Group to the Legend Group.

   Master Agreement with Legend Tiaopin

   (i) Provision of IT products and services ("IT Products and Services") from the Legend Group to the Group; and

   (ii) Sale of Computing Products and Services from the Group to the Legend Group.

   Annual Cap Amount of the transactions:

   (i) The aggregate amount payable by the Group to the Legend Group for sale of Legend Products and Services and the IT Products and Services will not exceed US$39,000,000 and US$50,000,000 for the year ended March 31, 2009 and the year ending March 31, 2010 respectively;

   (ii) The aggregate amount payable by the Group to the Legend Group for the provision of logistics services will not exceed US$5,000,000 and US$6,000,000 for the year ended March 31, 2009 and the year ending March 31, 2010 respectively; and

   (iii) The aggregate amount payable by the Legend Group to the Group for the sale of Computing Products and Services will not exceed US$5,000,000 and US$6,000,000 for the year ended March 31, 2009 and the year ending March 31, 2010 respectively.

In accordance with rule 14A.37 of the Listing Rules, the independent non-executive directors of the Company have reviewed the above continuing connected transactions and confirmed that the transactions have been entered into:

(1) In the ordinary and usual course of business of the Group;

(2) Either on normal commercial terms or, if there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to the Group than terms available to or from (as appropriate) independent third parties; and

(3) In accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of the shareholders of the Group as a whole.

Auditors

The financial statements have been audited by PricewaterhouseCoopers who retire and, being eligible, offer themselves for re-appointment.

Public float

Based on the information that is publicly available to the Company and within the knowledge of the directors of the Company, as at the date of this report, there is sufficient public float of more than 25 percent of the Company's issued shares as required under the Listing Rules.

On behalf of the Board

Liu Chuan Zhi

Liu Chuanzhi
Chairman

Hong Kong, May 21, 2009

羅兵咸永道會計師事務所

PricewaterhouseCoopers
22/F, Prince's Building
Central, Hong Kong

Independent Auditor's Report
To the shareholders of Lenovo Group Limited

(incorporated in Hong Kong with limited liability)

We have audited the consolidated financial statements of Lenovo Group Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 76 to 151, which comprise the consolidated and company balance sheets as at March 31, 2009, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

The directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants, and the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with section 141 of the Hong Kong Companies Ordinance and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at March 31, 2009 and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

PricewaterhouseCoopers

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, May 21,2009

CONSOLIDATED INCOME STATEMENT

For the year ended March 31, 2009

	Note	2009 US$'000	2008 US$'000
Continuing operations			
Sales	5	**14,901,351**	16,351,503
Cost of sales		**(13,159,742)**	(13,901,523)
Gross profit		**1,741,609**	2,449,980
Other income – net	6	**929**	17,261
Selling and distribution expenses		**(938,451)**	(1,103,713)
Administrative expenses		**(627,903)**	(595,902)
Research and development expenses		**(220,010)**	(229,759)
Other operating expenses – net		**(166,305)**	(38,823)
Operating (loss)/profit		**(210,131)**	499,044
Finance income	7	**59,977**	52,048
Finance costs	8	**(38,142)**	(38,366)
Share of profits of associated companies		**351**	124
(Loss)/profit before taxation		**(187,945)**	512,850
Taxation	9	**(38,444)**	(47,613)
(Loss)/profit from continuing operations		**(226,389)**	465,237
Discontinued operations			
Profit from discontinued operations	12	**–**	19,920
(Loss)/profit for the year		**(226,389)**	485,157
(Loss)/profit attributable to shareholders of the Company			
– Continuing operations		**(226,392)**	464,343
– Discontinued operations		**–**	19,920
		(226,392)	484,263
Minority interests		**3**	894
		(226,389)	485,157
Dividends	13	**35,575**	186,753
Basic (loss)/earnings per share attributable to shareholders of the Company	14(a)		
– Continuing operations		**(US2.56 cents)**	US5.29 cents
– Discontinued operations		**–**	US0.22 cents
		(US2.56 cents)	US5.51 cents
Diluted (loss)/earnings per share attributable to shareholders of the Company	14(b)		
– Continuing operations		**(US2.56 cents)**	US4.86 cents
– Discontinued operations		**–**	US0.20 cents
		(US2.56 cents)	US5.06 cents

BALANCE SHEETS

At March 31, 2009

	Note	Group 2009 US$'000	Group 2008 US$'000	Company 2009 US$'000	Company 2008 US$'000
Non-current assets					
Property, plant and equipment	15	**314,142**	364,778	**1,035**	617
Prepaid lease payments	16	**5,833**	6,099	**–**	–
Construction-in-progress	17	**47,062**	51,237	**7,780**	13,893
Intangible assets	18	**1,852,861**	1,838,368	**12,235**	8,243
Investments in subsidiaries	19(a)	**–**	–	**1,860,176**	1,187,893
Interests in associated companies	20	**2,635**	2,690	**–**	–
Deferred tax assets	22	**190,844**	156,440	**–**	–
Available-for-sale financial assets	23	**101,916**	67,697	**–**	–
Other non-current assets		**5,653**	7,172	**–**	–
		2,520,946	2,494,481	**1,881,226**	1,210,646
Current assets					
Inventories	24	**450,370**	471,557	**–**	–
Trade receivables	25(a)	**728,387**	860,543	**–**	–
Notes receivable	25(b)	**82,927**	371,126	**–**	–
Derivative financial assets		**13,163**	3,392	**–**	–
Deposits, prepayments and other receivables	25(c)	**613,826**	767,268	**596**	6,679
Amounts due from subsidiaries	19(b)	**–**	–	**1,013,394**	1,369,267
Income tax recoverable		**35,301**	40,002	**–**	–
Bank deposits	26	**–**	540,058	**–**	–
Cash and cash equivalents	26	**1,863,379**	1,651,420	**163,618**	338,122
		3,787,353	4,705,366	**1,177,608**	1,714,068
Total assets		**6,308,299**	7,199,847	**3,058,834**	2,924,714
Share capital	30	**29,530**	29,699	**29,530**	29,699
Reserves	31	**1,281,208**	1,583,390	**1,792,581**	2,066,469
Shareholders' funds		**1,310,738**	1,613,089	**1,822,111**	2,096,168
Minority interests		**177**	174	**–**	–
Total equity		**1,310,915**	1,613,263	**1,822,111**	2,096,168
Non-current liabilities	29	**891,208**	1,098,123	**453,356**	684,399
Current liabilities					
Trade payables	27(a)	**1,991,286**	2,282,199	**–**	–
Notes payable	27(b)	**34,180**	46,421	**–**	–
Derivative financial liabilities		**23,674**	18,197	**383**	1,991
Provisions, accruals and other payables	28	**1,509,925**	1,944,724	**18,945**	13,955
Amounts due to subsidiaries	19(b)	**–**	–	**329,039**	93,201
Income tax payable		**89,459**	87,209	**–**	–
Short-term bank loans		**20,293**	61,130	**–**	–
Current portion of non-current liabilities	29(e)	**437,359**	48,581	**435,000**	35,000
		4,106,176	4,488,461	**783,367**	144,147
Total liabilities		**4,997,384**	5,586,584	**1,236,723**	828,546
Total equity and liabilities		**6,308,299**	7,199,847	**3,058,834**	2,924,714
Net current (liabilities)/assets		**(318,823)**	216,905	**394,241**	1,569,921
Total assets less current liabilities		**2,202,123**	2,711,386	**2,275,467**	2,780,567

On behalf of the Board

Liu Chuan Zhi

Liu Chuanzhi
Director

Y. Yang

Yang Yuanqing
Director

CONSOLIDATED CASH FLOW STATEMENT

For the year ended March 31, 2009

	Note	2009 US$'000	2008 US$'000
Continuing operations			
Cash flows from operating activities			
Net cash generated from operations	36(a)	**19,961**	1,131,804
Interest paid		**(41,976)**	(41,197)
Tax paid		**(75,292)**	(81,759)
Net cash (used in)/generated from operating activities		**(97,307)**	1,008,848
Cash flows from investing activities			
Purchase of property, plant and equipment		**(107,016)**	(124,561)
Sale of property, plant and equipment		**10,671**	4,975
Payment for construction-in-progress		**(63,988)**	(67,142)
Payment for intangible assets		**(22,911)**	(75,575)
Net proceeds from disposal of investments		**9,788**	13,523
Net cash outflow from disposal of discontinued operations		**–**	(5,371)
Decrease/(increase) in bank deposits		**540,058**	(540,058)
Dividend received		**1,515**	223
Interest received		**64,126**	60,049
Net cash generated from/(used in) investing activities		**432,243**	(733,937)
Cash flows from financing activities			
Exercise of share options		**9,433**	34,829
Repurchase of shares		**(53,907)**	(42,583)
Contributions to employee share trusts		**(17,169)**	(63,177)
Dividends paid		**(179,159)**	(67,087)
Net increase in bank borrowings	36(b)	**124,493**	428,683
Net cash (used in)/generated from financing activities		**(116,309)**	290,665
Increase in cash and cash equivalents		**218,627**	565,576
Discontinued operations			
Decrease in cash and cash equivalents from discontinued operations		**–**	(12,695)
Effect of foreign exchange rate changes		**(6,668)**	34,823
Cash and cash equivalents at the beginning of the year		**1,651,420**	1,063,716
Cash and cash equivalents at the end of the year	26	**1,863,379**	1,651,420

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended March 31, 2009

	Share capital US$'000	Share premium US$'000	Convertible rights in respect of convertible preferred shares and warrants US$'000	Exchange reserve US$'000	Investment revaluation reserve US$'000	Share redemption reserve US$'000	Employee share trusts US$'000	Share-based compensation reserve US$'000	Hedging reserve US$'000	Other reserve US$'000	Retained earnings US$'000	Minority interests US$'000	Total US$'000
At April 1, 2008	**29,699**	**1,150,684**	**42,159**	**(66,660)**	**41,136**	**497**	**(172,235)**	**78,737**	**(1,788)**	**24,537**	**486,323**	**174**	**1,613,263**
Fair value change on available-for-sale financial assets	**-**	**-**	**-**	**-**	**34,830**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**34,830**
Fair value change on interest rate swap contracts	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(5,977)**	**-**	**-**	**-**	**(5,977)**
Fair value change on forward foreign exchange contracts	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(8,811)**	**-**	**-**	**-**	**(8,811)**
Transfer to statutory reserve	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**6,201**	**(6,201)**	**-**	**-**
(Loss)/profit for the year	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(226,392)**	**3**	**(226,389)**
Exchange differences	**-**	**-**	**-**	**92,351**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**92,351**
Reserve realized on disposal of available-for-sale financial assets	**-**	**-**	**-**	**-**	**(465)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(465)**
Vesting of shares under long-term incentive program	**-**	**-**	**-**	**-**	**-**	**-**	**31,943**	**(40,167)**	**-**	**-**	**-**	**-**	**(8,224)**
Actuarial gain from defined benefit pension plans	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**7,025**	**-**	**7,025**
Exercise of share options	**80**	**9,353**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**9,433**
Share-based compensation	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**54,114**	**-**	**-**	**-**	**-**	**54,114**
Repurchase of shares	**(249)**	**(53,658)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(53,907)**
Contribution to employee share trusts	**-**	**-**	**-**	**-**	**-**	**-**	**(17,169)**	**-**	**-**	**-**	**-**	**-**	**(17,169)**
Dividends paid	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(179,159)**	**-**	**(179,159)**
At March 31, 2009	**29,530**	**1,106,379**	**42,159**	**25,691**	**75,501**	**497**	**(157,461)**	**92,684**	**(16,576)**	**30,738**	**81,596**	**177**	**1,310,915**
At April 1, 2007	28,504	1,042,579	45,979	(22,756)	15,078	497	(127,301)	51,420	-	-	99,532	744	1,134,276
Fair value change on available-for-sale financial assets	-	-	-	-	37,651	-	-	-	-	-	-	-	37,651
Fair value change on interest rate swap contracts	-	-	-	-	-	-	-	-	(1,788)	-	-	-	(1,788)
Transfer to statutory reserve	-	-	-	-	-	-	-	-	-	31,849	(31,849)	-	-
Profit for the year	-	-	-	-	-	-	-		-	-	484,263	894	485,157
Exchange differences	-	-	-	(38,278)	-	-	-	-	-	-	-	-	(38,278)
Reserve realized on disposal of available-for-sale financial assets	-	-	-	-	(11,593)	-	-	-	-	-	-	-	(11,593)
Conversion of Series A cumulative convertible preferred shares	1,130	115,924	(3,820)	-	-	-	-	-	-	-	-	-	113,234
Vesting of shares under long-term incentive program	-	-	-	-	-	-	18,243	(26,011)	-	-	-	-	(7,768)
Exercise of share options	290	34,539		-	-	-	-	-	-	-	-	-	34,829
Share-based compensation	-	-	-	-	-	-	-	53,328	-	-	-	-	53,328
Repurchase of shares	(225)	(42,358)	-	-	-	-	-	-	-	-	-	-	(42,583)
Contribution to employee share trusts	-	-	-	-	-	-	(63,177)						(63,177)
Disposal of discontinued operations	-	-	-	(5,626)	-	-	-	-	-	(7,312)	-	-	(12,938)
Dividends paid	-	-	-	-	-	-	-	-	-	-	(65,623)	(1,464)	(67,087)
At March 31, 2008	29,699	1,150,684	42,159	(66,660)	41,136	497	(172,235)	78,737	(1,788)	24,537	486,323	174	1,613,263

1 Basis of preparation

The financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"). The financial statements have been prepared under the historical cost convention except that certain financial assets and financial liabilities are stated at fair values, as explained in the significant accounting policies set out below.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

The Group has adopted those amendments to standards and new interpretations that are mandatory for the year ended March 31, 2009. The adoption of these amendments to standards and new interpretations do not result in substantial changes to the Group's accounting policies or financial results.

The following amendments to standards and new interpretations are mandatory for the year ended March 31, 2009:

- HKFRS 7 (Amendment), "Financial instruments: Disclosures", amendment on disclosure requirements with respect to financial assets reclassified out of the held-for-trading and available-for-sale categories, effective prospectively from July 1, 2008

- HKAS 39 (Amendment), "Financial instruments: Recognition and measurement", amendment on reclassification of financial assets permits reclassification of certain financial assets out of the held-for-trading and available-for-sale categories if specified conditions are met, effective prospectively from July 1, 2008

- HK(IFRIC)-Int 12, "Service concession arrangements", effective for annual periods beginning on or after January 1, 2008

- HK(IFRIC)-Int 14, "HKAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interactions", effective for annual periods beginning on or after January 1, 2008

The amendments on HKFRS 7 and HKAS 39 do not have any impact on the Group's financial statements as the Group has not reclassified any financial assets.

At the date of approval of these financial statements, the following new and revised standards, new interpretations, and amendments to standards and interpretations have been issued but are not effective for the year ended March 31, 2009 and have not been early adopted:

- HKFRS 1 (Amendment), "First-time adoption of Hong Kong Financial Reporting Standards", effective for annual periods beginning on or after January 1, 2009

- HKFRS 1 (Revised), "First-time adoption of Hong Kong Financial Reporting Standards", effective for annual periods beginning on or after July 1, 2009

- HKFRS 2 (Amendment), "Share-based payment – vesting conditions and cancellation", effective for annual periods beginning on or after January 1, 2009

- HKFRS 3 (Revised), "Business combinations", effective for annual periods beginning on or after July 1, 2009

1 Basis of preparation *(continued)*

- HKFRS 7 (Amendment), "Financial instruments: Disclosures", amendment on improving disclosures about financial instruments issued in March 2009, effective for annual periods beginning on or after January 1, 2009

- HKFRS 8, "Operating segments", effective for annual periods beginning on or after January 1, 2009

- HKAS 1 (Revised), "Presentation of financial statements", effective for annual periods beginning on or after January 1, 2009

- HKAS 23 (Revised), "Borrowing costs", effective for annual periods beginning on or after January 1, 2009

- HKAS 27 (Revised), "Consolidated and separate financial statements", effective for annual periods beginning on or after July 1, 2009

- HKAS 32 (Amendment), "Financial instruments: Presentation", effective for annual periods beginning on or after January 1, 2009

- HKAS 39 (Amendment), "Financial instruments: Recognition and measurement", amendment on eligible hedged items, effective for annual periods beginning on or after July 1, 2009

- HKAS 39 (Amendment), "Financial instruments: Recognition and measurement", amendment on embedded derivatives, apply retrospectively for annual periods ending on or after June 30, 2009

- HK(IFRIC)-Int 2 (Amendment), "Members' shares in co-operative entities and similar instruments", effective for annual periods beginning on or after January 1, 2009

- HK(IFRIC)-Int 9 (Amendment), "Reassessment of Embedded Derivatives", apply retrospectively for annual periods ending on or after June 30, 2009

- HK(IFRIC)-Int 13, "Customer loyalty programmes", effective for annual periods beginning on or after July 1, 2008

- HK(IFRIC)-Int 15, "Agreements for the construction of real estate", effective for annual periods beginning on or after January 1, 2009

- HK(IFRIC)-Int 16, "Hedges of a net investment in a foreign operation", effective for annual periods beginning on or after October 1, 2008

- HK(IFRIC)-Int 17, "Distributions of non-cash assets to owners", effective for annual periods beginning on or after July 1, 2009

- HK(IFRIC)-Int 18, "Transfers of assets from customers", effective for annual periods beginning on or after July 1, 2009

The improvements to HKFRSs, published in October 2008 (effective for annual periods beginning on or after January 1 or July 1, 2009), do not have material impact on the Group's financial statements.

The effect on the adoption of HKFRS 3 (Revised) and HKAS 27 (Revised) to the results and financial position of the Group when they become effective will depend on the incidence and timing of business combinations occurring on or after April 1, 2010.

The Group is currently assessing the impact of the adoption of the other new standards, amendments to standards and interpretations above that are applicable to the Group in future periods.

2 Significant accounting policies

The significant accounting policies adopted in the preparation of these financial statements are set out below:

(a) Basis of consolidation

(i) The consolidated financial statements include the financial statements of the Company and all of its subsidiaries made up to March 31.

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill (Note 2(f)(i)). If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized directly in the income statement.

(ii) Inter-company transactions, balances and unrealized gains on transactions between group companies are eliminated. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

(iii) In the Company's balance sheet, the investments in subsidiaries are stated at cost less provision for impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

(b) Associated companies

(i) An associated company is an entity, not being a subsidiary or a joint venture, in which an equity interest is held for the long-term and significant influence, but not control, is exercised in its management, generally accompanying a shareholding of between 20% and 50% of the voting rights.

(ii) The results and assets and liabilities of associated companies are incorporated into the consolidated financial statements using the equity method of accounting. Under the equity method, investments in associated companies are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the profit or loss and of changes in equity of the associated companies, less any identified impairment loss. When the Group's share of losses in an associated company equals or exceeds its interest in the associated company including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associated company.

(iii) Unrealized gains on transactions between the Group and its associated companies are eliminated to the extent of the Group's interest in the associated companies; unrealized losses are eliminated unless the transaction provides evidence of an impairment of the assets transferred.

2 Significant accounting policies *(continued)*

(c) Translation of foreign currencies

(i) Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The financial statements of the Company and of the Group are presented in United States dollars, which is the Group's presentation currency.

(ii) Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement, except when deferred in equity as qualifying cash flow hedges or qualifying net investment hedges.

Changes in the fair value of monetary securities denominated in foreign currency classified as available-for-sale are analyzed between translation differences resulting from changes in the amortized cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in the amortized cost are recognized in profit or loss, and other changes in the carrying amount are recognized in equity.

Translation differences on non-monetary financial assets and liabilities are reported as part of the fair value gain or loss. Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognized in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as available-for-sale are included in the investment revaluation reserve in equity.

(iii) The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rates on the dates of the transactions); and
- all resulting exchange differences are recognized as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognized in the income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

(d) Property, plant and equipment

(i) *Buildings and leasehold improvements*

Buildings comprise mainly factory and office premises. Buildings and leasehold improvements are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation of buildings is calculated to write off their cost to their estimated residual value on the straight-line basis over the unexpired periods of the leases or their expected useful lives to the Group of 50 years whichever is shorter. The principal annual rates used for this purpose are 2 to 5 percent.

Depreciation of leasehold improvements is calculated to write off their cost to their estimated residual value on the straight-line basis over their expected useful lives to the Group of 5 to 10 years or unexpired periods of the leases whichever is shorter. The principal annual rates used for this purpose are 10 to 20 percent.

2 Significant accounting policies *(continued)*

(d) Property, plant and equipment *(continued)*

(ii) Other property, plant and equipment

Other property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Depreciation on other property, plant and equipment is calculated to write off their cost to their estimated residual value on the straight-line basis over their expected useful lives to the Group. The principal annual rates used for this purpose are:

Plant and machinery	
Tooling equipment	50%
Other machinery	5-10%
Furniture and fixtures	20-33%
Office equipment	10-20%
Motor vehicles	20-33%

(iii) Carrying value of property, plant and equipment

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

During the year, the estimated useful life of tooling equipment was reviewed and changed to 2 years as it reflects the current product life cycle. This change has resulted in an accelerated depreciation charge of approximately US$37 million.

(iv) Gain or loss on disposal of property, plant and equipment

Gain or loss on disposal of a property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognized in the income statement.

(v) Subsequent costs

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged in the income statement during the financial period in which they are incurred.

(e) Construction-in-progress

Construction-in-progress is stated at cost. Cost comprises all direct and indirect costs of acquisition or construction or installation of buildings, plant and machinery or internal use software as well as interest expenses and exchange differences on the related funds borrowed during the construction, installation and testing periods and prior to the date when the assets were put into use, less any accumulated impairment losses. No depreciation or amortization is provided for on construction-in-progress. On completion, the buildings, plant and machinery or internal use software are transferred to property, plant and equipment or intangible assets at cost less accumulated impairment losses.

2 Significant accounting policies *(continued)*

(f) Intangible assets

(i) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiaries and associated companies at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of associated companies is included in investments in associated companies and is tested for impairment as part of the overall balance. Separately recognized goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The Group allocates goodwill to each geographical segment in which it operates.

(ii) Trademarks and trade names

Trademarks and trade names are shown at historical cost.

Trademarks and trade names that have an indefinite useful life are tested annually for impairment and carried at cost less accumulated impairment losses.

Trademarks and trade names that have a definite useful life are carried at cost less accumulated amortization. The costs incurred to acquire trademarks and trade names are amortized over their estimated useful lives.

(iii) Internal use software

Acquired computer software licences are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortized over their estimated useful lives of up to 5 years.

Costs associated with developing or maintaining computer software programs are recognized as an expense as incurred. Costs that are directly associated with the development of identifiable unique software products controlled by the Group, and that will probably generate economic benefits exceeding costs beyond one year, are recognized as intangible assets. Costs include the employee costs incurred as a result of developing software and an appropriate portion of relevant overheads.

(iv) Patents, technology and marketing rights

Expenditure on acquired patents, technology and marketing rights is capitalized and amortized on a systematic basis over their useful lives.

(g) Impairment of non-financial assets

Assets that have an indefinite useful life or have not yet available for use are not subject to depreciation or amortization and are tested annually for impairment. Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest level for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

2 Significant accounting policies *(continued)*

(h) Financial assets

The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, and available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition and evaluates this designation at every reporting date.

(i) Financial assets at fair value through profit or loss

This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Derivatives are also categorized as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if they are either held for trading or are expected to be realized within 12 months of the balance sheet date.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivable. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Loans and receivables comprise trade and other receivables in the balance sheet (Note 2(k)).

(iii) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the asset within 12 months of the balance sheet date.

Regular purchases and sales of financial assets are recognized on trade-date, the date on which the Group commits to purchase or sell the asset. Investments are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognized at fair value and transaction costs are expensed in the income statement. Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are carried at amortized cost using the effective interest method.

Realized and unrealized gains and losses arising from changes in the fair value of the "financial assets at fair value through profit or loss" category are presented in the income statement in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognized in the income statement as part of other income when the Group's right to receive payments is established.

2 Significant accounting policies *(continued)*

(h) Financial assets *(continued)*

Changes in the fair value of monetary securities denominated in a foreign currency and classified as available-for-sale are analyzed between translation differences resulting from changes in amortized cost of the security and other changes in the carrying amount of the security. The translation differences on monetary securities are recognized in profit or loss, while translation differences on non-monetary securities are recognized in equity. Changes in the fair value of monetary and non-monetary securities classified as available-for-sale are recognized in equity.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognized in equity are included in the income statement as gains or losses from investment securities.

Interest on available-for-sale securities calculated using the effective interest method is recognized in the income statement as part of other income. Dividends on available-for-sale equity instruments are recognized in the income statement as part of other income when the Group's right to receive payments is established.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models refined to reflect the issuer's specific circumstances.

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss, measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in the income statement, is removed from equity and recognized in the income statement. Impairment losses recognized in the income statement on equity instruments are not reversed through the income statement. Impairment testing of trade receivables is described in Note 2(k).

(i) Derivative financial instruments and hedging activities

Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. The method of recognizing the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as either: (1) hedges of the fair value of recognized assets or liabilities or a firm commitment (fair value hedge) or (2) hedges of highly probable forecast transactions (cash flow hedges).

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

(i) Fair value hedge

Changes in the fair value of derivatives that are designated and qualified as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

2 Significant accounting policies *(continued)*

(i) Derivative financial instruments and hedging activities *(continued)*

(ii) Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualified as cash flow hedges are recognized in equity. The gain or loss relating to the ineffective portion is recognized immediately in the income statement.

Amounts accumulated in equity are recycled in the income statement in the periods when the hedged item affects profit or loss (for instance when the forecast sale or purchase that is hedged takes place). However, when the forecast transaction that is hedged results in the recognition of a non-financial asset (for example, inventory) or a liability, the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset or liability.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognized when the forecast transaction is ultimately recognized in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

(iii) Derivatives that do not qualify for hedge accounting

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instruments that do not qualify for hedge accounting are recognized immediately in the income statement.

(j) Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined on a weighted average basis, and in the case of work-in-progress and finished goods (except for trading products), cost comprises direct materials, direct labour and an attributable proportion of production overheads. For trading products, cost represents invoiced value on purchases, less purchase returns and discounts. Net realizable value is determined on the basis of anticipated sales proceeds less estimated selling expenses.

(k) Trade and other receivables

Trade and other receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is made to the extent that they are considered to be doubtful. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The amount of the provision is recognized in the income statement. When trade and other receivables become uncollectible, they are written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to the income statement.

(l) Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purposes of the cash flow statement, cash and cash equivalents mainly comprise cash on hand, deposits held at call with banks, highly liquid investments which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

2 Significant accounting policies *(continued)*

(m) Share capital

Ordinary shares, both voting and non-voting, are classified as equity. The unlisted non-voting ordinary shares have the same rights as the listed voting ordinary shares save that the non-voting ordinary shares shall not carry any voting rights until they are converted into listed ordinary shares.

Convertible preferred shares, which are mandatorily redeemable on a specific date, are classified as liabilities. The dividends on these convertible preferred shares are recognized in the income statement as interest expense.

The fair value of the liability portion of convertible preferred shares is determined using a market interest rate for an equivalent non-convertible bond. This amount is recorded as a liability on an amortized cost basis until extinguished on conversion or maturity of the convertible preferred shares. The remainder of the proceeds is allocated to the conversion option. This is recognized and included in shareholders' equity, net of income tax effects.

Incremental costs directly attributable to the issue of new shares or exercise of options are shown in equity as a deduction, net of tax, from the proceeds.

Where any group company purchases the Company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes), is deducted from equity attributable to the Company's equity holders until the shares are cancelled or reissued. Where such shares are subsequently reissued, any consideration received (net of any directly attributable incremental transaction costs and the related income tax effects) is included in equity attributable to the Company's equity holders.

(n) Borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability, including fees and commissions paid to agents, advisers, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Borrowings are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

(o) Trade payables

Trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

2 Significant accounting policies *(continued)*

(p) Provisions

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

(i) Warranty provision

The Group records warranty liabilities at the time of sale for the estimated costs that will be incurred under its basic limited warranty. The specific warranty terms and conditions vary depending upon the product and the country in which it was sold, but generally includes technical support, repair parts and labour associated with warranty repair and service actions. The period ranges from one to three years. The Group reevaluates its estimates on a quarterly basis to assess the adequacy of its recorded warranty liabilities and adjusts the amounts as necessary.

(ii) Other provisions

Provisions for environmental restoration, restructuring costs and legal claims are recognized when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount can be reliably estimated. Restructuring costs provision comprises lease termination penalties and employee termination payments. Provisions are not recognized for future operating losses.

(q) Deferred taxation

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither the accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, associated companies, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

2 Significant accounting policies *(continued)*

(r) Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognized because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognized but is disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that the outflow is probable, it will then be recognized as a provision.

(s) Revenue

Revenue is measured at the fair value of the consideration received or receivable for the sale of goods and services in the normal course of the Group's activities.

(i) Sale of goods

Revenue from sale of hardware, software and peripherals, and services and mobile devices, and is recognised, net of value-added tax, an allowance for estimated returns, rebates and discounts, when both ownership and risk of loss are effectively transferred to customer, generally when there is a persuasive evidence of a sales arrangement exists, the price is fixed or determinable, collectibility is reasonably assured and delivery has occurred. Revenue from extended warranty contracts is deferred and amortized as earned over the contract period, generally of three years. Revenue associated with undelivered elements is deferred and recorded when delivery occurs. Revenue from provision of systems integration service and information technology technical service is recognized over the term of contract or when services are rendered.

The Group defers the cost of shipped products awaiting revenue recognition until the goods are delivered and revenue is recognized. In-transit product shipments to customers of US$77 million as at March 31, 2009 (2008: US$30 million) are included in deposits, prepayments and other receivables in the balance sheet.

(ii) Other income

Interest income is recognized on a time-proportion basis using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognized using the original effective interest rate.

Dividend income is recognized when the right to receive payment is established.

(t) Non-base manufacturing costs

Non-base manufacturing costs are costs that are periodic in nature as opposed to product specific. They are typically incurred after the physical completion of the product and include items such as outbound freight for in-country finished goods shipments, warranty costs, engineering changes, storage and warehousing cost, and contribute to bringing inventories to their present location and condition. Non-base manufacturing costs enter into the calculation of gross margin but are not inventoriable costs.

2 Significant accounting policies *(continued)*

(u) Employee benefits

(i) Pension obligations

The Group operates various pension schemes. The schemes are generally funded through payments to insurance companies or trustee-administered funds, determined by periodic actuarial calculations. The Group has both defined benefit and defined contribution plans. A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The benefit payable to the employee is the amount of the contributions plus the accumulated investment returns.

The liability recognized in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets, together with adjustments for unrecognized past service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate or government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability.

Effective from the year ended March 31, 2009, actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in the year they occur. In the previous years, these actuarial gains or losses were recognized in the income statement. The prior periods' results have not been restated as the change does not have a significant impact.

For defined contribution plans, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognized as employee benefit expense when they are due and are reduced by contributions forfeited by those employees who leave the scheme prior to vesting fully. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in the future payments is available.

The Group's contributions to local municipal government retirement schemes in connection with retirement benefit schemes in the Mainland of China ("Chinese Mainland") are expensed as incurred. The local municipal governments in the Chinese Mainland assume the retirement benefit obligations of the qualified employees.

(ii) Post-employment medical benefits

The Group operates a number of post–employment medical benefit schemes, the largest being in the United States. The method of accounting, assumptions and the frequency of valuations for material schemes are similar to those used for defined benefit pension schemes. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment using an accounting methodology similar to that for defined benefit pension plans. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in the year they arise. In the previous years, these actuarial gains or losses were recognized in the income statement. The prior periods' results have not been restated as the change does not have a significant impact.

2 Significant accounting policies *(continued)*

(u) Employee benefits *(continued)*

(iii) Long-term incentive program

The Group operates a long-term incentive program to recognize employees' individual and collective contributions, and includes three types of awards, namely share appreciation rights, restricted share units and performance share units ("Long-term Incentive Awards"). The Company reserves the right, at its discretion, to pay the award in cash or ordinary shares of the Company. The fair value of the employee services received in exchange for the grant of the Long-term Incentive Awards is recognized as employee benefit expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the Long-term Incentive Awards granted. Non–market vesting conditions (for example, profitability and sales growth targets) are included in assumptions about the number of Long-term Incentive Awards that are expected to become exercisable/vested.

At each balance sheet date, the Group revises its estimates of the number of Long-term Incentive Awards that are expected to become exercisable. It recognizes the impact of the revision of original estimates, if any, in the income statement, and a corresponding adjustment to equity over the remaining vesting period.

Employee share trusts are established for the purposes of awarding shares to eligible employees under the long-term incentive program. The employee share trusts are administered by independent trustee and are funded by the Group's cash contributions and recorded as contributions to employee share trusts, an equity component. The administrator of the employee share trusts buys the Company's shares in the open market for award to employees upon vesting.

Upon vesting by the employees, the corresponding amounts in the share-based compensation reserve will be transferred to share capital (nominal value) and share premium for new allotment of shares to employees, or to the employee share trusts for shares awarded to employees by the employee share trusts.

(iv) Share options

In accordance with the transitional provision of HKFRS 2, share options granted after November 7, 2002 and were unvested on April 1, 2005 was expensed retrospectively in the income statement of the respective periods. At April 1, 2005, the Group had no option granted after November 7, 2002 that had not yet vested on that day. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

(v) Operating leases (as the lessee)

Leases where substantially all the rewards and risks of ownership of assets remain with the leasing company are accounted for as operating leases. Rental applicable to such operating leases are charged to the income statement on a straight-line basis over the lease term.

(w) Dividend distribution

Dividend distribution to the Company's shareholders is recognized as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders.

(x) Segment reporting

A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments.

3 Financial risk management

The Group's activities expose it to a variety of financial risks, such as market risk (including foreign currency risk, price risk, cash flow interest rate risk and fair value interest rate risk), credit risk, and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to hedge certain risk exposures.

Risk management is carried out by a central treasury department ("Group Treasury") under approved policies. Group Treasury identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units. The Group has the overall risk management such as foreign exchange risk, credit risk, interest rate risk, price risk, use of derivative financial instruments and investing excess liquidity.

(a) Financial risk factors

(i) Foreign currency risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to Australian dollar, Canadian dollar, Euro, Japanese Yen, Pound Sterling and Renminbi. Foreign currency risk arises from future commercial transactions, recognized assets and liabilities and net investment in foreign operations.

Management has set up a policy to require group companies to manage their foreign exchange risk against their functional currency. The Group's foreign currency forward contracts are either used to hedge a percentage of anticipated cash flows (mainly export sales and purchase of inventories) which are highly probable, or used as fair value hedges for the identified assets and liabilities.

For segment reporting purposes, external hedge contracts on assets, liabilities or future transactions are designated to each subsidiary/region, as appropriate.

(ii) Price risk

The Group is also exposed to commodity price risk on key component prices and raw material costs. However, the Group does not enter into commodity derivative instruments or futures to hedge any potential price fluctuations of key components and raw materials.

(iii) Cash flow and fair value interest rate risk

During the years ended March 31, 2008 and 2009, the Group's substantial long-term borrowings are denominated in United States dollar. Borrowings denominated in other currencies for the years ended March 31, 2008 and 2009 are insignificant. It is the Group's policy to mitigate interest rate risk through the use of appropriate interest rate hedging instruments. Generally, the Group manages its cash flow interest rate risk by using floating-to-fixed interest rate swaps. Such interest rate swaps have the economic effect of converting borrowings from floating rates to fixed rates. Under the interest rate swaps, the Group agrees with other parties to exchange, at specified intervals (primarily quarterly), the difference between fixed contract rates and floating-rate interest amounts calculated by reference to the agreed notional amounts.

The Group operates a global channel financing program. The Group is exposed to fluctuation of interest rates of all the currencies covered by the global channel financing program.

3 Financial risk management *(continued)*

(a) Financial risk factors *(continued)*

(iv) Credit risk

Credit risk is managed on a group basis. Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables and committed transactions.

For banks and other financial institutions, the Group controls its credit risk through monitoring their credit rating and setting approved counterparty credit limits that are regularly reviewed.

The Group has no significant concentration of customer credit risk. The Group has a credit policy in place and exposures to these credit risks are monitored on an ongoing basis.

No credit limits were exceeded during the reporting period, and management does not expect any losses from non-performance by these counterparties.

(v) Liquidity risk

Prudent liquidity risk management includes maintaining sufficient cash and marketable securities, the availability of funding from an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, Group Treasury maintains flexibility by maintaining availability of funding under committed credit lines.

Management monitors rolling forecasts of the Group's liquidity reserve comprises undrawn borrowing facility (Note 33), bank deposits and cash and cash equivalents (Note 26) on the basis of expected cash flows.

3 Financial risk management *(continued)*

(a) Financial risk factors *(continued)*

(v) Liquidity risk (continued)

The tables below analyze the Group's and the Company's financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the tables are the contractual undiscounted cash flows. Balances due within 12 months approximate their carrying balances, as the impact of discounting is not significant.

	Group				
	Repayable on demand US$'000	3 months or less but not repayable on demand US$'000	Over 3 months to 1 year US$'000	Over 1 to 5 years US$'000	Total US$'000
At March 31, 2009					
Bank loans (Note 29(b))	**400,000**	**159**	**55,134**	**230,000**	**685,293**
Derivative financial liabilities	**–**	**23,291**	**383**	**7,382**	**31,056**
Trade payables	**371,607**	**1,584,592**	**35,087**	**–**	**1,991,286**
Notes payable	**–**	**34,180**	**–**	**–**	**34,180**
Provisions, accruals and other payables	**409,567**	**627,511**	**472,847**	**170,008**	**1,679,933**
Convertible preferred shares	**–**	**–**	**–**	**227,564**	**227,564**
Deferred revenue	**–**	**–**	**–**	**165,980**	**165,980**
Others	**–**	**–**	**2,359**	**33,864**	**36,223**
At March 31, 2008					
Amount payable for marketing rights	–	–	11,443	5,417	16,860
Bank loans	–	–	96,130	465,000	561,130
Derivative financial liabilities	–	–	18,197	1,788	19,985
Trade payables	1,922	2,105,276	175,001	–	2,282,199
Notes payable	–	46,421	–	–	46,421
Provisions, accruals and other payables	316,183	1,130,886	497,655	209,071	2,153,795
Convertible preferred shares	–	–	–	227,564	227,564
Share-based compensation	–	–	–	6,430	6,430
Deferred revenue	–	–	–	88,701	88,701
Others	–	–	2,138	25,045	27,183

	Company				
	Repayable on demand US$'000	3 months or less but not repayable on demand US$'000	Over 3 months to 1 year US$'000	Over 1 to 5 years US$'000	Total US$'000
At March 31, 2009					
Bank loans (Note 29(b))	**400,000**	**–**	**35,000**	**230,000**	**665,000**
Derivative financial liabilities	**–**	**–**	**383**	**7,382**	**7,765**
Provisions, accruals and other payables	**–**	**–**	**18,945**	**–**	**18,945**
Convertible preferred shares	**–**	**–**	**–**	**227,564**	**227,564**
At March 31, 2008					
Bank loans	–	–	35,000	465,000	500,000
Derivative financial liabilities	–	–	1,991	1,788	3,779
Provisions, accruals and other payables	–	–	13,955	–	13,955
Convertible preferred shares	–	–	–	227,564	227,564
Share-based compensation	–	–	–	6,430	6,430

3 Financial risk management *(continued)*

(a) Financial risk factors *(continued)*

(v) Liquidity risk (continued)

The tables below analyze the Group's and the Company's derivative financial instruments that will be settled on a gross basis into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the tables are the contractual undiscounted cash flows. Balances due within 12 months approximate their carrying balances, as the impact of discounting is not significant.

	Group				
	Repayable on demand US$'000	3 months or less but not repayable on demand US$'000	Over 3 months to 1 year US$'000	Over 1 to 5 years US$'000	Total US$'000
At March 31, 2009					
Forward foreign exchange contracts:					
– outflow	**–**	**534,495**	**–**	**–**	**534,495**
– inflow	**–**	**526,287**	**–**	**–**	**526,287**
Interest rate swap contracts:					
– outflow	**–**	**3,300**	**8,243**	**4,162**	**15,705**
– inflow	**–**	**1,717**	**3,900**	**2,244**	**7,861**
At March 31, 2008					
Forward foreign exchange contracts:					
– outflow	–	1,117,419	–	–	1,117,419
– inflow	–	1,105,808	–	–	1,105,808
Interest rate swap contracts:					
– outflow	–	2,805	8,865	13,966	25,636
– inflow	–	2,931	6,608	13,845	23,384

	Company				
	Repayable on demand US$'000	3 months or less but not repayable on demand US$'000	Over 3 months to 1 year US$'000	Over 1 to 5 years US$'000	Total US$'000
At March 31, 2009					
Interest rate swap contracts					
– outflow	**–**	**3,300**	**8,243**	**4,162**	**15,705**
– inflow	**–**	**1,717**	**3,900**	**2,244**	**7,861**
At March 31, 2008					
Forward foreign exchange contracts:					
– outflow	–	31,246	–	–	31,246
– inflow	–	29,255	–	–	29,255
Interest rate swap contracts:					
– outflow	–	2,805	8,865	13,966	25,636
– inflow	–	2,931	6,608	13,845	23,384

3 Financial risk management *(continued)*

(b) Market risks sensitivity analysis

HKFRS 7 "Financial instruments: Disclosures" requires the disclosure of a sensitivity analysis for market risks that show the effects of a hypothetical change in the relevant market risk variable to which the Group is exposed to at the balance sheet date on profit or loss and total equity.

The sensitivity analysis for each type of market risks does not reflect inter-dependencies between risk variables. The sensitivity analysis assumes that a hypothetical change of the relevant risk variable had occurred at the balance sheet date and had been applied to the relevant risk variable in existence on that date. The bases and assumptions adopted in the preparation of the analyses will by definition, seldom equal to the related actual results.

The disclosure of the sensitivity analysis on market risks is solely for compliance with HKFRS 7 disclosure requirements in respect of financial instruments, and are for illustration purposes only; and it should be noted that the hypothetical amounts so generated do not represent a projection of likely future events and profits or losses of the Group.

(i) Foreign currency exchange rate sensitivity analysis

At March 31, 2009, if United States dollar had weakened/strengthened by 1 percent against all other currencies with all other variables held constant, post-tax loss for the year (2008: post-tax profit) would have been US$4.37 million (2008: US$2.13 million) higher/lower, mainly as a result of foreign exchange gains/losses on translation of receivable and payable balances.

The analysis above is based on the assumption that United States dollar weakened or strengthened against all other currencies in the same direction and magnitude, but it may not be necessarily true in reality.

(ii) Interest rate sensitivity analysis

At March 31, 2009, if interest rates on United States dollar-denominated borrowings had been 25 basis points higher/lower with all other variables held constant, other components of equity would have been US$1.28 million (2008: US$2.17 million) higher/lower mainly as a result of a increase/decrease in the fair value of the interest rate swaps.

At March 31, 2009, if interest rates on the global channel financing program had been 25 basis points higher/lower with all other variables held constant, post-tax loss for the year (2008: post-tax profit) would have been US$1.05 million (2008: US$1.28 million) lower/higher. The calculation is based on the assumption that the interest rates of all the currencies covered by the global channel financing program go up and down at the same time and with the same magnitude; however, such assumptions may not be necessarily true in reality.

3 Financial risk management *(continued)*

(c) Capital risks management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as total borrowings (including current and non-current borrowings) divided by total equity.

The Group's strategy remains unchanged and the gearing ratios and the net cash position of the Group as at March 31, 2009 and 2008 are as follows:

	2009 US$ million	2008 US$ million
Bank deposits and cash and cash equivalents (Note 26)	**1,863**	2,191
Less: total borrowings	**(685)**	(561)
Net cash position	**1,178**	1,630
Total equity	**1,311**	1,613
Gearing ratio	**0.52**	0.35

(d) Fair value estimation

The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Group is the current bid price.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward foreign exchange contracts is determined using quoted forward exchange rates at the balance sheet date.

The carrying value less impairment provision of trade receivables and payables is a reasonable approximation of their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

4 Critical accounting estimates and judgments

The preparation of financial statements often requires the use of judgment to select specific accounting methods and policies from several acceptable alternatives. Estimates and judgments used in preparing the financial statements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The following is the more significant assumptions and estimates, as well as the accounting policies and methods used in the preparation of the financial statements:

(a) Impairment of non-financial assets

The Group tests at least annually whether goodwill and other assets that have indefinite useful lives have suffered any impairment.

Other assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset exceeds its recoverable amount. The recoverable amount of an asset or a cash-generating unit has been determined based on value-in-use calculations. These calculations require the use of estimates.

The value-in-use calculations primarily use cash flow projections based on five-year financial budgets approved by management and estimated terminal values at the end of the five-year period. There are a number of assumptions and estimates involved for the preparation of cash flow projections for the period covered by the approved budget and the estimated terminal value. Key assumptions include the expected growth in revenues and operating margin, effective tax rate, growth rates and selection of discount rates, to reflect the risks involved and the earnings multiple that can be realized for the estimated terminal value.

Management prepared the financial budgets reflecting actual and prior year performance and market development expectations. Judgment is required to determine key assumptions adopted in the cash flow projections and changes to key assumptions can significantly affect these cash flow projections and therefore the results of the impairment reviews.

(b) Income taxes

The Group is subject to income taxes in numerous jurisdictions. Significant judgment is required in determining the worldwide provision for income taxes. There are certain transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The tax liabilities recognized are based on management's assessment of the likely outcome.

The Group recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Deferred taxation is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying values in the financial statements.

4 Critical accounting estimates and judgments *(continued)*

(b) Income taxes *(continued)*

Deferred tax assets are mainly recognized for temporary differences such as warranty provision, accrued sales rebates, bonus accruals, and other accrued expenses, and unused tax losses carried forward to the extent it is probable that future taxable profits will be available against which deductible temporary differences and the unused tax losses can be utilized, based on all available evidence. Recognition primarily involves judgment regarding the future financial performance of the particular legal entity or tax group in which the deferred tax asset has been recognized. A variety of other factors are also evaluated in considering whether there is convincing evidence that it is probable that some portion or all of the deferred tax assets will ultimately be realized, such as the existence of taxable temporary differences, group relief, tax planning strategies and the periods in which estimated tax losses can be utilized. The carrying amount of deferred tax assets and related financial models and budgets are reviewed at each balance sheet date and to the extent that there is insufficient convincing evidence that sufficient taxable profits will be available within the utilization periods to allow utilization of the carry forward tax losses, the asset balance will be reduced and the difference charged to the income statement.

Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions and deferred tax assets in the period in which such determination is made.

(c) Warranty provision

Warranty provision is based on the estimated cost of product warranties when revenue is recognized. Factors that affect the Group's warranty liability include the number of sold units currently under warranty, historical and anticipated rates of warranty claims on those units, and cost per claim to satisfy our warranty obligation. The estimation basis is reviewed on an on-going basis and revised where appropriate. Certain of these costs are reimbursable from the suppliers in accordance with the terms of relevant arrangement with the suppliers. These amounts are recognized as a separate asset, to the extent of the amount of the provision made, when it is virtually certain that reimbursement will be received if the Group settles the obligation.

(d) Future billing adjustments

Estimates that further impact revenue recognition relate primarily to allowance for future volume discounts and price rebates, and customer sales returns. Both estimates are relatively predictable based on historical experience. The primary factors affecting the Group's accrual for estimated customer returns include estimated return rates as well as the number of units shipped that still have a right of return as of the balance sheet date.

(e) Retirement benefits

Pension and other post-retirement benefit costs and obligations are dependent on various assumptions. The Group's major assumptions primarily relate to discount rate, expected return on assets, and salary growth. In determining the discount rate, the Group references market yields at the balance sheet date on high quality corporate bonds. The currency and term of the bonds are consistent with the currency and estimated term of the benefit obligations being valued. The expected return on plan assets is based on market expectations for returns over the life of the related assets and obligations. The salary growth assumptions reflect the Group's long-term actual experience and future and near-term outlook. Actual results that differ from the assumptions are generally recognized in the year they occur.

(f) Fair value of derivatives and other financial instruments

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. The Group uses its judgment to select a variety of methods and make assumptions that are mainly based on market conditions existing at each balance sheet date. The Group has used discounted cash flow analysis for various available-for-sale financial assets that are not traded in active markets.

5 Segment information

In accordance with the Group's internal financial reporting, the Group has adopted geographical segments as the primary reporting format and business segments as the secondary reporting format.

Segment assets consist primarily of inventories and accounts receivable, and exclude assets not dedicated to a particular segment, including mainly deferred tax assets and available-for-sale financial assets and centrally managed cash and cash equivalents and inventories. Segment liabilities comprise mainly accounts payable and exclude liabilities not dedicated to a particular segment, including mainly bank borrowings, convertible preferred shares and income tax payable. Capital expenditure mainly comprises additions to property, plant and equipment, intangible assets and construction-in-progress.

In respect of geographical segment reporting, sales are based on the country in which the customers are located. Total assets and capital expenditure are where the assets are located.

There were no material sales or other transactions among the business segments for the years ended March 31, 2008 and 2009.

On March 31, 2008, the Group completed the disposal of its entire interests in its Greater China mobile handset operations, and the results therein were accounted for as discontinued operations for the year then ended. The segment information presented below, including the comparative figures for last year, represents the continuing operations of the Group.

5 Segment information *(continued)*

(a) Primary reporting format – geographical segments

The segment results and capital expenditure information for the year ended March 31, 2009 are as follows:

	Americas US$'000	Europe, Middle East and Africa US$'000	Asia Pacific (excluding Greater China) US$'000	Greater China US$'000	Corporate or unallocated US$'000	Total US$'000
Sales	3,749,946	3,120,158	1,597,215	6,434,032	–	14,901,351
Segment operating results	(130,015)	(184,239)	(122,889)	354,179	(128,096)	(211,060)
Finance income						59,977
Finance costs						(38,142)
Loss on disposal of available-for-sale financial assets						(124)
Dividend income from available-for-sale financial assets						1,053
Share of profits of associated companies						351
Loss before taxation						(187,945)
Taxation						(38,444)
Loss for the year						(226,389)
Capital expenditure	51,393	15,479	19,088	44,960	62,995	193,915

Other significant segment items included in the income statement are as follows:

	Americas US$'000	Europe, Middle East and Africa US$'000	Asia Pacific (excluding Greater China) US$'000	Greater China US$'000	Corporate or unallocated US$'000	Total US$'000
Depreciation of property, plant and equipment and amortization of prepaid lease payments	59,351	10,714	38,026	35,178	–	143,269
Amortization and impairment of intangible assets	16,382	13,631	6,978	46,738	–	83,729
Employee benefit costs (Note 10), *including*	354,909	339,535	167,739	375,067	–	1,237,250
– long-term incentive awards	*13,618*	*11,331*	*5,800*	*23,365*	*–*	*54,114*
– severance and related costs	*27,803*	*54,679*	*15,069*	*19,049*	*(523)*	*116,077*
Termination of onerous contracts	10,003	4,186	5,387	–	420	19,996
Auditors' remuneration						
– Current year	439	974	965	427	2,365	5,170
– Underprovision in previous years	34	91	93	43	189	450
Rental expenses under operating leases	10,509	12,244	12,702	10,521	–	45,976
Cost of inventories sold	2,961,610	2,577,009	1,210,621	5,738,336	–	12,487,576
Net exchange loss/(gain)	29,006	80,078	25,708	(17,860)	–	116,932
Gain on foreign exchange forward contracts	(20,663)	(73,630)	(37,301)	(4,189)	–	(135,783)

Note:

Segment operating profit/(loss) presented above include the impact of one-off items of US$216,403,000, comprising mainly costs on termination of onerous contracts, severance and related costs, accelerated depreciation of property, plant and equipment and impairment of intangible assets. The segment operating profit/(loss) before these one-off items are: Americas (US$68,224,000); Europe, Middle East and Africa (US$100,560,000); Asia Pacific (excluding Greater China) (US$93,568,000); Greater China US$377,368,000; and corporate or unallocated (US$109,673,000).

5 Segment information *(continued)*

(a) Primary reporting format – geographical segments *(continued)*

The segment assets and liabilities at March 31, 2009 are as follows:

	Americas US$'000	Europe, Middle East and Africa US$'000	Asia Pacific (excluding Greater China) US$'000	Greater China US$'000	Corporate or unallocated US$'000	Total US$'000
Segment assets	1,213,538	574,175	648,134	3,187,615		5,623,462
Interests in associated companies					2,635	
Deferred tax assets					190,844	
Available-for-sale financial assets					101,916	
Cash and cash equivalents					145,174	
Income tax recoverable					35,301	
Other unallocated assets					208,967	684,837
Consolidated total assets						6,308,299
Segment liabilities	1,258,128	1,014,142	418,552	1,527,532		4,218,354
Bank borrowings					465,000	
Convertible preferred shares					215,974	
Derivative financial liabilities					7,382	
Income tax payable					89,459	
Other unallocated liabilities					1,215	779,030
Consolidated total liabilities						4,997,384

5 Segment information *(continued)*

(a) Primary reporting format – geographical segments *(continued)*

The segment results and capital expenditure information for the year ended March 31, 2008 are as follows:

	Americas US$'000	Europe, Middle East and Africa US$'000	Asia Pacific (excluding Greater China) US$'000	Greater China US$'000	Corporate or unallocated US$'000	Total US$'000
Sales	4,506,451	3,606,048	2,113,250	6,125,754	–	16,351,503
Segment operating results	88,915	122,549	(2,701)	426,248	(153,228)	481,783
Finance income						52,048
Finance costs						(38,366)
Impairment of assets						(2,530)
Gain on disposal of available-for-sale financial assets						19,791
Share of profits of associated companies						124
Profit before taxation						512,850
Taxation						(47,613)
Profit for the year						465,237
Capital expenditure	53,261	8,259	27,179	78,162	117,182	284,043

Other significant segment items included in the income statement are as follows:

	Americas US$'000	Europe, Middle East and Africa US$'000	Asia Pacific (excluding Greater China) US$'000	Greater China US$'000	Corporate or unallocated US$'000	Total US$'000
Depreciation of property, plant and equipment and amortization of prepaid lease payments	40,775	9,091	11,320	18,656	8,183	88,025
Amortization of intangible assets	–	–	–	28,140	99,173	127,313
Employee benefit costs (Note 10), *including*	380,105	314,907	191,310	250,901	56,973	1,194,196
– long-term incentive awards	*14,697*	*11,761*	*6,892*	*19,978*	–	*53,328*
– severance and related costs	*12,926*	*14,955*	*15,207*	*982*	–	*44,070*
Termination of onerous contracts	3,558	(98)	(119)	229	–	3,570
Auditors' remuneration						
– Current year	366	981	1,008	463	2,050	4,868
– Underprovision in previous years	97	260	267	123	542	1,289
Rental expenses under operating leases	6,628	8,068	10,423	9,429	155	34,703
Cost of inventories sold	3,462,229	2,779,524	1,609,350	5,030,137	–	12,881,240
Impairment of investments	–	–	–	–	2,530	2,530
Net exchange (gain)/loss	(23,989)	(37,100)	(29,575)	38,057	–	(52,607)
Loss on foreign exchange forward contracts	15,041	15,474	17,456	1,675	–	49,646

Note:

Segment operating profit/(loss) presented above include the impact of one-off items of US$47,640,000, comprising mainly costs on termination of onerous contracts, and severance and related costs. The segment operating profit/(loss) before these one-off items are: Americas US$105,399,000; Europe, Middle East and Africa US$137,406,000; Asia Pacific (excluding Greater China) US$12,387,000; Greater China US$427,459,000; and corporate or unallocated (US$153,228,000).

5 Segment information *(continued)*

(a) Primary reporting format – geographical segments *(continued)*

The segment assets and liabilities at March 31, 2008 are as follows:

	Americas US$'000	Europe, Middle East and Africa US$'000	Asia Pacific (excluding Greater China) US$'000	Greater China US$'000	Corporate or unallocated US$'000	Total US$'000
Segment assets	1,472,775	788,664	1,213,620	2,715,799		6,190,858
Interest in associated companies					2,690	
Deferred tax assets					156,440	
Available-for-sale financial assets					67,697	
Cash and cash equivalents					449,576	
Income tax recoverable					40,002	
Other unallocated assets					292,584	1,008,989
Consolidated total assets						7,199,847
Segment liabilities	1,384,307	1,029,253	933,348	1,414,180		4,761,088
Bank borrowings					500,000	
Convertible preferred shares					211,181	
Share-based compensation					6,430	
Derivative financial liabilities					1,788	
Income tax payable					87,209	
Other unallocated liabilities					18,888	825,496
Consolidated total liabilities						5,586,584

(b) Secondary reporting format – business segments

The following tables present sales, assets and capital expenditure information for the Group's business segments:

	Personal computer				
	Desktop US$'000	**Notebook** US$'000	**Total** US$'000	**Others** US$'000	**Total** US$'000
Year ended March 31, 2009					
Sales	**5,905,620**	**8,730,045**	**14,635,665**	**265,686**	**14,901,351**
Capital expenditure			**192,000**	**1,915**	**193,915**
At March 31, 2009					
Total segment assets			**3,459,441**	**93,312**	**3,552,753**
Year ended March 31,2008					
Sales	6,698,677	9,422,297	16,120,974	230,529	16,351,503
Capital expenditure			278,334	5,709	284,043
At March 31, 2008					
Total segment assets			4,397,096	115,144	4,512,240

6 Other income – net

	2009 US$'000	2008 US$'000
Dividend income from available-for-sale financial assets	**1,053**	–
(Loss)/gain on disposal of investments and available-for-sale financial assets	**(124)**	19,791
Impairment of investments	**–**	(2,530)
	929	17,261

7 Finance income

	2009 US$'000	2008 US$'000
Interest on bank deposits	**54,351**	37,100
Interest on money market funds	**5,570**	14,808
Others	**56**	140
	59,977	52,048

8 Finance costs

	2009 US$'000	2008 US$'000
Interest on bank loans and overdrafts	**22,310**	11,500
Dividend and relevant finance costs on convertible preferred shares (Note 29(d))	**14,115**	18,700
Others	**1,717**	8,166
	38,142	38,366

9 Taxation

The amount of taxation in the consolidated income statement represents:

	2009 US$'000	2008 US$'000
Current taxation		
– Hong Kong profits tax	**149**	408
– Taxation outside Hong Kong	**90,532**	94,123
Deferred taxation (Note 22)	**(52,237)**	(46,918)
	38,444	47,613

Hong Kong profits tax has been provided at the rate of 16.5% (2008: 17.5%) on the estimated assessable profit for the year.

Taxation outside Hong Kong represents income and irrecoverable withholding taxes of subsidiaries operating in the Chinese Mainland and overseas, calculated at rates applicable in the respective jurisdictions.

The Group has been granted certain tax concessions by tax authorities in the Chinese Mainland and overseas whereby the subsidiaries operating in the respective jurisdictions are entitled to preferential tax treatment.

9 Taxation *(continued)*

The differences between the Group's expected tax charge, calculated at the domestic rates applicable to the countries concerned, and the Group's tax charge for the year were as follows:

	2009 US$'000	2008 US$'000
(Loss)/profit before taxation	**(187,945)**	512,850
Tax calculated at domestic rates applicable in countries concerned	**24,689**	107,552
Income not subject to taxation	**(248,517)**	(209,925)
Expenses not deductible for taxation purposes	**237,954**	130,574
Utilization of previously unrecognized tax losses	**(1,699)**	(21,610)
Effect on opening deferred tax assets due to change in tax rates	**(1,993)**	(16,202)
Deferred tax assets not recognized	**37,304**	47,868
(Over)/under provision in prior years	**(9,294)**	9,356
	38,444	47,613

The weighted average applicable tax rate is not presented as this is not meaningful given the Group incurred a loss before taxation for the year (2008: 9.3%). Certain comparative information as set out above have been restated to reflect the current presentation of income taxability and expense deductibility. The restatement does not have any impact on the Group's tax position.

10 Employee benefit costs

	2009 US$'000	2008 US$'000
Wages and salaries (including provision for restructuring costs of US$116,077,000 (2008: US$44,070,000))	**939,421**	929,106
Social security costs	**98,250**	85,201
Long-term incentive awards granted to directors and employees (Note 30(a))	**54,114**	53,328
Pension costs		
– defined contribution plans	**25,403**	19,017
– defined benefit plans	**11,302**	6,931
Others	**108,760**	100,613
	1,237,250	1,194,196

The Group contributes to respective local municipal government retirement schemes which are available to all qualified employees in the Chinese Mainland. Contributions to these schemes are calculated with reference to the monthly average salaries as set out by the local municipal government.

The Group participates a Mandatory Provident Fund ("MPF") for all qualified Hong Kong employees. The assets of the MPF are held separately from those of the Group in an independently administered fund.

The Group also contributes to certain defined benefit pension schemes, details of which are set out in Note 37.

11 Emoluments of directors and highest paid individuals

(a) Directors' and senior management's emoluments

Directors' emoluments comprise payments by the Group to directors of the Company in connection with the management of the affairs of the Company and its subsidiaries. The remuneration of each director for the years ended March 31, 2008 and 2009 is set out below:

	2009								
Name of Director	Fees US$'000	Salary US$'000	Discretionary bonuses (note i) US$'000	Inducement fees (note ii) US$'000	Long-term incentives awards (note iii) US$'000	Retirement payments and employer's contribution to pension schemes US$'000	Compensation for loss of office as director US$'000	Other benefits-in-kind US$'000	Total US$'000
Executive directors									
Mr. Yang Yuanqing	–	846	2,989	–	3,219	85	–	90	7,229
Mr. William J. Amelio	–	790	3,993	2,980	3,789	377	3,250	2,390	17,569
Non-executive directors									
Mr. Liu Chuanzhi	60	–	–	–	121	465	–	–	646
Mr. Zhu Linan	60	–	–	–	121	–	–	–	181
Ms. Ma Xuezheng	60	–	385	–	342	–	–	–	787
Mr. James G. Coulter	60	–	–	–	82	–	–	–	142
Mr. William O. Grabe	70	–	–	–	192	–	–	–	262
Mr. Shan Weijian	9	–	–	–	61	–	–	–	70
Independent non-executive directors									
Professor Woo Chia-Wei	60	–	–	–	181	–	–	–	241
Mr. Ting Lee Sen	60	–	–	–	181	–	–	–	241
Mr. John W. Barter III	80	–	–	–	192	–	–	–	272
Mr. Tian Suning	60	–	–	–	77	–	–	–	137
	579	1,636	7,367	2,980	8,558	927	3,250	2,480	27,777

11 Emoluments of directors and highest paid individuals *(continued)*

(a) Directors' and senior management's emoluments *(continued)*

	2008							
Name of Director	Fees US$'000	Salary US$'000	Discretionary bonuses (note i) US$'000	Inducement fees (note ii) US$'000	Long-term incentives awards (note iii) US$'000	Retirement payments and employer's contribution to pension schemes US$'000	Other benefits-in-kind US$'000	Total US$'000
Executive directors								
Mr. Yang Yuanqing	–	894	1,084	–	2,979	83	18	5,058
Mr. William J. Amelio	–	790	1,000	1,500	4,526	–	3,571	11,387
Non-executive directors								
Mr. Liu Chuanzhi	40	–	–	–	94	465	–	599
Mr. Zhu Linan	40	–	–	–	94	–	–	134
Ms. Ma Xuezheng	30	114	403	–	537	1,033	–	2,117
Mr. James G. Coulter	40	–	–	–	75	–	–	115
Mr. William O. Grabe	50	–	–	–	94	–	–	144
Mr. Shan Weijian	40	–	–	–	94	–	–	134
Independent non-executive directors								
Professor Woo Chia-Wei	40	–	–	–	94	–	–	134
Mr. Ting Lee Sen	40	–	–	–	94	–	–	134
Mr. John W. Barter III	60	–	–	–	94	–	–	154
Mr. Tian Suning	27	–	–	–	29	–	–	56
Mr. Wong Wai Ming	9	–	–	–	7	–	–	16
	416	1,798	2,487	1,500	8,811	1,581	3,589	20,182

Notes:

(i) Discretionary bonuses paid for the two years ended March 31, 2008 and 2009 represent the amounts in connection with the performance bonuses for the two years ended March 31, 2007 and 2008 respectively.

(ii) Inducement fees paid to Mr. Amelio represent payment made to his former employer pursuant to an agreement entered into between the Company, Mr. Amelio and his former employer (the "Agreement"). Under the terms of the Agreement, the Company made a payment in the amount of US$7.5 million to his former employer. This amount reflects benefits realized by Mr. Amelio under the long-term incentive plans of his former employer that were subject to certain repayment conditions. Inducement fees for the year ended March 31, 2009 represent the accelerated amortized amount of US$2.98 million (2008: US$1.5 million) upon his resignation as director of the Company. The inducement fees were previously amortized over a five-year period to December 2010 pursuant to the Agreement.

(iii) Details of the long-term incentive program of the Company are set out in Note 30(a). The fair value of the employee services received in exchange for the grant of the long-term incentive awards is recognized as an expense. The total amount to be amortized over the vesting period is determined by reference to the fair value of the long-term incentive awards at the date of grant. The amounts disclosed above represent the amortized amounts for the two years ended March 31, 2008 and 2009.

(iv) Mr. William O. Grabe, Professor Woo Chia-Wei, Mr. Ting Lee Sen and Mr. John W. Barter III have elected to defer their receipts of the cash of director's fee into fully vested share units under the long-term incentive program (Note 30(a)) in the year ended March 31, 2008. Mr. William O. Grabe, Professor Woo Chia-Wei and Mr. Ting Lee Sen have elected the same deferral from October 1, 2008 to March 31, 2009.

(v) Mr. Justin T. Chang (alternate director to Mr. James G. Coulter), and Mr. Daniel A. Carroll (alternate director to Mr. Shan Weijian) did not receive any fees or remuneration during the years ended March 31, 2008 and 2009.

11 Emoluments of directors and highest paid individuals *(continued)*

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include two (2008: two) directors whose emoluments are reflected in the analysis presented above. The emoluments of the remaining three (2008: three) individuals during the year are as follows:

	2009 **US$'000**	2008 US$'000
Basic salaries, allowances, and benefits-in-kind	**1,341**	1,349
Discretionary bonuses	**3,426**	1,163
Employer's contribution to pension scheme	**460**	–
Long-term incentive awards	**4,740**	4,841
Others	**303**	1,163
	10,270	8,516

The emoluments fell within the following bands:

	Number of individuals	
	2009	2008
Emolument bands		
US$2,633,844-US$2,698,083	**–**	1
US$2,826,565-US$2,890,804	**–**	1
US$2,955,045-US$3,019,284	**–**	1
US$3,087,277-US$3,151,594	**1**	–
US$3,537,505-US$3,601,822	**1**	–
US$3,601,823-US$3,666,140	**1**	–

12 Profit from discontinued operations

On March 31, 2008, the Group completed the disposal of its entire interests in its Greater China mobile handset operations. Accordingly, the comparative information for the corresponding period of last year is presented as discontinued operation in the financial statements.

13 Dividends

	2009 **US$'000**	2008 US$'000
Interim dividend of HK3.0 cents per ordinary share (2008: HK3.0 cents)	**35,575**	34,715
Proposed final dividend – Nil (2008: HK12.8 cents per ordinary share)	**–**	152,038
	35,575	186,753

The directors do not recommend a final dividend for the year ended March 31, 2009.

14 (Loss)/earnings per share

(a) Basic

Basic (loss)/earnings per share is calculated by dividing the (loss)/profit attributable to shareholders of the Company by the weighted average number of ordinary shares in issue during the year.

	2009	2008
Weighted average number of shares for the purpose of basic earnings per share	**8,851,779,460**	8,781,101,650

	US$'000	US$'000
(Loss)/profit attributable to shareholders of the Company		
– Continuing operations	**(226,392)**	464,343
– Discontinued operations	**–**	19,920
	(226,392)	484,263

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding due to the effect of all dilutive potential ordinary shares. The Company has four categories of dilutive potential ordinary shares: convertible preferred shares, share options, long-term incentive awards and warrants.

For the year ended March 31, 2009, all dilutive potential ordinary shares were antidilutive as the Group incurred a loss for the year.

For the year ended March 31, 2008, adjustments for the dilutive potential ordinary shares are as follows:

– For the convertible preferred shares, they were antidilutive as the amount of the dividend and related finance costs per ordinary share attainable on conversion exceeded basic earnings per share and they were excluded from the weighted average number of ordinary shares in issue for calculation of diluted earnings per share.

– For the share options and warrants, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average periodic market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options and warrants. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise in full of the share options and warrants.

– For the long-term incentive awards, a calculation is done to determine whether the long-term incentive awards are dilutive, and the number of shares that are deemed to be issued.

14 (Loss)/earnings per share *(continued)*

(b) Diluted *(continued)*

	2009	2008
Weighted average number of ordinary shares in issue	**8,851,779,460**	8,781,101,650
Adjustments for assumed conversion of convertible preferred shares	**–**	857,246,554
Adjustments for share options, long-term incentive awards and warrants	**–**	294,887,296
Weighted average number of ordinary shares in issue for calculation of diluted (loss)/earnings per share	**8,851,779,460**	9,933,235,500

	US$'000	US$'000
(Loss)/profit from continuing operations attributable to shareholders of the Company	**(226,392)**	464,343
Interest expense on convertible preferred shares	**–**	18,700
	(226,392)	483,043
Profit from discontinued operations attributable to shareholders of the Company	**–**	19,920
	(226,392)	502,963

15 Property, plant and equipment

(a) Group

	Buildings US$'000	Leasehold improvements US$'000	Plant and machinery US$'000	Furniture and fixtures US$'000	Office equipment US$'000	Motor vehicles US$'000	Total US$'000
At April 1, 2007							
Cost	100,336	64,447	144,348	30,327	199,664	3,547	542,669
Accumulated depreciation	16,483	30,484	62,003	6,339	98,834	2,468	216,611
Net book amount	83,853	33,963	82,345	23,988	100,830	1,079	326,058
Year ended March 31, 2008							
Opening net book amount	83,853	33,963	82,345	23,988	100,830	1,079	326,058
Exchange adjustment	8,054	3,105	5,776	1,311	5,332	87	23,665
Reclassification	(742)	3,825	3,605	(128)	(6,560)	–	–
Additions	3,119	17,224	46,048	9,677	51,863	644	128,575
Transfer from construction-in-progress	–	2,019	1,224	78	11,091	–	14,412
Disposals	–	(68)	(1,497)	9	(7,430)	(165)	(9,151)
Disposal of discontinued operations	–	(8,739)	(7,378)	(182)	(6,345)	(31)	(22,675)
Depreciation	(2,600)	(14,025)	(35,086)	(5,073)	(38,981)	(341)	(96,106)
Closing net book amount	91,684	37,304	95,037	29,680	109,800	1,273	364,778
At March 31, 2008							
Cost	112,494	74,347	181,406	40,581	233,823	3,730	646,381
Accumulated depreciation	20,810	37,043	86,369	10,901	124,023	2,457	281,603
Net book amount	91,684	37,304	95,037	29,680	109,800	1,273	364,778
Year ended March 31, 2009							
Opening net book amount	**91,684**	**37,304**	**95,037**	**29,680**	**109,800**	**1,273**	**364,778**
Exchange adjustment	**1,105**	**(603)**	**2,333**	**(2,114)**	**(171)**	**36**	**586**
Additions	**1,466**	**8,660**	**49,152**	**6,613**	**40,863**	**262**	**107,016**
Transfer from construction-in-progress	**62**	**388**	**378**	**–**	**252**	**–**	**1,080**
Disposals	**–**	**(146)**	**(2,251)**	**(709)**	**(6,810)**	**(290)**	**(10,206)**
Reclassification to intangible assets	**–**	**–**	**–**	**–**	**(5,997)**	**–**	**(5,997)**
Depreciation	**(3,045)**	**(11,809)**	**(76,812)**	**(4,998)**	**(46,123)**	**(328)**	**(143,115)**
Closing net book amount	**91,272**	**33,794**	**67,837**	**28,472**	**91,814**	**953**	**314,142**
At March 31, 2009							
Cost	**115,948**	**74,761**	**226,812**	**43,096**	**223,217**	**2,318**	**686,152**
Accumulated depreciation	**24,676**	**40,967**	**158,975**	**14,624**	**131,403**	**1,365**	**372,010**
Net book amount	**91,272**	**33,794**	**67,837**	**28,472**	**91,814**	**953**	**314,142**

15 Property, plant and equipment *(continued)*

(b) Company

	Leasehold improve-ments US$'000	Furniture and fixtures US$'000	Office equipment US$'000	Motor vehicles US$'000	Total US$'000
At April 1, 2007					
Cost	1,991	118	6,797	246	9,152
Accumulated depreciation	1,813	85	6,476	165	8,539
Net book amount	178	33	321	81	613
Year ended March 31, 2008					
Opening net book amount	178	33	321	81	613
Exchange adjustment	(1)	–	2	1	2
Additions	–	9	440	–	449
Disposals	–	–	(1)	–	(1)
Depreciation	(119)	(17)	(279)	(31)	(446)
Closing net book amount	58	25	483	51	617
At March 31, 2008					
Cost	1,996	127	7,247	247	9,617
Accumulated depreciation	1,938	102	6,764	196	9,000
Net book amount	58	25	483	51	617
Year ended March 31, 2009					
Opening net book amount	**58**	**25**	**483**	**51**	**617**
Exchange adjustment	**–**	**1**	**2**	**1**	**4**
Additions	**625**	**83**	**241**	**–**	**949**
Disposals	**–**	**(1)**	**(3)**	**–**	**(4)**
Transfer to intangible assets	**–**	**–**	**(373)**	**–**	**(373)**
Depreciation	**(79)**	**(15)**	**(48)**	**(16)**	**(158)**
Closing net book amount	**604**	**93**	**302**	**36**	**1,035**
At March 31, 2009					
Cost	**2,314**	**185**	**850**	**248**	**3,597**
Accumulated depreciation	**1,710**	**92**	**548**	**212**	**2,562**
Net book amount	**604**	**93**	**302**	**36**	**1,035**

16 Prepaid lease payments

	Group	
	2009	2008
	US$'000	US$'000
At the beginning of the year	**6,099**	5,807
Exchange adjustment	**159**	588
Disposals	**(271)**	(146)
Amortization	**(154)**	(150)
At the end of the year	**5,833**	6,099

Prepaid lease payments represent the payments for land use rights held by the Group in the Chinese Mainland under medium leases (less than 50 years but not less than 10 years).

17 Construction-in-progress

	Group								Company	
	Buildings under construction		Internal use software		Others		Total		Internal use software	
	2009	2008	**2009**	2008	**2009**	2008	**2009**	2008	**2009**	2008
	US$'000	US$'000	**US$'000**	US$'000	**US$'000**	US$'000	**US$'000**	US$'000	**US$'000**	US$'000
At the beginning of the year	**871**	1,032	**49,307**	16,868	**1,059**	2,538	**51,237**	20,438	**13,893**	16,500
Exchange adjustment	**6**	110	**18**	117	**2**	299	**26**	526	**20**	74
Reclassification	**–**	(262)	**908**	43	**(908)**	219	**–**	–	**–**	–
Additions	**1,846**	3,029	**61,032**	50,015	**1,110**	14,098	**63,988**	67,142	**–**	187
Transfer to property, plant and equipment	**(565)**	(2,094)	**–**	–	**(515)**	(12,318)	**(1,080)**	(14,412)	**–**	–
Transfer to intangible assets	**–**	–	**(67,109)**	(17,494)	**–**	–	**(67,109)**	(17,494)	**(6,133)**	(2,868)
Disposals	**–**	(944)	**–**	(121)	**–**	(3,777)	**–**	(4,842)	**–**	–
Disposal of discontinued operations	**–**	–	**–**	(121)	**–**	–	**–**	(121)	**–**	–
At the end of the year	**2,158**	871	**44,156**	49,307	**748**	1,059	**47,062**	51,237	**7,780**	13,893

No interest expenses were capitalized in construction-in-progress as at March 31, 2008 and 2009.

18 Intangible assets

(a) Group

	Goodwill US$'000	Trademarks and trade names US$'000	Internal use software US$'000	Customer relationships US$'000	Patent and technology US$'000	Marketing rights US$'000	Total US$'000
At April 1, 2007							
Cost	1,310,657	525,305	86,799	17,023	92,690	64,887	2,097,361
Accumulated amortization and impairment losses	6,990	95,254	17,054	15,165	58,721	36,488	229,672
Net book amount	1,303,667	430,051	69,745	1,858	33,969	28,399	1,867,689
Year ended March, 31 2008							
Opening net book amount	1,303,667	430,051	69,745	1,858	33,969	28,399	1,867,689
Exchange adjustment	(560)	–	694	–	–	543	677
Adjustment on purchase consideration	(4,000)	–	–	–	–	–	(4,000)
Additions	–	–	61,422	–	641	32,100	94,163
Transfer from construction-in-progress	–	–	17,494	–	–	–	17,494
Disposal	–	–	(6,955)	–	(1,121)	–	(8,076)
Disposal of discontinued operations	(2,169)	–	–	–	–	–	(2,169)
Amortization	–	(50,051)	(26,854)	(1,698)	(26,277)	(22,530)	(127,410)
Closing net book amount	1,296,938	380,000	115,546	160	7,212	38,512	1,838,368
At March 31, 2008							
Cost	1,300,837	525,305	161,038	17,023	92,220	98,001	2,194,424
Accumulated amortization and impairment losses	3,899	145,305	45,492	16,863	85,008	59,489	356,056
Net book amount	1,296,938	380,000	115,546	160	7,212	38,512	1,838,368
Year ended March, 31 2009							
Opening net book amount	**1,296,938**	**380,000**	**115,546**	**160**	**7,212**	**38,512**	**1,838,368**
Exchange adjustment	**–**	**–**	**463**	**–**	**1**	**118**	**582**
Reclassification	**–**	**–**	**–**	**–**	**20,000**	**(20,000)**	**–**
Additions	**–**	**–**	**22,011**	**–**	**900**	**–**	**22,911**
Transfer from construction-in-progress	**–**	**–**	**67,109**	**–**	**–**	**–**	**67,109**
Reclassification from property, plant and equipment and deferred assets	**–**	**–**	**7,620**	**–**	**–**	**–**	**7,620**
Impairment	**–**	**–**	**–**	**–**	**(18,526)**	**–**	**(18,526)**
Amortization	**–**	**–**	**(42,025)**	**(160)**	**(4,388)**	**(18,630)**	**(65,203)**
Closing net book amount	**1,296,938**	**380,000**	**170,724**	**–**	**5,199**	**–**	**1,852,861**
At March 31, 2009							
Cost	**1,296,938**	**516,352**	**272,922**	**17,000**	**106,620**	**78,337**	**2,288,169**
Accumulated amortization and impairment losses	**–**	**136,352**	**102,198**	**17,000**	**101,421**	**78,337**	**435,308**
Net book amount	**1,296,938**	**380,000**	**170,724**	**–**	**5,199**	**–**	**1,852,861**

18 Intangible assets *(continued)*

(b) Company

	Internal use software US$'000
At April 1, 2007	
Cost	5,600
Accumulated amortization	187
Net book amount	5,413
Year ended March 31, 2008	
Opening net book amount	5,413
Exchange adjustment	18
Transfer from construction-in-progress	2,868
Additions	1,757
Amortization	(1,813)
Closing net book amount	8,243
At March 31, 2008	
Cost	10,243
Accumulated amortization	2,000
Net book amount	8,243
Year ended March 31, 2009	
Opening net book amount	**8,243**
Exchange adjustment	**67**
Transfer from construction-in-progress	**6,133**
Transfer from property, plant and equipment	**373**
Additions	**619**
Amortization	**(3,200)**
Closing net book amount	**12,235**
At March 31, 2009	
Cost	**17,435**
Accumulated amortization	**5,200**
Net book amount	**12,235**

18 Intangible assets *(continued)*

Impairment tests for goodwill and intangible assets with indefinite useful lives

As explained in Note 5, the Group uses geographical segment as its primary segment for reporting segment information. For the purposes of impairment testing, goodwill and trademarks and trade names with indefinite useful lives are allocated to the Group's cash-generating units (CGU). The carrying amounts of goodwill and trademarks and trade names with indefinite useful lives as at March 31, 2008 and 2009 are presented below:

	Americas US$ million	Europe, Middle East and Africa US$ million	Asia Pacific (excluding Greater China) US$ million	Greater China US$ million	Total US$ million
At March 31, 2008 and 2009					
Goodwill	**364**	**102**	**152**	**679**	**1,297**
Trademarks and trade names	**107**	**30**	**45**	**198**	**380**

The Group completed its annual impairment test for goodwill allocated to the Group's various CGU by comparing their recoverable amounts to their carrying amounts as at the reporting date. The recoverable amount of a CGU is determined based on value in use. These assessments use cash flow projections based on financial budgets approved by management covering a 5-year period with a terminal value related to the future earnings potential of the CGU beyond the next five years. Future cash flows are discounted at the rate of 11 percent (2008: 11 percent). The estimated growth rates adopted do not exceed the long-term average growth rates for the businesses in which the CGU operates. These assumptions have been used for the analysis of each CGU within the geographical segment.

Management determined budgeted gross margins based on past performance and its expectations for the market development. The weighted average growth rates used are consistent with the forecasts included in industry reports. The discount rates are pre-tax and reflect specific risks relating to the relevant segments.

The directors are of the view that there was no evidence of impairment of goodwill and trademarks and trade names as at March 31, 2009 arising from the review (2008: Nil).

A one percentage point increase or decrease in the discount rate would result in a decrease or increase in the recoverable amount of 11 percent and 13 percent respectively. A one percentage point increase or decrease in forecasted growth rates would result in an increase or decrease in the recoverable amount of 3 percent respectively. A one percentage point increase or decrease in forecasted operating margins would result in an increase or decrease in the recoverable amount of 18 percent respectively.

19 Subsidiaries

(a) Investments in subsidiaries

	Company	
	2009	2008
	US$'000	US$'000
Unlisted investments, at cost	**1,860,176**	1,187,893

A summary of the principal subsidiaries of the Company is set out in Note 38.

(b) Amounts due from/(to) subsidiaries

The amounts are interest-free, unsecured and have no fixed terms of repayment.

20 Interests in associated companies

	Group	
	2009	2008
	US$'000	US$'000
Share of net assets	**2,635**	2,548
Unsecured, interest-free loan repayable on demand	**–**	142
	2,635	2,690

The following is a list of the principal associated companies as at March 31, 2009:

Company name	Place of establishment	Interest held indirectly 2009	2008	Principal activities
北京聯想傳奇信息技術有限公司 (Beijing Lenovo Parasaga Information Technology Co. Limited) (Chinese equity enterprise)	Chinese Mainland	**45%**	45%	Distribution and development of software
武漢東浦信息技術有限公司 (Wuhan Dawnpro Information Technology Limited) (Chinese-foreign equity joint venture)	Chinese Mainland	**40%**	40%	Provision of system integration services
閃聯信息技術工程中心有限公司 (IGRS Engineering Lab Limited) (wholly foreign-owned enterprise)	Chinese Mainland	**23%**	23%	Distribution and development of IT technology

Notes:

(i) The associated companies operate principally in their respective places of establishment.

(ii) The English name of each company is a direct translation or transliteration of its Chinese registered name.

21 Financial instruments by category

Group

	Loan and receivables US$'000	Assets at fair value through income statement US$'000	Derivatives used for hedging US$'000	Available-for-sale US$'000	Total US$'000
Assets as per consolidated balance sheet					
At March 31, 2009					
Available-for-sale financial assets (Note 23)	**–**	**–**	**–**	**101,916**	**101,916**
Derivative financial assets	**–**	**10,676**	**2,487**	**–**	**13,163**
Trade receivables (Note 25(a))	**728,387**	**–**	**–**	**–**	**728,387**
Notes receivable (Note 25(b))	**82,927**	**–**	**–**	**–**	**82,927**
Other receivables (Note 25(c))	**413,310**	**–**	**–**	**–**	**413,310**
Cash and cash equivalents (Note 26)	**1,863,379**	**–**	**–**	**–**	**1,863,379**
	3,088,003	**10,676**	**2,487**	**101,916**	**3,203,082**
At March 31, 2008					
Available-for-sale financial assets (Note 23)	–	–	–	67,697	67,697
Derivative financial assets	–	3,392	–	–	3,392
Trade receivables (Note 25(a))	860,543	–	–	–	860,543
Notes receivable (Note 25(b))	371,126	–	–	–	371,126
Other receivables (Note 25(c))	582,094	–	–	–	582,094
Bank deposits (Note 26)	540,058	–	–	–	540,058
Cash and cash equivalents (Note 26)	1,651,420	–	–	–	1,651,420
	4,005,241	3,392	–	67,697	4,076,330

21 Financial instruments by category *(continued)*

Group

	Liabilities at fair value through income statement US$'000	Derivatives used for hedging US$'000	Other financial liabilities at amortized cost US$'000	Total US$'000
Liabilities as per consolidated balance sheet				
At March 31, 2009				
Trade payables (Note 27(a))	**–**	**–**	**1,991,286**	**1,991,286**
Notes payable (Note 27(b))	**–**	**–**	**34,180**	**34,180**
Derivative financial liabilities	**11,993**	**19,063**	**–**	**31,056**
Other payables (Note 28)	**–**	**–**	**524,185**	**524,185**
Short-term bank loans	**–**	**–**	**20,293**	**20,293**
Interest-bearing bank loans	**–**	**–**	**665,000**	**665,000**
Deferred revenue (Note 29)	**–**	**–**	**165,980**	**165,980**
Capital lease obligation	**–**	**–**	**2,486**	**2,486**
	11,993	**19,063**	**3,403,410**	**3,434,466**
At March 31, 2008				
Amount payable for marketing rights	–	–	5,417	5,417
Trade payables (Note 27(a))	–	–	2,282,199	2,282,199
Notes payable (Note 27(b))	–	–	46,421	46,421
Derivative financial liabilities	18,197	1,788	–	19,985
Other payables (Note 28)	–	–	706,023	706,023
Short-term bank loans	–	–	61,130	61,130
Interest-bearing bank loans	–	–	500,000	500,000
Deferred revenue (Note 29)	–	–	88,701	88,701
Capital lease obligation	–	–	2,576	2,576
	18,197	1,788	3,692,467	3,712,452

21 Financial instruments by category *(continued)*

Company

	Loan and receivables US$'000	Assets at fair value through income statement US$'000	Derivatives used for hedging US$'000	Available-for-sale US$'000	Total US$'000
Assets as per balance sheet					
At March 31, 2009					
Other receivables (Note 25(c))	**317**	**–**	**–**	**–**	**317**
Cash and cash equivalents (Note 26)	**163,618**	**–**	**–**	**–**	**163,618**
	163,935	**–**	**–**	**–**	**163,935**
At March 31, 2008					
Other receivables (Note 25(c))	938	–	–	–	938
Cash and cash equivalents (Note 26)	338,122	–	–	–	338,122
	339,060	–	–	–	339,060

	Liabilities at fair value through income statement US$'000	Derivatives used for hedging US$'000	Other financial liabilities US$'000	Total US$'000
Liabilities as per balance sheet				
At March 31, 2009				
Derivative financial liabilities	**–**	**7,765**	**–**	**7,765**
Other payables (Note 28)	**11,029**	**–**	**–**	**11,029**
Interest-bearing bank loans	**–**	**–**	**665,000**	**665,000**
	11,029	**7,765**	**665,000**	**683,794**
At March 31, 2008				
Derivative financial liabilities	1,991	1,788	–	3,779
Other payables (Note 28)	5,483	–	–	5,483
Interest-bearing bank loans	–	–	500,000	500,000
	7,474	1,788	500,000	509,262

22 Deferred tax assets

Deferred taxation is calculated in full on temporary differences under the liability method using the rates applicable in the respective jurisdictions.

The movements in the deferred tax assets/(liabilities) are as follows:

	Group	
	2009	2008
	US$'000	US$'000
At the beginning of the year	**156,440**	101,551
Reclassification and exchange adjustments	**(17,833)**	8,309
Credited to consolidated income statement	**52,237**	51,482
Disposal of discontinued operations	**–**	(4,902)
At the end of the year	**190,844**	156,440

Closing net book amount analyzed into:

	Group	
	2009	2008
	US$'000	US$'000
Current	**151,939**	92,171
Non-current	**38,905**	64,269
	190,844	156,440

Deferred tax assets are recognized for deductible temporary differences and tax losses carried forward to the extent that realization of the related tax benefit through the future taxable profits is probable. At March 31, 2009, the Group has unrecognized tax losses of approximately US$187,001,000 (2008: US$62,529,000) that can be carried forward against future taxable income. Unrecognized tax losses of US$64,889,000 (2008: US$23,806,000) can be carried forward indefinitely. The remaining balances of unrecognized tax losses will expire as follows:

	Group	
	2009	2008
	US$'000	US$'000
Expiring in		
– 2011	**307**	–
– 2014	**72,849**	7,351
– 2015	**19,720**	19,720
– 2016	**11,652**	11,652
– 2017	**17,584**	–
	122,112	38,723

22 Deferred tax assets *(continued)*

The movements in deferred tax assets and liabilities, analyzed by major component, during the year are as follows:

	Provisions US$'000	Tax losses US$'000	Tax depreciation allowances US$'000	Deferred revenue US$'000	Others US$'000	Total US$'000
Year ended March 31, 2008						
At the beginning of the year	60,079	7,904	9,852	13,557	10,159	101,551
Reclassification and exchange adjustments	6,586	2,922	241	1,609	(3,049)	8,309
Credited/(debited) to consolidated income statement	37,559	(3,168)	(4,118)	14,468	6,741	51,482
Disposal of discontinued operations	(4,902)	–	–	–	–	(4,902)
At the end of the year	99,322	7,658	5,975	29,634	13,851	156,440
Year ended March 31, 2009						
At the beginning of the year	**99,322**	**7,658**	**5,975**	**29,634**	**13,851**	**156,440**
Reclassification and exchange adjustments	**(1,540)**	**(5,695)**	**(2,216)**	**(1,881)**	**(6,501)**	**(17,833)**
Credited/(debited) to consolidated income statement	**(9,599)**	**17,556**	**64**	**17,713**	**26,503**	**52,237**
At the end of the year	**88,183**	**19,519**	**3,823**	**45,466**	**33,853**	**190,844**

23 Available-for-sale financial assets

	Group		Company	
	2009 US$'000	2008 US$'000	**2009 US$'000**	2008 US$'000
At the beginning of the year	**67,697**	42,938	**–**	361
Exchange adjustment	**247**	214	**–**	–
Net gain transfer to equity	**34,365**	26,058	**–**	–
Disposals	**(393)**	(1,513)	**–**	(361)
At the end of the year	**101,916**	67,697	**–**	–

	Group		Company	
	2009 US$'000	2008 US$'000	**2009 US$'000**	2008 US$'000
Equity securities, at fair value				
Listed in Hong Kong	**33,215**	21,911	**–**	–
Listed outside Hong Kong	**66,821**	43,928	**–**	–
	100,036	65,839	**–**	–
Unlisted	**1,880**	1,858	**–**	–
	101,916	67,697	**–**	–

23 Available-for-sale financial assets *(continued)*

Available-for-sale financial assets held by the Group are denominated in the following currencies:

	Group	
	2009 **US$'000**	2008 US$'000
Hong Kong	**34,220**	22,914
Renminbi	**875**	855
United States dollars	**66,821**	43,928
	101,916	67,697

The maximum exposure to credit risk at the reporting date is the fair value of the investment securities classified as available for sale.

24 Inventories

	Group	
	2009 **US$'000**	2008 US$'000
Raw materials	**72,402**	209,815
Work-in-progress	**109,246**	56,440
Finished goods	**268,722**	205,302
	450,370	471,557

25 Receivables

(a) Customers are generally granted credit term of 30 days. Ageing analysis of trade receivables of the Group at the balance sheet date is as follows:

	Group	
	2009 **US$'000**	2008 US$'000
0-30 days	**597,933**	788,126
31-60 days	**63,467**	32,240
61-90 days	**20,727**	21,729
Over 90 days	**76,015**	32,333
	758,142	874,428
Less: provision for impairment	**(29,755)**	(13,885)
Trade receivables – net	**728,387**	860,543

Trade receivables that are not past due are not considered impaired. At March 31, 2009, no trade receivables (2008: Nil) were past due but not impaired.

25 Receivables *(continued)*

(a) *(continued)*

At March 31, 2009, trade receivables of US$160,209,000 (2008: US$86,302,000) were impaired and provided for. It was assessed that a proportion of the receivables is expected to be recovered and the amount of the provision was US$29,755,000 as at March 31, 2009 (2008: US$13,885,000). The ageing of these receivables is as follows:

	Group	
	2009	2008
	US$'000	US$'000
31-60 days	**63,467**	32,240
61-90 days	**20,727**	21,729
Over 90 days	**76,015**	32,333
	160,209	86,302

Movements on the provision for impairment of trade receivables are as follows:

	Group	
	2009	2008
	US$'000	US$'000
At the beginning of the year	**13,885**	23,939
Exchange adjustment	**168**	–
Provisions made	**24,631**	–
Receivables written off during the year as uncollectible	**(7,400)**	(8,167)
Unused amounts reversed	**(1,529)**	(597)
Disposal of discontinued operations	**–**	(1,290)
At the end of the year	**29,755**	13,885

(b) Notes receivable of the Group are bank accepted notes mainly with maturity dates of within six months.

(c) Details of deposits, prepayments and other receivables are as follows:

	Group		Company	
	2009	2008	**2009**	2008
	US$'000	US$'000	**US$'000**	US$'000
Deposits	**3,466**	2,640	**212**	153
Prepayments	**197,050**	182,534	**67**	5,588
Other receivables	**413,310**	582,094	**317**	938
	613,826	767,268	**596**	6,679

25 Receivables *(continued)*

(d) The carrying amounts of trade receivables, notes receivable, deposits, prepayments and other receivables approximate their fair value. The maximum exposure to credit risk at the balance sheet date is the fair value of each class of receivable mentioned above. The Group does not hold any collateral as security.

The carrying amounts of receivables are denominated in the following currencies:

	Group		Company	
	2009	2008	**2009**	2008
	US$'000	US$'000	**US$'000**	US$'000
Renminbi	**212,405**	253,653	**–**	–
United States dollar	**966,355**	1,424,824	**62**	1,939
Euro	**230,351**	283,667	**–**	–
Hong Kong dollar	**16,029**	36,793	**534**	4,740
	1,425,140	1,998,937	**596**	6,679

26 Bank deposits and cash and cash equivalents

	Group		Company	
	2009	2008	**2009**	2008
	US$'000	US$'000	**US$'000**	US$'000
Bank deposits matured within one year	**–**	540,058	**–**	–
Cash and cash equivalents				
– cash at bank and in hand	**1,509,244**	1,040,233	**13,618**	133,122
– money market funds	**354,135**	611,187	**150,000**	205,000
	1,863,379	2,191,478	**163,618**	338,122
Maximum exposure to credit risk	**1,863,379**	2,191,478	**163,618**	338,122

Bank deposits and cash and cash equivalents are denominated in the following currencies:

	Group		Company	
	2009	2008	**2009**	2008
	US$'000	US$'000	**US$'000**	US$'000
United States dollar	**1,224,838**	1,400,068	**163,146**	337,810
Euro	**52,083**	48,001	**–**	–
Japanese Yen	**34,637**	62,675	**109**	–
Renminbi	**456,337**	446,154	**–**	–
Other currencies	**95,484**	234,580	**363**	312
	1,863,379	2,191,478	**163,618**	338,122

27 Payables

(a) Ageing analysis of trade payables of the Group at the balance sheet date is as follows:

	Group	
	2009 US$'000	2008 US$'000
0-30 days	**1,209,795**	1,618,188
31-60 days	**563,269**	466,068
61-90 days	**140,562**	176,094
Over 90 days	**77,660**	21,849
	1,991,286	2,282,199

Trade payables are denominated in the following currencies:

	Group	
	2009 US$'000	2008 US$'000
Euro	**21,257**	34,120
Hong Kong dollar	**95,131**	5,631
Renminbi	**308,469**	571,896
United States dollar	**1,566,429**	1,670,552
	1,991,286	2,282,199

(b) Notes payable of the Group are mainly repayable within three months.

(c) The carrying amounts of trade payables and notes payable approximate their fair value.

28 Provisions, accruals and other payables

Details of provisions, accruals and other payables are as follows:

	Group		Company	
	2009 US$'000	2008 US$'000	2009 US$'000	2008 US$'000
Provisions	**460,994**	496,432	**–**	–
Accruals	**524,746**	742,269	**7,916**	8,472
Deferred income	**156,527**	160,300	**–**	–
Provision for sales return	**112,717**	159,276	**–**	–
Other payables	**254,941**	386,447	**11,029**	5,483
	1,509,925	1,944,724	**18,945**	13,955

The carrying amounts of provisions, accruals and other payables approximate their fair value.

28 Provisions, accruals and other payables *(continued)*

Included in provisions are warranty, restructuring and battery recall provisions as follows:

	Group			
	Warranty US$'000	Restructuring US$'000	Battery recall US$'000	Total US$'000
Year ended March 31, 2008				
At the beginning of the year	448,333	5,645	8,693	462,671
Exchange adjustment	–	1,227	–	1,227
Provisions made	665,912	50,820	–	716,732
Amounts utilized	(411,661)	(34,136)	(8,693)	(454,490)
Unused amounts reversed	–	(7,616)	–	(7,616)
Disposal of discontinued operations	(4,669)	(8,352)	–	(13,021)
	697,915	7,588	–	705,503
Long-term portion classified as non-current liabilities (Note 29)	(209,071)	–	–	(209,071)
At the end of the year	488,844	7,588	–	496,432
Year ended March 31, 2009				
At the beginning of the year	**697,915**	**7,588**	**–**	**705,503**
Exchange adjustment	**(2,191)**	**(520)**	**–**	**(2,711)**
Provisions made	**404,564**	**108,041**	**–**	**512,605**
Amounts utilized	**(483,898)**	**(16,755)**	**–**	**(500,653)**
Unused amounts reversed	**(82,991)**	**(751)**	**–**	**(83,742)**
	533,399	**97,603**	**–**	**631,002**
Long-term portion classified as non-current liabilities (Note 29)	**(170,008)**	**–**	**–**	**(170,008)**
At the end of the year	**363,391**	**97,603**	**–**	**460,994**

The Group records its warranty liability at the time of sales based on estimated costs. Warranty claims are reasonably predictable based on historical failure rate information. The warranty accrual is reviewed quarterly to verify it properly reflects the outstanding obligation over the warranty period. Certain of these costs are reimbursable from the suppliers in accordance with the terms of relevant arrangement with the suppliers.

29 Non-current liabilities

	Group		Company	
	2009 US$'000	2008 US$'000	**2009 US$'000**	2008 US$'000
Amount payable for marketing rights (Note 29(a))	**–**	5,417	**–**	–
Interest-bearing bank loans repayable within five years (Note 29(b))	**230,000**	465,000	**230,000**	465,000
Share-based compensation (Note 29(c))	**–**	6,430	**–**	6,430
Convertible preferred shares (Note 29(d))	**215,974**	211,181	**215,974**	211,181
Warranty provision (Note 28)	**170,008**	209,071	**–**	–
Retirement benefit obligations (Note 37)	**68,000**	85,490	**–**	–
Deferred revenue	**165,980**	88,701	**–**	–
Derivative financial liabilities	**7,382**	1,788	**7,382**	1,788
Other non-current liabilities	**33,864**	25,045	**–**	–
	891,208	1,098,123	**453,356**	684,399

29 Non-current liabilities *(continued)*

(a) On February 5, 2004, the Group entered into an agreement with the International Olympic Committee and the United States Olympic Committee regarding participation in The Olympic Partner Program. Pursuant to the agreement, the Group has to pay a total amount of US$65,000,000 in cash and value in kind to obtain marketing rights which include the use of Olympic intellectual property rights and exclusive worldwide marketing opportunities in its products, technology and service categories from January 1, 2005 to December 31, 2008.

(b) US$200 million of the 5-year revolving term loan with syndicated banks was reclassified to current liability according to the repayment schedule. The substantial loss incurred in the fourth quarter of the year ended March 31, 2009 triggered a breach of certain financial covenants, whereby the remaining balance of the loan of US$200 million was also reclassified as current liability. The Group has obtained the consent from the syndicated banks the waiver of strict compliance with those financial covenants and will enter into a revised loan agreement.

The Group has a 5-year fixed rate loan facility with a bank in China expiring in March 2011. At March 31, 2009, the outstanding loan balance was US$65 million of which US$35 million is payable in 2009/10, and a final repayment of US$30 million in 2010/11.

The Group also obtained a new US$300 million 3-year term loan facility with a bank in China in March 2009. This facility was utilized to the extent of US$200 million at March 31, 2009.

The carrying amounts of non-current liabilities approximate their fair value as the impact of discounting is not significant.

The balance of the 5-year revolving term loan of US$400 million and the current portion of the 5-year fixed rate loan of US$35 million are classified as current portion of non-current liabilities (Note 29(e)).

(c) This represents deferred share-based compensation in relation to replacement shares granted to legacy IBM employees as compensation of IBM vested stock options forfeited by them, and were treated as assumed liabilities of the acquisition.

(d) On May 17, 2005, the Company issued 2,730,000 convertible preferred shares at the stated value of HK$1,000 per share and unlisted warrants to subscribe for 237,417,474 shares for an aggregate cash consideration of approximately US$350 million. The convertible preferred shares bear a fixed cumulative preferential cash dividend, payable quarterly, at the rate of 4.5 percent per annum on the issue price of each convertible preferred share. The convertible preferred shares are redeemable, in whole or in part, at a price equal to the issue price together with accrued and unpaid dividends at the option of the Company or the convertible preferred shareholders at any time after the maturity date at May 17, 2012.

Movements of the liability component of the convertible preferred shares during the year are as follows:

	Group and Company	
	2009	2008
	US$'000	US$'000
At April 1	**211,181**	317,495
Exchange adjustment	**918**	1,720
Interest charged	**14,115**	18,700
Interest paid	**(10,240)**	(13,500)
Conversion to voting ordinary shares	**–**	(113,234)
At March 31	**215,974**	211,181

(e) The current portion of non-current liabilities are as follow:

	Group		Company	
	2009	2008	**2009**	2008
	US$'000	US$'000	**US$'000**	US$'000
Marketing rights	**–**	11,443	**–**	–
Electronic waste disposal levy	**2,359**	2,138	**–**	–
Interest-bearing bank loans	**435,000**	35,000	**435,000**	35,000
	437,359	48,581	**435,000**	35,000

30 Share capital

	2009		2008	
	Number of shares	**HK$'000**	Number of shares	HK$'000
Authorized:				
At the beginning and end of the year				
Ordinary shares	**20,000,000,000**	**500,000**	20,000,000,000	500,000
Series A cumulative convertible preferred shares	**3,000,000**	**27,525**	3,000,000	27,525
		527,525		527,525

	Number of shares	**US$'000**	Number of shares	US$'000
Issued and fully paid:				
Voting ordinary shares:				
At the beginning of the year	**8,888,786,650**	**28,496**	8,517,981,022	27,301
Conversion from Series A cumulative convertible preferred shares	**–**	**–**	350,459,078	1,130
Conversion from non-voting ordinary shares [1]	**375,282,756**	**1,203**	–	–
Exercise of share options (Note 30(b)(ii))	**24,948,000**	**80**	90,436,550	290
Repurchase of shares [2]	**(77,628,000)**	**(249)**	(70,090,000)	(225)
At the end of the year	**9,211,389,406**	**29,530**	8,888,786,650	28,496
Non-voting ordinary shares:				
At the beginning of the year	**375,282,756**	**1,203**	375,282,756	1,203
Conversion to voting ordinary shares [1]	**(375,282,756)**	**(1,203)**	–	–
At the end of the year	**–**	**–**	375,282,756	1,203
Issued and fully paid ordinary shares	**9,211,389,406**	**29,530**	9,264,069,406	29,699
Issued and fully paid Series A cumulative convertible preferred shares (Note 29(d)):				
At the beginning of the year	**1,774,999**	**2,081**	2,730,000	3,211
Conversion to voting ordinary shares	**–**	**–**	(955,001)	(1,130)
At the end of the year	**1,774,999**	**2,081**	1,774,999	2,081

1 On May 15, 2008, all non-voting ordinary shares have been converted into 375,282,756 voting ordinary shares.

2 For the year ended March 31, 2008, included in the 70,090,000 shares were 18,936,000 shares repurchased in March 2008 that were subsequently cancelled in April 2008.

30 Share capital *(continued)*

(a) Long-term incentive program

A performance-related long-term incentive program was approved on May 26, 2005 for the purpose of rewarding and motivating directors, executives and top-performing employees of the Company and its subsidiaries (the “Participants”). The long-term incentive program is designed to enable the Company to attract and retain the best available personnel, and encourage and motivate Participants to work towards enhancing the value of the Company and its shares by aligning their interests with those of the shareholders of the Company.

The Company also approved a share-based compensation package for non-executive directors.

Under the long-term incentive program, the Company may grant awards, at its discretion, using any of the three types of equity-based compensation: (i) share appreciation rights, (ii) restricted share units and (iii) performance share units, which are described below:

(i) *Share Appreciation Rights (“SARs”)*

An SAR entitles the holder to receive the appreciation in value of the Company’s share price above a predetermined level.

(ii) *Restricted Share Units (“RSUs”)*

An RSU is equal to the value of one ordinary share of the Company. Once vested, an RSU is converted to an ordinary share.

(iii) *Performance Share Units (“PSUs”)*

Each PSU is assigned a value equal to a number of the Company’s shares based on the Company’s performance against specified targets over a three-year period. The equivalent number of shares for each PSU can range from 0 to 2, depending on the Company’s performance.

Under all three types of compensation, the Company reserves the right, at its discretion, to pay the award in cash or ordinary shares of the Company. The PSU plan was discontinued in 2006; however, the Company continues to honor grants previously awarded. All outstanding awards were vested or cancelled on May 1, 2008.

Movements in the number of units of awards granted during the year and their related average fair values are as follows:

	Number of units		
	SARs	RSUs	PSUs
Outstanding at April 1, 2007	312,027,688	146,896,513	11,313,048
Granted during the year	98,847,054	94,393,041	–
Vested during the year	(88,579,926)	(35,687,810)	–
Lapsed/cancelled during the year	(22,476,983)	(11,344,452)	(330,130)
Outstanding at March 31, 2008	299,817,833	194,257,292	10,982,918
Outstanding at April 1, 2008	**299,817,833**	**194,257,292**	**10,982,918**
Granted during the year	**290,145,645**	**231,923,705**	**–**
Vested during the year	**(125,173,097)**	**(82,027,769)**	**(10,887,843)**
Lapsed/cancelled during the year	**(51,354,953)**	**(61,471,698)**	**(95,075)**
Outstanding at March 31, 2009	**413,435,428**	**282,681,530**	**–**
Average fair value per unit (HK$)			
– At March 31, 2008	1.05	3.31	2.39
– At March 31, 2009	0.97	2.80	–

30 Share capital *(continued)*

(a) Long-term incentive program *(continued)*

The fair value of the SARs awarded under the long-term incentive program for the year ended March 31, 2009 was calculated by applying a Black-Scholes pricing model. The model inputs were the fair value (i.e. market value) of the Company's shares at the grant date, taking into account the expected volatility of 59.43 percent (2008: 38.42 percent), expected dividends during the vesting periods of 1.90 percent (2008: 1.85 percent), contractual life of 4.75 years (2008: 4.75 years), and a risk-free interest rate of 1.54 percent (2008: 4.44 percent).

The remaining vesting periods of the awards under the long-term incentive program as at March 31, 2009 ranged from 0.08 to 3.92 years (2008: 0.08 to 3.92 years).

(b) Share options

Under the Company's employee share option scheme adopted on January 18, 1994 ("Old Option Scheme"), the Company granted options to employees (including directors) of the Company or its subsidiaries to subscribe for ordinary shares in the Company, subject to a maximum of 10 percent of the issued share capital of the Company from time to time. Options granted are exercisable at any time during a period of ten years from the date upon which the option is accepted. The subscription price of the option shares is the higher of the nominal value of the ordinary shares and an amount which is 80 percent of the average of the closing prices of the listed ordinary shares on the five trading days immediately preceding the date on which the offer is made. The Old Option Scheme was terminated on April 26, 2002. Despite the fact that no further options may be granted thereunder, all other provisions of the Old Option Scheme will remain in force to govern the exercise of all the options previously granted.

On March 25, 2002, an ordinary resolution approving the adoption of a new share option scheme ("New Option Scheme") was passed by shareholders at an extraordinary general meeting of the Company.

Under the New Option Scheme, the Company may grant options to qualified participants as defined in the New Option Scheme to subscribe for ordinary shares in the Company, subject to a maximum of 10 percent of the issued share capital of the Company as at the date of adoption of the New Option Scheme. Options granted are exercisable at any time during a period of ten years from the date upon which the option is accepted. The subscription price of the option shares is the highest of the closing price of the listed ordinary shares on the date of grant; the average of the closing prices of the listed ordinary shares for the five trading days immediately preceding the date of grant; and the nominal value of the ordinary shares.

	2009 Number of outstanding share options	2008 Number of outstanding share options
At the beginning of the year	**282,959,051**	373,395,601
Exercised during the year (ii)	**(24,948,000)**	(90,436,550)
At the end of the year (iii)	**258,011,051**	282,959,051

(i) No share options were granted, lapsed or cancelled by the Company during the years ended March 31, 2008 and 2009.

30 Share capital *(continued)*

(b) Share options *(continued)*

(ii) Details of share options exercised during the year are as follows:

Year ended March 31, 2009

Exercise date (MM.DD.YYYY)	Exercise price HK$	Market value per ordinary share at exercise date HK$	Number of share options exercised	Gross proceeds received HK$
05.13.2008 to 05.19.2008	2.170	6.19-6.61	1,740,000	3,775,800
04.01.2008 to 04.29.2008	2.245	5.07-6.00	318,000	713,910
05.05.2008 to 05.27.2008	2.245	5.75-6.63	474,000	1,064,130
06.03.2008 to 06.24.2008	2.245	5.26-5.96	308,000	691,460
07.07.2008 to 07.29.2008	2.245	5.23-5.59	30,000	67,350
08.04.2008 to 08.26.2008	2.245	5.24-5.67	3,422,000	7,682,390
09.01.2008 to 09.23.2008	2.245	3.90-4.96	216,000	484,920
10.13.2008 to 10.20.2008	2.245	2.56-3.25	148,000	332,260
12.22.2008	2.245	2.22	20,000	44,900
04.01.2008 to 04.29.2008	2.435	5.07-6.00	136,000	331,160
05.05.2008 to 05.27.2008	2.435	5.75-6.63	332,000	808,420
06.03.2008 to 06.24.2008	2.435	5.26-5.96	352,000	857,120
07.07.2008 to 07.29.2008	2.435	5.23-5.59	410,000	998,350
08.04.2008 to 08.26.2008	2.435	5.24-5.67	220,000	535,700
09.02.2008 to 09.23.2008	2.435	3.90-4.95	30,000	73,050
10.13.2008 to 10.14.2008	2.435	3.16-3.25	16,000	38,960
04.01.2008 to 04.29.2008	2.545	5.07-6.00	1,096,000	2,789,320
05.05.2008 to 05.27.2008	2.545	5.75-6.63	906,000	2,305,770
06.03.2008 to 06.24.2008	2.545	5.26-5.96	164,000	417,380
07.07.2008 to 07.29.2008	2.545	5.23-5.59	538,000	1,369,210
08.04.2008 to 08.26.2008	2.545	5.24-5.67	364,000	926,380
09.01.2008 to 09.23.2008	2.545	3.90-4.96	722,000	1,837,490
10.06.2008 to 10.14.2008	2.545	3.01-3.29	86,000	218,870
04.01.2008 to 04.29.2008	2.876	5.07-6.00	1,354,000	3,894,104
05.05.2008 to 05.27.2008	2.876	5.75-6.63	676,000	1,944,176
06.03.2008 to 06.17.2008	2.876	5.26-5.96	46,000	132,296
07.07.2008 to 07.29.2008	2.876	5.23-5.59	142,000	408,392
08.04.2008 to 08.26.2008	2.876	5.24-5.67	2,500,000	7,190,000
09.01.2008 to 09.23.2008	2.876	3.90-4.96	1,182,000	3,399,432
10.14.2008	2.876	3.25	14,000	40,264
08.04.2008	2.904	5.38	332,000	964,128
08.12.2008 to 08.18.2008	2.904	5.36-5.67	500,000	1,452,000
05.20.2008	4.038	6.44	30,000	121,140
06.24.2008	4.038	5.44	64,000	258,432
09.01.2008 to 09.23.2008	4.038	3.90-4.96	92,000	371,496
04.21.2008	4.072	5.96	200,000	814,400
05.05.2008 to 05.27.2008	4.072	5.75-6.63	2,406,000	9,797,232
08.25.2008	4.072	5.57	400,000	1,628,800
04.01.2008 to 04.29.2008	4.312	5.07-6.00	888,000	3,829,056
05.05.2008 to 05.27.2008	4.312	5.75-6.63	994,000	4,286,128
06.02.2008 to 06.03.2008	4.312	5.83-5.88	22,000	94,864
07.07.2008 to 07.22.2008	4.312	5.23-5.59	262,000	1,129,744
08.11.2008 to 08.26.2008	4.312	5.36-5.67	690,000	2,975,280
09.02.2008 to 09.09.2008	4.312	4.70-4.95	106,000	457,072
			24,948,000	73,552,736

30 Share capital *(continued)*

(b) Share options *(continued)*

(ii) Details of share options exercised during the year are as follows: *(continued)*

Year ended March 31, 2008

Exercise date (MM.DD.YYYY)	**Exercise price** HK$	**Market value per ordinary share at exercise date** HK$	**Number of ordinary shares**	**Proceeds received** HK$
06.18.2007 to 06.25.2007	2.170	4.87-4.93	1,302,000	2,825,340
07.03.2007 to 07.31.2007	2.170	4.71-5.26	1,428,000	3,098,760
08.07.2007 to 08.27.2007	2.170	4.91-5.26	850,000	1,844,500
09.04.2007 to 09.25.2007	2.170	5.16-5.47	1,034,000	2,243,780
10.08.2007 to 10.30.2007	2.170	6.67-8.04	900,000	1,953,000
11.05.2007 to 11.06.2007	2.170	8.26-8.73	266,000	577,220
04.02.2007 to 04.30.2007	2.245	2.82-3.15	264,000	592,680
05.08.2007 to 05.29.2007	2.245	3.13-3.99	2,062,000	4,629,190
06.04.2007 to 06.26.2007	2.245	4.08-4.62	3,968,000	8,908,160
07.03.2007 to 07.31.2007	2.245	4.71-5.26	664,000	1,490,680
08.06.2007 to 08.28.2007	2.245	4.84-5.13	440,000	987,800
09.03.2007 to 09.25.2007	2.245	5.14-5.47	1,908,000	4,283,460
10.08.2007 to 10.30.2007	2.245	6.67-8.04	1,036,000	2,325,820
11.05.2007 to 11.27.2007	2.245	6.58-8.26	1,314,000	2,949,930
12.04.2007 to 12.24.2007	2.245	6.84-7.17	440,000	987,800
01.07.2008 to 01.08.2008	2.245	6.56-6.90	168,000	377,160
02.04.2008 to 02.25.2008	2.245	5.25-5.60	174,000	390,630
03.03.2008 to 03.31.2008	2.245	5.00-5.41	402,000	902,490
04.17.2007 to 04.30.2007	2.435	2.77-3.12	124,000	301,940
05.08.2007 to 05.29.2007	2.435	3.09-3.95	1,032,000	2,512,920
06.04.2007 to 06.26.2007	2.435	4.08-4.62	1,344,000	3,272,640
07.10.2007 to 07.31.2007	2.435	4.49-5.26	332,000	808,420
08.06.2007 to 08.28.2007	2.435	4.84-5.13	442,000	1,076,270
09.03.2007 to 09.25.2007	2.435	5.14-5.47	1,006,000	2,449,610
10.08.2007 to 10.30.2007	2.435	6.67-8.04	682,000	1,660,670
11.05.2007 to 11.20.2007	2.435	7.42-8.26	658,000	1,602,230
12.04.2007 to 12.24.2007	2.435	6.84-7.17	152,000	370,120
01.08.2008	2.435	6.56	26,000	63,310
02.25.2008	2.435	5.25	8,000	19,480
03.03.2008 to 03.25.2008	2.435	4.85-5.41	104,000	253,240
04.17.2007 to 04.30.2007	2.545	2.80-3.15	542,000	1,379,390
05.08.2007 to 05.29.2007	2.545	3.13-3.99	5,446,000	13,860,070
06.04.2007 to 06.26.2007	2.545	4.08-4.62	9,372,000	23,851,740
07.03.2007 to 07.31.2007	2.545	4.71-5.26	1,540,000	3,919,300
08.06.2007 to 08.28.2007	2.545	4.84.5.13	920,000	2,341,400
09.04.2007 to 09.25.2007	2.545	5.16-5.47	2,350,000	5,980,750
10.08.2007 to 10.30.2007	2.545	6.67-8.04	2,212,000	5,629,540
11.05.2007 to 11.27.2007	2.545	6.58-8.26	1,158,550	2,948,510
12.03.2007 to 12.24.2007	2.545	6.73-7.17	258,000	656,610
01.07.2008 to 01.29.2008	2.545	4.71-6.90	268,000	682,060
02.04.2008 to 02.25.2008	2.545	5.25-5.60	142,000	361,390
03.03.2008 to 03.31.2008	2.545	5.00-5.41	1,488,000	3,786,960

30 Share capital *(continued)*

(b) Share options *(continued)*

(ii) Details of share options exercised during the year are as follows: *(continued)*

Year ended March 31, 2008 *(continued)*

Exercise date (MM.DD.YYYY)	Exercise price HK$	Market value per ordinary share at exercise date HK$	Number of ordinary shares	Proceeds received HK$
04.24.2007 to 04.30.2007	2.876	3.15-3.18	132,000	379,632
05.08.2007 to 05.29.2007	2.876	3.13-3.99	3,160,000	9,088,160
06.04.2007 to 06.26.2007	2.876	4.08-4.62	4,540,000	13,057,040
07.03.2007 to 07.31.2007	2.876	4.71-5.26	1,044,000	3,002,544
08.06.2007 to 08.28.2007	2.876	4.84-5.13	956,000	2,749,456
09.03.2007 to 09.25.2007	2.876	5.14-5.47	968,000	2,783,968
10.08.2007 to 10.30.2007	2.876	6.67-8.04	1,718,000	4,940,968
11.05.2007 to 11.26.2007	2.876	6.80-8.26	328,000	943,328
12.03.2007 to 12.31.2007	2.876	6.73-7.01	308,000	885,808
01.07.2008 to 01.28.2008	2.876	4.55-6.90	1,468,000	4,221,968
02.04.2008 to 02.26.2008	2.876	5.23-5.60	136,000	391,136
03.17.2008 to 03.31.2008	2.876	4.59-5.00	240,000	690,240
06.25.2007	4.038	4.93	160,000	646,080
07.23.2007 to 07.30.2007	4.038	4.98-5.13	468,000	1,889,784
08.27.2007 to 08.28.2007	4.038	5.13-5.50	88,000	355,344
10.08.2007 to 10.09.2007	4.038	6.67-6.97	194,000	783,372
11.05.2007	4.038	8.26	2,000	8,076
12.24.2007	4.038	7.17	64,000	258,432
03.18.2008	4.038	4.34	40,000	161,520
06.18.2007 to 06.25.2007	4.072	4.87-4.93	740,000	3,013,280
08.27.2007 to 08.28.2007	4.072	5.50-5.13	1,060,000	4,316,320
09.03.2007 to 09.25.2007	4.072	5.14-5.47	1,840,000	7,492,480
11.05.2007 to 11.06.2007	4.072	8.26-8.73	628,000	2,557,216
12.24.2007	4.072	7.17	100,000	407,200
02.04.2008 to 02.25.2008	4.072	5.25-5.60	260,000	1,058,720
03.04.2008	4.072	5.20	100,000	407,200
06.11.2007 to 06.26.2007	4.312	4.35-4.62	3,108,000	13,401,696
07.03.2007 to 07.31.2007	4.312	4.71-5.26	1,750,000	7,546,000
08.07.2007 to 08.28.2007	4.312	4.91-5.13	1,448,000	6,243,776
09.03.2007 to 09.25.2007	4.312	5.14-5.47	4,236,000	18,265,632
10.08.2007 to 10.30.2007	4.312	6.67-8.04	4,734,000	20,413,008
11.05.2007 to 11.27.2007	4.312	6.58-8.26	1,726,000	7,442,512
12.03.2007 to 12.31.2007	4.312	6.73-7.01	1,576,000	6,795,712
01.07.2008 to 01.29.2008	4.312	4.71-6.90	212,000	914,144
02.04.2008 to 02.19.2008	4.312	5.27-5.60	348,000	1,500,576
03.03.2008 to 03.31.2008	4.312	5.00-5.41	330,000	1,422,960
			90,436,550	271,592,258

30 Share capital *(continued)*

(b) Share options *(continued)*

(iii) Details of share options at the balance sheet date were as follows:

Exercise period (MM.DD.YYYY)	**Exercise price** HK$	**2009 Number of ordinary shares**	2008 Number of ordinary shares
Old Option Scheme			
01.28.2000 to 01.27.2010	4.038	**6,510,000**	6,696,000
01.15.2001 to 01.14.2011	4.312	**52,050,000**	55,012,000
04.16.2001 to 04.15.2011	4.072	**27,816,000**	30,822,000
08.29.2001 to 08.28.2011	2.904	**–**	832,000
08.31.2001 to 08.30.2011	2.876	**38,502,000**	44,416,000
		124,878,000	137,778,000
New Option Scheme			
10.10.2002 to 10.09.2012	2.435	**19,982,000**	21,478,000
04.26.2003 to 04.25.2013	2.245	**37,660,000**	42,596,000
04.27.2004 to 04.26.2014	2.545	**75,491,051**	79,367,051
07.08.2004 to 07.07.2014	2.170	**–**	1,740,000
		133,133,051	145,181,051
		258,011,051	282,959,051

31 Share capital and reserves

The changes in the share capital and reserves of the Company during the year are as follows:

	Share capital US$'000	Share premium US$'000	Convertible rights in respect of convertible preferred shares and warrants US$'000	Exchange reserve US$'000	Share redemption reserve US$'000	Investment revaluation reserve US$'000	Share-based compensation reserve US$'000	Hedging reserve US$'000	Retained earnings US$'000	Total US$'000
At April 1, 2007	28,504	1,042,579	45,979	(2,497)	497	(181)	51,420	–	394,243	1,560,544
Fair value change on interest rate swap	–	–	–	–	–	–	–	(1,788)	–	(1,788)
Profit for the year	–	–	–	–	–	–	–	–	466,767	466,767
Exchange differences	–	–	–	5,743	–	–	–	–	–	5,743
Reserve realized on disposal of available-for-sale financial assets	–	–	–	–	–	181	–	–	–	181
Conversion of Series A cumulative convertible preferred shares	1,130	115,924	(3,820)	–	–	–	–	–	–	113,234
Vesting of shares under long-term incentive program	–	–	–	–	–	–	(26,011)	–	–	(26,011)
Exercise of share options	290	34,539	–	–	–	–	–	–	–	34,829
Share-based compensation	–	–	–	–	–	–	53,328	–	–	53,328
Repurchase of shares	(225)	(42,358)	–	–	–	–	–	–	–	(42,583)
Dividends paid	–	–	–	–	–	–	–	–	(68,076)	(68,076)
At March 31, 2008	29,699	1,150,684	42,159	3,246	497	–	78,737	(1,788)	792,934	2,096,168
At April 1, 2008	29,699	1,150,684	42,159	3,246	497	–	78,737	(1,788)	792,934	2,096,168
Fair value change on interest rate swap	–	–	–	–	–	–	–	(5,977)	–	(5,977)
Loss for the year	–	–	–	–	–	–	–	–	(59,626)	(59,626)
Exchange differences	–	–	–	9,679	–	–	–	–	–	9,679
Vesting of shares under long-term incentive program	–	–	–	–	–	–	(40,167)	–	–	(40,167)
Exercise of share options	80	9,353	–	–	–	–	–	–	–	9,433
Share-based compensation	–	–	–	–	–	–	54,114	–	–	54,114
Repurchase of shares	(249)	(53,658)	–	–	–	–	–	–	–	(53,907)
Dividends paid	–	–	–	–	–	–	–	–	(187,606)	(187,606)
At March 31, 2009	29,530	1,106,379	42,159	12,925	497	–	92,684	(7,765)	545,702	1,822,111

32 Significant related party transactions

(a) The Group had the following significant related party transactions in the normal course of business during the year:

	2009 US$'000	2008 US$'000
北京聯想利泰軟件有限公司 (Beijing Legendsoft International Technology Company Limited) (an associated company)		
– Purchase of goods	**6,361**	8
– Service income	**1,399**	686

Note: The English name of the company is a direct translation of its Chinese registered name.

The directors are of the opinion that the above transactions were conducted on normal commercial terms and in the ordinary course of business of the Group.

(b) Key management compensation

Details on key management compensation are set out in Note 11.

33 Bank facilities

Total bank facilities of the Group are as follows:

	Total facilities		Utilized amounts	
	2009 **US$'000**	2008 US$'000	**2009** **US$'000**	2008 US$'000
Term loan	**365,000**	100,000	**265,000**	100,000
Short-term syndicated loans	**400,000**	400,000	**400,000**	400,000
Short-term loans	**498,000**	406,000	**20,293**	61,130
Foreign exchange contracts	**3,433,000**	1,838,000	**1,964,000**	1,127,000
Other trade finance facilities	**279,000**	384,000	**91,000**	150,000
	4,975,000	3,128,000	**2,740,293**	1,838,130

The effective annual interest rates at March 31, 2009 were as follows:

	US$	Others currencies
Term loan	3.52%-5.16%	–
Short-term syndicated loans	3.26%	–
Short-term loans	–	2.60%-5.50%

34 Commitments

(a) Capital commitments

	Group 2009 US$'000	2008 US$'000
Contracted but not provided for:		
– Property, plant and equipment	**22,728**	15,854
– Intangible assets	**10,608**	13,584
– Investment	**8,719**	5,216
– IT consulting services	**1,126**	–
	43,181	34,654
Authorized but not contracted for:		
– Property, plant and equipment	**34,184**	74,184
– Intangible assets	**42,660**	44,976
– Investment	**31,639**	25,247
	108,483	144,407

At March 31, 2009, the Company did not have any capital commitments (2008: Nil).

(b) Commitments under operating leases

The Group had future aggregate minimum lease payments in respect of land and buildings under non-cancelable operating leases as follows:

	2009 US$'000	2008 US$'000
Not later than one year	**38,946**	35,225
Later than one year but not later than five years	**93,714**	82,539
Later than five years	**61,901**	60,399
	194,561	178,163

At March 31, 2009, the Company did not have any operating lease commitments (2008: Nil).

35 Contingent liabilities

(a) The Group, in the ordinary course of its business, is involved in various other claims, suits, investigations, and legal proceedings that arise from time to time. Although the Group does not expect that the outcome in any of these other legal proceedings, individually or collectively, will have a material adverse effect on its financial position or results of operations, litigation is inherently unpredictable. Therefore, the Group could incur judgments or enter into settlements of claims that could adversely affect its operating results or cash flows in a particular period.

(b) The Company has executed guarantees with respect to bank facilities made available to its subsidiaries. At March 31, 2009, such facilities granted and utilized amounted to approximately US$533,837,000 and US$59,952,000 (2008: US$1,166,542,000 and US$326,402,000) respectively.

(c) The Company has issued letters of guarantee to certain suppliers and vendors of its subsidiaries. At March 31, 2009, the guarantees granted and utilized amounted to approximately US$100,000,000 and US$176,929,000 (2008: US$512,500,000 and US$123,281,000) respectively.

36 Notes to the consolidated cash flow statement

(a) Reconciliation of (loss)/profit before taxation to net cash generated from operations

	2009 US$'000	2008 US$'000
(Loss)/profit before taxation	**(187,945)**	512,850
Share of profits of associated companies	**(351)**	(124)
Finance income	**(59,977)**	(52,048)
Depreciation of property, plant and equipment and amortization of prepaid lease payments	**143,269**	88,025
Amortization of intangible assets and share-based compensation	**137,843**	180,641
(Gain)/loss on disposal of property, plant and equipment	**(276)**	8,299
Loss on disposal of intangible assets	**–**	7,210
Impairment of assets	**–**	2,530
Dividend income	**(1,053)**	–
Loss/(gain) on disposal of investments	**124**	(19,791)
Decrease/(increase) in inventories	**26,028**	(152,473)
Decrease/(increase) in trade receivables, notes receivable, deposits, prepayments and other receivables	**616,431**	(463,631)
(Decrease)/increase in trade payables, notes payable, provisions, accruals and other payables	**(692,274)**	981,950
Finance costs	**38,142**	38,366
Net cash generated from operations	**19,961**	1,131,804

(b) Changes in bank borrowings

	2009 US$'000	2008 US$'000
Proceeds from borrowings	**297,061**	932,355
Repayment of borrowings	**(172,568)**	(503,672)
	124,493	428,683

37 Retirement benefit obligations

	Group	
	2009 US$'000	2008 US$'000
Pension obligation included in other non-current liabilities (Note 29)		
Pension benefits	**59,115**	77,264
Post-employment medical benefits	**8,885**	8,226
	68,000	85,490
Expensed in income statement		
Pension benefits	**11,032**	6,931
Post-employment medical benefits	**1,021**	1,253
	12,053	8,184
Net actuarial gains recognized in equity	**7,025**	–

On the acquisition of the personal computer business of IBM, the Group assumed a cash balance pension liability for substantially all former IBM employees in Japan, and final salary defined benefit obligations for selected employees in other countries.

37 Retirement benefit obligations *(continued)*

In the United States, the Group operates a final-salary pension plan that covers approximately 25% of all employees. These were former participants in the IBM U.S. pension plan. In addition, the Group operates a supplemental defined benefit plan that covers certain executives transferred from IBM and is intended to provide benefits in excess of certain U.S. tax and labour law limits that apply to the pension plan. Both plans are frozen to new participation. However, benefits continue to accrue.

In Germany, the Group operates a sectionalized plan that has both defined contribution and defined benefit features, including benefits based on a final pay formula. This plan is closed to new entrants.

Participant benefits under the Group plans depend on the provisions of the former IBM plan under which the participant had been covered. The Group's major plans are valued by qualified actuaries annually using the projected unit credit method.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in the period they arise. The cumulative amount of actuarial gains and losses recognized in equity is a net gain of US$7,025,000. Actuarial gains and losses were recognized immediately in the income statements in prior periods.

(a) Pension benefits

The amounts recognized in the balance sheet are determined as follows:

	Group	
	2009	2008
	US$'000	US$'000
Present value of funded obligations	**188,720**	197,210
Fair value of plan assets	**(134,852)**	(127,142)
	53,868	70,068
Present value of unfunded obligations	**5,247**	7,196
Liability in the balance sheet	**59,115**	77,264
Pension plan asset in the balance sheet	**–**	–

The movements in the liability recognized in the balance sheet are as follows:

	Group	
	2009	2008
	US$'000	US$'000
At the beginning of the year	**77,264**	95,970
Reclassification	**–**	(12,595)
Exchange adjustment	**(2,566)**	6,330
Pension expense	**11,032**	6,931
Contributions by employer	**(19,823)**	(19,595)
Net actuarial gains	**(6,792)**	–
Others	**–**	223
At the end of the year	**59,115**	77,264

The amounts recognized in the income statement are as follows:

	Group	
	2009	2008
	US$'000	US$'000
Current service cost	**7,522**	8,273
Interest cost	**6,186**	6,027
Expected return on plan assets	**(4,066)**	(4,219)
Actuarial gains	**–**	(2,954)
Curtailment losses/(gain)	**1,390**	(196)
Total expense recognized in the income statement	**11,032**	6,931

37 Retirement benefit obligations *(continued)*

(a) Pension benefits *(continued)*

The principal actuarial assumptions used are as follows:

	Group	
	2009	2008
Discount rate	**2.5%-5.5%**	2.25%-5.25%
Expected return on plan assets	**0%-4.25%**	3.5%-6.0%
Future salary increases	**2.2%-3.5%**	2.2%-3.1%
Future pension increases	**0%-1.75%**	0%-2.0%
Cash balance crediting rate	**2.5%**	2.5%-5.0%
Life expectancy for those aged 60	**82**	82

The expected return on plan assets is derived by taking the weighted average of the long term expected rate of return on each of the asset classes that the plan was invested in at the balance sheet date.

(b) Post-employment medical benefits

The Group operates a number of post-employment medical benefit schemes, principally in the U.S.. The method of accounting, assumptions and the frequency of valuations are similar to those used for defined benefit pension schemes.

The U.S. plan (Lenovo Future Health Account and Retiree Life Insurance Program) is currently funded by a trust that qualifies for tax exemption under U.S. tax law, out of which benefits to eligible retirees and dependents will be made.

The liabilities for post-employment medical benefits are not sensitive to changes in future medical cost trend rates.

The amounts recognized in the balance sheet are determined as follows:

	Group	
	2009	2008
	US$'000	US$'000
Present value of funded obligations	**16,491**	16,065
Fair value of plan assets	**(7,761)**	(8,018)
	8,730	8,047
Present value of unfunded obligations	**155**	179
Liability in the balance sheet	**8,885**	8,226

Movements in the liability recognized in the balance sheet are as follows:

	Group	
	2009	2008
	US$'000	US$'000
At the beginning of the year	**8,226**	6,978
Reclassification	**–**	(178)
Exchange adjustment	**(116)**	991
Contributions by employer	**(13)**	–
Post-retirement expenses	**1,021**	1,253
Net actuarial gains	**(233)**	–
Others	**–**	(818)
At the end of the year	**8,885**	8,226

37 Retirement benefit obligations *(continued)*

(b) Post-employment medical benefits *(continued)*

The amounts recognized in the income statement are as follows:

	Group	
	2009 US$'000	2008 US$'000
Current service cost	**1,650**	1,765
Interest cost	**739**	638
Expected return on plan assets	**(217)**	(334)
Net actuarial losses	**–**	487
Curtailment gain	**(1,151)**	(1,303)
Total expense recognized in income statement	**1,021**	1,253

(c) Additional information on post-employment benefits (pension and medical)

Plan assets comprise:

	Pensions		Medical	
	2009 US$'000	2008 US$'000	**2009 US$'000**	2008 US$'000
Equities	**36,245**	49,977	**7,761**	8,018
Bonds	**88,711**	62,978	**–**	–
Others	**9,896**	14,187	**–**	–
Total	**134,852**	127,142	**7,761**	8,018

Reconciliation of fair value of plan assets of the Group:

	Pensions		Medical	
	2009 US$'000	2008 US$'000	**2009 US$'000**	2008 US$'000
Opening fair value	**127,142**	103,907	**8,018**	6,920
Reclassification	**–**	2,925	**–**	–
Exchange adjustment	**(3,840)**	15,837	**–**	–
Expected return on plan assets	**4,066**	4,219	**217**	334
Actuarial (losses)/gains	**(5,800)**	(11,384)	**(223)**	9
Contributions by the employer	**19,823**	19,595	**13**	–
Contributions by plan participants	**–**	117	**–**	–
Benefits paid	**(6,539)**	(8,074)	**(264)**	(63)
Others	**–**	–	**–**	818
Closing fair value	**134,852**	127,142	**7,761**	8,018
Actual return on plan assets	**(1,734)**	(7,165)	**(6)**	343

Contributions of US$5,022,000 are estimated to be made for the year ending March 31, 2010, excluding amounts due to be transferred from IBM plans.

37 Retirement benefit obligations *(continued)*

(c) Additional information on post-employment benefits (pension and medical) *(continued)*

Reconciliation of movements in present value of defined benefit obligations of the Group:

	Pensions		Medical	
	2009	2008	**2009**	2008
	US$'000	US$'000	**US$'000**	US$'000
Opening defined benefit obligation	**204,406**	199,877	**16,244**	13,898
Reclassification	**–**	(9,670)	**–**	(178)
Exchange adjustment	**(6,406)**	22,167	**(116)**	991
Current service cost	**7,522**	8,273	**1,650**	1,765
Interest cost	**6,186**	6,027	**739**	638
Contributions by plan participants	**–**	117	**–**	–
Actuarial (gains)/losses	**(12,592)**	(14,338)	**(456)**	496
Benefits paid	**(6,539)**	(8,074)	**(264)**	(63)
Curtailments	**1,390**	(196)	**(1,151)**	(1,303)
Others	**–**	223	**–**	–
Closing defined benefit obligation	**193,967**	204,406	**16,646**	16,244

Summary of pensions and post-retirement medical benefits

	Group			
	2009	2008	2007	2006
	US$'000	US$'000	US$'000	US$'000
Present value of defined benefit obligations	**210,613**	220,650	213,775	178,568
Fair value of plan assets	**142,613**	135,160	110,827	32,581
Deficit	**68,000**	85,490	102,948	145,987
Actuarial losses/(gains) arising on plan assets				
Amount of losses/(gains)	**6,023**	(11,384)	(2,152)	32
Percentage of the fair value of plan assets	**(4.2%)**	8.4%	1.9%	(0.1%)
Actuarial (gains)/losses arising on plan liabilities				
Amount of (gains)/losses	**(13,048)**	10,081	8,040	(510)
Percentage of the present value of the defined benefit obligation	**(6.2%)**	4.6%	4.0%	(0.3%)

The Group's pension and post-retirement medical benefits plans are established during the year ended March 31, 2006.

38 Principal subsidiaries

The following includes the principal subsidiaries directly or indirectly held by the Company and, in the opinion of the directors, are significant to the results of the year or form a substantial portion of the net assets of the Group. The directors consider that giving details of other subsidiaries would result in particulars of excessive length.

Company name	Place of incorporation/ establishment	Issued and fully paid up capital	Effective holding 2009	Effective holding 2008	Principal activities
Held directly:					
聯想(北京)有限公司 (Lenovo (Beijing) Limited) [1] (wholly foreign-owned enterprise)	Chinese Mainland	HK$175,481,300	**100%**	100%	Manufacturing and distribution of IT products and provision of IT services
聯想(上海)有限公司 (Lenovo (Shanghai) Co., Ltd.) [1] (wholly foreign-owned enterprise)	Chinese Mainland	HK$10,000,000	**100%**	100%	Distribution of IT products and provision of IT services
Held indirectly:					
Lenovo (Asia Pacific) Limited	Hong Kong	HK$1,225,130,735	**100%**	100%	Investment holding and distribution of IT products
北京聯想軟件有限公司 (Beijing Lenovo Software Limited) [1] (wholly foreign-owned enterprise)	Chinese Mainland	HK$5,000,000	**100%**	100%	Provision of IT services and distribution of IT products
惠陽聯想工業物業有限公司 (Huiyang Lenovo Industry Property Limited)[1] (Chinese-foreign equity joint venture)	Chinese Mainland	US$2,045,500	**100%**	100%	Property holding and property management
聯想國際信息產品(深圳)有限公司 (International Information Products (Shenzhen) Co., Ltd) [1] (wholly foreign-owned enterprise)	Chinese Mainland	US$7,800,000	**100%**	100%	Manufacturing and distribution of IT products
Lenovo (Australia & New Zealand) Pty Limited	Australia	AUD36,272,716	**100%**	100%	Distribution of IT products
Lenovo (Belgium) Sprl	Belgium	EUR24,384,053	**100%**	100%	Investment holding and distribution of IT products

38 Principal subsidiaries *(continued)*

Company name	Place of incorporation/ establishment	Issued and fully paid up capital	Effective holding 2009	2008	Principal activities
Lenovo (Canada) Inc.	Canada	CAD10,000,000	**100%**	100%	Distribution of IT products
聯想(成都)有限公司 (Lenovo (Chengdu) Limited) [1] (Chinese-foreign equity joint venture)	Chinese Mainland	RMB12,000,000	**100%**	100%	Provision of IT services and distribution of IT products
Lenovo Computer Limited	Hong Kong	HK$2	**100%**	100%	Procurement agency and distribution of IT products
Lenovo (Danmark) ApS	Denmark	DKK126,000	**100%**	100%	Distribution of IT products
Lenovo (Deutschland) GmbH	Germany	EUR25,100	**100%**	100%	Distribution of IT products
Lenovo (France) SAS	France	EUR1,837,000	**100%**	100%	Distribution of IT products
Lenovo (Hong Kong) Limited	Hong Kong	HK$23,640,611	**100%**	100%	Distribution of IT products
惠陽聯想電子工業有限公司 (Lenovo (Huiyang) Electronic Industrial Co., Ltd.) [1] (wholly foreign-owned enterprise)	Chinese Mainland	HK$16,000,000	**100%**	100%	Manufacturing of IT products
Lenovo (India) Private Limited	India	INR326,969,990	**100%**	100%	Manufacturing and distribution of IT products
聯想信息產品(深圳)有限公司 (Lenovo Information Products (Shenzhen) Co. Ltd.) [1] (wholly foreign-owned enterprise)	Chinese Mainland	US$80,000,000	**100%**	100%	Manufacturing and distribution of IT products
Lenovo (International) B.V.	Netherlands	EUR20,000	**100%**	100%	Investment holding and distribution of IT products

38 Principal subsidiaries *(continued)*

Company name	Place of incorporation/ establishment	Issued and fully paid up capital	Effective holding 2009	Effective holding 2008	Principal activities
聯想工業實業發展(大亞灣)有限公司 (Lenovo Industrial Development Co., (Daya Bay) Ltd.) [1] (wholly foreign-owned enterprise)	Chinese Mainland	US$10,000,000	**100%**	100%	Property holding and property management
Lenovo (Israel) Ltd	Israel	ILS1,000	**100%**	100%	Distribution of IT products
Lenovo (Italy) S.r.l	Italy	EUR100,000	**100%**	100%	Distribution of IT products
Lenovo (Japan) Ltd	Japan	JPY300,000,000	**100%**	100%	Distribution of IT products
Lenovo Korea LLC	Korea	KRW3,580,940,000	**100%**	100%	Distribution of IT products
Lenovo Mexico, S. de R.L. de C.V.	Mexico	MXN101,158,469	**100%**	100%	Distribution of IT products
Lenovo PC HK Limited	Hong Kong	HK$2 ordinary and HK$1,000,000 non-voting deferred	**100%**	100%	Distribution of IT products
Lenovo (Schweiz) GmbH	Switzerland	CHF2,000,000	**100%**	100%	Distribution of IT products
聯想(瀋陽)有限公司 (Lenovo (Shenyang) Limited) [1] (Chinese-foreign equity joint venture)	Chinese Mainland	US$1,200,000	**100%**	100%	Provision of IT services and distribution of IT products
Lenovo (Singapore) Pte. Ltd.	Singapore	SGD1,314,573,749	**100%**	100%	Procurement agency, group treasury, supply chain management, intellectual property rights management and distribution of IT products
Lenovo (South Africa) (Pty) Limited	South Africa	ZAR100	**100%**	100%	Distribution of IT products
Lenovo (Spain), SRL	Spain	EUR108,182	**100%**	100%	Distribution of IT products

38 Principal subsidiaries *(continued)*

Company name	Place of incorporation/ establishment	Issued and fully paid up capital	Effective holding 2009	Effective holding 2008	Principal activities
Lenovo (Sweden) AB	Sweden	SEK200,000	**100%**	100%	Distribution of IT products
Lenovo Technology (United Kingdom) Limited	United Kingdom	GBP8,629,507	**100%**	100%	Distribution of IT products
Lenovo Technology B.V.	Netherlands	EUR20,000	**100%**	100%	Distribution of IT products
Lenovo Tecnologia (Brasil) Ltda	Brazil	BRL112,298,654	**100%**	100%	Distribution of IT products
Lenovo (Thailand) Limited	Thailand	THB50,000,000	**100%**	100%	Distribution of IT products
Lenovo (United States) Inc.	United States	US$1	**100%**	100%	Distribution of IT products
Lenovo (Venezuela), SA	Venezuela	VEB3,846,897	**100%**	100%	Distribution of IT products
聯想(武漢)有限公司 (Lenovo (Wuhan) Limited) [1] (Chinese-foreign equity joint venture)	Chinese Mainland	RMB10,000,000	**100%**	100%	Provision of IT services and distribution of IT products
聯想(西安)有限公司 (Lenovo (Xian) Limited) [1] (Chinese-foreign equity joint venture)	Chinese Mainland	RMB10,000,000	**100%**	100%	Provision of IT services and distribution of IT products
LLC Lenovo (East Europe/Asia)	Russia	RUB1,910,000	**100%**	100%	Distribution of IT products
上海聯想電子有限公司 (Shanghai Lenovo Electronic Co., Ltd.) [1] (Chinese-foreign equity joint venture)	Chinese Mainland	RMB20,000,000	**100%**	100%	Manufacturing of IT products
陽光雨露信息技術服務(北京)有限公司 (Sunny Information Technology Service (Beijing) Co., Ltd.) [1] (Chinese-foreign equity joint venture)	Chinese Mainland	RMB20,000,000	**100%**	100%	Provision of repair services for computer hardware and software systems
Lenovo Technology Sdn. Bhd. (previously known as Think Products (Malaysia) Sdn. Bhd.)	Malaysia	MYR251,000	**100%**	100%	Distribution of IT products

38 Principal subsidiaries *(continued)*

Notes:

(i) All the above subsidiaries operate principally in their respective places of incorporation or establishment.

(ii) All the Chinese Mainland subsidiaries are limited liability companies. They have adopted December 31 as their financial year end date for statutory reporting purposes. For the preparation of the consolidated financial statements, financial statements of these subsidiaries for the years ended March 31, 2008 and 2009 have been used.

(iii) The company whose English name ends with a "1" is a direct transliteration of its Chinese registered name.

39 Approval of financial statements

The financial statements were approved by the board of directors on May 21, 2009.

FIVE-YEAR FINANCIAL SUMMARY

	2009 US$'000	2008 US$'000	2007 US$'000	2006 US$'000	2005 US$'000
Continuing operations					
Sales	**14,901,351**	16,351,503	13,978,309	12,685,726	2,609,198
Cost of sales	**(13,159,742)**	(13,901,523)	(12,091,433)	(10,967,415)	(2,294,346)
Gross profit	**1,741,609**	2,449,980	1,886,876	1,718,311	314,852
Other income/(expenses)-net	**929**	17,261	8,187	(7,739)	13,538
Selling and distribution expenses	**(938,451)**	(1,103,713)	(1,033,296)	(969,288)	(127,207)
Administrative expenses	**(627,903)**	(595,902)	(488,150)	(415,608)	(35,382)
Research and development expenses	**(220,010)**	(229,759)	(196,225)	(164,822)	(27,992)
Other operating (expenses)/income-net	**(166,305)**	(38,823)	(15,906)	(85,275)	2,076
Operating (loss)/profit	**(210,131)**	499,044	161,486	75,579	139,885
Finance income	**59,977**	52,048	26,329	24,229	13,548
Finance costs	**(38,142)**	(38,366)	(35,133)	(51,981)	(855)
Share of profits/(losses) of jointly controlled entities	**–**	–	–	138	(1,580)
Share of profits of associated companies	**351**	124	1,869	464	536
(Loss)/profit before taxation	**(187,945)**	512,850	154,551	48,429	151,534
Taxation	**(38,444)**	(47,613)	(26,197)	(56,881)	(4,511)
(Loss)/profit from continuing operations	**(226,389)**	465,237	128,354	(8,452)	147,023
Discontinued operations					
Profit/(loss) from discontinued operations	**–**	19,920	32,784	36,122	(6,982)
(Loss)/profit for the year	**(226,389)**	485,157	161,138	27,670	140,041
(Loss)/profit attributable to:					
Shareholders of the Company	**(226,392)**	484,263	161,138	22,210	143,608
Minority interests	**3**	894	–	5,460	(3,567)
	(226,389)	485,157	161,138	27,670	140,041
Dividends	**35,575**	186,753	59,331	59,198	49,847
(Loss)/earnings per share					
Basic					
– Continuing operations	**(US2.56 cents)**	US5.29 cents	US1.49 cents	(US0.16 cents)	US2.02 cents
– Discontinued operations	**–**	US0.22 cents	US0.38 cents	US0.41 cents	(US0.09 cents)
	(US2.56 cents)	US5.51 cents	US1.87 cents	US0.25 cents	US1.93 cents
Diluted					
– Continuing operations	**(US2.56 cents)**	US4.86 cents	US1.47 cents	(US0.15 cents)	US2.01 cents
– Discontinued operations	**–**	US0.20 cents	US0.37 cents	US0.40 cents	(US0.09 cents)
	(US2.56 cents)	US5.06 cents	US1.84 cents	US0.25 cents	US1.92 cents
Total assets	**6,308,299**	7,199,847	5,450,838	5,040,558	1,157,943
Total liabilities	**4,997,384**	5,586,584	4,316,562	3,995,911	487,686
Net assets	**1,310,915**	1,613,263	1,134,276	1,044,647	670,257

CORPORATE INFORMATION

Board of Directors

Chairman and non-executive director
Mr. Liu Chuanzhi

Executive director
Mr. Yang Yuanqing

Non-executive directors
Mr. Zhu Linan
Ms. Ma Xuezheng
Mr. James G. Coulter
Mr. William O. Grabe
Dr. Wu Yibing
Mr. Justin T. Chang
(Alternate director to Mr. James G. Coulter)

Independent non-executive directors
Professor Woo Chia-Wei
Mr. Ting Lee Sen
Mr. John W. Barter III
Dr. Tian Suning

Chief Financial Officer
Mr. Wong Wai Ming

Company Secretary
Mr. Mok Chung Fu

Registered Office
23rd Floor, Lincoln House, Taikoo Place,
979 King's Road, Quarry Bay, Hong Kong

Principal Bankers
BNP Paribas
Standard Chartered Bank (Hong Kong) Limited
China Merchants Bank
Citibank, N.A.
Industrial and Commercial Bank of China
The Hongkong and Shanghai Banking Corporation Limited

Independent Auditor
PricewaterhouseCoopers
Certified Public Accountants
22nd Floor, Prince's Building,
Central, Hong Kong

Share Registrar
Tricor Abacus Limited
26th Floor, Tesbury Centre,
28 Queen's Road East, Hong Kong

American Depositary Receipts
(Depositary and Registrar)
Citibank, N.A.
14th Floor, 388 Greenwich Street,
New York, NY 10013, USA

Stock Codes

Hong Kong Stock Exchange:	992
American Depositary Receipts:	LNVGY

Website
www.lenovo.com

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