



联想
LEGEND

联想集团有限公司
LEGEND GROUP LIMITED

Interim Results

The board of directors (the "Directors") of Legend Group Limited (the "Company") is pleased to submit the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30 September 2002, together with the actual and proforma comparative figures for the corresponding period of last year.

Consolidated Profit and Loss Account

		3 months ended 30 September 2002	6 months ended 30 September 2002	3 months ended 30 September 2001	6 months ended 30 September 2001	6 months ended 30 September 2001 Proforma (Note 1(b))
		(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
	Notes	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover	3	5,573,185	10,369,537	5,449,065	11,543,211	9,957,341
Earnings before interest, taxation, depreciation and amortisation expenses		279,736	580,173	225,834	523,770	487,412
Depreciation expenses		(34,306)	(66,321)	(33,992)	(71,639)	(66,571)
Amortisation of intangible assets		(4,063)	(5,901)	–	–	–
Gains on disposal of investment securities		–	6,401	–	–	–
Interest income		19,348	32,939	18,901	41,476	40,780
Profit from operations	4	260,715	547,291	210,743	493,607	461,621
Finance costs		–	–	(597)	(11,539)	(1,430)
		260,715	547,291	210,146	482,068	460,191
Share of losses of jointly controlled entities		(16,372)	(34,623)	–	–	–
Share of profits/(losses) of associated companies		8,020	15,227	(4,480)	(7,646)	(7,646)
Profit before taxation		252,363	527,895	205,666	474,422	452,545
Taxation	5	571	(10,348)	462	(10,960)	(10,960)
Profit after taxation		252,934	517,547	206,128	463,462	441,585
Minority interests		3,335	6,638	(3,577)	(10,021)	(6,587)
Profit attributable to shareholders		256,269	524,185	202,551	453,441	434,998
Dividend	6	N/A	135,121	N/A	112,846	112,846
Earnings per share – basic	7	3.41 cents	6.98 cents	2.68 cents	6.00 cents	5.75 cents
Earnings per share – fully diluted	7	3.41 cents	6.97 cents	2.65 cents	5.95 cents	5.71 cents

Consolidated Balance Sheet

		As at 30 September 2002 (unaudited)	As at 31 March 2002 (audited)
	Notes	HK\$'000	HK\$'000
Non-current assets			
Intangible assets		75,353	–
Tangible fixed assets		848,540	847,316
Construction-in-progress		80,046	43,866
Investments in jointly controlled entities		200,098	210,432
Investments in associated companies		169,527	204,806
Investment securities		31,051	30,762
		1,404,615	1,337,182
Current assets			
Inventories		1,004,798	855,519
Amounts due from jointly controlled entities		107,780	194,132
Trade receivables	8	1,122,997	660,737
Bills receivable		285,454	17,607
Deposits, prepayments and other receivables		205,653	185,391
Cash and bank balances		2,780,750	2,441,169
		5,507,432	4,354,555
Current liabilities			
Trade payables	8	1,750,459	1,151,950
Bills payable		239,705	184,781
Accruals and other payables		937,051	663,361
Tax payable		6,090	2,231
		2,933,305	2,002,323
Net current assets		2,574,127	2,352,232
Total assets less current liabilities		3,978,742	3,689,414
Financed by:			
Share capital		187,667	187,701
Reserves		4,760,164	4,779,553
Accumulated losses			
2001/02 final dividend		–	271,051
2002/03 interim dividend		135,121	–
Others		(1,172,162)	(1,556,271)
Shareholders' funds		3,910,790	3,682,034
Minority interests		67,622	7,050
Long-term liabilities		330	330
		3,978,742	3,689,414

Condensed Consolidated Cash Flow Statement

	6 months ended 30 September 2002 (unaudited)	6 months ended 30 September 2001 (unaudited)
	HK\$'000	HK\$'000
Net cash inflow from operating activities	715,495	94,628
Net cash outflow from investing activities	(101,778)	(515,971)
Net cash outflow from financing activities	(274,119)	(122,546)
Increase/(decrease) in cash and cash equivalents	339,598	(543,889)
Effect of foreign exchange rate changes	(17)	4,813
Cash and cash equivalents at the beginning of the period	2,441,169	2,633,651
Cash and cash equivalents at the end of the period	2,780,750	2,094,575

Statement of Changes in Equity

	Share capital (unaudited)	Share premium (unaudited)	Surplus arising on consolidation (unaudited)	Exchange reserve (unaudited)	Investment revaluation reserve (unaudited)	Share redemption reserve (unaudited)	Accumulated losses (unaudited)	Total (unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance as at 1 April 2002	187,701	4,732,184	27,893	4,155	13,515	1,806	(1,285,220)	3,682,034
Deficit in fair market value of investment securities	-	-	-	-	(14,893)	-	-	(14,893)
Currency translation difference	-	-	-	(17)	-	-	-	(17)
Losses not recognised in the profit and loss account	-	-	-	(17)	(14,893)	-	-	(14,910)
Profit for the period	-	-	-	-	-	-	524,185	524,185
Reserves realised upon disposal of investment securities	-	-	-	-	(6,400)	-	-	(6,400)
Exercise of share options	16	1,871	-	-	-	-	-	1,887
Repurchase of shares	(50)	-	-	-	-	50	(5,765)	(5,765)
Dividend paid	-	-	-	-	-	-	(270,241)	(270,241)
As at 30 September 2002	187,667	4,734,055	27,893	4,138	(7,778)	1,856	(1,037,041)	3,910,790
Balance as at 1 April 2001 as previously reported	187,849	4,589,893	-	336	-	-	30,866	4,808,944
Effect of adopting SSAP 9 (revised)	-	-	-	-	-	-	989,730	989,730
Effect of adopting SSAP 29	-	-	-	-	-	-	(1,887,850)	(1,887,850)
Effect of adopting SSAP 31	-	-	165,921	-	-	-	(199,617)	(33,696)
Divestment of interest in an associated company	-	-	5,794	-	-	-	-	5,794
As at 1 April 2001 as restated	187,849	4,589,893	171,715	336	-	-	(1,066,871)	3,882,922
Reversal of transfer (from)/to other reserves	-	-	(166,719)	-	63,091	-	103,628	-
Deficit in fair market value of investment securities	-	-	-	-	(59,601)	-	-	(59,601)
Currency translation difference	-	-	-	4,813	-	-	-	4,813
Net gains and losses not recognised in the profit and loss account	-	-	(166,719)	4,813	3,490	-	103,628	(54,788)
Profit for the period	-	-	-	-	-	-	453,441	453,441
Exercise of share options	1,456	119,238	-	-	-	-	-	120,694
Repurchase of shares	(1,258)	-	-	-	-	1,258	(179,809)	(179,809)
Dividend paid	-	-	-	-	-	-	(990,270)	(990,270)
As at 30 September 2001	188,047	4,709,131	4,996	5,149	3,490	1,258	(1,679,881)	3,232,190

Notes:

1. Basis of preparation

- (a) The Directors are responsible for the preparation of the Group's unaudited interim financials. These unaudited interim financials have been prepared in accordance with Statement of Standard Accounting Practice ("SSAP") No. 25 "Interim Financial Reporting" issued by the Hong Kong Society of Accountants ("HKSA"). These condensed accounts should be read in conjunction with the audited accounts for the year ended 31 March 2002.
- (b) With effect from 1 June 2001, Digital China Holdings Limited and its subsidiaries (collectively known as "DCHL") were spun off from the Group (the "Spin-off"). As the Spin-off was substantial to the operating results of the Group, the Directors have prepared unaudited proforma consolidated results of the Group for the six months ended 30 September 2001 as if the Spin-off was effective throughout the period.

2. Principal accounting policies

The principal accounting policies and methods of calculations used in the preparation of these unaudited interim financials are consistent with those used in the annual accounts for the year ended 31 March 2002. The Group has presented its cash flow statement with effect from 1 April 2002 based on SSAP 15 (revised): "Cash flow statements" issued by HKSA which is effective for accounting periods commencing on or after 1 January 2002. The comparative figures have been reclassified accordingly. In addition, the following new/revised SSAPs issued by the HKSA became effective for accounting periods commencing on or after 1 January 2002 are also applicable to the Group:

SSAP 1 (revised)	:	Presentation of financial statements
SSAP 11 (revised)	:	Foreign currency translation
SSAP 25 (revised)	:	Interim financial reporting
SSAP 33	:	Discontinuing operations
SSAP 34	:	Employee benefits

The adoption of the above SSAPs has no material effect on the Group's prior year interim financials.

3. Turnover, revenue and segment information

3A. Primary reporting format - geographical segments

(i) For the six months ended 30 September 2002:

	People's Republic of China ("PRC") (unaudited)	Asia Pacific (excluding PRC) (unaudited)	North America (unaudited)	Europe (unaudited)	Total (unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Profit and loss account					
Turnover	10,142,858	1,691	5,643	219,345	10,369,537
Segment operating results	501,801	(525)	(219)	12,795	513,852
Gains on disposal of investment securities	6,401	–	–	–	6,401
Amortisation of intangible assets	(5,901)	–	–	–	(5,901)
Interest income					32,939
Finance costs					–
Contribution to operating profit					547,291
Share of losses of jointly controlled entities	(34,623)	–	–	–	(34,623)
Share of profits of associated companies	15,227	–	–	–	15,227
Profit before taxation					527,895
Taxation					(10,348)
Profit after taxation					517,547
Minority interests					6,638
Profit attributable to shareholders					524,185

(ii) For the six months ended 30 September 2001:

	PRC (unaudited)	Asia Pacific (excluding PRC) (unaudited)	North America (unaudited)	Europe (unaudited)	Total (unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Profit and loss account					
Turnover	10,916,978	210,337	60,515	355,381	11,543,211
Segment operating results	398,698	17,996	14,210	21,227	452,131
Interest income					41,476
Finance costs					(11,539)
Contribution to operating profit					482,068
Share of losses of associated companies	(7,646)	–	–	–	(7,646)
Profit before taxation					474,422
Taxation					(10,960)
Profit after taxation					463,462
Minority interests					(10,021)
Profit attributable to shareholders					453,441

3. Turnover, revenue and segment information (continued)

3B. Secondary reporting format – business segments

(i) For the six months ended 30 September 2002:

	Turnover (unaudited)	Contribution to operating profit (unaudited)
	HK\$'000	HK\$'000
Corporate IT business	5,558,834	372,405
Consumer IT business	3,645,060	171,098
Handheld device business	666,986	17,874
IT service business	71,659	(23,363)
Contract manufacturing business	426,998	8,777
Gains on disposal of investment securities	–	6,401
Amortisation of intangible assets	–	(5,901)
	10,369,537	547,291

(ii) For the six months ended 30 September 2001:

	Turnover (unaudited)	Contribution to operating profit (unaudited)
	HK\$'000	HK\$'000
Corporate IT business	4,952,494	284,119
Consumer IT business	3,951,223	153,140
Handheld device business	125,969	(9,724)
Contract manufacturing business	893,420	67,446
Others	1,620,105	(12,913)
	11,543,211	482,068

4. Profit from operations

	3 months ended 30 September 2002 (unaudited) HK\$'000	6 months ended 30 September 2002 (unaudited) HK\$'000	3 months ended 30 September 2001 (unaudited) HK\$'000	6 months ended 30 September 2001 (unaudited) HK\$'000
(a) Turnover	5,573,185	10,369,537	5,449,065	11,543,211
Cost of sales	(4,758,966)	(8,812,551)	(4,780,170)	(10,034,430)
Gross profit	814,219	1,556,986	668,895	1,508,781
Other revenue	19,348	32,939	18,901	41,476
Gains on disposal of investment securities	–	6,401	–	–
Distribution expenses	(438,519)	(721,245)	(365,673)	(747,575)
Administrative expenses	(82,450)	(174,897)	(84,633)	(208,301)
Other operating expenses	(47,820)	(146,992)	(26,747)	(100,774)
Amortisation of intangible assets	(4,063)	(5,901)	–	–
Total operating expenses (see (b))	(572,852)	(1,049,035)	(477,053)	(1,056,650)
Profit from operations	260,715	547,291	210,743	493,607
(b) Analysis of operating expenses by nature:				
Selling expenses	(110,576)	(194,346)	(116,897)	(227,357)
Promotional and advertising expenses	(154,586)	(271,576)	(118,632)	(251,066)
Staff costs	(179,471)	(345,402)	(150,216)	(337,258)
Other expenses	(124,156)	(231,810)	(91,308)	(240,969)
Amortisation of intangible assets	(4,063)	(5,901)	–	–
Total operating expenses	(572,852)	(1,049,035)	(477,053)	(1,056,650)

5. Taxation

- (a) Hong Kong profits tax has been provided for at the rate of 16% (2001:16%) on the estimated assessable profit for the period.
- (b) The amount of taxation charged/(credited) to the consolidated profit and loss account represents:

	3 months ended 30 September 2002 (unaudited) HK\$'000	6 months ended 30 September 2002 (unaudited) HK\$'000	3 months ended 30 September 2001 (unaudited) HK\$'000	6 months ended 30 September 2001 (unaudited) HK\$'000
Hong Kong profits tax	–	–	942	2,426
Overseas taxation	(1,229)	9,048	(775)	8,873
Share of taxation attributable to associated companies	658	1,300	(629)	(339)
	(571)	10,348	(462)	10,960

6. Dividend

	6 months ended 30 September 2002 (unaudited) HK\$'000	6 months ended 30 September 2001 (unaudited) HK\$'000
Interim dividend, declared after period end, of 1.8 HK cents (2001: 1.5 HK cents) per share	135,121	112,846

7. Earnings per share

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

	6 months ended 30 September 2002 (unaudited) HK\$'000	6 months ended 30 September 2001 (unaudited) HK\$'000
Earnings for the purposes of basic and diluted earnings per share (HK\$'000)	524,185	453,441
Weighted average number of shares for the purposes of basic earnings per share	7,507,560,195	7,558,191,933
Effect of potential dilutive shares	6,474,236	66,380,546
Weighted average number of shares for the purposes of diluted earnings per share	7,514,034,431	7,624,572,479

8. Ageing analysis

Ageing analysis of trade receivables as at 30 September 2002 were as follow:

	As at 30 September 2002 (unaudited) HK\$'000	As at 30 June 2002 (unaudited) HK\$'000	As at 31 March 2002 (audited) HK\$'000
0 – 30 days	999,160	1,034,850	593,457
31 – 60 days	107,531	54,790	58,914
61 – 90 days	12,861	16,703	5,715
Over 90 days	3,445	1,622	2,651
	1,122,997	1,107,965	660,737

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

8. Ageing analysis (continued)

Ageing analysis of trade payables as at 30 September 2002 were as follow:

	As at 30 September 2002 (unaudited) HK\$'000	As at 30 June 2002 (unaudited) HK\$'000	As at 31 March 2002 (audited) HK\$'000
0 – 30 days	1,364,032	1,332,063	916,319
31 – 60 days	278,221	165,629	177,413
61 – 90 days	41,514	33,995	27,433
Over 90 days	66,692	15,580	30,785
	1,750,459	1,547,267	1,151,950

9. Condensed balance sheet of the Company

	As at 30 September 2002 (unaudited) HK\$'000	As at 31 March 2002 (audited) HK\$'000
Tangible fixed assets	2,252	3,169
Investments	2,327,875	2,327,875
Loan to a related company	–	50,034
Current assets	3,317,694	3,609,887
Current liabilities	124,531	205,665
Net current assets	3,193,163	3,404,222
Total assets less current liabilities	5,523,290	5,785,300
Capital	187,667	187,701
Reserves	4,735,911	4,733,990
Retained profits	599,408	863,305
Long-term liabilities	304	304
	5,523,290	5,785,300

Declared Interim Dividend

The Directors have declared an interim dividend of 1.8 HK cents per share for the year ending 31 March 2003, absorbing an aggregate amount of approximately HK\$135 million, to shareholders whose names appear on the Register of Members of the Company on 3 December 2002. The interim dividend will be paid on or before 18 December 2002.

An interim dividend of 1.5 HK cents per share, totalling approximately HK\$113 million, was paid in the corresponding period of last year.

Closure of Register of Members

The Register of Members of the Company will be closed from 29 November 2002 to 3 December 2002, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the interim dividend, all completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's share registrar, Abacus Share Registrars Limited of 5th Floor, Wing On Centre, 111 Connaught Road Central, Hong Kong for registration not later than 4:00 p.m. on 28 November 2002.

Financial Review

Results

The Group achieved a turnover of approximately HK\$10,370 million for the six months ended 30 September 2002. It represents an increase of 4.1% when compared with the proforma turnover of HK\$9,957 million for the corresponding period of last year. The profit attributable to shareholders was approximately HK\$524 million for the period, compared to the corresponding period of last year of HK\$453 million (actual result) and HK\$435 million (proforma result), indicating an increase of 15.6% and 20.5% respectively.

Significant investments and acquisitions

During the period, capital expenditure of HK\$372 million was incurred. HK\$294 million of which was used for investments in subsidiaries, jointly controlled entities, investment securities and patent rights, such investments were mainly related to the expansion of handheld devices business and IT services business. HK\$78 million of which was used for additions of fixed assets.

Liquidity and financial resources

The Group consistently maintained a very strong liquidity position during the period. The cash and bank balance as at 30 September 2002 amounted to HK\$2.8 billion. The cash on hand consists of 43% of Hong Kong Dollars, 36.5% of Renminbi, 20% of US Dollars and 0.5% was held in other currencies for the overseas operations. There was no material change in available credit facilities when compared with the year ended 31 March 2002. The current ratio of the Group at the period end was 1.88.

The Group did not have any bank loans and there was no assets held under finance lease as at the period end.

Financial Review (continued)

Foreign exchange

The Group consistently adopted a hedging policy for business transactions to minimise the risk of fluctuation of exchange rates. As at 30 September 2002, the Group had total outstanding forward foreign exchange contracts and currency swaps amounting to HK\$72 million.

Capital commitments and contingent liabilities

The Group had no material capital commitments or contingent liabilities as at 30 September 2002.

Employees

At the period end, the total number of employees of the Group increased to 8,415 mainly due to the acquisition of subsidiaries during the period. The total staff costs for the period was HK\$345 million. The Group has implemented a remuneration policy, a discretionary bonus programme and a share option scheme for employees according to the performance of the Group and individual employees. The Group also provides benefits such as training, insurance and medical benefits. These policies are reviewed regularly to ensure they remain competitive and appropriate.

Business Review

China's PC market resumed healthy growth over the first three quarters of 2002, with unit shipment increasing by 4.8%, 9.6% and 22.3% over each respective quarter. The fastest growth occurred in the corporate PC market, as a result of surging demand arising from informatisation among small and medium enterprises, and the government's "School-Link" and "e-Government" projects. Unit shipments for the corporate PC market from April to September are expected to show approximately 21% growth. The consumer PC market has been relatively less dynamic, and unit shipment growth for this period is projected at 8%.

During the review period, Legend's own PC sales were in line with market growth. The Group also achieved further growth in both gross and net profit margins. In the first half of the financial year (April to September), Legend PC unit shipments rose by 17% (first quarter 10%; second quarter 22.5%). The Group's unit shipments for home PCs, commercial desktop PCs, notebooks, and servers increased by 5.4%, 25.9%, 17.2% and 41.7% respectively. These growth rates indicate an ongoing rise in Legend's market share.

Legend's strategies of enhancing service and boosting technological innovations have proven successful. The Group is aiming for continued healthy growth with an emphasis on profitability, based on precise and effective process management, technological innovations and value-added services. These have already reduced operational costs, enhanced value for customers, and generally created more scope for profitability. In addition, healthy growth is expected to arise from the synergies being created between Legend's new and existing businesses.

Business Review (continued)

Corporate IT Business

Legend's corporate IT business performed impressively, particularly in the education sector. Tailor-made to the specific needs of customers in this sector, Legend created a number of unique products and solutions. The informatisation of the education sector developed from the initial e-Classroom concept to e-School and "School-Link" schemes. With emphasis on the development of these e-School and "School-Link" projects, demand for informatisation from universities, secondary and primary schools is increasing.

In the second quarter, Legend rolled out its "Kaitian 6800" commercial PC, specially designed for commercial use. Equipped with wireless Internet access, wireless keyboard and mouse, an adjustable 360 degree LCD monitor and a VPN security system, "Kaitian 6800" was the only commercial PC model to win the "2002 Intel Innovative PC Award".

Legend's education solutions have included: (1) Comprehensive hardware product lines such as "Qitian" education computers, "Wanquan" servers and the "Wangyu" firewall, all catering to the specific requirements of education sector. (2) Legend's well-developed "Parasaga" education software. (3) A wide range of application solutions, including Legend's e-School and "School-Link" solutions.

Legend's server business has shifted its business model from a product-centric to a solution-centric one. The Group's professional sales and technical service teams have been strengthened, and their focus has been made more customer-oriented. Legend has also achieved technological breakthroughs in server chip applications, bringing with them improved capabilities in server design tailored to specific customer requirements, and enhancing the Group's competitive edge.

Legend has recently successfully developed a supercomputer known as the "Legend Deepcomp 1800 large-scale computer system". This breakthrough has highlighted the strides being made in the Group's development of high-performance server technologies.

Consumer IT Business

Legend has been continuously pursuing technological innovations at the same time as offering easy-to-use products for Chinese users. In the second half of the year, Legend rolled out its "dual mode" "Tianjiao" and "Tianrui" series of home PCs. Adopting the self-developed LEOS operating system, these computers integrate PC functions with the ease of use of electrical appliances, setting new standards for digital applications. The "Tianjiao" and "Tianrui" "dual mode" home PCs provide varied and user-friendly digital applications. They have a single button for instant browsing of the hard disk, CD ROM and memory stick for audio/video playing and photo browsing.

Business Review (continued)

Handheld Device Business

The Group has been actively developing its mobile handset business which, after a successful launch, achieved better than expected results. New products were rolled out and the Group's recently launched Legend "i188", a mobile handset with colour screen, met with positive market response. The streamlining of Legend's handset distribution network has led to significant improvements in its after-sales and maintenance services.

IT Service Business

The fundamental business structures and strategies for Legend's IT service business are already in place, and the Group stands poised for further development. Legend has been active in a number of different industry sectors within the IT service market through self-development or merger and acquisition, including the banking, insurance, telecommunications and government sectors.

Contract Manufacturing Business

Due to unfavourable conditions in the computer markets of Europe and the US, the Group's motherboard sales recorded a slight fall.

Prospects

Legend's development strategies, including its strategies for service-oriented transformation and technological innovation, will continue to be implemented. Catering to the specific needs of its customers, Legend will create added value for customers through the development of a wide variety of products, applications and services. With full confidence in Legend's businesses and a clear vision of the future, the Group's management stands ready to embrace the challenges ahead and react swiftly to market changes, with the goal of stimulating healthy business growth that will bring strong long-term returns to shareholders.

Share Options Information

Share option schemes

The existing share options were granted to employees, including directors, of the Group under the Employee Share Option Scheme adopted and approved by shareholders on 18 January 1994. This scheme has been terminated on 26 April 2002. Despite the fact that no further options may be granted thereunder, all other provisions of this scheme will remain in force to govern the exercise of all the options previously granted. Particulars of outstanding options granted thereunder at the beginning and at the end of interim period are as follows:

	Options held at 1.4.2002	Options exercised during the period	Options held at 30.9.2002	Exercise price HK\$	Date of grant	Exercise period
Directors						
LIU Chuanzhi	2,250,000	–	2,250,000	2.876	31.8.2001	31.8.2001 to 30.8.2011
YANG Yuanqing	6,000,000	–	6,000,000	4.072	16.4.2001	16.4.2001 to 15.4.2011
	2,250,000	–	2,250,000	2.876	31.8.2001	31.8.2001 to 30.8.2011
MA Xuezheng	2,920,000	–	2,920,000	4.072	16.4.2001	16.4.2001 to 15.4.2011
	1,600,000	–	1,600,000	2.876	31.8.2001	31.8.2001 to 30.8.2011
Continuous contract employees						
	7,712,000	–	7,712,000	4.038	28.1.2000	28.1.2000 to 27.1.2010
	127,162,000	–	127,162,000	4.312	15.1.2001	15.1.2001 to 14.1.2011
	26,630,000	–	26,630,000	4.072	16.4.2001	16.4.2001 to 15.4.2011
	832,000	–	832,000	2.904	29.8.2001	29.8.2001 to 28.8.2011
	115,636,000	656,000	114,980,000	2.876	31.8.2001	31.8.2001 to 30.8.2011

Notes:

1. Weighted average closing price of shares immediately before the date on which the options were exercised by continuous contract employees was HK\$3.28.
2. No share options were cancelled or lapsed during the interim period under review.

The shareholders of the Company have approved a new share option scheme on 25 March 2002. Summary of such scheme has been disclosed in the Company's annual report for the year 2001/02.

No share options have been granted by the Company under any share option schemes during the interim period under review.

Share Options Information (continued)

Valuation of share options

The share options granted are not recognised in the accounts 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 shares 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' Interests in Securities

Interest in securities

As at 30 September 2002, according to the register maintained by the Company pursuant to section 29 of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance"), the interests of each Director in shares of the Company or any associated corporations were as follows:

	Number of shares in the Company		
	Personal interest	Family interest	Total interest
LIU Chuanzhi	10,010,000	256,000	10,266,000
ZENG Maochao	4,080,000	–	4,080,000
YANG Yuanqing	6,200,000	–	6,200,000
MA Xuezheng	16,714,000	2,360,000	19,074,000

	Number of shares in Digital China Holdings Limited (an associated corporation of the Company)		
	Personal interest	Family interest	Total interest
LIU Chuanzhi	896,000	25,600	921,600
ZENG Maochao	408,000	–	408,000
YANG Yuanqing	520,000	–	520,000
MA Xuezheng	1,646,400	–	1,646,400

Directors' Interests in Securities (continued)

Rights to acquire shares

Certain directors have been granted options to subscribe for shares in the Company pursuant to the Company's share option scheme, details of which are set out in the previous part of this report.

Apart from the share options disclosed above, call options have been granted on 5 June 2000 by 聯想控股有限公司 ("LHL"), the controlling shareholder of the Company, to certain persons including the following directors pursuant to which they are respectively entitled (subject to certain conditions) to acquire, and to require LHL to sell, shares of the Company, at a price of HK\$0.5325 per share during a period ending 1 August 2007.

	Number of shares in the Company		
	Personal interest	Family interest	Total interest
LIU Chuanzhi	6,000,000	720,000	6,720,000
ZENG Maochao	4,000,000	600,000	4,600,000
YANG Yuanqing	4,000,000	–	4,000,000
MA Xuezheng	4,000,000	–	4,000,000

Save as disclosed above and other than certain nominee shares in the subsidiaries held in trust for the Group by certain directors, as at 30 September 2002, none of the directors or their associates had any interests in any shares of the Company or any of its associated corporations as recorded by the register of the Company pursuant to the SDI Ordinance.

Substantial Shareholders

According to the register maintained by the Company pursuant to section 16(1) of the SDI Ordinance as at 30 September 2002, the following corporations had an interest of 10% or more of the issued share capital of the Company:

	No. of shares	Percentage of issued share capital	Note
LHL	4,293,475,144	57%	1
Employees' Shareholding Society of LHL	4,293,475,144	57%	2
Right Lane Limited	1,419,518,420	19%	3

Notes:

1. Direct transliteration of 聯想控股有限公司 in English is Legend Holdings Limited.
2. Employees' Shareholding Society of LHL is an equity holder of LHL which in turn wholly owns Right Lane Limited and is therefore taken to be interested in the shares held by those two companies respectively.
3. Right Lane Limited is a wholly-owned subsidiary of LHL. Therefore, number of shares in which Right Lane Limited is shown as being interested is part of the shares in which LHL is shown to be interested.

Purchase, Sale or Redemption of the Company's Listed Securities

During the six months ended 30 September 2002, the Company purchased its own shares on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") as follows:

Month/Year	Number of shares repurchased	Highest price	Lowest price	Aggregate consideration paid
		per share	per share	(including expenses)
		HK\$	HK\$	HK\$'000
June 2002	2,000,000	2.875	2.875	5,765

The repurchased shares were subsequently cancelled and accordingly, the issued share capital of the Company was reduced by the nominal value thereof and the nominal value of shares repurchased of totally HK\$50,000 (2001: HK\$1,258,000) was transferred from retained earnings to share redemption reserve. The premium payable on repurchase was charged against the retained earnings of the Company.

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

Audit Committee

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed internal control and financial reporting matters including a review of the unaudited interim financials.

Code of Best Practice

The Directors of the Company are not aware of any information that would reasonably indicate that the Company is not, or was not, for any part of the accounting period covered by this interim results, in compliance with Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange, except that Non-Executive Directors of the Company are not appointed for a specific term but are subject to retirement by rotation in accordance with the Articles of Association of the Company.

By Order of the Board
Liu Chuanzhi
Chairman

Hong Kong, 12 November 2002