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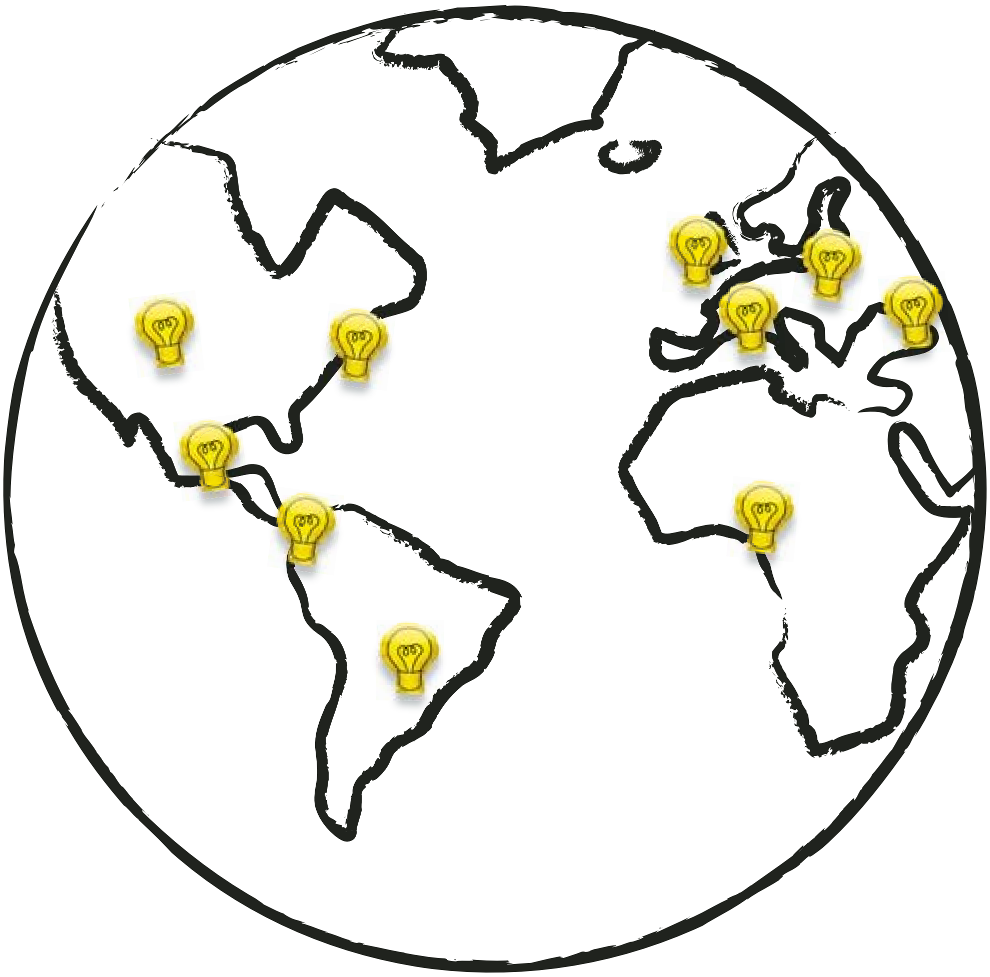

IDEAS EVERYWHERE

Lenovo Group Limited Interim Report 2008/09

lenovo®
NEW WORLD. NEW THINKING.™

IN EVERY DIRECTION

On the subway. At the office. In the elevator. At the beach. In the park. In the car. On the bus. In the bedroom. In the boardroom. Where do you have your best ideas?

Wherever it may be, Lenovo believes in the power of ideas and helps you create, nurture, preserve, share and realize them. Lenovo makes exceptionally engineered PCs. Innovative, reliable, beautifully-designed machines that are enjoyed and relied upon in the commercial and, increasingly, consumer marketplaces. Lenovo, itself, is the culmination of novel ideas and daring vision that have contributed to the formation and unremitting growth of a "new world" company.

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INTERIM RESULTS

The board of directors (the "Board") of Lenovo Group Limited (the "Company") is pleased to announce the unaudited results of the Company and its subsidiaries (the "Group") for the six months ended September 30, 2008 together with comparative figures for the corresponding period of last year, as follows:

CONSOLIDATED INCOME STATEMENT

	Note	**3 months ended September 30, 2008 (unaudited) US$'000**	**6 months ended September 30, 2008 (unaudited) US$'000**	3 months ended September 30, 2007 (unaudited) US$'000	6 months ended September 30, 2007 (unaudited) US$'000
Continuing operations					
Sales	2	**4,326,116**	**8,538,775**	4,310,323	8,123,419
Cost of sales		**(3,780,787)**	**(7,398,943)**	(3,665,683)	(6,913,614)
Gross profit		**545,329**	**1,139,832**	644,640	1,209,805
Other (expense)/income – net	3	**(138)**	**888**	28	2,142
Selling and distribution expenses		**(270,702)**	**(520,953)**	(303,892)	(558,318)
Administrative expenses		**(157,764)**	**(332,100)**	(142,923)	(271,662)
Research and development expenses		**(47,086)**	**(101,199)**	(57,589)	(106,407)
Other operating expenses – net		**(39,984)**	**(29,598)**	(20,341)	(66,358)
Operating profit		**29,655**	**156,870**	119,923	209,202
Finance income		**18,624**	**38,434**	14,484	20,409
Finance costs	4	**(9,419)**	**(18,968)**	(9,572)	(17,606)
Share of profits/(losses) of associated companies		**255**	**(319)**	65	59
Profit before taxation		**39,115**	**176,017**	124,900	212,064
Taxation	5	**(15,673)**	**(42,082)**	(17,533)	(33,124)
Profit from continuing operations		**23,442**	**133,935**	107,367	178,940
Discontinued operations					
Loss from discontinued operations	6	**–**	**–**	(2,112)	(6,846)
Profit for the period		**23,442**	**133,935**	105,255	172,094
Profit attributable to shareholders of the Company:					
– Continuing operations		**23,442**	**133,935**	107,367	178,940
– Discontinued operations		**–**	**–**	(2,112)	(6,846)
		23,442	**133,935**	105,255	172,094
Minority interests		**–**	**–**	–	–
		23,442	**133,935**	105,255	172,094
Dividend	7		**35,575**		34,715
Basic earnings per share attributable to shareholders of the Company	8(a)				
– Continuing operations		**US0.27 cents**	**US1.51 cents**	US1.24 cents	US2.08 cents
– Discontinued operations		**–**	**–**	(US0.02 cents)	(US0.08 cents)
		US0.27 cents	**US1.51 cents**	US1.22 cents	US2.00 cents
Diluted earnings per share attributable to shareholders of the Company	8(b)				
– Continuing operations		**US0.25 cents**	**US1.38 cents**	US1.14 cents	US1.93 cents
– Discontinued operations		**–**	**–**	(US0.02 cents)	(US0.07 cents)
		US0.25 cents	**US1.38 cents**	US1.12 cents	US1.86 cents

CONSOLIDATED BALANCE SHEET

	Note	September 30, 2008 (unaudited) US$'000	March 31, 2008 (audited) US$'000
Non-current assets			
Property, plant and equipment	9	**359,141**	364,778
Prepaid lease payments		**5,927**	6,099
Construction-in-progress		**49,135**	51,237
Intangible assets		**1,866,687**	1,838,368
Investments in associated companies		**2,425**	2,690
Deferred tax assets		**160,282**	156,440
Available-for-sale financial assets		**59,752**	67,697
Derivative financial assets		**3,446**	–
Other non-current assets		**7,736**	7,172
		2,514,531	2,494,481
Current assets			
Inventories		**635,793**	471,557
Trade receivables	10(a)	**1,228,374**	860,543
Notes receivable		**290,636**	371,126
Derivative financial assets		**27,400**	3,392
Deposits, prepayments and other receivables		**793,597**	767,268
Income tax recoverable		**35,677**	40,002
Bank deposits		**673,448**	540,058
Cash and cash equivalents		**1,311,814**	1,651,420
		4,996,739	4,705,366
Total assets		**7,511,270**	7,199,847
Share capital	12	**29,529**	29,699
Reserves		**1,572,784**	1,583,390
Shareholders' funds		**1,602,313**	1,613,089
Minority interests		**174**	174
Total equity		**1,602,487**	1,613,263
Non-current liabilities	13	**1,015,125**	1,098,123
Current liabilities			
Trade payables	10(b)	**2,810,269**	2,282,199
Notes payable		**57,731**	46,421
Derivative financial liabilities		**7,733**	18,197
Provisions, accruals and other payables	11	**1,790,936**	1,944,724
Income tax payable		**65,247**	87,209
Short-term bank loans		**15,694**	61,130
Current portion of non-current liabilities		**146,048**	48,581
		4,893,658	4,488,461
Total liabilities		**5,908,783**	5,586,584
Total equity and liabilities		**7,511,270**	7,199,847
Net current assets		**103,081**	216,905
Total assets less current liabilities		**2,617,612**	2,711,386

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	6 months ended September 30, 2008 (unaudited) US$'000	6 months ended September 30, 2007 (unaudited) US$'000
Continuing operations		
Net cash generated from operating activities	**63,958**	904,639
Net cash used in investing activities	**(173,937)**	(113,953)
Net cash (used in)/generated from financing activities	**(252,437)**	53,910
(Decrease)/increase in cash and cash equivalents	**(362,416)**	844,596
Discontinued operations		
Decrease in cash and cash equivalents from discontinued operations	**–**	(15,747)
Effect of foreign exchange rate changes	**22,810**	(10,595)
Cash and cash equivalents at the beginning of the period	**1,651,420**	1,063,716
Cash and cash equivalents at the end of the period	**1,311,814**	1,881,970

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital (unaudited) US$'000	Share premium (unaudited) US$'000	Convertible rights in respect of convertible preferred shares and warrants (unaudited) US$'000	Exchange reserve (unaudited) US$'000	Investment revaluation reserve (unaudited) US$'000	Share redemption reserve (unaudited) US$'000	Employee share trusts (unaudited) US$'000	Share-based compen-sation reserve (unaudited) US$'000	Hedging reserve (unaudited) US$'000	Other reserve (unaudited) US$'000	Retained earnings (unaudited) US$'000	Minority interests (unaudited) US$'000	Total (unaudited) 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	–	–	–	–	(7,192)	–	–	–	–	–	–	–	(7,192)
Fair value change on interest rate swap contracts	–	–	–	–	–	–	–	–	5,220	–	–	–	5,220
Transfer to statutory reserve	–	–	–	–	–	–	–	–	–	6,201	(6,201)	–	–
Profit for the period	–	–	–	–	–	–	–	–	–	–	133,935	–	133,935
Exchange differences	–	–	–	47,503	–	–	–	–	–	–	–	–	47,503
Reserve realized on disposal of available-for-sale financial assets	–	–	–	–	(465)	–	–	–	–	–	–	–	(465)
Vesting of shares under long-term incentive program	–	–	–	–	–	–	24,641	(32,721)	–	–	–	–	(8,080)
Exercise of share options	79	9,267	–	–	–	–	–	–	–	–	–	–	9,346
Share-based compensation	–	–	–	–	–	–	–	25,304	–	–	–	–	25,304
Repurchase of shares	(249)	(53,658)	–	–	–	–	–	–	–	–	–	–	(53,907)
Contributions to employee share trusts	–	–	–	–	–	–	(17,169)	–	–	–	–	–	(17,169)
Dividend paid	–	–	–	–	–	–	–	–	–	–	(145,271)	–	(145,271)
At September 30, 2008	29,529	1,106,293	42,159	(19,157)	33,479	497	(164,763)	71,320	3,432	30,738	468,786	174	1,602,487
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	–	–	–	–	45,251	–	–	–	–	–	–	–	45,251
Transfer to statutory reserve	–	–	–	–	–	–	–	–	–	12,850	(12,850)	–	–
Profit for the period	–	–	–	–	–	–	–	–	–	–	172,094	–	172,094
Exchange differences	–	–	–	(26,271)	–	–	–	–	–	–	–	–	(26,271)
Reserve realized on disposal of available-for-sale financial assets	–	–	–	–	(1,886)	–	–	–	–	–	–	–	(1,886)
Vesting of shares under long-term incentive program	–	–	–	–	–	–	13,397	(17,207)	–	–	–	–	(3,810)
Exercise of share options	205	23,721	–	–	–	–	–	–	–	–	–	–	23,926
Share-based compensation	–	–	–	–	–	–	–	22,632	–	–	–	–	22,632
Dividend paid	–	–	–	–	–	–	–	–	–	–	(31,088)	–	(31,088)
At September 30, 2007	28,709	1,066,300	45,979	(49,027)	58,443	497	(113,904)	56,845	–	12,850	227,688	744	1,335,124

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

1 Basis of preparation

The Board is responsible for the preparation of the Group's condensed interim financial statements. These condensed interim financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants and Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. They have been prepared under the historical cost convention except that certain financial assets and financial liabilities are stated at fair values. These condensed interim financial statements should be read in conjunction with the 2007/08 annual financial statements.

The principal accounting policies and methods of computation used in the preparation of these condensed interim financial statements are consistent with those used in the annual financial statements for the year ended March 31, 2008.

The following interpretations are mandatory for the year ending March 31, 2009. The Group has adopted these new interpretations where considered appropriate and relevant to its operations.

- 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 following new standards, amendments to standards and interpretations have been issued but are not effective for the year ending March 31, 2009 and have not been early adopted:

- 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
- HKFRS 7 (Amendment), "Financial instruments: disclosures", 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", effective for annual periods beginning on or after January 1, 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 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

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 standards, amendments to standards and interpretations above to the Group in future periods.

2 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. 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 the corresponding period of last year, represents the continuing operations of the Group.

(a) Primary reporting format – geographical segments

The segment results and capital expenditure information for the six months ended September 30, 2008 are as follows:

	Americas (unaudited) US$'000	Europe, Middle East and Africa (unaudited) US$'000	Asia Pacific (excluding Greater China) (unaudited) US$'000	Greater China (unaudited) US$'000	Corporate or unallocated (unaudited) US$'000	Total (unaudited) US$'000
Sales	**2,163,539**	**1,794,133**	**963,471**	**3,617,632**	**–**	**8,538,775**
Segment operating results	**4,894**	**(7,196)**	**(15,999)**	**224,684**	**(50,401)**	**155,982**
Finance income						**38,434**
Finance costs						**(18,968)**
Loss on disposal of available-for-sale financial assets						**(124)**
Dividend income from available-for-sale financial assets						**1,012**
Share of losses of associated companies						**(319)**
Profit before taxation						**176,017**
Taxation						**(42,082)**
Profit for the period						**133,935**
Capital expenditure	**26,386**	**6,543**	**11,065**	**21,622**	**40,446**	**106,062**

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

Depreciation of property, plant and equipment and amortization of prepaid lease payments	**21,396**	**3,465**	**5,129**	**13,479**	**6,800**	**50,269**
Amortization of intangible assets	**637**	**966**	**257**	**13,791**	**16,900**	**32,551**
Employee benefit costs, *including*	**169,903**	**168,492**	**84,322**	**187,287**	**–**	**610,004**
– long-term incentive awards	***6,411***	***5,317***	***2,855***	***10,721***	**–**	***25,304***
– severance and related costs	***(102)***	***15,524***	***632***	**–**	***(523)***	***15,531***
Termination of onerous contracts	**6,653**	**–**	**–**	**–**	**–**	**6,653**
Rental expenses under operating leases	**5,179**	**5,828**	**5,896**	**6,321**	**–**	**23,224**

Note: Segment operating profit/(loss) presented above include the impact of one-off items of US$23,964,000, 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$13,224,000; Europe, Middle East and Africa US$8,328,000; Asia Pacific (excluding Greater China) (US$15,366,000); Greater China US$224,684,000; and corporate or unallocated (US$50,924,000).

2 Segment information *(continued)*

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

The segment assets and liabilities at September 30, 2008 are as follows:

	Americas (unaudited) US$'000	Europe, Middle East and Africa (unaudited) US$'000	Asia Pacific (excluding Greater China) (unaudited) US$'000	Greater China (unaudited) US$'000	Corporate or unallocated (unaudited) US$'000	Total (unaudited) US$'000
Segment assets	**1,373,460**	**678,926**	**860,403**	**3,580,867**		**6,493,656**
Investments in associated companies					**2,425**	
Deferred tax assets					**160,282**	
Available-for-sale financial assets					**59,752**	
Derivative financial assets					**3,446**	
Cash and cash equivalents					**393,305**	
Income tax recoverable					**35,677**	
Other unallocated assets					**362,727**	**1,017,614**
Consolidated total assets						**7,511,270**
Segment liabilities	**1,456,262**	**1,172,969**	**541,396**	**1,953,606**		**5,124,233**
Bank borrowings					**500,000**	
Convertible preferred shares					**213,545**	
Share-based compensation					**1,889**	
Income tax payable					**65,247**	
Other unallocated liabilities					**3,869**	**784,550**
Consolidated total liabilities						**5,908,783**

2 Segment information *(continued)*

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

The segment results and capital expenditure information for the six months ended September 30, 2007 are as follows:

	Americas (unaudited) US$'000	Europe, Middle East and Africa (unaudited) US$'000	Asia Pacific (excluding Greater China) (unaudited) US$'000	Greater China (unaudited) US$'000	Corporate or unallocated (unaudited) US$'000	Total (unaudited) US$'000
Sales	2,330,013	1,639,938	1,035,452	3,118,016	–	8,123,419
Segment operating results	42,779	44,758	(7,349)	205,828	(78,956)	207,060
Finance income						20,409
Finance costs						(17,606)
Gain on disposal of investments and available-for-sale financial assets						2,142
Share of profits of associated companies						59
Profit before taxation						212,064
Taxation						(33,124)
Profit for the period						178,940
Capital expenditure	27,571	3,582	8,188	40,489	51,969	131,799

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

	Americas	Europe, Middle East and Africa	Asia Pacific (excluding Greater China)	Greater China	Corporate or unallocated	Total
Depreciation of property, plant and equipment and amortization of prepaid lease payments	19,721	4,507	5,054	12,077	–	41,359
Amortization of intangible assets	–	–	–	–	80,765	80,765
Employee benefit costs, *including*	192,936	146,793	92,061	170,001	–	601,791
– long-term incentive awards	*6,491*	*4,569*	*2,885*	*8,687*	–	*22,632*
– severance and related costs	*13,396*	*13,252*	*12,547*	*737*	–	*39,932*
Termination of onerous contracts	3,126	79	3,222	202	–	6,629
Rental expenses under operating leases	2,979	3,374	4,802	4,712	–	15,867

Note: Segment operating profit/(loss) presented above include the impact of one-off items of US$46,561,000, 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$59,301,000; Europe, Middle East and Africa US$58,089,000; Asia Pacific (excluding Greater China) US$8,420,000; Greater China US$206,689,000; and corporate or unallocated (US$78,956,000).

2 Segment information *(continued)*

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

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

	Americas (audited) US$'000	Europe, Middle East and Africa (audited) US$'000	Asia Pacific (excluding Greater China) (audited) US$'000	Greater China (audited) US$'000	Corporate or unallocated (audited) US$'000	Total (audited) US$'000
Segment assets	1,472,775	788,664	1,213,620	2,715,799		6,190,858
Investments 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

	Personal computer				
	Desktop US$'000	**Notebook** US$'000	**Total** US$'000	**Others** US$'000	**Total** US$'000
Six months ended September 30, 2008 (unaudited)					
Sales	**3,393,753**	**5,010,211**	**8,403,964**	**134,811**	**8,538,775**
Capital expenditure			**105,193**	**869**	**106,062**
At September 30, 2008 (unaudited)					
Total segment assets			**4,362,619**	**85,016**	**4,447,635**
Six months ended September 30, 2007 (unaudited)					
Sales	3,439,884	4,575,113	8,014,997	108,422	8,123,419
Capital expenditure			130,318	1,481	131,799
At March 31, 2008 (audited)					
Total segment assets			4,397,096	115,144	4,512,240

3 Other (expense)/income – net

	3 months ended September 30, 2008 (unaudited) US$'000	**6 months ended September 30, 2008 (unaudited) US$'000**	3 months ended September 30, 2007 (unaudited) US$'000	6 months ended September 30, 2007 (unaudited) US$'000
(Loss)/gain on disposal of investments and available-for-sale financial assets	**(138)**	**(124)**	28	2,142
Dividend income from available-for-sale financial assets	**–**	**1,012**	–	–
	(138)	**888**	28	2,142

4 Finance costs

	3 months ended September 30, 2008 (unaudited) US$'000	**6 months ended September 30, 2008 (unaudited) US$'000**	3 months ended September 30, 2007 (unaudited) US$'000	6 months ended September 30, 2007 (unaudited) US$'000
Interest on bank loans and overdrafts	**5,479**	**11,190**	3,529	5,366
Dividend and relevant finance costs on convertible preferred shares	**3,526**	**7,053**	5,474	10,947
Others	**414**	**725**	569	1,293
	9,419	**18,968**	9,572	17,606

5 Taxation

The amount of taxation in the consolidated income statement represents:

	3 months ended September 30, 2008 (unaudited) US$'000	**6 months ended September 30, 2008 (unaudited) US$'000**	3 months ended September 30, 2007 (unaudited) US$'000	6 months ended September 30, 2007 (unaudited) US$'000
Current taxation				
Hong Kong profits tax	**79**	**137**	113	160
Taxation outside Hong Kong	**26,622**	**53,225**	12,946	52,177
Deferred taxation	**(11,028)**	**(11,280)**	4,474	(19,213)
	15,673	**42,082**	17,533	33,124

6 Loss 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 operations in the condensed interim financial statements.

7 Dividend

	6 months ended September 30, 2008 (unaudited) US$'000	6 months ended September 30, 2007 (unaudited) US$'000
Interim dividend, declared after period end, of HK3.0 cents (2007/08: HK3.0 cents) per ordinary share	**35,575**	34,715

8 Earnings per share

(a) Basic

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

	6 months ended September 30, 2008 (unaudited)	6 months ended September 30, 2007 (unaudited)
Weighted average number of ordinary shares for the purpose of basic earnings per share	**8,843,095,564**	8,602,883,390

	US$'000	US$'000
Profit attributable to shareholders of the Company		
– Continuing operations	**133,935**	178,940
– Discontinued operations	**–**	(6,846)
	133,935	172,094

(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.

The convertible preferred shares are assumed to have been converted into ordinary shares and the net profit is adjusted to add back the relevant finance costs.

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.

	6 months ended September 30, 2008 (unaudited)	6 months ended September 30, 2007 (unaudited)
Weighted average number of ordinary shares in issue	**8,843,095,564**	8,602,883,390
Adjustments for assumed conversion of convertible preferred shares	**651,375,784**	1,001,834,862
Adjustments for share options, long-term incentive awards and warrants	**727,138,433**	220,241,974
Weighted average number of ordinary shares in issue for calculation of diluted earnings per share	**10,221,609,781**	9,824,960,226

	US$'000	US$'000
Profit from continuing operations attributable to shareholders of the Company	**133,935**	178,940
Interest expense on convertible preferred shares	**7,053**	10,947
	140,988	189,887
Loss from discontinued operations attributable to shareholders of the Company	**–**	(6,846)
	140,988	183,041

9 Property, plant and equipment

The Group incurred capital expenditures of US$106 million (2007/08: US$132 million) during the six months ended September 30, 2008, mainly for the acquisition of property, plant and equipment, completion of construction-in-progress and investments in the Group's information technology systems.

10 Ageing analysis

(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:

	September 30, 2008 (unaudited) US$'000	March 31, 2008 (audited) US$'000
0 – 30 days	**993,959**	788,126
31 – 60 days	**135,992**	32,240
61 – 90 days	**44,516**	21,729
Over 90 days	**71,476**	32,333
	1,245,943	874,428
Less: provision for impairment	**(17,569)**	(13,885)
Trade receivables – net	**1,228,374**	860,543

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

	September 30, 2008 (unaudited) US$'000	March 31, 2008 (audited) US$'000
0 – 30 days	**2,078,358**	1,618,188
31 – 60 days	**496,221**	466,068
61 – 90 days	**190,841**	176,094
Over 90 days	**44,849**	21,849
	2,810,269	2,282,199

11 Provisions, accruals and other payables

Included in provisions, accruals and other payables are warranty and restructuring costs provisions as follows:

	Warranty US$'000	**Restructuring** US$'000	**Total** US$'000
Year ended March 31, 2008 (audited)			
At the beginning of the year	448,333	5,645	453,978
Exchange adjustment	–	1,227	1,227
Provisions made	665,912	50,820	716,732
Amounts utilized	(411,661)	(34,136)	(445,797)
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 13)	(209,071)	–	(209,071)
At the end of the year	488,844	7,588	496,432
Six months ended September 30, 2008 (unaudited)			
At the beginning of the period	**697,915**	**7,588**	**705,503**
Exchange adjustment	**–**	**(489)**	**(489)**
Provisions made	**229,744**	**17,241**	**246,985**
Amounts utilized	**(243,831)**	**(3,685)**	**(247,516)**
Unused amounts reversed	**–**	**(751)**	**(751)**
	683,828	**19,904**	**703,732**
Long-term portion classified as non-current liabilities (Note 13)	**(199,029)**	**–**	**(199,029)**
At the end of the period	**484,799**	**19,904**	**504,703**

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.

12 Share capital

	September 30, 2008 (unaudited)		March 31, 2008 (audited)	
	Number of Shares	**HK$'000**	Number of shares	HK$'000
Authorized:				
At the beginning and the end of the period/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 period/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 (Note 12(a))	**375,282,756**	**1,203**	–	–
Exercise of share options	**24,664,000**	**79**	90,436,550	290
Repurchase of shares (Note 12(b))	**(77,628,000)**	**(249)**	(70,090,000)	(225)
At the end of the period/year	**9,211,105,406**	**29,529**	8,888,786,650	28,496
Non-voting ordinary shares:				
At the beginning of the period/year	**375,282,756**	**1,203**	375,282,756	1,203
Conversion to voting ordinary shares (Note 12(a))	**(375,282,756)**	**(1,203)**	–	–
At the end of the period/year	**–**	**–**	375,282,756	1,203
Total issued and fully paid ordinary shares	**9,211,105,406**	**29,529**	9,264,069,406	29,699
Issued and fully paid Series A cumulative convertible preferred shares:				
At the beginning of the period/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 period/year	**1,774,999**	**2,081**	1,774,999	2,081

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

(b) 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.

13 Non-current liabilities

	September 30, 2008 (unaudited) US$'000	March 31, 2008 (audited) US$'000
Amount payable for marketing rights	**1,805**	5,417
Interest-bearing bank loans repayable within five years	**365,000**	465,000
Share-based compensation	**1,889**	6,430
Convertible preferred shares	**213,545**	211,181
Warranty provision	**199,029**	209,071
Retirement benefit obligations	**75,253**	85,490
Deferred revenue	**125,405**	88,701
Derivative financial liabilities	**–**	1,788
Other non-current liabilities	**33,199**	25,045
	1,015,125	1,098,123

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 on May 17, 2012. The warrant holders are entitled to subscribe for 237,417,474 shares in the Company at HK$2.725 per share. The warrant will expire on May 17, 2010.

On November 2, 2007, 955,001 convertible preferred shares were converted into 350,459,078 voting ordinary shares.

14 Commitments

There have been no significant changes in the total amount of commitments since March 31, 2008 except for the amounts taken up during the period in the normal course of business.

15 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.

INTERIM DIVIDEND

The Board has declared an interim dividend of HK3.0 cents (2007/08: HK3.0 cents) per ordinary share for the six months ended September 30, 2008, absorbing an aggregate amount of approximately HK$276 million (approximately US$36 million) (2007/08: HK$269 million (approximately US$35 million)), to shareholders of ordinary shares whose names appear on the Register of Members of the Company on Friday, November 28, 2008. The interim dividend will be paid on Friday, December 5, 2008.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of ordinary shares of the Company will be closed from Monday, November 24, 2008 to Friday, November 28, 2008, both days inclusive, during which period no transfer of ordinary shares will be effected. In order to qualify for the interim dividend, all completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's share registrar, Tricor Abacus Limited of 26/F, Tesbury Centre, 28 Queen's Road East, Hong Kong for registration not later than 4:00 p.m. on Friday, November 21, 2008.

FINANCIAL REVIEW

Results

For the six months ended September 30	**2008 (unaudited) US$'000**	2007 (unaudited) US$'000
Sales	**8,538,775**	8,123,419
Earnings before interest, taxation, depreciation, amortization, impairment charge, gain/loss on disposal of available-for-sale financial assets and restructuring costs (EBITDAR)	**288,070**	398,377
Profit attributable to shareholders	**133,935**	172,094
Dividends per ordinary share (HK cents)		
Interim dividend	**3.0**	3.0
Earnings per share (US cents)		
Basic	**1.51**	2.00
Diluted	**1.38**	1.86

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

For the six months ended September 30, 2008, the Group achieved total sales of approximately US$8,539 million. Profit attributable to shareholders for the period was approximately US$134 million, representing a decrease of US$45 million as compared to the corresponding period of last year. Gross profit margin for the period was 13.3 percent down from 14.9 percent reported in the corresponding period of last year. The balance sheet position remained strong, bank deposits and cash and cash equivalents totaled US$1,985 million as at September 30, 2008. Basic earnings per share and diluted earnings per share of the Group's continuing operations were US1.51 cents and US1.38 cents, representing a decrease of US0.57 cent and US0.55 cent respectively as compared with the corresponding period of last year.

FINANCIAL REVIEW *(CONTINUED)*

Segment Results

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

For the six months ended September 30	**2008** Sales (unaudited) US$'000	**2008** Segment operating results (unaudited) US$'000	2007 Sales (unaudited) US$'000	2007 Segment operating results (unaudited) US$'000
Americas	**2,163,539**	**4,894**	2,330,013	42,779
Europe, Middle East and Africa	**1,794,133**	**(7,196)**	1,639,938	44,758
Asia Pacific (excluding Greater China)	**963,471**	**(15,999)**	1,035,452	(7,349)
Greater China	**3,617,632**	**224,684**	3,118,016	205,828
Corporate or unallocated	**–**	**(50,401)**	–	(78,956)
	8,538,775	**155,982**	8,123,419	207,060
Finance income		**38,434**		20,409
Finance costs		**(18,968)**		(17,606)
(Loss)/gain on disposal of investments and available-for-sale financial assets		**(124)**		2,142
Dividend income from available-for-sale financial assets		**1,012**		–
Share of (losses)/profits of associated companies		**(319)**		59
Profit before taxation		**176,017**		212,064
Taxation		**(42,082)**		(33,124)
Profit for the period		**133,935**		178,940

Other income – net

Other income comprises mainly dividend income from available-for-sale financial assets. The US$2 million other income reported during the corresponding period of last year represents gain on disposal of investments and available-for-sale financial assets.

Selling and distribution expenses

In addition to the Olympics, the Group has been successful in leveraging its alliance with prominent international sports teams to boost its brand awareness through advertising campaigns and sponsorship activities. Selling and distribution expenses for the six months ended September 30, 2008 decreased by 6.7 percent as compared to the corresponding period of last year. This is principally attributable to a US$48 million decrease in amortization of intangible assets coupled with increased employee benefit costs related to the Group's salary increment plan, performance bonuses, and commissions.

Administrative expenses

The Group also experienced an increase in administrative expenses for the six months ended September 30, 2008 of 22.2 percent as compared to the corresponding period of last year. The increase is driven by employee benefit costs and contracted services.

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 six months ended September 30, 2008 decreased by 4.9 percent as compared to the corresponding period of last year.

Other operating expenses – net

The Group recorded net other operating expenses for the six months ended September 30, 2008 of US$30 million, a decrease of 55.4 percent as compared to the corresponding period of last year. Other operating expenses mainly comprise one-off items, totaling US$24 million (2007/08: US$47 million), associated with actions taken to streamline processes, consolidate Lenovo's expertise across the globe, and increase global operational efficiency.

Capital Expenditure

The Group incurred capital expenditures of US$106 million (2007/08: US$132 million) during the six months ended September 30, 2008, mainly for the acquisition of property, plant and equipment, completion of construction-in-progress and investments in the Group's information technology systems.

Liquidity and Financial Resources

At September 30, 2008, total assets of the Group amounted to US$7,511 million (March 31, 2008: US$7,200 million), which were financed by shareholders' funds of US$1,602 million (March 31, 2008: US$1,613 million), minority interests of US$174,000 (March 31, 2008: US$174,000), and non-current and current liabilities of US$5,909 million (March 31, 2008: US$5,587 million). At September 30, 2008, the current ratio of the Group was 1.02 (March 31, 2008: 1.05).

The Group has a solid financial position and continues to maintain a strong and steady cash inflow from its operating activities. At September 30, 2008, bank deposits, cash and cash equivalents totaled US$1,985 million (March 31, 2008: US$2,191 million), of which 61.0 (March 31, 2008: 63.9) percent was denominated in US dollars, 27.1 (March 31, 2008: 20.4) percent in Renminbi, 2.7 (March 31, 2008: 2.2) percent in Euros, 1.3 (March 31, 2008: 2.9) percent in Japanese Yen, and 7.9 (March 31, 2008: 10.6) percent in other currencies.

The Group adopts a conservative policy to invest the surplus cash generated from operations. At September 30, 2008, 76.9 (March 31, 2008: 72.1) percent of cash are bank deposits, and 23.1 (March 31, 2008: 27.9) percent of cash are investments in liquid money market fund of investment grade.

Although the Group has consistently maintained a very liquid position, banking facilities have nevertheless been put in place for contingency purposes. At September 30, 2008, the Group had a US$400 million (March 31, 2008: US$400 million) 5-Year Revolving and Term Loan Facility with syndicated banks, bearing interest at the London Interbank Offered Rate plus 0.52 percent per annum; and a US$100 million (March 31, 2008: US$100 million) 5-Year Fixed Rate Loan Facility with a policy bank in China. These facilities were utilized to the extent of US$500 million at September 30, 2008 (March 31, 2008: US$500 million).

The Group has also arranged other short-term credit facilities. At September 30, 2008, the Group's total available credit facilities amounted to US$2,797 million (March 31, 2008: US$2,628 million), of which US$369 million (March 31, 2008: US$384 million) was in trade lines, US$590 million (March 31, 2008: US$406 million) in short-term and revolving money market facilities and US$1,838 million (March 31, 2008: US$1,838 million) in foreign exchange forward contracts. At September 30, 2008, the amounts drawn down were US$156 million (March 31, 2008: US$150 million) in trade lines, US$1,290 million (March 31, 2008: US$1,127 million) being used for the foreign exchange forward contracts; and US$16 million (March 31, 2008: US$61 million) in short-term bank loans.

At September 30, 2008, the Group's outstanding bank loans represented the term loans of US$500 million (March 31, 2008: US$500 million) and short-term bank loans of US$16 million (March 31, 2008: US$61 million). When compared with total equity of US$1,602 million (March 31, 2008: US$1,613 million), the Group's gearing ratio was 0.32 (March 31, 2008: 0.35). The net cash position of the Group at September 30, 2008 is US$1,469 million (March 31, 2008: US$1,630 million).

The Group adopts a consistent hedging policy for business transactions to reduce the risk of currency fluctuation arising from daily operations. At September 30, 2008, the Group had commitments in respect of outstanding foreign exchange forward contracts amounting to US$1,290 million (March 31, 2008: US$1,127 million).

The Group's foreign exchange forward 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 September 30, 2008 amounted to approximately US$214 million (March 31, 2008: US$211 million), US$7 million (March 31, 2008: US$7 million) and US$35 million (March 31, 2008: US$35 million) respectively. The warrants will expire on May 17, 2010.

FINANCIAL REVIEW *(CONTINUED)*

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 September 30, 2008, the Group had a total of 23,906 (September 30, 2007: 25,409) employees, 17,104 (September 30, 2007: 19,362) of whom were employed in Chinese mainland and 2,040 (September 30, 2007: 1,859) in the U.S. and 4,762 (September 30, 2007: 4,188) in other countries.

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

BUSINESS REVIEW AND PROSPECTS

During the six months ended September 30, 2008, the business environment for Lenovo had become more challenging. Though Lenovo continued to perform well in China and its other principal segments of business – commercial and premium products, the unprecedented global economic crisis and the natural disasters in China had adversely affected the PC demand in these business segments. This has resulted in growth in these areas lagged the overall industry growth which was driven by the consumer segment, emerging markets and low price notebooks. As a result, the Group saw its overall performance during the interim period adversely impacted.

During the three months ended June 30, 2008, Lenovo grew its worldwide PC shipments by 15 percent year-on-year, in line with the industry. However, as the economic crisis became more widespread causing more conservatism in corporate IT spending and the growth in the China's PC market further slowed down, Lenovo's PC shipment increased by only 7 percent year-on-year in the three months ended September 30, 2008, lagging the industry average growth of 15 percent.

In the six months ended September 30, 2008, Lenovo recorded US$8,539 million in PC sales, representing a 5 percent year-on-year growth. Gross profit decreased 6 percent year-on-year, amounting to US$1,140 million. Gross margin for the interim period decreased to 13.3 percent from 14.9 percent in the same period last year. Profit before taxation (excluding the cost of restructuring actions) decreased 23 percent to US$200 million. Profit attributable to shareholders for the interim period decreased 22 percent year-on-year to US$134 million.

The Group's financial performance in the three months ended September 30, 2008 was impacted by the unfavorable market environment. The usual increase in sales in September each year did not occur in the reporting period and despite Lenovo's expectations, sales did not increase after the Beijing Olympics Games. During the three months, Lenovo's sales were flat year-on-year, amounting to US$4,326 million. Slower PC shipment growth, aggressive competitive pricing and the strengthening of US dollars against major currencies resulted in 15 percent year-on-year decrease in gross profit which amounted to US$545 million. Gross margin for the three months ended September 30, 2008 decreased to 12.6 percent, compared to 15.0 percent in the same period last year. Profit before taxation (excluding the cost of restructuring actions) amounted to US$63 million or decreased 50 percent year-on-year. Profit attributable to shareholders for the three months ended September 30, 2008 decreased 78 percent year-on-year to approximately US$23 million.

Performance of Geographies

Greater China accounted for approximately 43 percent of Lenovo's total sales during the six months ended September 30, 2008. Although the overall China PC market growth was impacted by the earthquake, floods and softer consumer demand, Lenovo increased its PC shipments by 14 percent year-on-year, higher than market average in China, based on its outstanding execution and leadership position. The Group continued to gain share in the China PC market by 0.4 percentage points, accounting for approximately 28.5 percent during the six months ended September 30, 2008 based on preliminary industry data.

The Americas accounted for approximately 25 percent of the Group's total sales during the interim period. The Group's efforts to increase its presence in the transaction segment and in the emerging markets helped offset the impact of slowing commercial spending on its PC unit shipments which were flat year-on-year. However, slowing commercial demand and aggressive competitive pricing impacted the Group's profitability in the geography.

BUSINESS REVIEW AND PROSPECTS *(CONTINUED)*

Europe, Middle East and Africa (EMEA) accounted for approximately 21 percent of the Group's total sales during the interim period. Based on its solid performance in the desktop market, the mid-market segment and its transaction business, Lenovo was able to achieve 22 percent year-on-year PC shipment growth in EMEA. However, the Group began to see slowing commercial demand and more aggressive pricing in the geography toward the end of the interim period.

Asia Pacific (excluding Greater China) represented approximately 11 percent of Lenovo's total sales. Lenovo's PC shipments in Asia Pacific were flat year-on-year due to execution issues in both India and Japan, which offset the higher growth achieved in the rest of the geography. Lenovo initiated several actions during the interim period to improve its performance in India and Japan and has started to see better performance in its India operations.

Performance of Product Groups

During the interim period, Lenovo's notebook business increased its share of the Group's total sales to 59 percent, with a 26 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 market.

The desktop business accounted for approximately 40 percent of Lenovo's total sales during the six months ended September 30, 2008. Lenovo's desktop unit shipments were flat year-on-year, in line with the worldwide desktop market.

Prospects

The Group expects the global economic environment to remain challenging for the rest of the fiscal year and to continue impacting its performance. At the same time, it is clear that the Group's existing focus to drive growth based on its five strategic pillars are on track and will position it to tap more growth when the economy – and the market – rebounds.

Lenovo's efforts ***to pursue operational excellence*** were effective in driving down its expense-to-revenue ratio during the interim period even with increased marketing costs relating to the Group's sponsorship of the Olympic Summer Games in Beijing. The Group's global supply chain continued to post double-digit improvements in both cost per box and serviceability, compared to the same period last year. Lenovo's new PC manufacturing facility in Mexico became operational recently and will be instrumental in driving additional efficiency from the global supply chain. In addition, the Group also eliminated jobs in some locations to drive efficiencies and plans to consolidate its business wherever necessary.

The Group ***further enhanced customer ownership experience*** through the successful launch of tailor-made notebook models. During the interim period, Lenovo introduced the ThinkPad SL series for the small- and medium-sized business (SMB) market, refreshed the existing ThinkPad product line, and expanded the IdeaPad consumer notebook line. Lenovo's consistently superior delivery of service and support was rewarded with number one rankings in both the notebook and desktop categories as ranked by Technology Business Research (TBR).

Under the challenging economic environment, ***to win in priority businesses*** has become even more critical. Lenovo's expansion into emerging markets and the consumer segment outside China is well on track. The Group started to ship netbooks by the end of September 2008 to respond to the accelerated growth in the entry level notebook market, and believes this will help drive growth in the coming quarters. At the same time, Lenovo has made steady progress in expanding into the higher-margin product category by gaining traction in the workstation segment and launching x86 servers during the period under review.

Lenovo demonstrated its ability ***to gain scale profitably*** during the interim period by posting further increases in its share of the China PC market and its success in driving profitable growth in the mid-market segment in EMEA. Its expansion of its transaction business has also helped offset part of the impact from the slowing growth of its worldwide relationship business amidst the global financial crisis.

Lenovo's marketing campaign to support its sponsorship of the Olympic Summer Games in Beijing earned the Group a record number of media mentions and caught the attention of millions of viewers across the globe. Benefiting from its sponsorships, Lenovo's ***brand building*** efforts reached new heights with significant increases in all of its brand metrics in both the commercial and consumer markets.

Going forward, Lenovo will continue its rigorous focus on its strategic pillars. In the near term, it will also focus on a number of tactical actions to mitigate the impact of the slowing growth in its major markets. First, Lenovo will continue to strictly manage expenses and take out costs from its operations whenever necessary. Second, it will accelerate expansion into fast-growing industry segments, including the transaction market and the netbook market, and build on its success in select emerging markets. Third, Lenovo will drive growth in the commercial sector by replicating its successful mid-market model in EMEA to other geographies as well as focusing on the expansion of key global accounts.

The global PC market environment is likely to remain challenging; however, the Group expects the strategies and tactics that it has put in place will enable it to emerge as a player more capable to tap market growth in the longer term.

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

(A) 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 (the "New Option Scheme") and the termination of its old share option scheme (the "Old Option Scheme"). Despite the fact that no further options may be granted under the Old Option Scheme, all other provisions shall remain in force to govern all the outstanding options previously granted. No options were granted, cancelled nor lapsed under these schemes during the six months ended September 30, 2008.

Details of the movement of share options of the Company for the six months ended September 30, 2008 were as follows:

	Options held at April 1, 2008	Options exercised during the period	Options held at September 30, 2008	Exercise price HK$	Grant date (MM.DD.YYYY)	Exercise period (MM.DD.YYYY)
Old Option Scheme						
Directors						
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
Mr. Liu Chuanzhi	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	–	2.904	08.29.2001	08.29.2001 to 08.28.2011
	38,316,000	3,650,000	34,666,000	2.876	08.31.2001	08.31.2001 to 08.30.2011
New Option Scheme						
Directors						
Mr. Yang Yuanqing	3,000,000	–	3,000,000	2.245	04.26.2003	04.26.2003 to 04.25.2013
Mr. Liu Chuanzhi	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	404,000	8,712,000	2.435	10.10.2002	10.10.2002 to 10.09.2012
	33,456,000	1,856,000	31,600,000	2.245	04.26.2003	04.26.2003 to 04.25.2013
	79,367,051	3,790,000	75,577,051	2.545	04.27.2004	04.27.2004 to 04.26.2014
	1,740,000	1,740,000	–	2.170	07.08.2004	07.08.2004 to 07.07.2014
Other participants	12,362,000	988,000	11,374,000	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

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES *(CONTINUED)*

(A) Share Option Schemes *(continued)*

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$5.380.
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$5.785.
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$5.561.

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

In 2007, the Company introduced a new performance based RSU program based on the Company's performance against pre-determined targets over a one year period. In addition to the performance condition, these awards are subject to a vesting period schedule up to four years. Dividends are typically not paid on performance-based awards.

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 period, eligible executive directors and senior management received an annual award comprised of SARs, RSUs and Performance RSUs.

(B) Long-Term Incentive Program *(continued)*

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

				Number of units						
Name	**Award Type**	**Fiscal Year of Award**	**Effective Price (HK$)**	**As at April 1, 2008 (unvested)**	**Awarded during the Period**	**Vested during the Period**	**As at September 30, 2008 (unvested)**	**Total Outstanding as at September 30, 2008**	**Max no. of Shares Subject to Conditions**	**Vesting Period (mm.dd.yyyy)**
Executive Directors										
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. William J. Amelio	SAR	06/07	2.35	13,373,617	–	4,457,872	8,915,745	17,831,489	17,831,489	06.01.2007 – 06.01.2010
	SAR	07/08	3.94	6,773,696	–	1,693,424	5,080,272	6,773,696	6,773,696	06.01.2008 – 06.01.2011
	SAR	08/09	5.88	–	2,477,186	–	2,477,186	2,477,186	2,477,186	06.01.2009 – 06.01.2012
	RSU	06/07	3.10	10,013,000	–	–	10,013,000	10,013,000	10,013,000	01.01.2009
	RSU	06/07	2.35	2,971,915	–	990,638#	1,981,277	1,981,277	1,981,277	06.01.2007 – 06.01.2010
	RSU	07/08	3.94	2,508,751	–	627,187#	1,881,564	1,881,564	1,881,564	06.01.2008 – 06.01.2011
	RSU	07/08	3.94	1,505,251	–	376,312#	1,128,939	1,128,939	1,128,939	06.01.2008 – 06.01.2011
	RSU	07/08	3.94	–	3,574,971	893,742#	2,681,229	2,681,229	2,681,229	06.01.2008 – 06.01.2011
	RSU	08/09	5.88	–	1,651,457	–	1,651,457	1,651,457	1,651,457	06.01.2009 – 06.01.2012
	RSU	08/09	5.88	–	1,486,312	–	1,486,312	1,486,312	1,486,312	06.01.2009 – 06.01.2012
Non-Executive Directors										
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. 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
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

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES *(CONTINUED)*

(B) Long-Term Incentive Program *(continued)*

Name	Award Type	Fiscal Year of Award	Effective Price (HK$)	Number of units: As at April 1, 2008 (unvested)	Awarded during the Period	Vested during the Period	As at September 30, 2008 (unvested)	Total Outstanding as at September 30, 2008	Max no. of Shares Subject to Conditions	Vesting Period (mm.dd.yyyy)
Independent Non-Executive Directors										
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
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
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
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

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

	Award Type	Effective Price (HK$)	Number of units: As at April 1, 2008 (unvested)	Awarded during the Period	Vested during the Period	Exercised during the Period	Cancelled/ Lapsed during the Period	As at September 30, 2008 (unvested)	Total Outstanding as at September 30, 2008	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	2.35-6.01	26,110,751	13,464,459	6,682,107	–	–	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	2.32-8.07	249,410,655	49,811,677	82,024,912	21,931,526	7,901,487	209,295,933	325,299,891	325,299,891	05.01.2006– 01.01.2013
	RSU	2.32-8.07	129,751,837	75,483,286	40,270,164	–	5,471,380	159,493,579	159,493,579	159,493,579	05.01.2006– 01.01.2013
	PSU	2.32-3.73	9,750,223	–	9,750,223	–	–	–	–	–	
Total											
	SAR	2.32-8.07	299,072,833	57,992,538	99,215,597	21,931,526	7,901,487	249,948,287	399,362,842	399,362,842	05.01.2006– 01.01.2013
	RSU	2.32-8.07	155,862,588	88,947,745	46,952,271	–	5,471,380	192,386,682	192,386,682	192,386,682	05.01.2006– 01.01.2013
	PSU	2.32-3.73	10,982,918	–	10,982,918	–	–	–	–	–	

Notes:

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

2. Dividends paid with respect to eligible deferral grants.

\# Of the 2,887,879, 1,052,633 were held for taxes

DIRECTORS' INTERESTS

As at September 30, 2008, 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 under section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") 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. Yang Yuanqing	Ordinary 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. William J. Amelio	Ordinary shares	9,601,160	–	–	–	9,601,160
	Share awards	47,906,149	–	–	–	47,906,149
						57,507,309
Mr. Liu Chuanzhi	Ordinary shares	16,132,853	976,000	–	–	17,108,853
	Share awards	1,634,704	–	–	–	1,634,704
						18,743,557
Mr. Zhu Linan	Ordinary shares	3,842,853	–	–	–	3,842,853
	Share awards	1,634,704	–	–	–	1,634,704
						5,477,557
Ms. Ma Xuezheng	Ordinary 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 shares	122,872	–	634,721,524 (Note 3)	–	634,844,396
	Share awards	1,070,704	–	–	–	1,070,704
						635,915,100
	Preferred shares	–	–	1,267,500	–	1,267,500
Mr. William O. Grabe	Ordinary shares	304,441	–	–	–	304,441
	Share awards	1,634,704	–	–	–	1,634,704
						1,939,145
Professor Woo Chia-Wei	Ordinary shares	278,388	–	–	–	278,388
	Share awards	1,634,704	–	–	–	1,634,704
						1,913,092
Mr. Ting Lee Sen	Ordinary shares	278,335	–	–	–	278,335
	Share awards	1,634,704	–	–	–	1,634,704
						1,913,039
Mr. John W. Barter III	Ordinary shares	304,553	–	–	–	304,553
	Share awards	1,634,704	–	–	–	1,634,704
						1,939,257
Dr. Tian Suning	Ordinary shares	16,883	–	–	–	16,883
	Share awards	460,087	–	–	–	460,087
						476,970

DIRECTORS' INTERESTS *(CONTINUED)*

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

(1) Share options represent underlying shares convertible into ordinary 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 shares. Details of share awards are set out under the section "Long-Term Incentive Program".

(3) Mr. James G. Coulter has a deemed corporate interest in these underlying shares derived from the preferred shares and warrants convertible into ordinary 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 September 30, 2008, 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 September 30, 2008, the following substantial shareholders had an interests in the shares or underlying shares of the Company as recorded in the register maintained under section 336 of the SFO:

		Capacity and number of shares/ underlying shares held			
Name	**Interests in shares/ underlying shares**	**Beneficial owner**	**Corporate interests**	**Aggregate long position**	**Percentage** (Note 12)
Legend Holdings Limited (Note 1)	Ordinary 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 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%
TPG IV Acquisition Company LLC (Note 4)	Preferred Shares	628,921	–	628,921	35.43%
Mr. David Bonderman (Note 5)	Ordinary shares Preferred Shares	– –	634,721,524 1,267,500	634,721,524 1,267,500	7.09% 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%

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES OF THE COMPANY *(CONTINUED)*

Name	Interests in shares/ underlying shares	Capacity and number of shares/ underlying shares held: Beneficial owner	Corporate interests	Aggregate long position	Percentage (Note 12)
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%
Tarrant Capital 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%
Mr. James G. Coulter	Ordinary Shares	1,193,576 (Note 10)	634,721,524 (Note 11)	635,915,100	6.91%
	Preferred Shares	–	1,267,500	1,267,500	71.40%

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 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. Mr. James G. Coulter has 1,070,704 units of share awards which are convertible into ordinary shares.
11. Mr. James G. Coulter has a deemed corporate interest in these underlying shares derived from the preferred shares and warrants convertible into ordinary shares by virtue of his shareholding in TPG Advisors IV, Inc., Tarrant Capital Advisers, Inc., TPG Advisors III, Inc. and T^3 Advisors II, Inc.
12. 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 September 30, 2008, 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.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the period, the Company purchased 77,628,000 ordinary 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 period, the trustee of the Long Term Incentive Program purchased 24,710,000 ordinary shares from the market for award to employees upon vesting. Details of the program will be set out in the 2008/09 interim report of the Company.

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the above-mentioned period.

REVIEW BY AUDIT COMMITTEE

The Audit Committee of the Company has been established since 1999 with responsibility of assisting the Board in providing an independent review of the financial statements and internal control system. It acts in accordance with the Terms of Reference which clearly deal with its membership, authority, duties and frequency of meetings. The Audit Committee is chaired by an independent non-executive director, Mr. John W. Barter III, and currently comprises four members including Mr. Barter, the other two independent non-executive directors, Professor Woo Chia-Wei and Mr. Ting Lee Sen, and a non-executive director, Ms. Ma Xuezheng.

The Audit Committee of the Company has reviewed the interim results for the six months ended September 30, 2008. It meets regularly with the management, the external auditors and the internal audit personnel to discuss the accounting principles and practices adopted by the Group and internal control and financial reporting matters.

CODE ON CORPORATE GOVERNANCE PRACTICES

None of the directors of the Company is aware of any information that would reasonably indicate that the Company is not, or was not during the six months ended September 30, 2008, in compliance with the Code on Corporate Governance Practices as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited save for the deviation under Code A.4.1 as disclosed in the 2007/08 annual report of the Company.

MODEL CODE

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules along with its guidance note to govern directors' securities transactions. Having made specific enquiry of the directors of the Company, all the directors of the Company have confirmed their compliance with the required standard set out in the Model Code and the guidance note throughout the accounting period covered by this interim report.

The Company has also adopted its own Trading in Securities Policy applicable to designated senior management of the Company which is on terms no less exacting than the required standard as set out in the Model Code.

By order of the Board
Yang Yuanqing
Chairman

San Francisco, November 6, 2008

CORPORATE INFORMATION

Board of Directors

Executive directors
Mr. Yang Yuanqing
Mr. William J. Amelio

Non-executive directors
Mr. Liu Chuanzhi
Mr. Zhu Linan
Ms. Ma Xuezheng
Mr. James G. Coulter
Mr. William O. Grabe
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

Qualified Accountant

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
Industrial and Commercial Bank of China (Asia) 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