lenovo

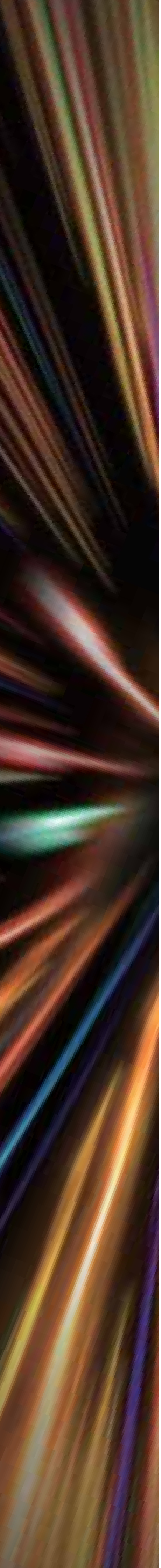
THE FUTURE IS HERE.

2009/10 Annual Report Lenovo Group Limited

Stock Code 992

ABOUT LENOVO

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



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THE LENOVO WAY:

WE DO WHAT WE SAY,
WE OWN WHAT WE DO

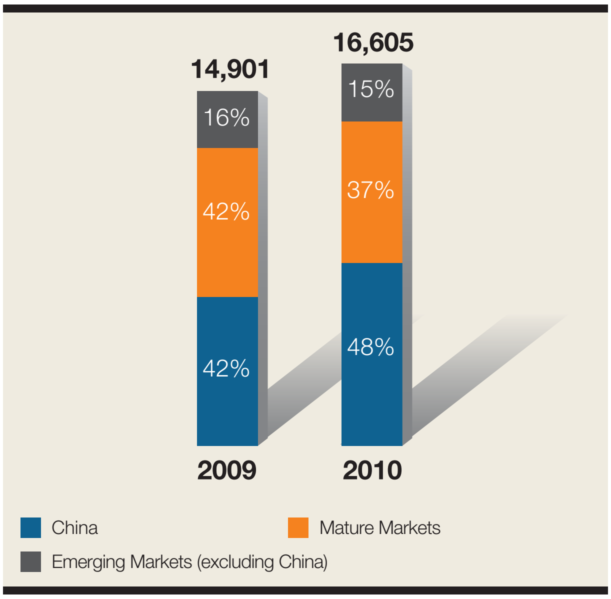
For the year ended March 31	**2010 US$ million**	2009 US$ million	Year-on-year Change
Sales	**16,605**	14,901	11.4%
Gross profit[1]	**1,790**	1,834	-2.4%
Gross profit margin[1] (%)	**10.8**	12.3	-1.5 pts
Operating expenses[1]	**(1,586)**	(1,811)	-12.4%
Expense-to-revenue ratio[1] (%)	**9.6**	12.2	-2.6 pts
EBITDA[1]	**432**	305	41.7%
Pre-tax income[1]	**161**	28	475%
Pre-tax income margin[1] (%)	**1.0**	0.2	0.8 pts
Group Results			
Profit/(loss) attributable to equity holders of the Company	**129**	(226)	N/A
EPS – basic (US cents)	**1.42**	(2.56)	N/A
EPS – diluted (US cents)	**1.33**	(2.56)	N/A
Interim dividend per share (HK cents)	**1.0**	3.0	-67%
Final dividend per share (HK cents)	**4.5**	–	N/A
Total dividend per share (HK cents)	**5.5**	3.0	83%
Cash and Working Capital			
Bank deposits, cash and cash equivalents	**2,439**	1,863	30.9%
Total bank borrowings	**(495)**	(685)	-27.7%
Net cash reserves	**1,944**	1,178	65.0%
Cash conversion cycle (day)	**(30)**	(23)	(7)

Notes:

[1] Excluding restructuring charges and one-off charges.

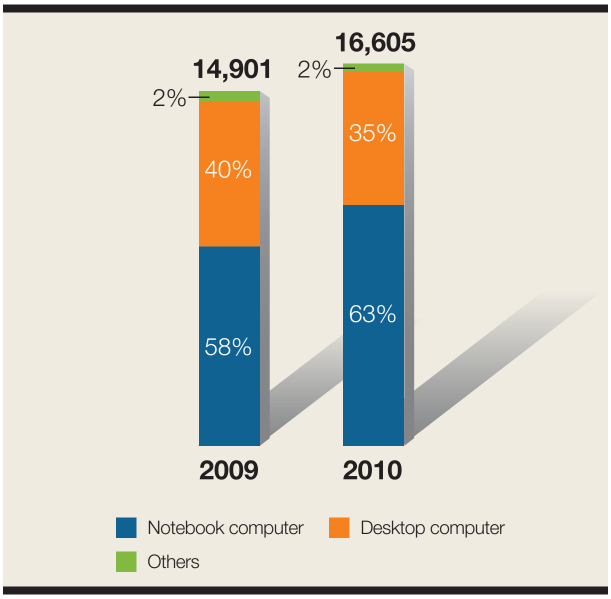
Sales Analysis by Market

for the year ended March 31 (US$ million)



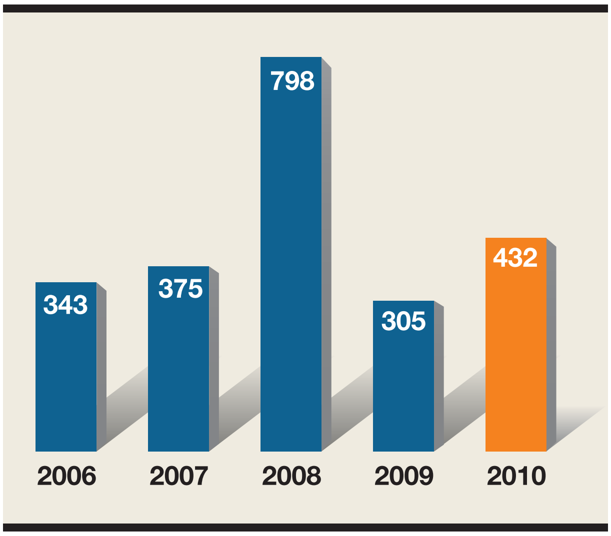
Sales Analysis by Product

for the year ended March 31 (US$ million)



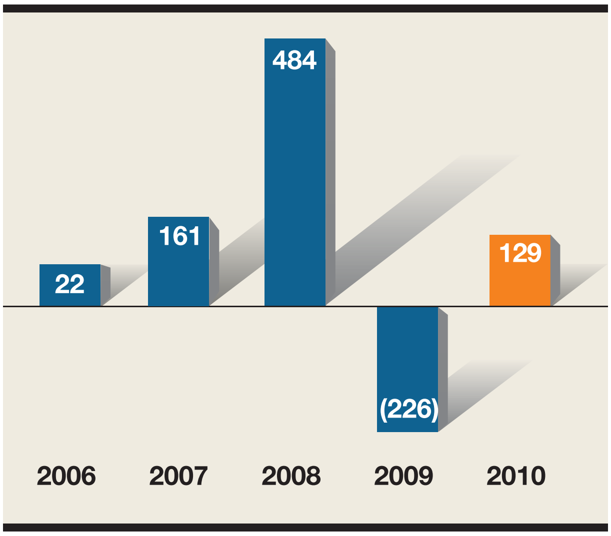
EBITDA[1,2]

for the year ended March 31 (US$ million)



Profit/(Loss) Attributable to Equity Holders of the Company

for the year ended March 31 (US$ million)



Notes:
[1] Excluding discontinued operations for the period from April 1, 2005 to March 31, 2008.
[2] Excluding restructuring charges and one-off charges.

OUR FOUNDATION

Our business model is fast, flexible and efficient. Lenovo's core strengths enable us to navigate a challenging global economy, maximize opportunities for growth and take a leading role in defining the future of technology.

It has been especially delightful to observe the "We Do What We Say; We Own What We Do" Lenovo Culture being embraced by our staff and the resulting boost in their morale.

A year ago, Lenovo's sales and market share dropped significantly. The Group's morale was sinking, and its share price slipped to its lowest in recent years. It is certain that our shareholders and our staff were dissatisfied with the Group's status. If business had gone down any further, the Group could well have descended into new depths of adverse performance and reached the point of no return.

Since then, Lenovo has undergone fundamental changes. All of our financial indicators have become satisfactory. Quarter after quarter, the management has over-achieved on the commitments they made to the Board, winning the Directors' applause. In emerging markets and mature markets alike, from Think to Idea products, the "Protect-Attack" strategy was implemented and executed brilliantly with the right deployment. Thus, the Group has posted record high market share for three consecutive quarters. The toughest times for the Group have passed and the Board of Directors is very satisfied with the results.

Why has such a fundamental change taken place within Lenovo during the past year?

First, from a macro environment perspective, the global economy has started to recover and the demand for PC has rebounded. The Chinese economy has resumed rapid growth, which stimulated PC sales in that market.

More importantly, it is because of the fundamental changes within Lenovo ranging from the top all the way down to the grassroots. All our staff was determined to embrace and steadfastly execute the new strategy. By leveraging its solid management and professional capability and its leadership position in China's PC market, Lenovo has expanded quickly into emerging markets and its transaction business around the world. The Group has improved its operational efficiency, and turned the business around in just a short time. The Group has achieved its highest global market share in its history. Lenovo has become the fastest-growing group among the top five global PC manufacturers during the second half of this fiscal year.

Why can Lenovo achieve these?

It is because CEO Yang Yuanqing, with support from the Board, has built a good leadership team. With an approach blending Eastern and Western practices, the team has developed a very sound strategy. This team's scope of responsibility covers the whole spectrum of functions of the Group, so they can access comprehensive and timely internal information. The team members have both the expertise and experience, period when creating a strategy, they started on a conceptual and macro basis, after rounds of thorough and open discussions and debates, then moved to a detailed and micro level. What's more, when developing the strategy they also considered how it would be executed within their respective organizations and functions. Therefore, the actual execution proceeded more smoothly and with greater determination. In this way, the management team succeeded in delivering on all of its commitments both to the Board and to our customers, while gradually establishing its authority and credibility among the staff. It has been especially delightful to observe the "We Do What We Say; We Own What We Do" Lenovo Culture being embraced by our staff and the resulting boost in their morale. All of these developments have laid a solid foundation for the Group's long-term development.

In addition, Lenovo has focused on technology and product innovation. Several of the Group's newly-launched products have garnered top awards at the Consumer Electronic Show in Las Vegas during January 2010. These honors have demonstrated our efforts of in enhancing profitability through innovation, not merely through reducing costs. In the future, Lenovo intends to continue to invest in technology innovation and brand building to maintain sustainable profit growth.

I have full confidence in the new management team. I have complete faith that they will analyze both industry trends and global economic prospects in depth, and then develop an effective strategy. The primary characteristic of this strategy is that it will integrate innovation not only into technology, but also into business models and management. The Lenovo management team is now full of passion, and pragmatic and enterprising spirits. I strongly believe that they will bring Lenovo, step by step, to new heights and more aspirational goals.

Liu Chuan Zhi

Liu Chuanzhi
Chairman of the Board
Hong Kong, May 27, 2010

A year ago, Lenovo faced tremendous challenges brought on by the global economic downturn. Our leadership team focused on the task of first stabilizing our performance and then quickly setting about returning Lenovo to strong, sustained growth. I am pleased to report that we have made tremendous progress, returning Lenovo to profitability and positioning ourselves for a strong future.

Five key factors were critical in driving our strong performance year-to-year:

- Our clarified strategy focused our operational execution on protecting our base in China and commercial and global accounts while expanding aggressively in emerging markets and consumer sales to make these new areas of strength.
- Our global senior leadership team developed an effective working approach defined by frequent consultation and rapid decision making on the Group's strategic direction.
- A new organizational structure – our Emerging and Mature market groups and Think and Idea product groups – enabled clear end-to-end, integrated focus.
- Lenovo's culture of delivering on our commitments continued to strengthen, enabling us to act with greater speed and efficiency.
- The new products Lenovo launched enhanced our competitiveness and profitability while our innovation leadership differentiated us and enabled us to create new product categories.

For the first time since the landmark acquisition of the IBM PC, Lenovo became the fastest growing major PC company in the second half of the fiscal year. As the global economic climate continues to improve, Lenovo is stronger and better-positioned to capture market growth and new opportunities that emerge.

ACHIEVEMENTS IN FISCAL YEAR 2009/10

Our strategic focus and strong execution led to some notable achievements in fiscal year 2009/10:

- Lenovo's worldwide market share reached an all-time high.
- We continue to build on our market-leading position in China, growing our market share to an all-time high.
- In key Emerging Markets, Lenovo grew faster than the markets and gained significant share.
- Our position in Mature Markets stabilized, with areas such as Japan and Australia/New Zealand gaining significant share.
- We demonstrated that our transactional model can flourish worldwide, making strong gains in both emerging and mature markets.
- Through a strong focus on controlling expenses, we effectively scaled our growth and achieved our lowest expense/revenue ratio since acquiring the IBM PC.
- At the Consumer Electronics Show, we demonstrated our innovation leadership and won more awards than any company in the industry.
- Our Mobile Internet strategy was launched, wherein we are helping define an entirely new and fast growing product category. The reacquisition of Lenovo Mobile is a critical part of our plan for capturing the rapid growth in this space.

These successes demonstrate that Lenovo is well positioned to drive strong, sustainable growth in the future.

STRATEGIC PRIORITIES

Looking forward to the new fiscal year, Lenovo will focus on the following priorities:

- Strategy: Our strategy is working and we will continue to extend our leadership position in China. We also will refine our strategy by simplifying our business model for global commercial accounts. At the same time we will increase our efforts to capture growth in key emerging markets and in worldwide transactional sales, while also pursuing new opportunities such as the Mobile Internet through new products and our Lenovo Mobile unit.
- Business Model: We have a strong foundation in place having established our transactional model worldwide. Now we need to build on that with strong growth, unleashing the power of our unique business model.
- Execution: Clear goals and a strengthening of our culture of commitment enabled us to make tremendous progress in our execution. We will build on that success and operate with even greater speed and efficiency in the year ahead. By continuing to focus on controlling costs and effectively scaling our growth, we will make Lenovo even more competitive.

As a fast-growing, global company, it is essential that we still operate with speed and efficiency in order to win in the market. At Lenovo we achieve this through our global corporate culture.

- Innovation: Lenovo will continue to differentiate itself from commodity competitors through its innovation leadership. In addition, we will apply our innovation talents to the Mobile Internet, which is the next growth engine.

CULTURE

As a fast-growing, global company, it is essential that we still operate with speed and efficiency in order to win in the market. At Lenovo we achieve this through our global corporate culture. The success we had in the last year in execution, efficiency and in driving our dual business model globally all demonstrate our culture of commitment is taking hold.

We call our culture The Lenovo Way, and at its essence, it is based on everyone owning their role and decisions. This way each of us delivers on our commitments to our colleagues, and to our customers. We think The Lenovo Way is a core strength.

The tremendous progress Lenovo made in the last year is a tribute to the great people we have working around the world. I believe in their ability to make Lenovo successful again in the next fiscal year, and in the years ahead.

Y. Yang

Yang Yuanqing
Chief Executive Officer
Hong Kong, May 27, 2010

LENOVO MANAGEMENT TEAM

1 **Liu Chuanzhi**
Chairman of the Board

2 **Yang Yuanqing**
Chief Executive Officer

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

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

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

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

7 **Robert Cones**
Senior Vice President, Office of Operations and General Manager of Latin America

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

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

10 **David Roman**
Senior Vice President and Chief Marketing Officer

11 **Chen Shaopeng**
Senior Vice President and President of Emerging Markets

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

13 **Liu Jun**
Senior Vice President and President of Product Groups

14 **Peter Hortensius**
Senior Vice President, Think Product Group

15 **Lu Yan**
Senior Vice President, Acting CEO and President of Lenovo Mobile

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

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

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

19 **Peter Bartolotta**
Senior Vice President, Global Services

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

OUR FOCUS

We focus every day on meeting our commitments and delivering results. Guided by a clear strategy, we are able to protect our core businesses and attack new opportunities for growth in any market worldwide. Our business requires exceptional execution every day, in every market, for every customer.

BUSINESS REVIEW

The Group's strong performance during the last four quarters was the result of clarifying its strategic priorities at the beginning of the fiscal year.

During the 2009/10 fiscal year, worldwide PC shipments showed improvement in growth from the beginning of the year with momentum gaining pace towards the year-end, benefiting from an improved macro economic environment aided by worldwide government stimulus spending. The consumer PC market continued to show strong growth while commercial PC demand remained relatively weak as enterprises remained conservative and deferred IT spending. The China market recovered earlier and quicker than most of the markets, with momentum continuing towards the year-end, due largely to strong performance in consumer segment.

Lenovo outperformed the worldwide PC market in each of the last four quarters, and recorded the fastest growth rates among the key competitors in the last two quarters of the fiscal year. Lenovo's strong performance was a result of its leadership position in China where it has outperformed the market consistently in each of the last four quarters, together with its continued expansion in transactional business and emerging markets. The Group recorded approximately 28.2 percent year-on-year growth in unit shipments during the year, and reached the historic high of 8.8 percent market share for the fiscal year.

In the fiscal year ended March 31, 2010, the Group's sales increased by approximately 11.4 percent year-on-year to US$16,605 million, as its growth in unit shipments was offset by industry-wide product mix shift to lower price points, aggressive competition and increased component costs. Gross profit (excluding the restructuring costs and one-off items) decreased 2.4 percent year-on-year, amounting to US$1,790 million, while gross margin declined from 12.3 percent in last year to 10.8 percent.

In January 2009, Lenovo announced a global resource restructuring plan aimed at reducing costs and enhancing operational efficiency. The plan is on track to generate expected savings. The Group also delivered strong expense reductions during the year, totaling US$224 million, driving the expense-to-revenue ratio (excluding the restructuring costs and one-off items) to a historic low of 9.6 percent, continuing the trend of year-on-year improvement for the last four quarters. The Group reported an operating profit (excluding the restructuring and one-off items) of US$204 million for the year, increase by 750 percent year-to-year. Including a net gain of US$82 million from the disposal of some investments and restructuring costs and one-off items totaling US$68 million, of which including approximately US$20 million redundancy costs incurred in fiscal quarter four, Lenovo's profit attributable to equity holders amounted to US$129 million for the year, recovering from the loss of US$226 million in the year before.

The Group's strong performance during the last four quarters was the result of clarifying its strategic priorities at the beginning of the fiscal year. The "Protect and Attack" strategy is aimed at protecting its core businesses in China and global commercial business, while at the same time, attacking the hyper-growth areas in global transactional business in emerging markets. Lenovo also reorganized its business by merging operations into two geographies, namely Mature Markets and Emerging Markets. And, to further ensure faster and stronger end-to-end management, two product groups were created: the Think Product Group mainly targets at commercial customers, and the Idea Product Group mainly targets at consumer customers.

Lenovo also took major steps to strengthen its business model, became faster and more efficient, and put the building blocks in place to extend its transactional model globally, while simplifying its relationship business to make it more productive in focusing on the key accounts.

The Group reacquired Lenovo Mobile in November 2009 as part of its strategy to establish a leadership position in the China mobile internet market during its early development phase. The purchase of Lenovo Mobile was approved by shareholders in January 2010, resulting in the inclusion of two months of Lenovo

"PROTECT and ATTACK" Strategy

Protect

China
- Expand leadership position
- Improve profitability

Think/ Rel
- Return to profitability
- Maintain/Grow share

Attack

TM WW
- Go global & gain share
- Use Idea & Think
- Invest & move to profitability

Emerging Market
- Focus on TM & SMB/consumer
- Primary leverage of idea portfolio

Effective business model
- Drive speed and efficiency

Lean cost structure
- Leverage China infrastructure in TM & EM
- Meet the par with competition in Rel

Innovation leadership
- Premium Think
- Creative Idea
- New businesses
- Innovation efficiency

ThinkPad Edge Notebook

Mobile's performance in the Group's results for the year ended March 31, 2010.

PERFORMANCE OF GEOGRAPHIES

During the year ended March 31, 2010, Lenovo saw year-on-year improvements in its geographic performance as compared to the previous fiscal year, benefiting from the focus on its strategic priorities and its strong execution. The Group's China business delivered solid profits while losses incurred in Mature Markets and Emerging Markets (excluding China) were reduced significantly.

China

China accounted for approximately 47 percent of the Group's total sales. China's economic stimulus packages and its rural subsidy program for PCs aided in driving demand in both commercial and consumer segments, especially for consumer notebooks. With growth momentum further improving in the second half of the year, the China PC market posted 31.9 percent year-on-year growth in unit shipments. Lenovo further expanded its leadership with 37.4 percent year-on-year increase in unit shipments by: focusing on capturing high growth opportunities in the rural market and government stimulus projects, refining the small-and-medium-sized business (SMB) model, strengthening cross-selling capability in the large enterprise segment, and enhancing storefront competitiveness. The Group's market share rose 1.2 percentage points year-on-year to 30.0 percent based on preliminary industry estimates, and achieved a historic high market share at 33.4 percent in its traditional peak season at the quarter's end in December.

As noted, Lenovo completed its reacquisition of Lenovo Mobile at the end of January after shareholders approved the transaction on January 22, 2010. As a result, China included approximately two months of Lenovo Mobile contribution for the fiscal year.

Emerging Markets (excluding China)

Emerging Markets (excluding China) accounted for approximately 16 percent of the Group's total sales. Economic growth in emerging and developing economies was affected by the financial crisis. As a result, growth in the PC markets in certain emerging markets declined substantially in the first half of the year, while rebounding in the second half of the fiscal year. Lenovo showed a strong growth momentum in the region in the last fiscal year, and grew by 34.5 percent in unit shipments compared to last year. According to initial industry estimates, Emerging Markets showed a year-on-year increase of 1.0 percentage points to 4.8 percent for the fiscal year.

To gain better efficiency and speed to market, Lenovo set up distinct end-to-end business models for each key country in the region. The Group launched a series of innovative and popular Idea branded products into 18 countries to address the needs of consumer segment. Meanwhile, the Group also kick-started its efforts to develop core channels across the region, resulting in increased share of wallet and stronger bonds with core business partners.

Mature Markets

Mature Markets accounted for approximately 37 percent of the Group's total sales. Impacted by sluggish commercial demand in mature markets, Lenovo started off in a low growth environment in the first half of the year, but greatly improved its performance during the second half. The improvement in second half performance was largely attributed to the strong growth in SMB and consumer segments. Strong notebook growth was seen consistently across all key geographies within the region which helped offset a continuing decline in the desktop PC business. However, PC demand from the enterprise market continued to remain relatively weak during the year, while future growth indicators, such as requests for proposals, increased towards the end of the fiscal year.

The Group implemented its new Mature Markets Group structure at the start of the year to better leverage best practices across the region. This action resulted in a more streamlined and unified business management system as well as reduced operating expenses. The Group also re-invigorated its channel strategy with the formation of a dedicated channel partner organization to broaden its reach through channel partners for improved growth and profitability. The channel strategy also aimed to simplify and increase the reach and customer coverage of the relationship business through the use of channel partners.

The Group has also implemented its transactional business model across the mature markets, replicating best practice developed in China, optimizing its organizational structure to support end-to-end campaign management and broadened coverage for multiple price cells. Lenovo has also expanded its consumer and retail presence in the region.

Lenovo grew by 8.9 percent in unit shipments in Mature Markets compared to last year. The Group's overall market share increased in all countries within the region with exception of those in North America, and reached 4.4 percent according to the latest industry estimates. With relatively limited retail presence in this region, Lenovo's share gains highlight its strong execution in the market segments in which it has presence.

ThinkPad X100e notebook

PERFORMANCE OF PRODUCT GROUPS

Lenovo created two product groups last year with an objective to ensure faster and stronger end-to-end management within the Group. The Think Product Group - targets mainly at commercial customers; and the Idea Product Group - targets mainly at consumer customers. Meanwhile, a new Mobile Internet Group was formed upon the completion of the reacquisition of Lenovo Mobile.

Think Product Group

The Think Product Group, mainly targets at commercial customers, approximately accounted for 65 percent of the Group's sales during the year. The Group's Think branded PC segment grew at 9 percent year-on-year, better than the worldwide commercial PC market growth.

The worldwide commercial PC market continued to decline in the first half of the year as enterprises continued to remain conservative in their IT spending, but the market stabilized towards the end of the fiscal year as the macro environment improved.

Demand for notebook PCs continued to show better growth compared to that of desktops, with the majority of the industry growth occurring at lower price brands. Lenovo's ThinkPad notebooks outperformed the market with 15 percent year-on-year growth in unit shipments during the year. The strength of ThinkPad can be attributed to 68 percent unit shipments growth in China and sustained sales in Mature Markets.

Building on the success of the X300 product launched in 2008/09 fiscal year, the Group has introduced its thinnest and lightest flagship T Series model ever, the T400s, maintaining Lenovo's position as the high performance standard in the premium PC space. The X Series line of ultraportable notebooks continued to represent some of the most powerful notebooks in their class, driven by standard voltage processors in super light designs. The W700ds revolutionized the mobile workstation market with a dual screen aimed at increased productivity, while the launch of the all new W510 brought high performance workstations into a more mobile 15" platform.

ThinkPad Series notebook

Lenovo launched the all-new ThinkPad Edge and ThinkPad X100e product lines at Consumer Electronic Show in January 2010 in Las Vegas (CES 2010) to target SMBs, which is the fastest growing segment of the commercial PC market. ThinkPad Edge products combine the quality and reliability that ThinkPad is known for with a progressive new design, a redesigned contemporary keyboard and Lenovo's ThinkVantage suite of software tools. The all-new X100e addresses the entry ultra-portable needs of small businesses looking for affordable mainstream notebook performance, superior usability, and legendary ThinkPad quality.

Lenovo also launched a series of new desktop products to protect its core enterprise business as well as to attack transactional business during the year. These include ThinkCentre A58e and ThinkCentre M90 series, the greenest product in ThinkCentre family which delivers powerful performance featuring Intel's New Core processors, as well as Lenovo's first commercial All-in-One, ThinkCentre A70z that occupies 70 percent less desk space compared to a traditional desktop and monitor, can be easily set up within three minutes without cable clutter; and significantly reduces

Lenovo's showcase in CES 2010

energy consumption while using less packaging material. Lenovo's Think desktop products grew at 5 percent year-on-year, compared to a decline in the worldwide commercial desktop market.

A full line of product offerings in both ThinkPad and ThinkCentre products was key to the success in 2009/10 fiscal year. Product strengths were further validated in independent quality and performance rankings. TBR ranked Lenovo number one in its Corporate IT Buying Behavior and Customer Satisfaction Studies for commercial laptops and desktops for 3Q and 4Q 2009. Additionally, the launch of Microsoft's Windows 7 OS offered Lenovo's engineering team the opportunity to raise performance to an 'Enhanced Experience' level by optimizing ThinkPad performance to set the Windows 7 benchmark.

Idea Product Group

The Idea Product Group, focused on the consumer and entry SMB products, accounted for approximately 33 percent of the Group's sales during the year. Lenovo's Idea branded PC shipments showed a year-on-year increase of 70 percent, and a year-on-year increase of 295 percent outside China. Idea notebooks grew at 98 percent by unit shipments compared to last year, of which netbook accounted for approximately 19 percent of notebooks unit shipments, while Idea desktops grew at 18 percent from last year, boosted by the success of the All-in-One models.


C100 All-in-One desktop

Lenovo's smartphone lanuched in China

Worldwide consumer PC demand remained resilient during the year despite the economic slow-down Notebook demand continued to show strong growth while demand for desktops shrunk as the trend to replace desktops with notebooks continued with ever closer price points. Meanwhile, Lenovo's All-in-One products continued to show strong growth within the desktop category. The average selling price continued to shift lower, resulting in margin compression.

In mature markets such as North America, the trend towards multiple PCs per household and the tendency to replace desktops with mobile notebooks at lower price points has been the key driver for consumer products. In contrast, emerging markets consumers are more typically first time PC buyers, particularly among a younger generation looking to purchase a PC for education purposes.

The Group continued to expand its coverage of the worldwide consumer and SMB markets during the 2009/10 fiscal year with 46 new products across notebooks and desktops, covering everything from entry level to extreme performance price-points. In addition, Idea branded products were a key part of the Group's expansion of its transaction business model from 22 to 86 countries. These new products received extremely favorable market response based upon rapid growth in portfolio coverage, improved time to market, and supply chain efficiency.

The Group's innovative products won major industry awards at the CES 2010. Lenovo's hybrid notebook IdeaPad U1, representing an industry first, was awarded Best of CES Computer & Hardware from CNET & CEA and Best of CES Notebook from Laptop Magazine. The Group announced the world's first ARM-based smartbook, Skylight, which was awarded Best of CES MID/Smartbook and Best of CES Best Mobile Device from Laptop Magazine and Computer Shopper respectively.

Mobile Internet Group

The Group completed its reacquisition of Lenovo Mobile at the end of January 2010, therefore only included Lenovo Mobile's two months performance in the last fiscal year. The mobile handset industry in China rebounded quickly with a substantial increase in unit shipments during the year which benefited from China's macroeconomic improvement, as well as the release of China's 3G licenses and the official launch of the 3G market. Lenovo Mobile continued to show strong unit shipments growth after its launch of a variety of cost-effective products in the operators market, as well as a range of competitive products in the open market. As a result, Lenovo Mobile grew 32 percent in unit shipments year-on-year and secured a top-three market position during the year.

Notebook and Desktop

Lenovo posted material market share gains in both notebook and desktop PC markets in the fiscal year. The Group captured the strong growth in the robust consumer notebook market with an expanded consumer notebook product portfolio. Lenovo recorded approximately 50 percent growth in unit shipments, and its market share increased 1.3 percentage points to 8.5 percent.

The Group's desktop unit shipments also grew 7.8 percent year-on-year and its market share increased 1.1 percentage points to 9.1 percent. Although market demand was shifting to notebook computers, the recovery in commercial demand, Lenovo's expansion into transaction business with stylish All-in-One consumer desktop and offering of SMB targeted desktop continued to support its desktop growth.

RELATIONSHIP & TRANSACTION BUSINESS MODELS

Lenovo's relationship business began recovering from the severe multi-year downturn in the worldwide economy during the year, with a 4 percent increase in unit shipments. Lenovo launched new Channel friendly programs to engage business partners more significantly in enterprise and public sector sales.

Key account business in China continued to lead all regions worldwide with double digit growth and an increase in unit shipments across all product lines. Meanwhile, Mature Markets, which were most significantly impacted by the economic downturn, continued to experience a decline in unit shipments.

The Group's transaction business continued to build momentum around the world, and became an important driver of market share growth. Lenovo grew 47 percent year-on-year in unit shipments during the year.

Lenovo created a new unified Channel Partners organization in the Mature Markets during the year and held a number of partner events across the regions demonstrating Lenovo's re-investment and commitment to its core Business Partner Channel. This new channel organization helped simplify and improve the Group's relationship with business partners resulting in an increase in the number of active partners during the year.

Global Supply Chain

Lenovo's global supply chain delivered across-the-board improvements in end-to-end cost savings, delivery performance, and quality during the 2009/10 fiscal year. Leveraging a dual supply chain model tailored to Lenovo's customer needs, Lenovo provided the differentiation needed to successfully meet the unique requirements of each market segment. This segmented supply chain approach brought increased efficiencies, responsiveness and performance to the Group.

Lenovo achieved the lowest average cost-per-box in the Group's history with a 24 percent improvement year-on-year. The Group significantly reduced its material and structural costs, and improved order-to-delivery cycle times for notebook PCs and desktop PCs by 4 percent and 3 percent year-on-year, respectively, through optimization of manufacturing and logistics networks. Quality performance, as measured by standard industry metrics, remained extremely strong for Lenovo notebooks, desktops, and workstation/server products.

Lenovo continued to optimize its manufacturing footprint and global logistics networks to meet customer needs and respond to market conditions. Lenovo employs a mix of in-house and outsourced manufacturing, managed by teams of supply chain experts, providing the flexibility to respond quickly to market and demand changes and the capability to deliver industry-leading quality to its customers.

Brand Building

At the CES 2010, Lenovo asserted itself as a global leader, not only in the PC industry but also in new businesses, launching its smartphone business, new mobile internet devices such as Skylight, and the new ThinkPad Edge targeting SMB. Lenovo was the most-decorated PC maker at this prestigious show, earning awards across our entire product portfolio. The Group's breakthrough designs in existing product categories and bold entries into the mobile internet space reinforced Lenovo's position as an innovation leader and demonstrated the added value we bring across our entire product line.

Around the world, Lenovo continued its efforts to present its brand in relevant and compelling ways to key audiences. Partnering with Formula One's Vodafone McLaren Mercedes showcased how Lenovo powered one of the most successful teams in the world's most technology-driven sport.

Lenovo partners with Formula One's Vodafone McLaren Mercedes

FINANCIAL REVIEW

FINANCIAL HIGHLIGHTS

For the year ended Mach 31	2010 US$'000	2009 US$'000
Sales	**16,604,815**	14,900,931
Earnings before interest, taxation, depreciation, amortization, impairment charge, gain/loss on disposal of available-for-sale financial assets and restructuring costs (EBITDAR)	**368,888**	215,979
Profit/(loss) attributable to equity holders of the Company	**129,368**	(226,392)
Earnings/(loss) per share (US cents)		
– Basic	**1.42**	(2.56)
– Diluted	**1.33**	(2.56)
Dividend per ordinary share (HK cents)		
– Interim dividend	**1.0**	3.0
– Proposed final dividend	**4.5**	–

RESULTS

For the year ended March 31, 2010, the Group achieved total sales of approximately US$16,605 million. Profit attributable to equity holders for the year was approximately US$129 million, representing an increase of US$356 million as compared to last year. Gross profit margin for the year was 1.3 percentage points down from 12.1 percent reported in last year. The balance sheet position remained strong, bank deposits and cash and cash equivalents increased by US$575 million as compared to March 31, 2009. Basic earnings per share and diluted earnings per share were US1.42 cents and US1.33 cents, representing an increase of US3.98 cents and US3.89 cents respectively as compared with last year.

The Group has adopted market segments as the reporting format. Market segments comprise China, Emerging Markets (excluding China) and Mature Markets.

For the year ended March 31	2010 Sales to external customers US$'000	2010 Adjusted pre-tax income/(loss) US$'000	2009 Sales to external customers US$'000	2009 Adjusted pre-tax income/(loss) US$'000
China	**7,892,275**	**444,164**	6,223,760	377,858
Emerging Markets (excluding China)	**2,639,812**	**(96,625)**	2,352,974	(107,299)
Mature Markets	**6,072,728**	**(65,119)**	6,324,197	(136,749)
	16,604,815	**282,420**	14,900,931	133,810

The adjusted pre-tax income/(loss) for market segments exclude the effects of non-recurring expenditure from the market segments such as restructuring costs, and the effects of unrealized gains/losses on financial instruments. Interest income and expenditure are not allocated to segments, as this type of activity is driven by the central treasury function, which manages the cash position of the Group. A reconciliation of which is set out in note 5(b) to the financial statements.

Other income – net

Other income represents gains on disposal of available-for-sale financial assets and dividend income.

Selling and distribution expenses

Selling and distribution expenses for the year decreased by 10.6 percent as compared to last year. This is principally attributable to a US$42 million decrease in promotion activities coupled with US$18 million decrease in contracted services.

Administrative expenses

The Group experienced a decrease in administrative expenses for the year of 9.8 percent as compared to last year. The decrease is mainly driven by fewer contracted services.

Research and development expenses

Research and development spending for the year decreased by 2.6 percent as compared to last year.

Other operating expenses – net

Other operating income for the year decreased by 83.3 percent as compared to last year. This is mainly driven by decrease in cost associated with restructuring actions. Other operating expenses mainly comprise one-off items, including warranty costs not reimbursable by suppliers of US$30 million, IP license fee of US$12 million and severance costs of US$20 million.

Major expense items

For the year ended Mach 31	2010 US$'000	2009 US$'000
Depreciation of property, plant and equipment and amortization of prepaid lease payments	**100,826**	143,269
Amortization of intangible assets	**70,202**	83,729
Employee benefit costs	**1,182,019**	1,237,250
– long-term incentive awards	***51,412***	*54,114*
– severance and related costs	***25,448***	*116,077*
Termination of onerous contracts	**(63)**	19,996
Rental expenses under operating leases	**44,729**	45,976

CAPITAL EXPENDITURE

The Group incurred capital expenditures of US$108 million (2009: US$194 million) during the year, mainly for the acquisition of marketing rights, property, plant and equipment, completion of construction-in-progress and investments in the Group's information technology systems.

LIQUIDITY AND FINANCIAL RESOURCES

At March 31, 2010, total assets of the Group amounted to US$8,956 million (2009: US$6,622 million), which were financed by equity attributable to owners of the Company of US$1,606 million (2009: US$1,311 million), minority interests of US$177,000 (2009: US$177,000), and non-current and current liabilities of US$7,350 million (2009: US$5,311 million). At March 31, 2010, the current ratio of the Group was 0.97 (2009: 0.92).

The Group had a solid financial position and continued to maintain a strong and steady cash inflow from its operating activities. At March 31, 2010, bank deposits, cash and cash equivalents totaled US$2,439 million (2009: US$1,863 million), of which 42.9 (2009: 65.7) percent was denominated in US dollars, 46.6 (2009: 24.5) percent in Renminbi, 1.6 (2009: 2.8) percent in Euros, 0.2 (2009: 1.9) percent in Japanese Yen, and 8.7 (2009: 5.1) percent in other currencies.

The Group adopts a conservative policy to invest the surplus cash generated in the operations. At March 31, 2010, 78.2 (2009: 81.0) percent of cash are bank deposits, and 21.8 (2009: 19.0) 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 March 31, 2010, the Group had a US$200 million 5-Year revolving and term loan facility with syndicated banks; and a US$30 million 5-Year fixed rate loan facility with a bank in China. These facilities were fully utilized at March 31, 2010 and both of which will expire before the end of March 2011.

To secure more long-term funding, the Group obtained a new US$300 million 3-year term loan facility with a bank in China in March 2009. This facility was utilized to the extent of US$200 million at March 31, 2010 (2009: US$200 million). In addition, the Group has entered into another 5 years loan facility agreement with a bank of US$300 million on July 17, 2009. The Group is confident that all the loan facilities on hand can meet the funding requirements of the Group's operations and business development.

The Group has also arranged other short-term credit facilities. At March 31, 2010, the Group's total available credit facilities amounted to US$4,936 million (2009: US$4,210 million), of which US$276 million (2009: US$279 million) was in trade lines, US$485 million (2009: US$498 million) in short-term and revolving money market facilities and US$4,175 million (2009: US$3,433 million) in forward foreign exchange contracts. At March 31, 2010, the amounts drawn down were US$191 million (2009: US$91 million) in trade lines, US$2,641 million (2009: US$1,964 million) being used for the forward foreign exchange contracts; and US$65 million (2009: US$20 million) in short-term bank loans.

At March 31, 2010, the Group's outstanding bank loans represented the term loans of US$430 million (2009: US$665 million) and short-term bank loans of US$65 million (2009: US$20 million). Short-term bank loans of US$28 million are secured by the same amount of bank deposits. When compared with total equity of US$1,606 million (2009: US$1,311 million), the Group's gearing ratio was 0.31 (2009: 0.52). The net cash position of the Group at March 31, 2010 is US$1,944 million (2009: US$1,178 million).

At March 31	**2010 US$ million**	2009 US$ million
Bank deposits and cash and cash equivalents	**2,439**	1,863
Less: total borrowings	**(495)**	(685)
	1,944	1,178

The Group adopts a consistent hedging policy for business transactions to reduce the risk of currency fluctuation arising from daily operations. At March 31, 2010, the Group had commitments in respect of outstanding forward foreign exchange contracts amounting to US$2,641 million (2009: US$1,964 million).

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

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 ordinary shares of the Company 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 stated value 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. The warrant holders are entitled to subscribe for 237,417,474 shares in the Company at HK$2.725 per share.

On September 9, 2009 and February 11, 2010, 621,250 and 384,582 convertible preferred shares were converted into 227,981,647 and 141,131,005 voting ordinary shares respectively. At March 31, 2010, the outstanding number of convertible preferred shares was 769,167.

On September 9, 2009, 63,502,788 warrants were exercised pursuant to which the remaining 173,914,686 warrants were repurchased by the Company at a unit price of HK$0.995 on the same day.

CONTINGENT LIABILITIES

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

HUMAN RESOURCES

At March 31, 2010, the Group had a total of 22,205 (2009: 22,511) employees.

The Group implements remuneration policy, bonus and long-term incentive schemes with reference to the performance of the Group and individual employees. The Group also provides benefits such as insurance, medical and retirement funds to employees to sustain competitiveness of the Group.

FUTURE PROSPECTS

With the macro environment showing signs of improvement, Lenovo is confident that with the successful execution of its strategic priorities, it will continue to be a strong player in the worldwide PC market.

The worldwide PC market has shown signs of improvement in the last several quarters, and it is likely that PC demand in China will remain strong as it will in most emerging markets, but there remain challenges that render the macro environment uncertain. While there are some promising signs of corporate refresh, commercial spending will likely improve gradually in the new fiscal year. Consumer demand has been the key driver for worldwide PC market growth for the year, and its growth momentum will likely remain. Meanwhile, the ongoing shift of product mix towards low price bands within consumer PCs will remain challenging as it continues to exert downside pressure on the average selling price.

In addition, as demand for PCs continue to improve, supply constraint in certain key components, such as memory chips, panels and others, will continue to impact production. Component price increases could constrain margins in the new fiscal year even as suppliers increase capacity. Furthermore, volatility in global currencies, like that experienced during the last several quarters, could cause additional challenges for PC makers including Lenovo.

The Group will continue its fundamental "Protect and Attack" strategy that contributed to the Group's success during the year. It will continue to find ways to maintain growth momentum in its core PC business, while capturing new opportunities. Lenovo's strategy will take advantage of positive industry factors, leverage new technology trends and expand beyond PCs.

The Group will continue to extend its PC leadership position and profitability in China. The Lenovo Mobile acquisition during the year will accelerate its expansion into the mobile internet area, and the launch of Lenovo's smartphone will start to tap the China mobile internet opportunity. Lenovo will also continue to protect its core relationship business in its Mature Markets, with an aim to deliver a healthier and steadier profit from this business, and at the same time, it will continue to drive unit shipments growth and share gains in the emerging markets outside China to establish substantial market positions in key countries.

Lenovo's efficient dual business model set its products, services and business process around customer needs and market segmentation. The Group has a clearly defined business model and product portfolio for each customer segment. Lenovo has built the fundamental building blocks for its transaction business and will further enhance its end-to-end integration in the new fiscal year. Lenovo will further simplify its relationship business to drive both focus and efficiency in the way it services its enterprise customer needs to better serve them, and improve its productivity. These end-to-end refinements will allow the Group to better focus on its customers. It will also enable Lenovo to have a consistent business model across all of its regions, and deliver stronger results

Innovation Center in Beijing

Lenovo's smartphone

Lenovo owns a strong track record for innovation in the PC industry, and remains committed to innovation in product, technology and business model, which help differentiate it from its competitors. Through its Innovation Triangle of Raleigh, Yamato and Beijing, the Group has created attractive products that are competitive in the market, and well-received by customers. Lenovo's innovation strategy is to continue building momentum for its core PC business, while targeting other growth opportunities such as the mobile internet, and other high growth opportunities to drive Lenovo to next level.

Lenovo is also building on its successful "Protect and Attack" strategic framework by introducing The Lenovo Way, an initiative to foster a culture that is dedicated to helping the Group achieve even stronger results in the future. The Lenovo Way accomplishes this by instilling a common work culture and shared values and priorities across the Group. This means creating a cohesive and consistent approach to work. Success in building a strong culture will enable every employee to do their jobs more efficiently and for Lenovo to be a successful Company for the long-term.

With the macro environment showing signs of improvement, Lenovo is confident that with the successful execution of its strategic priorities, it will continue to be a strong player in the worldwide PC market.

OUR RESULTS

We must do what we say,
and own what we do.
This is the Lenovo Way.
It means that through careful planning and strong execution, we meet our commitments every day. We seek to exceed expectations not only for our customers, but also for our stakeholders. In this way we move closer each day to becoming the world's leading technology company.

CORPORATE GOVERNANCE PRACTICES

The Board of Directors (the "Board") and the management of the Company strive to attain and uphold a high standard of corporate governance and to maintain sound and well-established corporate governance practices for the interest sake of shareholders, customers and staff. The Company abides strictly by the governing laws and regulations of the jurisdictions where it operates and observes the applicable guidelines and rules issued by regulatory authorities. It regularly undertakes review on its corporate governance system to ensure it is in line with international and local best practices.

Throughout the year ended March 31, 2010, the Company has complied with the code provisions of the Code on Corporate Governance Practices (the "CG Code") in Appendix 14 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Exchange"), and where appropriate, met the recommended best practices in the CG Code, save for the deviations which are explained below.

Code A.4.1

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

Code A.5.4

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

Code C.3.3 (g)

The Audit Committee of the Company regularly discusses with the management the system of internal control and ensures an effective internal control system is in place to discharge its duty during the relevant period albeit the revamped terms of reference of Audit Committee commensurate with the new responsibilities as contained in the revised CG Code taking effect from January 1, 2009 were approved by the Board on May 21, 2009.

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

DIRECTORS' SECURITIES TRANSACTIONS

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

THE BOARD

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

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

In addition, the Board is responsible for the preparation of financial statements for each financial year which gives a true and fair view of the state of affairs of the Group on a going concern basis while the external auditor's responsibilities to shareholders are set out in the Independent Auditor's Report on page 69 of this annual report.

As at the date of this annual report, there were eleven Board members consisting of one executive director, six non-executive directors and four independent non-executive directors. Accordingly, non-executive directors accounted for a vast majority of the Board whereas the independent non-executive directors represented more than one-third of the Board, thus exhibiting a strong independent element which enhanced independent judgement. Mr. Nicholas C. Allen, an independent non-executive director of the Company, has the appropriate professional qualifications, or accounting or related financial management expertise as required under the Listing Rules. The biographies and responsibilities of directors and senior management are set out on pages 55 to 58 of this annual report.

During the year, the following changes in the Board structure of the Company occurred: (i) Dr. Wu Yibing was appointed as a non-executive director of the Company with effect from May 21, 2009; (ii) Mr. Justin T. Chang ceased to act as alternate director to Mr. James G. Coulter effective from August 6, 2009; (iii) Mr. Nicholas C. Allen was appointed as an independent non-executive director of the Company with effect from November 6, 2009; and (iv) Mr. John W. Barter III resigned as independent non-executive director of the Company taking effect from February 4, 2010.

Save for the relationships (including financial, business, family, other material and relevant relationships) as detailed below and in the biography of directors set out on pages 55 to 56 of this annual report, there is no other relationship among the Board to the best knowledge of the Board members as at the date of this annual report:

1. Mr. Liu Chuanzhi and Mr. Zhu Linan, non-executive directors, also serve on the board of directors of Legend Holdings Limited, the controlling shareholder of the Company.

2. Mr. James G. Coulter and Mr. William O. Grabe were nominated by TPG Capital and General Atlantic Group respectively as non-executive directors of the Company pursuant to the Investment Agreement dated March 30, 2005, details of which were disclosed in the Company's circular dated April 20, 2005. Further, Ms. Ma Xuezheng, a non-executive director of the Company and a managing director of TPG Capital, is work associate of Mr. Coulter.

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

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

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

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

In addition, in order to enhance the understanding of the Group's operation, during the year the Company arranged a tour for non-executive directors to visit the Company's manufacturing plant, innovation centre and call centre in Beijing and the executive office in North Carolina, US.

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

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

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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

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

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

BOARD COMMITTEES

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

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

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

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

Audit Committee

Membership

All members of the Audit Committee (defined as "Committee" in this section) are non-executive directors, the majority of which including the Committee Chairman are independent non-executive directors. The members during the year were Professor Woo Chia-Wei, Mr. Ting Lee Sen, Mr. John W. Barter III, Ms. Ma Xuezheng and Mr. Nicholas C. Allen. Mr. Barter resigned as Committee Chairman concurrent with his resignation as director of the Company effective on February 4, 2010. In substitute, Mr. Allen who was appointed a member of the Committee on November 6, 2009 was elected Committee Chairman with effect from February 4, 2010.

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

Responsibilities and summary of work

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

The Committee met four times during the year and has performed the following duties:

- Review of the accounting principles and practices adopted by the Group
- Review of the financial reporting matters including the quarterly, interim and annual financial statements, announcements, interim report and annual report before submission to the Board for approval
- Discussion of yearly internal audit plan of the Group and quarterly review of internal audit and business control
- Discussion of yearly audit plan of the Group and review of quarterly external audit progress report
- Review of enterprise risk management
- Overview of group's tax model
- Review of non-audit services provided by external auditor
- Review of continuing connected transactions of the Group
- Recommendation on re-appointment of external auditor

Compensation Committee

Membership
All members of the Compensation Committee (defined as "Committee" in this section) are non-executive directors, the majority of whom are independent non-executive directors. The current members are Mr. William O. Grabe (Committee Chairman), Professor Woo Chia-Wei and Mr. Ting Lee Sen with Ms. Ma. Xuezheng and Mr. Zhu Linan acting as observers (Mr. Zhu was appointed on May 21, 2009).
Responsibilities and summary of work
The Committee is responsible for considering and making recommendation to the Board on the Company's compensation policy, including its long-term incentive policy. It is also responsible for the determination of the compensation level and package paid to the Chairman of the Board, CEO and other directors and senior management. The Committee is authorized to obtain outside independent professional advice to support its function. In the year ended March 31, 2010, the Committee held six meetings in which the following activities were resolved to be undertaken: • Approval of 2009/10 updated merit plan • Submission of 2009/10 non-executive director pay recommendation by independent consultant for the Board's approval • Approval of 2008/09 bonus payments and 2009/10 compensation for the direct reports of CEO and President • Approval of 2008/09 bonus payment for CEO • Approval and submission of 2009/10 pay design recommendations for CEO and Chairman of the Board to the Board for approval • Approval of 2009/10 core bonus plan design • Approval and submission of the recommendation in respect of a senior management incentive plan to the Board for approval • Approval of 2009/10 LTI grant recommendations for the Chairman of the Board, CEO, President and CEO/President's direct reports, executive and employee • Approval of 2010/11 LTI program budget • Approval of 2010/11 bonus plan design • Approval of 2009/10 and 2010/11 updated LTI budget

Strategy Committee

Membership
The Strategy Committee (defined as "Committee" in this section) currently comprises Mr. Liu Chuanzhi (Committee Chairman), Mr. Yang Yuanqing, Mr. James G. Coulter and Mr. William O. Grabe with Ms. Ma Xuezheng acting as an observer.
Responsibilities and summary of work
The Committee is responsible for assisting the Board in determining the vision, the long-term strategy and intermediate targets for the Company and reviewing the annual targets of the Company. The Committee is also responsible for the assessment of the performance of the Chairman of the Board and the CEO and making proposals to the Compensation Committee. The Committee met five times during the year to review the business performance and business strategy of the Group and it also assessed the performance of the ex-Chairman of the Board and CEO for 2008/09.

Governance Committee

Membership
The Governance Committee (defined as "Committee" in this section) currently is composed of Mr. Liu Chuanzhi (Committee Chairman), Mr. Yang Yuanqing and Mr. James G. Coulter.
Responsibilities and summary of work
The Committee is to assist the Board in overseeing Board organization and senior management succession planning, developing its corporate governance principles and determining Board evaluation criteria and process. During the year, the Committee discussed via two circular resolutions the appointment of Dr. Wu Yibing as a non-executive director and the appointment of Mr. Nicholas C. Allen as an independent non-executive director of the Company respectively.

BOARD AND COMMITTEE MEETINGS

The composition of the Board and attendance of individual directors at meetings of the Board and Board Committees during the financial year were as follows:

	Attendance/Meetings in the year			
Directors	Board (Total no.: 6*)	Audit Committee (Total no.: 4)	Compensation Committee (Total no.: 6)	Strategy Committee (Total no.: 5)
Executive director				
Mr. Yang Yuanqing (CEO)	6/6	–	–	4/5#
Non-executive directors				
Mr. Liu Chuanzhi (Chairman)	5/5	–	–	5/5
Mr. Zhu Linan	5/5	–	–	–
Ms. Ma Xuezheng	5/6	3/4	–	–
Mr. James G. Coulter	4/5	–	–	4/5
Mr. William O. Grabe	6/6	–	6/6	4/5
Dr. Wu Yibing[1]	4/4	–	–	–
Independent non-executive directors				
Professor Woo Chia-Wei	5/5	4/4	6/6	–
Mr. Ting Lee Sen	5/5	4/4	6/6	–
Dr. Tian Suning	4/5	–	–	–
Mr. Nicholas C. Allen[1]	1/1	1/1	–	–
Mr. John W. Barter III[1]	6/6	4/4	–	–

Notes:

* Out of the total six board meetings, one was a meeting of the board committee formed for specific purpose comprising Mr. Yang Yuanqing, Ms. Ma Xuezheng, Mr. William O. Grabe and Mr. John W. Barter III.

For corporate governance reason, Mr. Yang Yuanqing was required to excuse himself from a strategy committee meeting to avoid conflict of interest.

1. Dr. Wu Yibing and Mr. Nicholas C. Allen were appointed non-executive director and independent non-executive director of the Company on May 21, 2009 and November 6, 2009 respectively. Mr. John W. Barter III resigned as independent non-executive director of the Company on February 4, 2010.

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

COMPENSATION POLICY

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

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

Non-Executive Directors

To ensure that non-executive directors are appropriately remunerated, in 2009 the Compensation Committee engaged an independent international compensation consulting firm who conducted an analysis of the compensation package of non-executive directors and recommended to the Board to increase the additional cash retainer amounts for the non-executive directors.

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

The compensation of non-executive Directors is comprised of an annual cash retainer equal to US$80,000 (approximately HK$621,000) and an annual award of Stock Appreciation Rights (SARs) and Restricted Stock Units (RSUs) which can be settled in either Lenovo shares or their cash equivalent upon exercise. SARs and RSUs are subject to a three-year vesting period and are otherwise subject to the same terms and conditions of the SAR and RSU schemes described below.

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

Details of the compensation of the non-executive directors are included in note 11 to the financial statements. SAR and RSU awards outstanding for non-executive directors as of March 31, 2010 under this scheme are presented below.

Chairman, Executive Director and Senior Management

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

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

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

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

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

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

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

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

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

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

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

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

During the year, CEO, senior management and selected employees received an annual award comprised of SARs and RSUs.

Awards outstanding for executive and non-executive directors as of March 31, 2010 under the LTI Program are presented below.

Share Option Scheme

The Company operates two share option schemes, the "New Option Scheme" and the "Old Option Scheme". Details of the programs are set out in the Directors' Report on pages 51 to 54. Options outstanding for executive and non-executive directors as of March 31, 2010 under these schemes are presented in the Directors' Report on page 53.

No options were granted under these schemes during the year.

Retirement Benefits

The Company operates a number of retirement schemes for its employees, including executive directors and senior management. These schemes are reviewed regularly and intended to deliver benefit levels that are consistent with local market practices. Details of the programs are set out in the Directors' Report on pages 63 to 65.

Long-Term Incentive Awards

The total number of awards of the members of the Board, including the Chairman of the Board and CEO, under the LTI Program as disclosed pursuant to Securities and Futures Ordinance is set out below:

				Number of units								
Name	Award type	Fiscal Year of Award	Effective price (HK$)	As at April 1, 2009 (unvested)	Awarded during the year	Vested during the year	Exercised during the year	Cancelled/ lapsed during the year	As at March 31, 2010 (unvested)	Total outstanding as at March 31, 2010	Max no. of shares subject to conditions	Vesting period (mm.dd.yyyy)
Mr. Liu Chuanzhi	SAR	05/06	3.15	–	–	–	–	–	–	564,000	564,000	05.01.2006-05.01.2008
	SAR	06/07	2.99	130,000	–	130,000	–	–	–	390,000	390,000	06.01.2007-06.01.2009
	SAR	07/08	3.94	198,000	–	99,000	–	–	99,000	297,000	297,000	06.01.2008-06.01.2010
	SAR	08/09	5.88	195,980	–	65,326	–	–	130,654	195,980	195,980	06.01.2009-06.01.2011
	SAR	09/10	3.17	–	18,500,000	–	–	–	18,500,000	18,500,000	18,500,000	05.25.2010-05.25-2013
	RSU	06/07	2.99	43,334	–	43,334	–	–	–	–	–	06.01.2007-06.01.2009
	RSU	07/08	3.94	66,000	–	33,000	–	–	33,000	33,000	33,000	06.01.2008-06.01.2010
	RSU	08/09	5.88	78,390	–	26,130	–	–	52,260	52,260	52,260	06.01.2009-06.01.2011

Name	Award type	Fiscal Year of Award	Effective price	Number of units: As at April 1, 2009	Awarded during the year	Vested during the year	Exercised during the year	Cancelled/ lapsed during the year	As at March 31, 2010	Total outstanding as at March 31, 2010	Max no. of shares subject to conditions	Vesting period
			(HK$)	(unvested)					(unvested)			(mm.dd.yyyy)
Mr. Yang Yuanqing	SAR	05/06	2.42	1,590,667	–	1,590,667	–	–	–	6,362,756	6,362,756	05.01.2006-05.01.2009
	SAR	06/07	2.35	6,692,833	–	3,346,416	–	–	3,346,417	13,385,665	13,385,665	06.01.2007-06.01.2010
	SAR	07/08	3.94	4,501,507	–	1,500,502	–	–	3,001,005	6,002,009	6,002,009	06.01.2008-06.01.2011
	SAR	08/09	5.88	3,939,855	–	984,964	–	–	2,954,891	3,939,855	3,939,855	06.01.2009-06.01.2012
	SAR	09/10	3.17	–	22,800,000	–	–	–	22,800,000	22,800,000	22,800,000	05.25.2010-05.25.2013
	RSU	05/06	2.42	232,196	–	232,196	–	–	–	–	–	05.01.2006-05.01.2009
	RSU	06/07	2.35	1,487,297	–	743,648	–	–	743,649	743,649	743,649	06.01.2007-06.01.2010
	RSU	07/08	3.94	5,043,303	–	1,681,102	–	–	3,362,201	3,362,201	3,362,201	06.01.2008-06.01.2011
	RSU	08/09	5.88	2,801,675	–	262,657	–	1,751,047	787,971	787,971	787,971	06.01.2009-06.01.2012
	RSU	09/10	3.17	–	10,200,000	–	–	–	10,200,000	10,200,000	10,200,000	05.25.2010-05.25.2013
Mr. Zhu Linan	SAR	05/06	3.15	–	–	–	–	–	–	564,000	564,000	05.01.2006-05.01.2008
	SAR	06/07	2.99	130,000	–	130,000	–	–	–	390,000	390,000	06.01.2007-06.01.2009
	SAR	07/08	3.94	198,000	–	99,000	–	–	99,000	297,000	297,000	06.01.2008-06.01.2010
	SAR	08/09	5.88	195,980	–	65,326	–	–	130,654	195,980	195,980	06.01.2009-06.01.2011
	SAR	09/10	3.88	–	263,796	–	–	–	263,796	263,796	263,796	08.07.2010-08.07.2012
	SAR	09/10	4.47	–	38,163	–	–	–	38,163	38,163	38,163	11.30.2010-11.30.2012
	RSU	06/07	2.99	43,334	–	43,334	–	–	–	–	–	06.01.2007-06.01.2009
	RSU	07/08	3.94	66,000	–	33,000	–	–	33,000	33,000	33,000	06.01.2008-06.01.2010
	RSU	08/09	5.88	78,390	–	26,130	–	–	52,260	52,260	52,260	06.01.2009-06.01.2011
	RSU	09/10	3.88	–	119,907	–	–	–	119,907	119,907	119,907	08.07.2010-08.07.2012
	RSU	09/10	4.47	–	17,347	–	–	–	17,347	17,347	17,347	11.30.2010-11.30.2012
Ms. Ma Xuezheng	SAR	05/06	2.42	520,375	–	520,375	2,081,500	–	–	–	–	05.01.2006-05.01.2009
	SAR	06/07	2.35	2,054,947	–	1,027,474	3,082,422	–	1,027,473	1,027,473	1,027,473	06.01.2007-06.01.2010
	SAR	07/08	3.94	198,000	–	99,000	198,000	–	99,000	99,000	99,000	06.01.2008-06.01.2010
	SAR	07/08	5.62	519,847	–	173,282	–	–	346,565	693,130	693,130	06.01.2008-06.01.2011
	SAR	08/09	5.88	195,980	–	65,327	–	–	130,653	195,980	195,980	06.01.2009-06.01.2011
	SAR	09/10	3.88	–	263,796	–	–	–	263,796	263,796	263,796	08.07.2010-08.07.2012
	SAR	09/10	4.47	–	38,163	–	–	–	38,163	38,163	38,163	11.30.2010-11.30.2012
	RSU	05/06	2.42	75,975	–	75,975	–	–	–	–	–	05.01.2006-05.01.2009
	RSU	06/07	2.35	684,983	–	342,492	–	–	342,491	342,491	342,491	06.01.2007-06.01.2010
	RSU	07/08	3.94	66,000	–	33,000	–	–	33,000	33,000	33,000	06.01.2008-06.01.2010
	RSU	07/08	5.62	173,281	–	57,760	–	–	115,521	115,521	115,521	06.01.2008-06.01.2011
	RSU	08/09	5.88	78,390	–	26,130	–	–	52,260	52,260	52,260	06.01.2009-06.01.2011
	RSU	09/10	3.88	–	119,907	–	–	–	119,907	119,907	119,907	08.07.2010-08.07.2012
	RSU	09/10	4.47	–	17,347	–	–	–	17,347	17,347	17,347	11.30.2010-11.30.2012
Mr. James G. Coulter	SAR	06/07	2.99	130,000	–	130,000	–	–	–	390,000	390,000	06.01.2007-06.01.2009
	SAR	07/08	3.94	198,000	–	99,000	–	–	99,000	297,000	297,000	06.01.2008-06.01.2010
	SAR	08/09	5.88	195,980	–	65,326	–	–	130,654	195,980	195,980	06.01.2009-06.01.2011
	SAR	09/10	3.88	–	263,796	–	–	–	263,796	263,796	263,796	08.07.2010-08.07.2012
	SAR	09/10	4.47	–	38,163	–	–	–	38,163	38,163	38,163	11.30.2010-11.30.2012
	RSU	06/07	2.99	43,334	–	43,334	–	–	–	–	–	06.01.2007-06.01.2009
	RSU	07/08	3.94	66,000	–	33,000	–	–	33,000	33,000	33,000	06.01.2008-06.01.2010
	RSU	08/09	5.88	78,390	–	26,130	–	–	52,260	52,260	52,260	06.01.2009-06.01.2011
	RSU	09/10	3.88	–	119,907	–	–	–	119,907	119,907	119,907	08.07.2010-08.07.2012
	RSU	09/10	4.47	–	17,347	–	–	–	17,347	17,347	17,347	11.30.2010-11.30.2012

				Number of units								
Name	Award type	Fiscal Year of Award	Effective price	As at April 1, 2009	Awarded during the year	Vested during the year	Exercised during the year	Cancelled/ lapsed during the year	As at March 31, 2010	Total outstanding as at March 31, 2010	Max no. of shares subject to conditions	Vesting period
			(HK$)	(unvested)					(unvested)			(mm.dd.yyyy)
Mr. William O.Grabe	SAR	05/06	3.15	–	–	–	–	–	–	564,000	564,000	05.01.2006-05.01.2008
	SAR	06/07	2.99	130,000	–	130,000	–	–	–	390,000	390,000	06.01.2007-06.01.2009
	SAR	07/08	3.94	198,000	–	99,000	–	–	99,000	297,000	297,000	06.01.2008-06.01.2010
	SAR	08/09	5.88	195,980	–	65,326	–	–	130,654	195,980	195,980	06.01.2009-06.01.2011
	SAR	09/10	3.88	–	263,796	–	–	–	263,796	263,796	263,796	08.07.2010-08.07.2012
	SAR	09/10	4.47	–	38,163	–	–	–	38,163	38,163	38,163	11.30.2010-11.30.2012
	RSU	06/07	2.99	43,334	–	43,334	–	–	–	–	–	06.01.2007-06.01.2009
	RSU	07/08	3.94	66,000	–	33,000	–	–	33,000	33,000	33,000	06.01.2008-06.01.2010
	RSU	08/09	5.88	78,390	–	26,130	–	–	52,260	52,260	52,260	06.01.2009-06.01.2011
	RSU	09/10	3.88	–	119,907	–	–	–	119,907	119,907	119,907	08.07.2010-08.07.2012
	RSU	09/10	4.47	–	17,347	–	–	–	17,347	17,347	17,347	11.30.2010-11.30.2012
	RSU	09/10	2.80	–	48,438	48,438	–	–	–	–	–	Note 1
	RSU	09/10	3.88	–	34,973	34,973	–	–	–	–	–	Note 1
	RSU	09/10	4.47	–	30,341	30,341	–	–	–	–	–	Note 1
	RSU	09/10	4.36	–	666	666	–	–	–	–	–	Note 2
Dr. Wu Yibing	SAR	09/10	3.88	–	263,796	–	–	–	263,796	263,796	263,796	08.07.2010–08.07.2012
	SAR	09/10	4.47	–	38,163	–	–	–	38,163	38,163	38,163	11.30.2010–11.30.2012
	RSU	09/10	3.88	–	119,907	–	–	–	119,907	119,907	119,907	08.07.2010–08.07.2012
	RSU	09/10	4.47	–	17,347	–	–	–	17,347	17,347	17,347	11.30.2010–11.30.2012
Professor Woo Chia-Wei	SAR	05/06	3.15	–	–	–	–	–	–	564,000	564,000	05.01.2006-05.01.2008
	SAR	06/07	2.99	130,000	–	130,000	–	–	–	390,000	390,000	06.01.2007-06.01.2009
	SAR	07/08	3.94	198,000	–	99,000	–	–	99,000	297,000	297,000	06.01.2008-06.01.2010
	SAR	08/09	5.88	195,980	–	65,326	–	–	130,654	195,980	195,980	06.01.2009-06.01.2011
	SAR	09/10	3.88	–	263,796	–	–	–	263,796	263,796	263,796	08.07.2010-08.07.2012
	SAR	09/10	4.47	–	38,163	–	–	–	38,163	38,163	38,163	11.30.2010-11.30.2012
	RSU	06/07	2.99	43,334	–	43,334	–	–	–	–	–	06.01.2007-06.01.2009
	RSU	07/08	3.94	66,000	–	33,000	–	–	33,000	33,000	33,000	06.01.2008-06.01.2010
	RSU	08/09	5.88	78,390	–	26,130	–	–	52,260	52,260	52,260	06.01.2009-06.01.2011
	RSU	09/10	3.88	–	119,907	–	–	–	119,907	119,907	119,907	08.07.2010-08.07.2012
	RSU	09/10	4.47	–	17,347	–	–	–	17,347	17,347	17,347	11.30.2010-11.30.2012
	RSU	09/10	2.80	–	41,518	41,518	–	–	–	–	–	Note 1
	RSU	09/10	3.88	–	29,977	29,977	–	–	–	–	–	Note 1
	RSU	09/10	4.47	–	26,007	26,007	–	–	–	–	–	Note 1
	RSU	09/10	4.36	–	570	570	–	–	–	–	–	Note 2
Mr. Ting Lee Sen	SAR	05/06	3.15	–	–	–	–	–	–	564,000	564,000	05.01.2006-05.01.2008
	SAR	06/07	2.99	130,000	–	130,000	–	–	–	390,000	390,000	06.01.2007-06.01.2009
	SAR	07/08	3.94	198,000	–	99,000	–	–	99,000	297,000	297,000	06.01.2008-06.01.2010
	SAR	08/09	5.88	195,980	–	65,326	–	–	130,654	195,980	195,980	06.01.2009-06.01.2011
	SAR	09/10	3.88	–	263,796	–	–	–	263,796	263,796	263,796	08.07.2010-08.07.2012
	SAR	09/10	4.47	–	38,163	–	–	–	38,163	38,163	38,163	11.30.2010-11.30.2012
	RSU	06/07	2.99	43,334	–	43,334	–	–	–	–	–	06.01.2007-06.01.2009
	RSU	07/08	3.94	66,000	–	33,000	–	–	33,000	33,000	33,000	06.01.2008-06.01.2010
	RSU	08/09	5.88	78,390	–	26,130	–	–	52,260	52,260	52,260	06.01.2009-06.01.2011
	RSU	09/10	3.88	–	119,907	–	–	–	119,907	119,907	119,907	08.07.2010-08.07.2012
	RSU	09/10	4.47	–	17,347	–	–	–	17,347	17,347	17,347	11.30.2010-11.30.2012
	RSU	09/10	2.80	–	41,518	41,518	–	–	–	–	–	Note 1
	RSU	09/10	4.36	–	511	511	–	–	–	–	–	Note 2

Name	Award type	Fiscal Year of Award	Effective price	Number of units							Max no. of shares subject to conditions	Vesting period
				As at April 1, 2009	Awarded during the year	Vested during the year	Exercised during the year	Cancelled/ lapsed during the year	As at March 31, 2010	Total outstanding as at March 31, 2010		
			(HK$)	(unvested)					(unvested)			(mm.dd.yyyy)
Dr. Tian Suning	SAR	07/08	5.14	101,300	–	50,650	–	–	50,650	151,950	151,950	09.01.2008-09.01.2010
	SAR	08/09	5.88	195,980	–	65,326	–	–	130,654	195,980	195,980	06.01.2009-06.01.2011
	SAR	09/10	3.88	–	263,796	–	–	–	263,796	263,796	263,796	08.07.2010-08.07.2012
	SAR	09/10	4.47	–	38,163	–	–	–	38,163	38,163	38,163	11.30.2010-11.30.2012
	RSU	07/08	5.14	33,767	–	16,883	–	–	16,884	16,884	16,884	09.01.2008-09.01.2010
	RSU	08/09	5.88	78,390	–	26,130	–	–	52,260	52,260	52,260	06.01.2009-06.01.2011
	RSU	09/10	3.88	–	119,907	–	–	–	119,907	119,907	119,907	08.07.2010-08.07.2012
	RSU	09/10	4.47	–	17,347	–	–	–	17,347	17,347	17,347	11.30.2010-11.30.2012
Mr. Nicholas C. Allen	SAR	09/10	4.47	–	107,343	–	–	–	107,343	107,343	107,343	11.30.2010–11.30.2012
	RSU	09/10	4.47	–	48,792	–	–	–	48,792	48,792	48,792	11.30.2010–11.30.2012

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

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

EXTERNAL AUDITOR

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

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

The fees paid or payable to PwC for audit and non-audit services for the financial year ended March 31, 2010 and the comparative figures for the financial year ended March 31, 2009 are as follows:

	2010 US$mn	2009 US$mn
Audit		
– 2007/08	**–**	0.4
– 2008/09	**–**	5.2
– 2009/10	**3.6**	–
	3.6	5.6
Non-audit	**0.5**	0.8
Total	**4.1**	6.4

INTERNAL CONTROL

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

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

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

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

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

- Independent and objective assessment of Lenovo's system of internal control;
- Guidance in managing and controlling risks for Lenovo stakeholders;
- Proactive support to improve Lenovo's control posture; and
- Independent investigations regarding allegations of fraud and violations of Lenovo's Business Conduct Guidelines.

In selecting the audits to perform each year, Internal Audit uses information collected throughout the year from process owners, the risk assessment team, senior executives, external auditor and the Board. The developed audit plan is reviewed by the Audit Committee, who are also given quarterly updates on the performance of the plan and key findings. Ad hoc reviews may also be performed on areas of concern identified by management or the Audit Committee. During the year, Internal Audit issued multiple reports covering most of the operational and financial units worldwide.

The Company's Code of Conduct captures Lenovo's commitment to an environment of uncompromising integrity and helps employees determine when to ask for advice, and where to seek it. Furthermore, in keeping with best practices, Lenovo has also developed and implemented an Anti-Bribery and Anti-Corruption Policy which reinforces the message in the Code of Conduct and provides additional specific guidance regarding compliance with rules and laws related to bribery and corruption.

Internal Audit are responsible for investigating any allegations of potential violations of Lenovo's business conduct guidelines or the anti-bribery and anti-corruption policies. Internal Audit partners with Legal, Human Resources, and subject matter experts where necessary to ensure the appropriate expertise when performing these investigations. The management of the business units, the process owners and the Audit Committee are informed of any required actions resulting from these reviews, and Internal Audit monitors the corrective actions to completion.

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

To help ensure the quality of the Internal Audit function and provide assurance that the Internal Audit function is in conformity with the standards of the Institute of Internal Auditors, the Audit Committee periodically commissions an independent external quality assurance review of the Internal Audit function. In addition, Internal Audit has implemented a comprehensive and continuous quality assurance program covering all Internal Audit activities.

Regarding procedures and internal controls for the handling and dissemination of price-sensitive information, the Company is aware of its obligations under the Listing Rules and the overriding principle that information which is expected to be price-sensitive should be announced immediately it is the subject of a decision. The Company conducts its affairs with close regard to the applicable laws and regulations prevailing in Hong Kong and has implemented policies and procedures which strictly prohibit unauthorized use of confidential and sensitive information, and has communicated to all relevant staff regarding this matter.

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

COMMUNICATION WITH SHAREHOLDERS

The Company is committed to safeguard shareholders' interests and encourage shareholders to attend the annual general meetings for which sufficient notices will be given. Shareholders are therefore encouraged to actively participate at such meetings. The 2009 Annual General Meeting of the Company held on July 29, 2009 was attended by, among others, Chairman of the Board, CEO, Chief Financial Officer, Chairman of the Audit Committee, Chairman of the Compensation Committee and representatives of external auditor PwC to answer questions raised by shareholders at the meeting. Resolutions passed at the 2009 Annual General Meeting included: adoption of the Group's audited accounts for the year ended March 31, 2009 together with the directors' report and independent auditor's report, re-election of retiring directors and authorization to fix directors' fees for the year ended March 31, 2010, re-appointment of external auditor and authorization to fix auditor's fee and grant of general mandates to the Board to issue and repurchase shares of the Company. All the resolutions proposed at the 2009 Annual General Meeting were decided by way of poll voting. The poll was conducted by Tricor Abacus Limited, the Company's share register, as scrutineer and the results of the poll were published on the Company's website (www.lenovo.com/hk/publication) and the Exchange's website (www.hkex.com.hk).

INVESTOR RELATIONS

Lenovo establishes an investor relations department to promote open, transparent, efficient and consistent communications with shareholders, investors and equity analysts. The investor relations team commits to proactively provide investment community with necessary information, data and services in a timely manner, so as to allow them to fully understand the Company's operations and development.

During the year, the Company's senior management presented the annual results and quarterly results in Hong Kong, Raleigh, Beijing and San Francisco. Through various activities such as analyst briefings, press conferences, webcasts, conference calls and investor roadshows, the senior management presented and answered the key issues of which investors were of prime concerns. The Company continued to organize analyst roundtable to enhance equity analysts' in-depth understanding the operations and strategies of a particular business segment. This year, Lenovo's senior management of Emerging Markets Group presented the Company's latest development and future strategy in the emerging markets. In addition to regular one-on-one investor meetings, the senior management participated in a number of investor conferences held by major international investment banks in order to maintain active communications with institutional investors around the world.

In the fiscal year 2009/10, the Company attended the following investor conferences held by major international investment banks:

Date	Name of Conference
May 2009	Nomura Pan-Asia Technology Conference 2009
June 2009	Yuanta Corporate Day
July 2009	Deutsche Bank Access China Corporate Day
September 2009	Citi's Global Tech Conference
September 2009	Deutsche Bank Global Emerging Markets One-on-One Conference 2009
September 2009	CLSA Hong Kong Forum
November 2009	Morgan Stanley 8th Annual Asia Pacific Summit
November 2009	Daiwa Investment Conference
March 2010	Credit Suisse Asian Investment Conference 2010

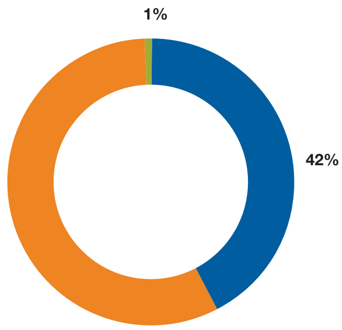
The Company's continuous effort in investor relations has been well-recognized by the investment community as it received several key awards during the year. Lenovo ranked third in both the "Best Quoted Company for Investor Relations in Hong Kong" and the "Best Quoted Company for Investor Relations in Asia Hardware" in the Thomson Reuters Extel Asia Pacific Survey 2009.

The investor relations team value and eager to hear suggestions and comments from shareholders and investors through sending emails to ir@lenovo.com.

Shareholders

According to the shareholders' list of the ordinary shares (defined as "Shares" in this section unless specified otherwise) of the Company as at March 31, 2010, there were 1,344 registered shareholders holding the Shares, of whom 98.21 percent had their registered addresses in Hong Kong. However, the actual number of investors in the Shares may be larger than that as a substantial portion of such shareholdings are held through nominees, custodian houses and HKSCC Nominees Limited.

Beneficial Shareholding Structure as at March 31, 2010*



* Representing all ordinary shares.

Shareholdings as at March 31, 2010

Size of Registered Shareholdings	No. of Shareholders	% of Shareholders	No. of Shares	% of Issued Share Capital
2,000 or below	294	21.875%	533,672	0.005%
2,001-10,000	700	52.083%	4,860,000	0.050%
10,001-100,000	315	23.438%	9,428,272	0.096%
100,001-1,000,000	19	1.414%	5,436,000	0.056%
Above 1,000,000	16	1.190%	9,767,786,338	99.793%
Total	1,344	100.000%	9,788,044,282	100.000%

Remarks:

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

(ii) 50.558 percent of all the issued Shares were held through HKSCC Nominees Limited.

Market Capitalization and Public Float

As at March 31, 2010, the market capitalization of listed shares of the Company was approximately HK$52.5 billion based on the total number of 9,788,044,282 issued Shares of the Company and the closing price of HK$5.36 per share.

The daily average number of traded Shares was approximately 53.2 million Shares over an approximate free float of 5,580 million Shares in the fiscal year 2009/10. The highest trading price for the Share was HK$6.00 per share on January 15, 2010 and the lowest was HK$1.85 per share on April 1, 2009.

In accordance with the publicly available information and as far as the Directors are aware, the Company has maintained a public float of more than 25 percent of the Company's issued Shares throughout the financial year ended March 31, 2010 and has continued to maintain the public float as at the date of this annual report.

INFORMATION FOR INVESTORS

Listing Information	
Listing	Hong Kong Stock Exchange
Stock code	992
American Depositary Receipts Level I Program	
Ordinary share to ADR	20:1
Stock code	LNVGY
Share Information	
Board lot size	2,000 shares
Ordinary shares outstanding as of March 31, 2010	9,788,044,282 shares
Market capitalization as of March 31, 2010	HK$52.5 billion (Approx. US$6.7 billion)
Basic earnings per share for the year ended March 31, 2010	1.42 U.S. cents
Dividend per ordinary share for the year ended March 31, 2010	
– Interim	1.0 HK cent
– Total	5.5 HK cents
Key Dates	
First Quarter Results Announcement	August 6, 2009
Interim Results Announcement	November 5, 2009
Closure of Register of Members for Interim Dividend	November 23-25, 2009 (Both days inclusive)
Payment of 2009/10 Interim Dividend	December 2, 2009
Third Quarter Results Announcement	February 4, 2010
Annual Results Announcement	May 27, 2010
Annual General Meeting	July 30, 2010

CORPORATE SOCIAL RESPONSIBILITY

As a global company, Lenovo supports and implements sustainable business practices and is devoted to ensuring that our products, employees, sites and suppliers are following the commitments we have made to socially responsible business practices. Lenovo's corporate social responsibility (CSR) commitments encompass:

- maintaining high ethical standards
- employee health and welfare
- quality and safety for products
- the environment
- global supply chain, and
- social investments

A summary of Lenovo's CSR commitments and 2009 highlights are summarized below. More extensive information on sustainability and CSR can be found at: http://www.lenovo.com.

Maintaining High Ethical Standards
Lenovo provides guidance to our employees on a wide range of ethical issues, such as reporting unlawful or inappropriate conduct, respecting and protecting intellectual property, trading in securities and complying with governmental regulations. Employees are required to report any evidence of fraud, unethical business conduct, violation of laws, danger to health or safety or any other violation of corporate policies. In addition, Lenovo has created the role of Ombudsman to help employees address and resolve problems as well as to help identify systemic issues and areas for needed change.

Employee Health and Welfare
Lenovo's people are our greatest asset, and we are committed to providing a safe and healthy working environment. This global commitment is clearly essential to the company's productivity and values. The Company's Global Occupation Heath and Safety (OHS) organization has established world class standards for employee workplace safety. Lenovo is recognized as a leading employer offering competitive compensation packages, abiding by applicable minimum wage requirements in every country and region where it operates, providing equipment that is safe to use, and focusing continually on preventing injuries. Lenovo is pursuing global volunteer initiatives, such as OHSAS 18001, in which Lenovo's global supply chain was certified OHSAS 18001 compliant by the Bureau Veritas Certification.

Quality and Safety for Products
Lenovo has a well-earned industry reputation for delivering superior quality products and is committed to ensuring that our products are safe throughout their lifecycle. Lenovo's global Quality Management System, which has received ISO 9001 (International Organization for Standardization) certification, ensures the continual delivery of design improvements into Lenovo's current and future products. Lenovo is committed to ensuring that our products are safe throughout their lifecycle, including manufacturing, transportation, installation, use, service and disposal. Corporate strategies, policies and guidelines have been designed to support this commitment for product safety. Lenovo strives to ensure that our products meet all applicable legal requirements and voluntary safety and ergonomics practices to which Lenovo subscribes wherever our products are sold.

The Environment
Lenovo is committed to accountability and leadership in environmental affairs and continues to build upon a history of environmental achievement. With the foundation of a robust Environmental Management System (EMS) each Lenovo employee and manager bears a personal responsibility to conserve natural resources, develop, manufacture, and market products that are safe for the user and the environment, energy efficient, and recyclable. Lenovo's EMS is ISO 14001 certified and covers Lenovo's global manufacturing research, product design and development activities for personal computers and related products, servers, and digital and peripheral products. Lenovo's EMS assures the highest level of environmental protection for Lenovo's products as well as Lenovo's site operations worldwide. Lenovo's corporate environmental policy applies to all Lenovo manufacturing and development operations and forms the foundation of Lenovo's EMS.

Lenovo's Environmentally Conscious Products program specifies the elimination of potential health hazards and minimizing the environmental impact of its products across the complete product lifecycle. Lenovo's priority is to use environmentally preferable materials whenever applicable and is a leader in the use of recycled content in its products including post-consumer recycled plastics. Since 2005, Lenovo has used over 14 million pounds (net) of post-consumer recycled content plastics, with over 8 million pounds (net) used in 2009 alone. Lenovo currently uses low halogen post-consumer recycled content in applications across all product types, including notebooks, monitors, desktops, and workstations. In 2009, over 30% (net) of all plastic purchased to manufacture Lenovo monitors consisted of low halogen post-consumer recycled content, with every ThinkVision monitor released in 2009 containing post-consumer recycled content.

Reduced energy consumption is also a major goal of Lenovo's Environmentally Conscious Products program. In June, 2009, Lenovo announced that more than 25 of its Think-branded business and Idea-branded consumer PCs met the new ENERGY STAR ® Version 5.0 Specification for Computers, which went into effect on July 1, 2009. Lenovo offers a full complement of ENERGY STAR® qualified notebook, desktop, monitor, workstation and server products. Many of the configurations offered exceed the current ENERGY STAR® energy efficiency criteria by 10% to more than 25%.

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

Global Supply Chain

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

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

As an EICC member, Lenovo requires each of its tier one suppliers to adhere to the program including agreement to conduct compliance audits using third-party EICC auditors. The company's direct suppliers are required to fully comply with EICC standards in the areas of labor, environment, ethics, health & safety and management systems. During this past fiscal year, Lenovo has continued to work with its direct suppliers to expand EICC compliance to tier two suppliers.

In 2009, Lenovo completed third party independent EICC compliance audits on five manufacturing facilities in China and India. The audit results were strong, validating Lenovo's high standards for its own supply chain operations.

Lenovo also continues to optimize its global logistics program to drive additional product volumes to shipping methods that are more environmentally friendly, such as ocean vessels and rail. In FY2009/10, Lenovo shifted 11 percent of its notebook shipments from high carbon air transport to lower carbon ocean shipping. Lenovo continues its work with logistics partners to ship products responsibly, maintaining its membership with the EPA's SmartWay Transport program. Finally, Lenovo completed a risk assessment of its China-based carriers for EICC non-compliance. Risks were judged to be minimal.

Social Investments

Lenovo's "Hope through Entrepreneurship" program was developed to encourage individuals around the world to make an impact. This innovative program encourages global business development while helping transform the lives of people and their communities worldwide. During 2009, Lenovo's support of The *Millennium Villages Project* (MVP), a partnership between the Earth Institute at Columbia University, Millennium Promise, and the United Nations Development Program (UNDP), contributed to MVP's effort to reduce extreme poverty in sub-Saharan Africa while specifically addressing MVP's goal of providing computer infrastructure support to the region. In Greater China, Lenovo is actively working to boost the growth of Greater China's charitable causes via programs supporting youth entrepreneurship and venture philanthropy. Also, during FY 2009/10, Lenovo and its employees supported various global disaster relief efforts including relief efforts in Haiti, Chile, and Taiwan. Lenovo's support for the Haiti earthquake disaster included financial support for the *Medical Missionaries*, PC donations to the *American Red Cross*, and a global employee charitable campaign with employee donations supporting the *American Red Cross*.

DIRECTORS' REPORT & FINANCIAL STATEMENTS

The directors submit their report together with the audited financial statements of the Company and its subsidiaries (collectively, the "Group") for the year ended March 31, 2010.

Principal business and geographical analysis of operations

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

Details of the analyses of the Group's performance for the year by operating segment are set out in note 5 to the financial statements.

Results and appropriations

The results of the Group for the year are set out in the consolidated income statement on page 70.

The state of affairs of the Group and of the Company as at March 31, 2010 is set out in the consolidated and company balance sheets on pages 72 to 74.

The consolidated cash flows of the Group for the year are set out in the statement on page 75.

An interim dividend of HK1.0 cent (2009: HK3.0 cents) per ordinary share, amounting to a total of approximately HK$95 million (approximately US$12 million) (2009: approximately HK$276 million (approximately US$36 million)), was paid to shareholders during the year.

The directors recommend the payment of a final dividend of HK4.5 cents per ordinary share (2009: Nil). Subject to shareholders' approval at the forthcoming annual general meeting, the final dividend will be payable on Monday, August 9, 2010 to the shareholders whose names appear on the Register of Members of ordinary shares of the Company on Friday, July 30, 2010.

The Register of Members of ordinary shares of the Company will be closed from Wednesday, July 28, 2010 to Friday, July 30, 2010, both dates inclusive, during which period, no transfer of ordinary shares will be registered. In order to qualify for the proposed final dividend and for attending and voting at the forthcoming annual general meeting, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's share registrar not later than 4:30 p.m. on Tuesday, July 27, 2010.

Five-year financial summary

A summary of the results for the year and of the assets and liabilities of the Group as at March 31, 2010 and for the last four financial years are set out on page 148.

Reserves

Movements in the reserves of the Group and of the Company during the year are set out in the consolidated statement of changes in equity, and note 30 to the financial statements respectively.

Distributable reserves

At March 31, 2010, the distributable reserves of the Company amounted to US$570,311,000 (2009: US$545,702,000).

Bank loans

Particulars of bank loans as at March 31, 2010 are set out in notes 28(a) and 32 to the financial statements.

Donations

Charitable and other donations made by the Group during the year amounted to US$497,000 (2009: US$2,993,000).

Property, plant and equipment

Details of the movements in property, plant and equipment of the Group and of the Company are set out in note 14 to the financial statements.

Share capital

Details of the movements in the share capital of the Company are set out in note 29 to the financial statements.

Subsidiaries and associated companies

Particulars of the Company's principal subsidiaries and associated companies as at March 31, 2010 are set out in notes 38 and 19 to the financial statements respectively.

Management contracts

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

Major customers and suppliers

During the year, the Group sold less than 19 percent of its goods and services to its five largest customers. The percentages of purchases for the year attributable to the Group's major suppliers are as follows:

The largest supplier	34 percent
Five largest suppliers combined	54 percent

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

Directors' rights to acquire shares or debentures

Share Option Schemes

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

1. Old Option Scheme

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

As at March 31, 2010, the total number of shares which may be issued on the exercise of the outstanding options granted thereunder is 98,383,000 ordinary shares, representing approximately 1 percent of the issued share capital of the Company (including ordinary shares but not Series A Cumulative Convertible Preferred Shares) as at the date of this report.

2. New Option Scheme

(a) Purpose

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

(b) Qualified participants

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

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

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

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

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

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

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

Share Option Schemes *(continued)*

2. New Option Scheme *(continued)*

(c) *Maximum number of shares*

As at March 31, 2010, the maximum number of ordinary shares available for issue under the New Option Scheme is 121,543,551 shares, representing approximately 1.24 percent of the issued share capital of the Company (including ordinary shares but not Series A Cumulative Convertible Preferred Shares) as at the date of this report.

(d) *Maximum entitlement of each qualified participant*

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

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

(e) *Timing for exercise of options*

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

(f) *Acceptance of offers*

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

(g) *Basis for determination of exercise price*

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

(h) *Life of the scheme*

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

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

Share Option Schemes *(continued)*

3. Outstanding options

Particulars of the outstanding options are as follows:

	Options held at April 1, 2009	Options exercised during the year	Options lapsed during the year	Options held at March 31, 2010	Exercise price HK$	Grant date (MM.DD.YYYY)	Exercise period (MM.DD.YYYY)
Old Option Scheme							
Directors							
Mr. Yang Yuanqing	6,000,000	3,812,000	–	2,188,000	4.072	04.16.2001	04.16.2001 to 04.15.2011
	2,250,000	2,250,000	–	–	2.876	08.31.2001	08.31.2001 to 08.30.2011
Ms. Ma Xuezheng	2,920,000	1,000,000	–	1,920,000	4.072	04.16.2001	04.16.2001 to 04.15.2011
	1,600,000	156,000	–	1,444,000	2.876	08.31.2001	08.31.2001 to 08.30.2011
Continuous contract employees	6,510,000	796,000	5,714,000	–	4.038	01.28.2000	01.28.2000 to 01.27.2010
	52,050,000	4,163,000	–	47,887,000	4.312	01.15.2001	01.15.2001 to 01.14.2011
	18,896,000	4,480,000	–	14,416,000	4.072	04.16.2001	04.16.2001 to 04.15.2011
	34,652,000	4,124,000	–	30,528,000	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
Ms. Ma Xuezheng	1,600,000	318,000	–	1,282,000	2.245	04.26.2003	04.26.2003 to 04.25.2013
Continuous contract employees	8,696,000	1,023,500	–	7,672,500	2.435	10.10.2002	10.10.2002 to 10.09.2012
	31,520,000	4,090,000	–	27,430,000	2.245	04.26.2003	04.26.2003 to 04.25.2013
	75,491,051	5,574,000	–	69,917,051	2.545	04.27.2004	04.27.2004 to 04.26.2014
Other participants	11,286,000	584,000	–	10,702,000	2.435	10.10.2002	10.10.2002 to 10.09.2012
	1,540,000	–	–	1,540,000	2.245	04.26.2003	04.26.2003 to 04.25.2013

Notes:

1. Weighted average closing price of the listed ordinary shares of the Company immediately before the dates on which the options were exercised by continuous contract employees under the Old Option Scheme was HK$5.389.
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$4.835.
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$4.760.
4. No options are granted and/or cancelled during the year.
5. The accounting policy adopted for the above share option schemes are set out in note 2(w)(iv) to the financial statements. Other details are set out in note 29(b).

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

Share Option Schemes *(continued)*

4. Valuation of share options

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

Long-term incentive program

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

Details of the program and the movement in the number of awards for the year ended March 31, 2010 are set out in the Corporate Governance section on pages 37 to 41 and note 29(a) to the financial statements.

Apart from the share option schemes and the LTI Program, at no time during the year ended March 31, 2010 was the Company or any of its subsidiaries a party to any arrangements to enable the directors of the Company to acquire benefits by means of acquisitions of shares in, or debentures of, the Company or any body corporate.

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

During the year, group companies/funds of TPG Capital, Newbridge Capital and General Atlantic, the holders of the Company's convertible preferred shares and warrants:

(i) exercised the conversion rights under the terms of issue of such shares and converted 1,005,832 convertible preferred shares into 369,112,652 fully paid ordinary shares of the Company;

(ii) exercised the subscription rights of 63,502,788 warrants under the terms of issue of such warrants and subscribed for 63,502,788 fully paid ordinary shares of the Company; and

(iii) surrendered 173,914,686 warrants to the Company for cancellation in satisfaction of the subscription price of the 63,502,788 shares mentioned in (ii) above under the terms of issue of such warrants.

Save as disclosed above, the Company did not redeem and neither the Company nor any of its subsidiaries purchased or sold any of the Company's securities and warrants and no further conversion notice was received during the year ended March 31, 2010.

Directors

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

Chairman and Non-executive Director

Mr. Liu Chuanzhi

Executive Director

Mr. Yang Yuanqing

Non-executive Directors

Mr. Zhu Linan
Ms. Ma Xuezheng
Mr. James G. Coulter
Mr. William O. Grabe
Dr. Wu Yibing (appointed on May 21, 2009)

Directors *(continued)*

Independent Non-executive Directors

Professor Woo Chia-Wei	
Mr. Ting Lee Sen	
Mr. John W. Barter III	(resigned on February 4, 2010)
Dr. Tian Suning	
Mr. Nicholas C. Allen	(appointed on November 6, 2009)

In accordance with articles 92 and 101 of the Company's articles of association, Mr. Nicholas C. Allen, Mr. Yang Yuanqing, Mr. Zhu Linan, Mr. James G. Coulter and Mr. Ting Lee Sen will retire and, being eligible, will offer themselves for re-election at the forthcoming Annual General Meeting.

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

Biography of directors and senior management

Biography of directors

Chairman and non-executive director

Mr. Liu Chuanzhi, 66, is Chairman of the Board and a non-executive director of the Company. Mr. Liu returned to the position of Chairman on February 5, 2009. Mr. Liu is the leading founder of Lenovo Group and was the Chairman of the Board and an executive director of the Company from 1994 and 1993 respectively until Lenovo's completion of acquisition of IBM Personal Computing Division on April 30, 2005. He graduated from the Department of Radar Communications at Xian Military Communications Engineering College of China and has substantial experience in the computer industry. Mr Liu is the Chairman and President of Legend Holdings Limited, the controlling shareholder of the Company.

Executive director

Mr. Yang Yuanqing, 45, is an executive director and assumed the duties of Chief Executive Officer of the Company on February 5, 2009. Prior to that, he was the Chairman of the Board from April 30, 2005. Before taking up the office as Chairman, Mr. Yang was the Chief Executive Officer of the Company and has been an executive director since December 16, 1997. He has more than 20 years of experience in the field of computer. Under his leadership, Lenovo has been China's best-selling PC brand since 1997. Mr. Yang holds a Master's degree from the Department of Computer Science at the University of Science and Technology of China. Mr. Yang is also a guest professor at the University of Science and Technology and a member of the New York Stock Exchange's International Advisory Committee.

Non-executive directors

Mr. Zhu Linan, 47, has been a non-executive director of the Company since April 30, 2005. He has more than 20 years of management experience. He graduated with a Master's degree in Electronic Engineering from Shanghai Jiao Tong University in 1987. He was a Senior Vice President of the Group. Mr. Zhu is currently a director of Legend Holdings Limited, the controlling shareholder of the Company. He is also a non-executive director of Peak Sport Products Co., Limited (HKSE listed) and a director of Foshan Saturday Shoes Co., Ltd. (Shenzhen Stock Exchange listed).

Ms. Ma Xuezheng, 57, has been a non-executive Vice Chairman of the Company since May 23, 2007. Prior to that, she was an executive director and Chief Financial Officer of the Company since 1997 and 2000 respectively and held directorship in various subsidiaries of the Company. Ms. Ma has more than 30 years of experience in financial and executive management. She graduated from Capital Normal University in 1976 with a Bachelor of Arts degree. Ms. Ma is currently the managing director of TPG Capital, an equity investment firm having a substantial interest in the convertible preferred shares of the Company. She is currently a member of the Listing Committee of HKSE. Besides, she is holding the following directorship; a director of Shenzhen Development Bank (Shenzhen Stock Exchange listed), a non-executive director of Daphne International Holdings Limited (HKSE listed) and also an independent non-executive director of Standard Chartered Bank (Hong Kong) Limited.

Mr. James G. Coulter, 50, has been a non-executive director of the Company since May 17, 2005. Mr. Coulter is a founding partner of TPG (an equity investment firm having a substantial interest in the convertible preferred shares of the Company). Prior to founding TPG, from 1986 to 1992, Mr. Coulter was a Vice President of the Robert M. Bass Group, Inc. (now doing business as Keystone Group, L.P.). From 1986 to 1988, Mr. Coulter was also associated with SPO Partners, an investment firm that focuses on public market and private minority investments. Mr. Coulter also serves on the Boards of Directors of J Crew Group, Inc. (NYSE listed), The Neiman Marcus Group, Inc. and IMS Health Inc. as well as on the Stanford University Board of Trustees.

Biography of directors and senior management *(continued)*

Biography of directors *(continued)*

Non-executive directors (continued)

Mr. William O. Grabe, 72, has been a non-executive director of the Company since May 17, 2005. Mr. Grabe is a Managing Director of General Atlantic LLC, an equity investment firm having a substantial interest in the convertible preferred shares of the Company, and has been with the General Atlantic Group since 1992. Prior to that, he served as the Vice President and Corporate Officer of IBM. Mr. Grabe is also a director of the following listed companies: Patni Computer Systems Limited (Mumbai Stock Exchange and NYSE listed), Gartner Inc. (NYSE listed), Compuware Corporation (NASDAQ listed) and Infotech Enterprises Limited (Mumbai Stock Exchange listed).

Dr. Wu Yibing, 42, has been appointed as a non-executive director of the Company on May 21, 2009. Dr. Wu received a Ph.D. from Harvard University and a B.Sc. from the University of Science and Technology of China. He is currently the President of CITIC Private Equity Funds Management Co., Ltd.. Dr. Wu was most recently the Managing Director and Executive Vice President of Legend Holdings Limited, the controlling shareholder of the Company, and the chief transformation officer of the Company. From 1996 to 2008, Dr. Wu was a senior partner of McKinsey & Company where he worked on a wide range of projects in industries including high tech, telecom, health care, energy and financial services, and prior to that, he was a consultant at Harvard University. Dr. Wu also sits on the advisory board of China Unicom, as well as the board of China Social Entrepreneur Foundation.

Independent non-executive directors

Professor Woo Chia-Wei, 72, has been an independent non-executive director of the Company since August 23, 1999. Professor Woo is Senior Advisor to The Shui On Group, and is also President Emeritus and University Professor Emeritus of Hong Kong University of Science and Technology. In addition, Professor Woo is an independent non-executive director of First Shanghai Investments Ltd. and Shanghai Industrial Holdings Ltd. (both HKSE listed).

Mr. Ting Lee Sen, 67, has been an independent non-executive director of the Company since February 27, 2003. He has extensive knowledge and experience in IT industry and is the Managing Director of W.R. Hambrecht + Co. and Board Director of Microelectronics Technology Inc. (Taiwan Stock Exchange listed). He is also a former corporate vice president of Hewlett-Packard Company, where he worked for more than 30 years. Mr. Ting obtained a Bachelor of Science degree in Electrical Engineering from the Oregon State University in 1965. He attended graduate studies in the same field at Stanford University and is a graduate of the Stanford Executive Program.

Dr. Tian Suning, 46, has been an independent non-executive director of the Company since August 2, 2007. Dr. Tian holds a Ph.D. in natural resource management from Texas Tech University and a M.S. degree in ecology from Chinese Academy of Sciences. He is the founder and chairman of a Chinese focused private equity fund China Broadband Capital Partners, L.P.. He held various senior positions in China Netcom Group Corporations (Hong Kong) Ltd. (HKSE and NYSE listed) from 1999 to 2007 and was a vice chairman of PCCW Ltd. (HKSE listed) between 2005 and 2007. From 1994 till 1999, he was co-founder and CEO of AsiaInfo Holdings, Inc. (NASDAQ listed) of which he is now a board member. He is currently an independent non-executive director of MasterCard Incorporated (NYSE listed) and Taiking Life Insurance Company Ltd. In addition, he is a non-executive director and chairman of Media China Corporation Limited (HKSE listed).

Mr. Nicholas C. Allen, 55, has been appointed as an independent non-executive director of the Company on November 6, 2009. Mr. Allen received a Bachelor of Arts degree in Economics/Social Studies from Manchester University, United Kingdom. He is a Fellow of the Institute of Chartered Accountants in England and Wales and a member of the Hong Kong Institute of Certified Public Accountants. Mr. Allen has extensive experience in accounting and auditing and was a partner of PricewaterhouseCoopers until his retirement in June 2007. Mr. Allen is also an independent non-executive director of CLP Holdings Limited and Hysan Development Company Limited (both HKSE listed) and a director of VinaLand Limited (London Stock Exchange AIM listed).

Biography of directors and senior management *(continued)*

Biography of senior management

Mr. Rory Read, 48, joined the Group in June 2006 and is Lenovo President and Chief Operating Officer, with responsibility for driving growth, execution, profitability and performance of Lenovo's business globally. Mr. Read has a proven track record for leading substantial business turnarounds and driving gains in share and profitability. Prior to joining the Group, Mr. Read held numerous key executive positions around the world with IBM. Mr. Read graduated Magna Cum Laude with a Bachelor's degree in Information Systems from Hartwick College.

Mr. Peter Bartolotta, 51, joined the Group in 2007 and was appointed as Senior Vice President of Global Services in July 2009. He is responsible for managing ongoing relationships with customers in more than 160 countries. Prior to joining Lenovo, Mr. Bartolotta led NCR Corporation's global retail product management function. Mr. Bartolotta holds an MBA from the University of Texas and a Bachelor's degree in Chemistry from the State University of New York.

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

Mr. Robert Cones, 49, joined the Group in May 2005 and is currently Senior Vice President of Office of Operations & General Manager of Latin America. Mr. Cones was the Vice President and CFO for IBM's Personal Systems Group prior to joining the Group and has extensive experience in financial planning, operations, business metrics, strategy and financial controls. He holds a Master of Science degree in Industrial Management from Union College.

Mr. Kenneth DiPietro, 51, joined the Group in June 2006 and is currently Senior Vice President of Human Resources. Mr. DiPietro was a Corporate Vice President at Microsoft Corporation before joining the Group and has extensive experience in both human resources and organizational development. He holds a Bachelor's of Science degree in Industrial and Labour Relations from Cornell University.

Mr. He Zhiqiang, 47, joined the Group in 1986 and is the Senior Vice President of the Company and Chief Technology Officer with responsibility for technology strategy, R&D systems and technology exploration of emerging areas. Prior to that, Mr. He held various leadership positions in Lenovo particularly in overseeing Lenovo's R&D initiatives and systems. Mr. He holds a Bachelor's degree in Computer Science from Beijing University of Posts and Telecommunications and a Master's degree in Computer Science from the Institute of Computing Technology of the Chinese Academy of Sciences.

Dr. Peter D. Hortensius, 49, joined the Group in May 2005 and is currently the Senior Vice President for Think Product Group where he is responsible for the ThinkPad, ThinkCentre, ThinkStation, and Server product lines. Dr. Hortensius was the Vice President, Products and Offerings, for IBM's PC Division prior to joining the Group and has extensive expertise in product and technology R&D. He holds a Doctorate degree in Electrical Engineering from the University of Manitoba.

Mr. Liu Jun, 41, joined the Group in 1993 and is currently Senior Vice President of the Company and President of the Product Groups responsible for all THINK and IDEA-branded desktops, notebooks, peripherals and software. Prior to that, Mr. Liu held a broad range of leadership positions in Lenovo including president of the Consumer Business Group and leader of R&D, corporate strategy, the desktop PC business unit and global supply chain. He holds a Bachelor's degree in Automation and an EMBA, both from Tsinghua University and completed executive programs at Harvard University and Stanford University.

Mr. Lu Yan, 45, rejoined the Group as Senior Vice President, following the completion of buying back of Lenovo Mobile in January 2010. Mr Lu is responsible for mobile internet strategy as acting CEO and President of Lenovo Mobile. He first joined the Group in 1992 and held various senior positions for the R&D of desktops, motherboard business, handheld device business and information product business. He holds a Master's degree in engineering and automatic control from Beijing Institute of Technology and holds an EMBA from China-Europe International Business School.

Mr. Michael O'Neill, 54 joined the Group in July 2007 as Senior Vice President and General Counsel and is responsible for the Group's legal, corporate governance, security and government relations globally. Mr. O'Neill was most recently a partner in a law firm where he was general counsel for the firm's international practices. He also served on the Board of TRW Inc.. Prior to that, he spent 16 years at Honeywell where he held several senior legal positions. Mr. O'Neill holds both Juris Doctor and MBA degrees from the University of Baltimore and a Master's degree of Government Contracting from George Washington University.

Biography of directors and senior management *(continued)*

Biography of senior management *(continued)*

Ms. Qiao Jian, 42, joined the Group in 1990 and is currently Vice President, Corporate Strategy and Planning, responsible for global strategy design and execution. Ms. Qiao has extensive experience in strategy, human resources, marketing and branding. She holds a Bachelor's degree in management science from Fudan University and holds an EMBA from China-Europe International Business School.

Mr. Qiao Song, 42, joined the Group in 1991 and is currently the Senior Vice President of the Company and Chief Procurement Officer. He has expertise in product development, sales and marketing, and supply chain and procurement management. Mr. Qiao graduated from the Department of Computer Science and Technology with a Bachelor of Engineering degree at Tsinghua University.

Mr. David Roman, 55, joined the Group in March 2010 and is currently Senior Vice President of the Company and Chief Marketing Officer. Mr. Roman was most recently a vice president of marketing communication at HP and prior to that, a vice president at NVIDIA and Apple. He graduated in architecture and industrial design from the Queensland University of Technology in Australia and also pursued executive MBA studies at INSEAD in Paris.

Mr. David Schmoock, 41, joined the Group in 2006 and is currently the Senior Vice President, Operations for Lenovo's Mature Markets. Before joining the Group, he was Vice President of Dell marketing for Asia-Pacific/Japan. Mr. Schmoock holds a Bachelor of Arts degree in Political Science from Columbia University.

Mr. Gerry Smith, 47, joined the Group in August 2006 as Senior Vice President, Global Supply Chain and is responsible for end-to-end supply chain management encompassing order management, supply planning, procurement, manufacturing, logistics and fulfillment operations. Before joining the Group, Mr. Smith held a number of leadership roles at Dell, including Vice President and General Manager of Notebook Development, of Peripherals Development and of the Display Line of Business. Mr. Smith holds a Bachelor's degree in Finance and Marketing from Pacific Lutheran University.

Mr. Milko van Duijl, 47, joined the Group in May 2005 and is currently Senior Vice President of Mature Markets overseeing all business in North America, Western Europe, Japan, Australia, New Zealand, and Global Accounts, including large enterprises, SMB and consumer. Mr. van Duijl was the Vice President, EMEA, of IBM's PC Division before joining the Group and has extensive knowledge and expertise of the IT industry, as well as international business management. He holds a doctorandus title/MBA from the University of Rotterdam.

Ms. Wang Xiaoyan, 48, joined the Group in 1994 and is currently Senior Vice President of the Company and Chief Information Officer responsible for Lenovo's information technology strategy and operations. Ms. Wang has extensive experience in establishment of IT information systems, finance and administration. She graduated from Beijing Institute of Technology with a Master's degree in Engineering and holds an EMBA from China-Europe International Business School.

Mr. Wong Wai Ming, 52, is Senior Vice President and Chief Financial Officer of the Company. Mr. Wong has more than 15 years of experience in investment banking and was a member of HKSE Listing Committee. He was an independent non-executive director of the Company from March 30, 1999 until his appointment to the position of CFO on May 23, 2007. Mr. Wong is a member of the Hong Kong Institute of Certified Public Accountants and the Institute of Chartered Accountants in England and Wales and holds a Bachelor's degree in Management Sciences from the Victoria University of Manchester, U.K..

Directors' service contracts

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

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

Directors' interests in contracts

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

Directors' interests

As at March 31, 2010, the interests and short positions of the directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register maintained by the Company under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") in 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**	**Aggregate long position**
Mr. Liu Chuanzhi	Ordinary shares	16,237,878	976,000	–	17,213,878
	Share awards	20,032,240	–	–	20,032,240
					37,246,118
Mr. Yang Yuanqing	Ordinary shares	13,847,940	–	–	13,847,940
	Share options	5,188,000	–	–	5,188,000
	Share awards	67,584,106	–	–	67,584,106
					86,620,046
Mr. Zhu Linan	Ordinary shares	3,947,878	–	–	3,947,878
	Share awards	1,971,453	–	–	1,971,453
					5,919,331
Ms. Ma Xuezheng	Ordinary shares	18,225,654	–	7,240,000	25,465,654
	Share options	4,646,000	–	–	4,646,000
	Share awards	2,998,068	–	–	2,998,068
					33,109,722
Mr. James G. Coulter	Ordinary shares	227,898	–	201,560,366 *(Note 3)*	201,788,264
	Share awards	1,407,453	–	–	1,407,453
					203,195,717
	Preferred shares	–	–	549,252	549,252
Mr. William O. Grabe	Ordinary shares	610,717	–	–	610,717
	Share awards	1,971,453	–	–	1,971,453
					2,582,170
Dr. Wu Yibing	Share awards	439,213	–	–	439,213
Professor Woo Chia-Wei	Ordinary shares	555,911	–	–	555,911
	Share awards	1,971,453	–	–	1,971,453
					2,527,364

Directors' interests *(continued)*

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

Name of Director	Interests in shares/ underlying shares	Capacity and number of shares/underlying shares held: Personal interests	Family interests	Corporate interests	Aggregate long position
Mr. Ting Lee Sen	Ordinary shares	299,815	–	–	299,815
	Share awards	1,971,453	–	–	1,971,453
					2,271,268
Dr. Tian Suning	Ordinary shares	60,236	–	–	60,236
	Share awards	856,287	–	–	856,287
					916,523
Mr. Nicholas C. Allen	Share awards	156,135	–	–	156,135

Notes:

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 "Compensation Policy" in Corporate Governance section.

3. Mr. James G. Coulter has a deemed corporate interest in these underlying shares derived from the preferred shares 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 March 31, 2010, 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 Hong Kong Stock Exchange pursuant to the Model Code.

Substantial shareholders' interests in securities of the Company

As at March 31, 2010, the following persons (not being a director or chief executive of the Company) had an interests in the shares or underlying shares of the Company as recorded in the register maintained under section 336 of the SFO:

Name	Nature of interests in long position	Capacity and number of shares/ underlying shares held: Beneficial owner	Corporate interests	Aggregate long position	Percentage *(Note 10)*
Legend Holdings Limited *(Note 1)*	Ordinary shares	2,667,636,724	1,502,054,225 *(Note 2)*	4,169,690,949	42.77%
Employees' Shareholding Society of Legend Holdings Limited *(Note 3)*	Ordinary shares	–	4,169,690,949	4,169,690,949	42.77%
TPG Advisors IV, Inc.	Preferred Shares	–	272,533	272,533	35.43%
TPG GenPar IV, L.P.	Preferred Shares	–	272,533	272,533	35.43%

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

Name	Nature of interests in long position	Capacity and number of shares/ underlying shares held: Beneficial owner	Corporate interests	Aggregate long position	Percentage *(Note 10)*
TPG IV Acquisition Company LLC *(Note 4)*	Preferred Shares	272,533	–	272,533	35.43%
Mr. David Bonderman *(Note 5)*	Preferred Shares	–	549,252	549,252	71.41%
T^3 II Acquisition Company, LLC *(Note 6)*	Preferred Shares	78,988	–	78,988	10.27%
T^3 Partners II, L.P. *(Note 6)*	Preferred Shares	–	78,988	78,988	10.27%
T^3 GenPar II, L.P. *(Note 6)*	Preferred Shares	–	78,988	78,988	10.27%
T^3 Advisors II, Inc.	Preferred Shares	–	78,988	78,988	10.27%
TPG III Acquisition Company, LLC *(Note 7)*	Preferred Shares	87,881	–	87,881	11.43%
TPG Partners III, L.P. *(Note 7)*	Preferred Shares	–	87,881	87,881	11.43%
TPG Partners IV, L.P. *(Note 7)*	Preferred Shares	272,533	–	272,533	35.43%
TPG GenPar III, L.P. *(Note 7)*	Preferred Shares	–	87,881	87,881	11.43%
TPG Advisors III, Inc.	Preferred Shares	–	87,881	87,881	11.43%
Newbridge Asia Acquisition Company LLC *(Note 8)*	Preferred Shares	109,850	–	109,850	14.28%
Newbridge Asia III, L.P. *(Note 8)*	Preferred Shares	–	109,850	109,850	14.28%
Newbridge Asia GenPar III, L.P. *(Note 8)*	Preferred Shares	–	109,850	109,850	14.28%
Newbridge Asia Advisors III, Inc. *(Note 8)*	Preferred Shares	–	109,850	109,850	14.28%
Tarrant Advisors, Inc.	Preferred Shares	–	109,850	109,850	14.28%
GAP (Bermuda) Ltd.	Preferred Shares	–	184,706	184,706	24.01%
General Atlantic Partners (Bermuda) L.P. *(Note 9)*	Preferred Shares	184,706	–	184,706	24.01%

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

Notes:

1. The English company name "Legend Holdings Limited" is a direct transliteration of its Chinese company name.

2. The shares were beneficially held by Right Lane Limited, a direct wholly-owned subsidiary of Legend Holdings Limited.

3. Employees' Shareholding Society of Legend Holdings Limited is an equity holder of Legend Holdings Limited which in turn wholly owns Right Lane Limited. Therefore, it is taken to be interested in any shares in which they are interested.

4. TPG IV Acquisition Company LLC is indirectly wholly owned by TPG Advisors IV, Inc.

5. Mr. David Bonderman has an interest in underlying shares by virtue of his shareholding in TPG Advisors IV, Inc., TPG Advisors III, Inc., T^3 Advisors II, Inc. and Tarrant Capital Advisors, Inc.

6. These companies are directly/indirectly owned by T^3 Advisors II, Inc.

7. These companies are directly/indirectly owned by TPG Advisors III, Inc.

8. These companies are directly/indirectly owned by Tarrant Advisors, Inc.

9. GAP (Bermuda) Ltd. is the general partner of General Atlantic Partners (Bermuda), L.P.

10. The percentage of interests is based on the aggregate nominal value of the shares/underlying shares comprising the interests held as a percentage of the aggregate nominal value of all the issued share capital of the Company of the same class immediately after the relevant event and as recorded in the register maintained under section 336 of the SFO.

Save as disclosed above, as at March 31, 2010, no other interest or short positions in the shares or underlying shares of the Company were recorded in the register maintained under section 336 of the SFO.

Retirement scheme arrangements

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

Defined benefit pensions plans

Chinese Mainland – Retirement Schemes

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

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

United States of America ("US") – Lenovo Pension Plan

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

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

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

For the year ended March 31, 2010, an amount of US$1,675,301 was charged to the income statement with respect to the qualified and non-qualified plans.

The principal results of the most recent actuarial valuation of the plan at March 31, 2010 were the following:

- The actuarial valuation was prepared by Fidelity. The actuaries involved are fully qualified under the requirements of US law.

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

– Discount rate:	5.25%
– Expected return on plan assets:	5.00%
– Future salary increases:	3.00%

- The qualified plan was 78% funded at the actuarial valuation date.

- There was a deficit of US$11,863,905 under the qualified plan for this reason at the actuarial valuation date.

Defined benefit pensions plans *(continued)*

Japan – Pension Plan

The Company operates a hybrid plan that consists of a defined contribution up to the annual tax-deductible limit (Yen 306,000) plus a cash balance plan with contributions of 7% of pay. The plan is funded by company contributions to a qualified pension fund, which is held for the sole benefit of participants and beneficiaries.

For the year ended March 31, 2010, an amount of Yen 390,489,759 was charged to the income statement with respect to this plan.

The principal results of the most recent actuarial valuation of the plan at March 31, 2010 were the following:

- The actuarial valuation was prepared by JP Actuary Consulting Co., Ltd. The actuaries involved are fully qualified under the requirements of Japanese law.

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

– Discount rate:	2.25%
– Expected return on plan assets:	3.25%
– Future salary increases:	Age-group based

- The plan was 65% funded at the actuarial valuation date.

- There was a deficit of Yen 3,011,088,702 under this plan at the actuarial valuation date.

Germany – Pension Plan

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

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

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

For the year ended March 31, 2010, an amount of EUROS 1,546,000 was charged to the income statement with respect to this plan.

The principal results of the most actuarial valuation of the plan at March 31, 2010 were the following:

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

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

– Discount rate:	4.00%
– Future salary increases:	2.20%
– Future pension increases:	1.75%

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

- There was a deficit of EUROS 8,296,000 under this plan at the actuarial valuation date.

Defined Contribution Plans

United States of America ("US") – Lenovo Savings Plan

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

The Company match is immediately vested. However the 5% Company profit sharing contribution is subject to 3 years vesting. Forfeitures of Company contributions arising from employees who leave before they are fully vested in Company contributions are used to reduce future Lenovo contributions. For the period April 1, 2009 to March 31, 2010, the amount of forfeitures was US$225,276, none of which had been used to reduce Lenovo contributions, leaving US$453,340 at March 31, 2010 to be used to reduce Lenovo contributions in the future.

US Lenovo Executive Deferred Compensation Plan

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

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

United Kingdom ("UK") – Lenovo Savings Plan

UK regular, full-time and part-time employees are eligible to participate in the Lenovo Stakeholders Plan, which is a tax-qualified defined contribution "stakeholder" plan. For employees hired after April 30, 2005, the Company contributes 6.7% of an employee's eligible salary to the employee's pension account each year until he/she is 35, and then contributes 8.7% of salary after that age. The Employer Contributions are dependent on Employee paying no less that 3% of salary to the same fund.

Prior employees of IBM receive Company contributions varying from 6.7% to 30% of eligible compensation depending on their service and the prior IBM plan they participated in.

Canada – Defined Contribution Pension Plan

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

Hong Kong – Mandatory Provident Fund

The Group operates a Mandatory Provident Fund Scheme for all qualified employees employed in Hong Kong. They are required to contribute 5 percent of their compensations (subject to the ceiling under the requirements set out in the Mandatory Provident Fund legislation). The employer's contribution will increase from 5 percent to 7.5 percent and 10 percent respectively after completion of five and ten years of service by the relevant employees. Details of the cost charged to the income statement and forfeited contributions are set out in note 36.

Facility agreement with covenant on controlling shareholder

The Company entered into a facility agreement with a syndicate of banks on March 13, 2006 and an amendment agreement on May 21, 2009 (collectively the "Facility Agreement") for a term loan facility of up to US$400 million (the "Facility"). The Facility is repayable on the 42nd, 48th, 54th and 60th months after March 13, 2006. The Facility Agreement includes, inter alia, terms to the effect that it will be an event of default if Legend Holdings Limited, the controlling shareholder of the Company: (i) is not or ceases to be the direct or indirect beneficial owner of 35% or more of the issued share capital of the Company; (ii) does not or ceases to control the Company; or (iii) is not or ceases to be the single largest shareholder of the Company. As at March 31, 2010, the outstanding balance of the Facility is US$200 million.

Connected transactions

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

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

   Products/Services provided under the Master Agreements:

   Master Agreement with Lenovo Mobile

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

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

   Master Agreement with APLL

   (i) Provision of logistic services from the Legend Group to the Group; and

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

   Master Agreement with Legend Tiaopin

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

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

   Annual Cap Amount of the transactions:

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

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

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

Connected transactions *(continued)*

2. On March 31, 2009, the Company entered into a Master Services Agreement with Lenovo Mobile in respect of the sharing of office spaces, provision of logistic, administrative and information technology services by the Group to the Legend Group for a term of three years commencing from April 1, 2009 and expiring on March 31, 2012. The annual cap amount of the transactions for each of the three financial years ending March 31, 2012 are HK$25,000,000. Details of this Master Services Agreement are set out in the Company's announcement dated March 31, 2009.

3 On November 27, 2009, Gainnew International Limited ("Gainnew"), Jade Ahead Limited ("Jade Ahead") and others (collectively the "Vendors"), entered into a sale and purchase agreement (the "S&P Agreement") with Lenovo Manufacturing Limited and Lenovo Beijing Limited (collectively the "Purchasers"), pursuant to which the Vendors agreed to dispose of and the Purchasers agreed to purchase the entire registered capital of Lenovo Mobile at an aggregate consideration of US$200 million which would be settled as to US$154 million by cash and as to US$46 million by the issue of 80,894,033 ordinary shares of par value HK$0.025 each in the share capital of the Company subject to adjustment with reference to the net cash balance of Lenovo Mobile (the "Acquisition"). Jade Ahead is regarded as an associate of the controlling shareholder of the Company and Gainnew is regarded as an associate of a director of a subsidiary of the Company and thus are connected persons of the Company within the meaning of the Listing Rules. Details of the Acquisition are set out in the Company's announcement dated November 27, 2009 and the circular dated December 18, 2009. The S&P Agreement and the transactions contemplated thereunder were approved by the independent shareholders of the Company at an extraordinary general meeting of the Company on January 22, 2010. The Acquisition was completed on January 31, 2010.

Following the completion of the Acquisition mentioned in paragraph 3 above, Lenovo Mobile has become a wholly-owned subsidiary of the Company and ceased to be a connected person under the Listing Rules.

In accordance with rule 14A.37 of the Listing Rules, the independent non-executive directors of the Company reviewed the continuing connected transactions in paragraphs 1 and 2 above and confirmed that the transactions were entered into:

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

(ii) Either on normal commercial terms or on terms no less favourable to the Group than terms available to or from (as appropriate) independent third parties; and

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

In accordance with rule 14A.38 of the Listing Rules, the external auditor of the Company performed certain agreed-upon procedures and reported the findings that the continuing connected transactions in paragraphs 1 and 2 above:–

(i) have received the approval of the Company's board of directors;

(ii) are in accordance with the pricing policies of the Company, where applicable;

(iii) have been entered in accordance with the relevant agreements governing the transactions; and

(iv) have not exceeded the respective cap amounts as set out in the respective announcements.

Auditor

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

Public float

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

On behalf of the Board

Liu Chuan Zhi

Liu Chuanzhi
Chairman

Hong Kong, May 27, 2010

PRICEWATERHOUSECOOPERS

羅兵咸永道會計師事務所

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

Independent Auditor's Report
To the shareholders of Lenovo Group Limited
(incorporated in Hong Kong with limited liability)

We have audited the consolidated financial statements of Lenovo Group Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 70 to 147, which comprise the consolidated and company balance sheets as at March 31, 2010, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

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

Auditor's responsibility

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

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

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

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of the Company's and Group's affairs as at March 31, 2010 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

PricewaterhouseCoopers

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, May 27, 2010

CONSOLIDATED INCOME STATEMENT

For the year ended March 31, 2010

	Note	2010 US$'000	2009 US$'000
Sales	5	**16,604,815**	14,900,931
Cost of sales		**(14,815,221)**	(13,103,735)
Gross profit		**1,789,594**	1,797,196
Other income – net	6	**83,126**	929
Selling and distribution expenses		**(839,388)**	(938,451)
Administrative expenses		**(566,245)**	(627,903)
Research and development expenses		**(214,343)**	(220,010)
Other operating expenses – net		**(34,058)**	(203,561)
Operating profit/(loss)	7	**218,686**	(191,800)
Finance income	8(a)	**20,377**	59,977
Finance costs	8(b)	**(62,881)**	(56,473)
Share of profits of associated companies		**121**	351
Profit/(loss) before taxation		**176,303**	(187,945)
Taxation	9	**(46,935)**	(38,444)
Profit/(loss) for the year		**129,368**	(226,389)
Profit/(loss) attributable to			
Equity holders of the Company		**129,368**	(226,392)
Minority interests		**–**	3
		129,368	(226,389)
Basic earnings/(loss) per share attributable to equity holders of the Company	12(a)	**US1.42 cents**	(US2.56 cents)
Diluted earnings/(loss) per share attributable to equity holders of the Company	12(b)	**US1.33 cents**	(US2.56 cents)
Dividends	13	**68,728**	35,575

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended March 31, 2010

	Note	**2010** **US$'000**	2009 US$'000
Profit/(loss) for the year		**129,368**	(226,389)
Other comprehensive income/(loss):			
Fair value change on available-for-sale financial assets	22	**67,674**	34,830
Reserve realized on disposal of available-for-sale financial assets		**(70,809)**	(465)
Fair value change on interest rate swap contracts		**4,127**	(5,977)
Fair value change on forward foreign exchange contracts		**18,518**	(8,811)
Actuarial (loss)/gain from defined benefit pension plans	36	**(10,840)**	7,025
Currency translation differences		**(61,660)**	92,351
		(52,990)	118,953
Total comprehensive income/(loss)		**76,378**	(107,436)
Total comprehensive income/(loss) attributable to:			
Equity holders of the Company		**76,378**	(107,439)
Minority interests		**–**	3
		76,378	(107,436)

CONSOLIDATED BALANCE SHEET

At March 31, 2010

	Note	2010 US$'000	2009 US$'000	2008 US$'000
Non-current assets				
Property, plant and equipment	14(a)	**248,261**	314,142	364,778
Prepaid lease payments	15	**3,748**	5,833	6,099
Construction-in-progress	16	**24,711**	47,062	51,237
Intangible assets	17(a)	**2,066,337**	1,852,861	1,838,368
Interests in associated companies	19	**1,061**	2,635	2,690
Deferred tax assets	21	**254,978**	190,844	156,440
Available-for-sale financial assets	22	**112,520**	101,916	67,697
Other non-current assets		**8,699**	5,653	7,172
		2,720,315	2,520,946	2,494,481
Current assets				
Inventories	23	**878,887**	450,370	471,557
Trade receivables	24(a)	**1,021,062**	482,086	760,239
Notes receivable	24(b)	**386,746**	221,575	371,126
Derivative financial assets		**13,283**	13,163	3,392
Deposits, prepayments and other receivables	24(c)	**1,463,422**	1,034,843	1,207,046
Income tax recoverable		**33,562**	35,301	40,002
Bank deposits	25	**200,456**	–	540,058
Cash and cash equivalents	25	**2,238,195**	1,863,379	1,651,420
		6,235,613	4,100,717	5,044,840
Total assets		**8,955,928**	6,621,663	7,539,321

	Note	2010 US$'000	2009 US$'000	2008 US$'000
Share capital	29	**31,388**	29,530	29,699
Reserves		**1,574,453**	1,281,208	1,583,390
Equity attributable to owners of the Company		**1,605,841**	1,310,738	1,613,089
Minority interests		**177**	177	174
Total equity		**1,606,018**	1,310,915	1,613,263
Non-current liabilities				
Interest-bearing bank loans	28(a)	**200,000**	230,000	465,000
Convertible preferred shares	28(b)	**94,980**	215,974	211,181
Warranty provision	27	**301,234**	170,008	209,071
Deferred revenue		**218,034**	118,993	88,701
Retirement benefit obligations	36	**80,867**	68,000	85,490
Derivative financial liabilities		**248**	7,382	1,788
Deferred tax liabilities	21	**10,331**	–	–
Other non-current liabilities		**24,863**	33,864	36,892
		930,557	844,221	1,098,123
Current liabilities				
Trade payables	26(a)	**3,141,426**	1,635,290	2,226,129
Notes payable	26(b)	**94,427**	34,180	46,421
Derivative financial liabilities		**11,259**	23,674	18,197
Provisions, accruals and other payables	27	**2,585,850**	2,022,758	2,159,422
Income tax payable		**84,329**	89,459	87,209
Short-term bank loans		**64,706**	20,293	61,130
Current portion of non-current liabilities	28(c)	**437,356**	640,873	229,427
		6,419,353	4,466,527	4,827,935
Total liabilities		**7,349,910**	5,310,748	5,926,058
Total equity and liabilities		**8,955,928**	6,621,663	7,539,321
Net current (liabilities)/assets		**(183,740)**	(365,810)	216,905
Total assets less current liabilities		**2,536,575**	2,155,136	2,711,386

On behalf of the Board

Liu Chuanzhi
Director

Yang Yuanqing
Director

At March 31, 2010

	Note	2010 US$'000	2009 US$'000
Non-current assets			
Property, plant and equipment	14(b)	**806**	1,035
Construction-in-progress	16	**2,204**	7,780
Intangible assets	17(b)	**23,183**	12,235
Investments in subsidiaries	18(a)	**1,898,912**	1,860,176
		1,925,105	1,881,226
Current assets			
Derivative financial assets		**2,025**	–
Deposits, prepayments and other receivables	24(c)	**5,898**	596
Amounts due from subsidiaries	18(b)	**914,325**	1,013,394
Cash and cash equivalents	25	**259,559**	163,618
		1,181,807	1,177,608
Total assets		**3,106,912**	3,058,834
Share capital	29	**31,388**	29,530
Reserves	30	**2,000,510**	1,792,581
Total equity		**2,031,898**	1,822,111
Non-current liabilities			
Interest-bearing bank loans	28(a)	**200,000**	230,000
Convertible preferred shares	28(b)	**94,980**	215,974
Derivative financial liabilities		**248**	7,382
		295,228	453,356
Current liabilities			
Derivative financial liabilities		**3,252**	383
Provisions, accruals and other payables	27	**19,848**	18,945
Amounts due to subsidiaries	18(b)	**526,686**	329,039
Current portion of non-current liabilities	28(c)	**230,000**	435,000
		779,786	783,367
Total liabilities		**1,075,014**	1,236,723
Total equity and liabilities		**3,106,912**	3,058,834
Net current assets		**402,021**	394,241
Total assets less current liabilities		**2,327,126**	2,275,467

On behalf of the Board

Liu Chuanzhi
Director

Yang Yuanqing
Director

CONSOLIDATED CASH FLOW STATEMENT

For the year ended March 31, 2010

	Note	2010 US$'000	2009 US$'000
Cash flows from operating activities			
Net cash generated from operations	35(a)	**1,060,364**	19,961
Interest paid		**(59,891)**	(41,976)
Tax paid		**(82,231)**	(75,292)
Net cash generated from/(used in) operating activities		**918,242**	(97,307)
Cash flows from investing activities			
Purchase of property, plant and equipment		**(36,144)**	(107,016)
Sale of property, plant and equipment		**8,762**	10,671
Acquisition of subsidiaries, net of cash acquired	37	**(106,704)**	–
Net proceeds from disposal of subsidiaries and an associated company		**11,982**	–
Payment for construction-in-progress		**(39,979)**	(63,988)
Payment for intangible assets		**(32,320)**	(22,911)
Net proceeds from disposal of financial assets		**89,538**	9,788
(Increase)/decrease in bank deposits		**(172,126)**	540,058
Dividend received		**1,558**	1,515
Interest received		**20,377**	64,126
Net cash (used in)/generated from investing activities		**(255,056)**	432,243
Cash flows from financing activities			
Exercise of share options		**13,640**	9,433
Repurchase of shares		**–**	(53,907)
Contributions to employee share trusts		**–**	(17,169)
Dividends paid		**(11,896)**	(179,159)
Net (decrease)/increase in bank borrowings	35(b)	**(218,884)**	124,493
Net cash used in financing activities		**(217,140)**	(116,309)
Increase in cash and cash equivalents		**446,046**	218,627
Effect of foreign exchange rate changes		**(71,230)**	(6,668)
Cash and cash equivalents at the beginning of the year		**1,863,379**	1,651,420
Cash and cash equivalents at the end of the year	25	**2,238,195**	1,863,379

For the year ended March 31, 2010

	Attributable to equity holders of the Company												
	Share capital US$'000	Share premium US$'000	Convertible rights in respect of convertible preferred shares and warrants US$'000	Investment revaluation reserve US$'000	Share redemption reserve US$'000	Employee share trusts US$'000	Share-based compensation reserve US$'000	Hedging reserve US$'000	Exchange reserve US$'000	Other reserve US$'000	Retained earnings US$'000	Minority interests US$'000	Total US$'000
At April 1, 2009	**29,530**	**1,106,379**	**42,159**	**75,501**	**497**	**(157,461)**	**92,684**	**(16,576)**	**25,691**	**30,738**	**81,596**	**177**	**1,310,915**
Profit for the year	-	-	-	-	-	-	-	-	-	-	129,368	-	129,368
Other comprehensive income/(loss)	-	-	-	(3,135)	-	-	-	22,645	(61,660)	-	(10,840)	-	(52,990)
Total comprehensive income/(loss) for the year	-	-	-	(3,135)	-	-	-	22,645	(61,660)	-	118,528	-	76,378
Transfer to statutory reserve	-	-	-	-	-	-	-	-	-	122	(122)	-	-
Issue of ordinary shares (Note 37)	359	63,141	-	-	-	-	-	-	-	-	-	-	63,500
Conversion of Series A cumulative convertible preferred shares	1,190	126,484	(3,970)	-	-	-	-	-	-	-	-	-	123,704
Exercise and repurchase of warrants	205	31,578	(35,353)	-	-	-	-	-	-	3,570	-	-	-
Vesting of shares under long-term incentive program	-	-	-	-	-	46,407	(68,043)	-	-	-	-	-	(21,636)
Exercise of share options	104	13,536	-	-	-	-	-	-	-	-	-	-	13,640
Share-based compensation	-	-	-	-	-	-	51,413	-	-	-	-	-	51,413
Dividends paid	-	-	-	-	-	-	-	-	-	-	(11,896)	-	(11,896)
At March 31, 2010	**31,388**	**1,341,118**	**2,836**	**72,366**	**497**	**(111,054)**	**76,054**	**6,069**	**(35,969)**	**34,430**	**188,106**	**177**	**1,606,018**
At April 1, 2008	29,699	1,150,684	42,159	41,136	497	(172,235)	78,737	(1,788)	(66,660)	24,537	486,323	174	1,613,263
(Loss)/profit for the year	–	–	–	–	–	–	–	–	–	–	(226,392)	3	(226,389)
Other comprehensive income/(loss)	–	–	–	34,365	–	–	–	(14,788)	92,351	–	7,025	–	118,953
Total comprehensive income/(loss) for the year	–	–	–	34,365	–	–	–	(14,788)	92,351	–	(219,367)	3	(107,436)
Transfer to statutory reserve	–	–	–	–	–	–	–	–	–	6,201	(6,201)	–	–
Vesting of shares under long-term incentive program	–	–	–	–	–	31,943	(40,167)	–	–	–	–	–	(8,224)
Exercise of share options	80	9,353	–	–	–	–	–	–	–	–	–	–	9,433
Share-based compensation	–	–	–	–	–	–	54,114	–	–	–	–	–	54,114
Repurchase of shares	(249)	(53,658)	–	–	–	–	–	–	–	–	–	–	(53,907)
Contribution to employee share trusts	–	–	–	–	–	(17,169)	–	–	–	–	–	–	(17,169)
Dividends paid	–	–	–	–	–	–	–	–	–	–	(179,159)	–	(179,159)
At March 31, 2009	29,530	1,106,379	42,159	75,501	497	(157,461)	92,684	(16,576)	25,691	30,738	81,596	177	1,310,915

1 Basis of preparation

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

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

The Group has adopted those revised standards, new interpretations, and amendments to standards and interpretations that are mandatory for the year ended March 31, 2010.

The adoption of HKAS 1 (Revised) requires "non-owner changes in equity" to be presented separately from "owner changes in equity". Management has decided to present two statements, a consolidated income statement and a consolidated statement of comprehensive income.

The other adoptions do not result in substantial changes to the Group's accounting policies or financial results.

At the date of approval of these financial statements, the following new and revised standards, new interpretations, and amendments to standards and interpretations have been issued but are not effective for the year ended March 31, 2010 and have not been early adopted:

– HKFRS 1 (Revised), "First-time adoption of Hong Kong Financial Reporting Standards", effective for annual periods beginning on or after July 1, 2009; and for amendments to HKFRS 1 (Revised) published in May 2010, effective for annual periods beginning on or after January 1, 2011

– HKFRS 2 (Amendment), "Share-based payment", effective for annual periods beginning on or after July 1, 2009

– HKFRS 3 (Revised), "Business combinations", effective for annual periods beginning on or after July 1, 2009; and for amendments to HKFRS 3 (Revised) published in May 2010, effective for annual periods beginning on or after July 1, 2010

– HKFRS 7 (Amendment), "Financial instruments: Disclosures", effective for annual periods beginning on or after January 1, 2011

– HKFRS 8 (Amendment), "Operating segments", effective for annual periods beginning on or after January 1, 2010

– HKFRS 9, "Financial instruments", effective for annual periods beginning on or after January 1, 2013

– HKAS 1 (Amendment), "Presentation of financial statements", effective for annual periods beginning on or after January 1, 2010; and for amendments to HKAS 1 (Revised) published in May 2010, effective for annual periods beginning on or after January 1, 2011

– HKAS 7 (Amendment), "Cash flow statements", effective for annual periods beginning on or after January 1, 2010

– HKAS 17 (Amendment), "Leases", effective for annual periods beginning on or after January 1, 2010

– HKAS 18 (Amendment), "Revenue", effective for annual periods beginning on or after January 1, 2010

– HKAS 21 (Amendment), "The effect of changes in foreign exchange rates", effective for annual periods beginning on or after July 1, 2010

– HKAS 24 (Revised), "Related party disclosures", effective for annual periods beginning on or after January 1, 2011

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

– HKAS 28 (Amendment), "Investments in associates", effective for annual periods beginning on or after July 1, 2010

1 Basis of preparation *(continued)*

- HKAS 31 (Amendment), "Interests in joint ventures", effective for annual periods beginning on or after July 1, 2010

- HKAS 32 (Amendment), "Financial instruments: Presentation", effective for annual periods beginning on or after July 1, 2010

- HKAS 34 (Amendment), "Interim financial reporting", effective for annual periods beginning on or after January 1, 2011

- HKAS 36 (Amendment), "Impairment of assets", effective for annual periods beginning on or after January 1, 2010

- HKAS 38 (Amendment), "Intangible assets", effective for annual periods beginning on or after July 1, 2009

- HKAS 39 (Amendment), "Financial instruments: Recognition and measurement", amendment on eligible hedged items, effective for annual periods beginning on or after July 1, 2009; and amendments to HKAS 39 published in May 2010, effective for annual periods beginning on or after July 1, 2010

- HK(IFRIC)-Int 13 (Amendment), "Customer loyalty programmes", effective for annual periods beginning on or after January 1, 2011

- HK(IFRIC)-Int 14 (Amendment), "The limit on a defined benefit asset, minimum funding requirements and their interaction", effective for annual periods beginning on or after January 1, 2011

- HK(IFRIC)-Int 16, "Hedges of a net investment in a foreign operation", effective for annual periods beginning on or after July 1, 2009

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

- HK(IFRIC)-Int 19, "Extinguishing financial liabilities with equity instruments", effective for annual periods beginning on or after July 1, 2010

The Group is in the process of making an assessment of the impact of adoption of the Improvements to HKFRSs, published in October 2008 (effective for annual periods beginning on or after July 1, 2009), Improvements to HKFRSs 2009, published in May 2009 (effective for annual periods beginning on or after July 1, 2009, or on or after January 1, 2010) and improvements to HKFRSs 2010, published in May 2010 (effective for annual periods beginning on or after July 1, 2010 or January 1, 2011). So far, it has concluded that both do not have material impact on the Group's financial statements.

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

The Group is currently assessing the impact of the adoption of the other new and revised standard, new interpretations, and amendments to standards and interpretation above to the Group in future periods.

The Group has changed certain classifications in the consolidated income statement and balance sheet with effect from April 1, 2009 as follows:

- Exchange (loss)/gain on cash flow hedges of (US$371,000) and (US$59,592,000) for the year ended March 31, 2010 (2009: (US$420,000) and US$56,007,000) previously recorded in other operating expenses – net has been reclassified to sales and cost of sales respectively

- Costs associated with factoring of US$10,600,000 for the year ended March 31, 2010 (2009: US$18,331,000) previously recorded in other operating expenses – net have been reclassified to finance costs

- Current portion of deferred revenue of US$113,038,000 and US$83,768,000 (2009: US$156,527,000 and US$46,987,000) previously included in other payables and non-current deferred revenue respectively, have been reclassified to current portion of non-current liabilities

1 Basis of preparation *(continued)*

– Future billing adjustments of US$374,586,000 at March 31, 2010 (2009: US$313,364,000) previously netted with trade and notes receivables have been reclassified to other payables

– Amounts receivable from and payable to subcontracting vendors of US$1,043,498,000 and US$959,082,000 (2009: US$421,017,000 and US$355,996,000) previously included in trade receivables and trade payables have been reclassified to other receivables and other payables respectively

Management considered the current classifications are more appropriate and consistent with industry practice. Comparative information has been reclassified to conform to the current period's presentation.

A consolidated balance sheet as at March 31, 2008 with balances reclassified mentioned above is presented for reference.

2 Significant accounting policies

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

(a) Basis of consolidation

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

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

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

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

Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

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

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

(b) Associated companies

(i) An associated company is an entity, not being a subsidiary or a joint venture, in which an equity interest is held for the long-term and significant influence, but not control, is exercised in its management, generally accompanying a shareholding of between 20% and 50% of the voting rights. Interests in associated companies are accounted for using the equity method of accounting and are initially recognized at cost. The Group's interests in associated companies include goodwill identified on acquisition, net of any accumulated impairment loss. See note 2(g) for the impairment of non-financial assets including goodwill.

2 Significant accounting policies *(continued)*

(b) Associated companies *(continued)*

(ii) The Group's share of its associated companies' post-acquisition profits or losses is recognized in the consolidated income statement, and its share of post-acquisition movements in reserves is recognized in consolidated reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associated company equals or exceeds its interest in the associated company including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associated company.

Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

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

(c) Translation of foreign currencies

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

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

All foreign exchange gains and losses that relate to bank deposits and cash and cash equivalents are presented in the income statement within 'other operating expenses – net'.

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

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

(iii) The results and financial position of all the group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

- income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rates on the dates of the transactions); and

- all resulting exchange differences are recognized as a separate component of equity.

2 Significant accounting policies *(continued)*

(c) Translation of foreign currencies *(continued)*

(iii) *(continued)*

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

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

(d) Property, plant and equipment

(i) Buildings, buildings related equipment and leasehold improvements

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

Depreciation of buildings and buildings related equipment is calculated to write off their cost to their estimated residual value on the straight-line basis over the unexpired periods of the leases or their expected useful lives to the Group ranging from 10 to 50 years whichever is shorter.

Depreciation of leasehold improvements is calculated to write off their cost to their estimated residual value on the straight-line basis over the unexpired periods of the leases.

(ii) Other property, plant and equipment

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

Plant and machinery	
Tooling equipment	50%
Other machinery	14-20%
Furniture and fixtures	20-25%
Office equipment	20-33%
Motor vehicles	20%

(iii) Carrying value of property, plant and equipment

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 2(g)). The Group has reviewed the residual values and useful lives of each category of property, plant and equipment. Management considered the current estimates on residual values and useful lives are more appropriate and consistent within the Group. The change has resulted in accelerated depreciation/impairment charge of approximately U$5.8 million for the year.

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

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

(v) Subsequent costs

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

2 Significant accounting policies *(continued)*

(e) Construction-in-progress

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

(f) Intangible assets

(i) Goodwill

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

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose identified according to operating segment.

(ii) Trademarks and trade names

Trademarks and trade names are shown at historical cost. Trademarks and licenses acquired in a business combination are recognized at fair value at the acquisition date.

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

Trademarks and trade names that have a definite useful life are carried at cost less accumulated amortization. Amortization is calculated using the straight-line method to allocate the cost of trademarks and trade names over their estimated useful lives of up to 5 years.

(iii) Internal use software

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

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

In addition to the review of the residual values and useful lives of property, plant and equipment as mentioned in Note 2(d)(iii), the Group has reviewed the same for its internal use software, and has resulted in accelerated amortization/impairment charge of approximately US$0.8 million for the year.

(iv) Patents, technology and marketing rights

Expenditure on acquired patents, technology and marketing rights is capitalized and amortized on a straight-line basis over their useful lives of up to 5 years.

(g) Impairment of investments in subsidiaries and non-financial assets

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

Impairment testing of the investments in subsidiaries is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

(h) Financial assets

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

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

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

(ii) Loans and receivables

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

(iii) Available-for-sale financial assets

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

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

2 Significant accounting policies *(continued)*

(h) Financial assets *(continued)*

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

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

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

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

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

(i) Impairment of financial assets

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired.

(a) Assets carried at amortized cost

A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a ‘loss event’) and that loss event has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The criteria that the Group uses to determine that there is objective evidence of an impairment loss include:

- significant financial difficulty of the issuer or obligor;
- a breach of contract, such as default or delinquency in interest or principal payments;
- it becomes probable that the borrower will enter bankruptcy or other financial reorganization; or
- observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:
  - (i) adverse changes in the payment status of borrowers in the portfolio; or
  - (ii) national or local economic conditions that correlate with defaults on the assets in the portfolio.

The Group first assesses whether objective evidence of impairment exists.

2 Significant accounting policies *(continued)*

(i) Impairment of financial assets *(continued)*

(a) Assets carried at amortized cost (continued)

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The asset's carrying amount is reduced and the amount of the loss is recognized in the income statement. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as improvement in the debtor's credit rating), impairment loss is reversed through the income statement.

(b) Assets classified as available-for-sale

For impairment review and measurement of debt securities classified as available-for-sale, the Group use the criteria refer to (a) above. If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in income statement, the impairment loss is reversed through the income statement.

In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is evidence that the assets are impaired. If any such evidence exists, the cumulative loss, measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in the income statement, is removed from equity through other comprehensive income and recognized in the income statement. Impairment losses recognized in the income statement on equity instruments are not reversed through the income statement.

(j) Derivative financial instruments and hedging activities

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

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

The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining hedged item is more than 12 months, and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or liability.

(i) Fair value hedge

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

2 Significant accounting policies *(continued)*

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

(ii) Cash flow hedge

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

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

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

(iii) Derivatives that do not qualify for hedge accounting

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

(k) Inventories

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

(l) Trade and other receivables

Trade and other receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment.

(m) Cash and cash equivalents

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

(n) Share capital

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

Convertible preferred shares are mandatorily redeemable on a specific date. The fair value of the liability portion of convertible preferred shares is determined using a market interest rate for an equivalent non-convertible bond. This amount is recorded as a liability on an amortized cost basis until extinguished on conversion or maturity of the convertible preferred shares. The remainder of the proceeds is allocated to the conversion option. This is recognized and included in shareholders' equity, net of income tax effects. Upon conversion of convertible preferred shares to voting ordinary shares, the amounts of liability portion and equity portion of respective preferred shares are reclassified to share capital and share premium.

2 Significant accounting policies *(continued)*

(n) Share capital *(continued)*

The dividends on these convertible preferred shares are recognized in the income statement as interest expense.

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

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

(o) Borrowings

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

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

(p) Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

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

(q) Provisions

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

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

(i) Warranty provision

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

(ii) Other provisions

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

2 Significant accounting policies *(continued)*

(r) Current and deferred income tax

The tax expense for the period comprises current and deferred tax.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company's subsidiaries and associated companies operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

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

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

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

(s) Contingent liabilities

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

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

(t) Financial guarantee contracts

Financial guarantee contracts under which the Group accepts significant risk from a third party by agreeing to compensate that party on the occurrence of a specified uncertain future event are accounted for in a manner similar to insurance contracts. Provisions are recognized when it is probable that the Group has obligations under such guarantees and an outflow of economic resources will be required to settle the obligations.

(u) Revenue

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

(i) Sale of goods and services

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

The Group defers the cost of shipped products awaiting revenue recognition until the goods are delivered and revenue is recognized. In-transit product shipments to customers of US$48 million as at March 31, 2010 (2009: US$77 million) are included in deposits, prepayments and other receivables in the balance sheet.

2 Significant accounting policies *(continued)*

(u) Revenue *(continued)*

(ii) Other income

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

(iii) Dividend income

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

(v) Non-base manufacturing costs

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

(w) Employee benefits

(i) Pension obligations

The Group operates various pension schemes. The schemes are generally funded through payments to insurance companies or trustee-administered funds, determined by periodic actuarial calculations. The Group has both defined benefit and defined contribution plans. A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

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

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income in the year they arise.

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

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

2 Significant accounting policies *(continued)*

(w) Employee benefits *(continued)*

(ii) Post-employment medical benefits

The Group operates a number of post–employment medical benefit schemes, the largest being in the United States. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment using an accounting methodology similar to that for defined benefit pension plans. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income in the year they arise. The obligations of the schemes in the United States are valued annually by independent qualified actuaries.

(iii) Long-term incentive program

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

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

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

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

(iv) Share options

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

(x) Operating leases (as the lessee)

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

(y) Dividend distribution

Dividend distribution to the Company's shareholders is recognized as a liability in the Group's and Company's financial statements in the period in which the dividends are approved by the Company's shareholders in case of final dividend and by the Company's directors in case of interim dividend.

2 Significant accounting policies *(continued)*

(z) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the steering committee that makes strategic decisions.

3 Financial risk management

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

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

(a) Financial risk factors

(i) Foreign currency risk

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

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

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

(ii) Cash flow and fair value interest rate risk

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

The Group exposes to fair value interest rate risk arising from borrowings at fixed interest rate; however, fair value interest rate risk is considered not significant to the Group and therefore not hedged.

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

3 Financial risk management *(continued)*

(a) Financial risk factors *(continued)*

(iii) Credit risk

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

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

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

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

(iv) Liquidity risk

Cash flow forecasting of the Group is performed by Group Treasury. It monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities (Note 32) at all times so that the Group does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities. Such forecasting takes into consideration the Group's debt financing plans, covenant compliance, compliance with internal balance sheet ratio targets and, if applicable external regulatory or legal requirements, for example, currency restrictions.

Surplus cash held by the operating entities over and above balance required for working capital management are transferred to Group Treasury. Group Treasury invests surplus cash in interest bearing current accounts, time deposits, money market deposits and marketable securities, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient headroom as determined by the above-mentioned forecasts, At the reporting date, the Group held money market funds of US$530,429,000 (2009: US$354,135,000).

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

3 Financial risk management *(continued)*

(a) Financial risk factors *(continued)*

(iv) Liquidity risk (continued)

	Group				
	Repayable on demand US$'000	3 months or less but not repayable on demand US$'000	Over 3 months to 1 year US$'000	Over 1 to 5 years US$'000	Total US$'000
At March 31, 2010					
Bank loans	**–**	**30,888**	**263,818**	**200,000**	**494,706**
Derivative financial liabilities	**–**	**8,117**	**3,142**	**248**	**11,507**
Trade payables	**667,781**	**2,473,645**	**–**	**–**	**3,141,426**
Notes payable	**–**	**94,427**	**–**	**–**	**94,427**
Accrual and other payables	**360,020**	**1,293,273**	**196,824**	**–**	**1,850,117**
Convertible preferred shares	**–**	**–**	**–**	**98,611**	**98,611**
Others	**–**	**–**	**10,550**	**24,863**	**35,413**
At March 31, 2009					
Bank loans	400,000	159	55,134	230,000	685,293
Derivative financial liabilities	–	23,291	383	7,382	31,056
Trade payables	371,607	1,228,596	35,087	–	1,635,290
Notes payable	–	34,180	–	–	34,180
Accrual and other payables	46,891	623,690	465,102	–	1,135,683
Convertible preferred shares	–	–	–	227,564	227,564
Others	–	–	2,359	33,864	36,223

	Company				
	Repayable on demand US$'000	3 months or less but not repayable on demand US$'000	Over 3 months to 1 year US$'000	Over 1 to 5 years US$'000	Total US$'000
At March 31, 2010					
Bank loans	**–**	**–**	**230,000**	**200,000**	**430,000**
Derivative financial liabilities	**–**	**110**	**3,142**	**248**	**3,500**
Accrual and other payables	**–**	**–**	**19,848**	**–**	**19,848**
Amounts due to subsidiaries	**526,686**	**–**	**–**	**–**	**526,686**
Convertible preferred shares	**–**	**–**	**–**	**98,611**	**98,611**
At March 31, 2009					
Bank loans	400,000	–	35,000	230,000	665,000
Derivative financial liabilities	–	–	383	7,382	7,765
Accrual and other payables	–	–	18,945	–	18,945
Amounts due to subsidiaries	329,039	–	–	–	329,039
Convertible preferred shares	–	–	–	227,564	227,564

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

3 Financial risk management *(continued)*

(a) Financial risk factors *(continued)*

(iv) Liquidity risk (continued)

	Group			
	3 months or less but not repayable on demand US$'000	**Over 3 months to 1 year US$'000**	**Over 1 to 5 years US$'000**	**Total US$'000**
At March 31, 2010				
Forward foreign exchange contracts:				
– outflow	**1,424,087**	**–**	**–**	**1,424,087**
– inflow	**1,429,267**	**–**	**–**	**1,429,267**
Interest rate swap contracts:				
– outflow	**2,029**	**4,657**	**2,517**	**9,203**
– inflow	**270**	**2,454**	**3,093**	**5,817**
At March 31, 2009				
Forward foreign exchange contracts:				
– outflow	1,797,314	–	–	1,797,314
– inflow	1,787,232	–	–	1,787,232
Interest rate swap contracts:				
– outflow	3,300	8,243	4,162	15,705
– inflow	1,717	3,900	2,244	7,861

	Company			
	3 months or less but not repayable on demand US$'000	**Over 3 months to 1 year US$'000**	**Over 1 to 5 years US$'000**	**Total US$'000**
At March 31, 2010				
Forward foreign exchange contracts:				
– outflow	**110**	**–**	**–**	**110**
– inflow	**2,025**	**–**	**–**	**2,025**
Interest rate swap contracts				
– outflow	**2,029**	**4,657**	**2,517**	**9,203**
– inflow	**270**	**2,454**	**3,093**	**5,817**
At March 31, 2009				
Interest rate swap contracts				
– outflow	3,300	8,243	4,162	15,705
– inflow	1,717	3,900	2,244	7,861

3 Financial risk management *(continued)*

(b) Market risks sensitivity analysis

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

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

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

(i) Foreign currency exchange rate sensitivity analysis

At March 31, 2010, if United States dollar had weakened/strengthened by 1 percent against all other currencies with all other variables held constant, post-tax profit for the year (2009: post-tax loss) would have been US$2.89 million (2009: US$4.37 million) lower/higher, mainly as a result of foreign exchange gains/losses on translation of receivable and payable balances.

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

(ii) Interest rate sensitivity analysis

At March 31, 2010, if interest rates on United States dollar-denominated borrowings had been 25 basis points higher/lower with all other variables held constant, other components of equity would have been US$1.14 million (2009: US$1.28 million) higher/lower mainly as a result of a increase/decrease in the fair value of the interest rate swaps.

At March 31, 2010, if interest rates on the global channel financing program had been 25 basis points higher/lower with all other variables held constant, post-tax profit for the year (2009: post-tax loss) would have been US$0.97 million (2009: US$1.05 million) lower/higher. The calculation is based on the assumption that the interest rates of all the currencies covered by the global channel financing program go up and down at the same time and with the same magnitude; however, such assumptions may not be necessarily true in reality.

3 Financial risk management *(continued)*

(c) Capital risks management

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

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

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

The Group's strategy remains unchanged and the gearing ratios and the net cash position of the Group as at March 31, 2010 and 2009 are as follows:

	2010 US$ million	2009 US$ million
Bank deposits and cash and cash equivalents (Note 25)	**2,439**	1,863
Less: total borrowings	**(495)**	(685)
Net cash position	**1,944**	1,178
Total equity	**1,606**	1,311
Gearing ratio	**0.31**	0.52

(d) Fair value estimation

Effective April 1, 2009, the Group adopted the amendment to HKFRS 7 for financial instruments that are measured in the balance sheet at fair value, this requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- Level 1 Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3 Inputs for the asset or liability that are not based on observable market date (that is, unobservable inputs)

3 Financial risk management *(continued)*

(d) Fair value estimation *(continued)*

The following table presents the assets and liabilities of the Group that are measured at fair value at March 31, 2010.

	Level 1 US$'000	Level 2 US$'000	Level 3 US$'000	Total US$'000
Assets				
Available-for-sale financial assets				
– Listed equity investments	92,405	–	–	92,405
– Unlisted equity investments	–	–	20,115	20,115
Derivative financial assets	–	13,283	–	13,283
	92,405	13,283	20,115	125,803
Liabilities				
Derivative financial liabilities	–	11,507	–	11,507

The derivative financial assets and liabilities of the Company of US$2,025,000 and US$3,500,000, respectively, are categorized under Level 2.

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in Level 1.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2.

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments are used for long-term debt.
- The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves.
- The fair value of forward foreign exchange contracts is determined using quoted forward exchange rates at the balance sheet date, with the resulting value discounted back to present value.
- Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments.

If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3.

4 Critical accounting estimates and judgments

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

(a) Impairment of non-financial assets

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

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

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

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

(b) Income taxes

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

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

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

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

4 Critical accounting estimates and judgments *(continued)*

(b) Income taxes *(continued)*

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

(c) Warranty provision

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

(d) Future billing adjustments

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

(e) Retirement benefits

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

(f) Fair value of derivatives and other financial instruments

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

5 Segment information

The Group announced a new organizational structure that became effective in April 2009 with the creation of two new business units – one focusing on customers in emerging markets, and the other focusing on customers in mature markets. The new structure, namely China, Emerging Markets (excluding China) and Mature Markets, replaces the Group's original regional market organizations by geography and is designed to align the Group more closely with its strategic direction and market dynamics to better serve customers. In conjunction with the adoption of HKFRS 8 'Operating segments", the Group has adopted the new organizational structure as the reporting format effective for the year ended March 31, 2010. The comparative segment information has been restated to reflect the current organizational structure.

Management has determined the operating segments based on the reports reviewed by the Lenovo Executive Committee (the "LEC") that are used to make strategic decisions.

5 Segment information *(continued)*

The LEC considers business from market perspective. The Group has three market segments, China, emerging market (excluding China) and mature market.

The LEC assesses the performance of the operating segments based on a measure of adjusted pre-tax income/(loss) for reportable segments. These measurement basis excludes the effects of non-recurring expenditure from the operating segments such as restructuring costs, etc. The measure also excludes the effects of unrealized gains/losses on financial instruments. Interest income and expenditure are not allocated to segments, as this type of activity is driven by the central treasury function, which manages the cash position of the Group.

(a) Segment results, assets and liabilities

The segment information provided to the LEC for the reportable segments for the year ended March 31, 2010 are as follows:

	China US$'000	Emerging Markets (excluding China) US$'000	Mature Markets US$'000	Total US$'000
Sales to external customers	**7,892,275**	**2,639,812**	**6,072,728**	**16,604,815**
Adjusted pre-tax income/(loss)	**444,164**	**(96,625)**	**(65,119)**	**282,420**
Depreciation and amortization	**77,833**	**19,297**	**73,039**	**170,169**
Restructuring costs	**2,112**	**5,708**	**(6,087)**	**1,733**
Total assets	**3,519,421**	**1,586,158**	**1,199,948**	**6,305,527**
Total assets includes: Additions to non-current assets (other than financial instruments and deferred tax assets)	**49,017**	**3,540**	**20,085**	**72,642**
Total liabilities	**3,238,451**	**1,929,730**	**1,258,603**	**6,426,784**

The segment information provided to the LEC for the reportable segments for the year ended March 31, 2009 are as follows:

	China US$'000	Emerging Markets (excluding China) US$'000	Mature Markets US$'000	Total US$'000
Sales to external customers	6,223,760	2,352,974	6,324,197	14,900,931
Adjusted pre-tax income/(loss)	377,858	(107,299)	(136,749)	133,810
Depreciation and amortization	46,382	52,410	128,206	226,998
Restructuring costs	20,700	23,586	101,744	146,030
Total assets	3,533,922	927,510	981,500	5,442,932
Total assets includes: Additions to non-current assets (other than financial instruments and deferred tax assets)	44,686	23,384	62,850	130,920
Total liabilities	1,579,301	382,705	1,062,057	3,024,063

5 Segment information *(continued)*

(b) Reconciliation of adjusted pre-tax income for reportable segments to consolidated profit/(loss) before taxation is provided as follows:

	2010 **US$'000**	2009 US$'000
Adjusted pre-tax income	**282,420**	133,810
Unallocated headquarters and corporate expenses	**(78,819)**	(110,136)
Restructuring costs	**(5,123)**	(145,927)
One-off items	**(62,918)**	(70,476)
Finance income	**20,377**	59,977
Finance costs	**(62,881)**	(56,473)
Impairment of investments	**(522)**	–
Net gain/(loss) on disposal of available-for-sales financial assets	**82,090**	(124)
Dividend income from available-for-sale financial assets	**1,558**	1,053
Share of profits of associated companies	**121**	351
Consolidated profit/(loss) before taxation	**176,303**	(187,945)

(c) Reconciliation of segment assets for reportable segments to total assets per consolidated balance sheet is provided as follows:

	2010 **US$'000**	2009 US$'000
Segment assets for reportable segments	**6,305,527**	5,442,932
Unallocated:		
Deferred tax assets	**254,978**	190,844
Available-for-sale financial assets	**112,520**	101,916
Interests in associated companies	**1,061**	2,635
Unallocated cash and cash equivalents	**1,499,419**	145,174
Unallocated inventories	**157,544**	174,254
Other unallocated assets	**624,879**	563,908
Total assets per consolidated balance sheet	**8,955,928**	6,621,663

5 Segment information *(continued)*

(d) Reconciliation of segment liabilities for reportable segments to total liabilities per consolidated balance sheet is provided as follows:

	2010 **US$'000**	2009 US$'000
Segment liabilities for reportable segments	**6,426,784**	3,024,063
Unallocated:		
Income tax payable	**84,329**	89,459
Derivative financial liabilities	**11,259**	7,382
Deferred tax liabilities	**10,331**	–
Bank borrowings	**430,000**	465,000
Convertible preferred shares	**94,980**	215,974
Other unallocated liabilities	**292,227**	1,508,870
Total liabilities per consolidated balance sheet	**7,349,910**	5,310,748

(e) Other segment information

Revenue from external customers are mainly derived from the sales of personal computer (desktop and notebook) and mobile phone. Breakdown of revenue is as follows:

	2010 **US$'000**	2009 US$'000
Sales of:		
Personal computer – desktop	**5,859,405**	5,905,620
Personal computer – notebook	**10,437,927**	8,730,045
Mobile phone	**91,144**	–
Others	**216,339**	265,266
	16,604,815	14,900,931

Revenue from external customers in China and from other countries are US$7,892,275,000 (2009: US$6,434,032,000) and US$8,712,540,000 (2009: US$8,466,899,000), respectively.

The total of non-current assets other than financial instruments and deferred tax assets (there are no employment benefit assets and rights arising under insurance contracts) located in China and other countries are US$1,402,505,000 (2009: US$1,236,887,000) and US$950,312,000 (2009: US$991,299,000), respectively.

6 Other income – net

	2010 US$'000	2009 US$'000
Net gain/(loss) on disposal of available-for-sale financial assets	82,090	(124)
Dividend income from available-for-sale financial assets	1,558	1,053
Impairment of investments	(522)	–
	83,126	929

7 Expenses by nature

	2010 US$'000	2009 US$'000
Depreciation of property, plant and equipment and amortization of prepaid lease payments	100,826	143,269
Amortization and impairment of intangible assets	70,202	83,729
Employees' benefit costs (Note 10)	1,182,019	1,237,250
Cost of inventories sold	14,105,889	12,487,576
Auditor's remuneration	3,640	5,620
Termination of onerous contracts	(63)	19,996
Rental expenses under operating leases	44,729	45,976

8 Finance income and costs

(a) Finance income

	2010 US$'000	2009 US$'000
Interest on bank deposits	18,947	54,351
Interest on money market funds	950	5,570
Others	480	56
	20,377	59,977

(b) Finance costs

	2010 US$'000	2009 US$'000
Interest on bank loans and overdrafts	30,413	22,310
Dividend and relevant finance costs on convertible preferred shares (Note 28(b))	10,915	14,115
Factoring cost	10,600	18,331
Others	10,953	1,717
	62,881	56,473

9 Taxation

The amount of taxation in the consolidated income statement represents:

	2010 US$'000	2009 US$'000
Current taxation		
– Hong Kong profits tax	**58**	149
– Taxation outside Hong Kong	**87,716**	90,532
Deferred taxation (Note 21)	**(40,839)**	(52,237)
	46,935	38,444

Hong Kong profits tax has been provided at the rate of 16.5% (2009: 16.5%) on the estimated assessable profit for the year.

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

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

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

	2010 US$'000	2009 US$'000
Profit/(loss) before taxation	**176,303**	(187,945)
Tax calculated at domestic rates applicable in countries concerned	**16,875**	24,689
Income not subject to taxation	**(252,688)**	(248,517)
Expenses not deductible for taxation purposes	**262,091**	237,954
Utilization of previously unrecognized tax losses	**(77)**	(1,699)
Effect on opening deferred tax assets due to change in tax rates	**867**	(1,993)
Deferred tax assets not recognized	**12,131**	37,304
Under/(over) provision in prior years	**7,736**	(9,294)
	46,935	38,444

The weighted average applicable tax rate was 10%. No disclosure is made for 2009 as this is not meaningful given the Group incurred an overall loss before taxation last year.

10 Employee benefit costs

	2010 US$'000	2009 US$'000
Wages and salaries (including provision for restructuring costs of US$5,123,000 (2009: US$116,077,000))	**899,970**	939,421
Social security costs	**95,923**	98,250
Long-term incentive awards granted to directors and employees (Note 29(a))	**51,412**	54,114
Pension costs		
– defined contribution plans	**32,978**	25,403
– defined benefit plans	**11,088**	11,032
Others	**90,648**	109,030
	1,182,019	1,237,250

10 Employee benefit costs *(continued)*

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

The Group participates in various defined contribution schemes, either voluntary or mandatory, for all qualified employees. The assets of those defined contribution schemes are held separately from those of the Group in independently administered funds.

The Group also contributes to certain defined benefit pension schemes, details of which are set out in Note 36.

11 Emoluments of directors and highest paid individuals

(a) Directors' and senior management's emoluments

Directors' emoluments comprise payments by the Group to directors of the Company in connection with the management of the affairs of the Company and its subsidiaries. The remuneration of each director for the years ended March 31, 2009 and 2010 is set out below:

	2010						
Name of Director	Fees US$'000	Salary US$'000	Discretionary bonuses (note i) US$'000	Long-term incentives awards (note ii) US$'000	Retirement payments and employer's contribution to pension schemes US$'000	Other benefits-in-kind US$'000	Total US$'000
Executive director							
Mr. Yang Yuanqing	–	850	246	6,045	85	91	7,317
Non-executive directors							
Mr. Liu Chuanzhi	–	452	–	1,828	–	–	2,280
Mr. Zhu Linan	68	–	–	124	–	–	192
Ms. Ma Xuezheng	68	–	–	305	–	–	373
Mr. James G. Coulter	68	–	–	122	–	–	190
Mr. William O. Grabe	79	–	–	201	–	–	280
Dr. Wu Yibing	68	–	–	51	–	–	119
Independent non-executive directors							
Professor Woo Chia-Wei	68	–	–	189	–	–	257
Mr. Ting Lee Sen	68	–	–	176	–	–	244
Mr. John W. Barter III	90	–	–	158	–	–	248
Dr. Tian Suning	68	–	–	110	–	–	178
Mr. Nicholas C Allen	22	–	–	12	–	–	34
	667	1,302	246	9,321	85	91	11,712

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

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

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

Notes:

(i) Discretionary bonuses paid for the two years ended March 31, 2009 and 2010 represent the amounts in connection with the performance bonuses for the two years ended March 31, 2008 and 2009, respectively.

(ii) Details of the long-term incentive program of the Company are set out in Note 29(a). The fair value of the employee services received in exchange for the grant of the long-term incentive awards is recognized as an expense. The total amount to be amortized over the vesting period is determined by reference to the fair value of the long-term incentive awards at the date of grant. The amounts disclosed above represent the amortized amounts for the two years ended March 31, 2009 and 2010.

(iii) Mr. William O. Grabe and Professor Woo Chia-Wei have elected to defer their receipts of the cash of director's fees into fully vested share units under the long-term incentive program (Note 29(a)) for the year ended March 31, 2010.

(iv) Mr. Justin T. Chang (alternate director to Mr. James G. Coulter) did not receive any fees or remuneration during the years ended March 31, 2009 and 2010.

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

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include two director (2009: two directors) whose emoluments are reflected in the analysis presented above. The emoluments of the remaining three (2009: three) individuals during the year are as follows:

	2010 **US$'000**	2009 US$'000
Basic salaries, allowances, and benefits-in-kind	**1,365**	1,341
Discretionary bonuses	**1,113**	3,426
Employer's contribution to pension scheme	**124**	460
Long-term incentive awards	**4,698**	4,740
Others	**431**	303
	7,731	10,270

The emoluments fell within the following bands:

	Number of individuals	
	2010	2009
Emolument bands		
US$2,447,318-US$2,511,720	**1**	–
US$2,576,124-US$2,640,527	**1**	–
US$2,640,528-US$2,704,930	**1**	–
US$3,087,277-US$3,151,594	**–**	1
US$3,537,505-US$3,601,822	**–**	1
US$3,601,823-US$3,666,140	**–**	1

12 Earnings/(loss) per share

(a) Basic

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

	2010	2009
Weighted average number of shares for the purpose of basic earnings/(loss) per share	**9,113,645,262**	8,851,779,460

	US$'000	US$'000
Profit/(loss) attributable to equity holders of the Company	**129,368**	(226,392)

12 Earnings/(loss) per share *(continued)*

(b) Diluted

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

For the year ended March 31, 2010, adjustments for the dilutive potential ordinary shares are as follows:

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

– All warrants were exercised or repurchased on September 9, 2009 and they were excluded from the weighted average number of ordinary shares in issue for calculation of diluted earnings/(loss) per share.

– For the share options, 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. 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.

– 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.

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

	2010	2009
Weighted average number of ordinary shares in issue	**9,113,645,262**	8,851,779,460
Adjustments for share options and long-term incentive awards	**621,234,062**	–
Weighted average number of ordinary shares in issue for calculation of diluted earnings/(loss) per share	**9,734,879,324**	8,851,779,460

	US$'000	US$'000
Profit/(loss) attributable to equity holders of the Company	**129,368**	(226,392)

13 Dividends

	2010 **US$'000**	2009 US$'000
Interim dividend of HK1.0 cent per ordinary share (2009: HK3.0 cents)	**12,264**	35,575
Proposed final dividend of HK4.5 cents (2009: nil) per ordinary share	**56,464**	–
	68,728	35,575

14 Property, plant and equipment

(a) Group

	Buildings US$'000	Leasehold improve-ments US$'000	Plant and machinery US$'000	Furniture and fixtures US$'000	Office equipment US$'000	Motor vehicles US$'000	Total US$'000
At April 1, 2008							
Cost	112,494	74,347	181,406	40,581	233,823	3,730	646,381
Accumulated depreciation	20,810	37,043	86,369	10,901	124,023	2,457	281,603
Net book amount	91,684	37,304	95,037	29,680	109,800	1,273	364,778
Year ended March 31, 2009							
Opening net book amount	91,684	37,304	95,037	29,680	109,800	1,273	364,778
Exchange adjustment	1,105	(603)	2,333	(2,114)	(171)	36	586
Additions	1,466	8,660	49,152	6,613	40,863	262	107,016
Transfer from construction-in-progress (Note 16)	62	388	378	–	252	–	1,080
Disposals	–	(146)	(2,251)	(709)	(6,810)	(290)	(10,206)
Reclassification to intangible assets	–	–	–	–	(5,997)	–	(5,997)
Depreciation	(3,045)	(11,809)	(76,812)	(4,998)	(46,123)	(328)	(143,115)
Closing net book amount	91,272	33,794	67,837	28,472	91,814	953	314,142
At March 31, 2009							
Cost	115,948	74,761	226,812	43,096	223,217	2,318	686,152
Accumulated depreciation	24,676	40,967	158,975	14,624	131,403	1,365	372,010
Net book amount	91,272	33,794	67,837	28,472	91,814	953	314,142
Year ended March 31, 2010							
Opening net book amount	**91,272**	**33,794**	**67,837**	**28,472**	**91,814**	**953**	**314,142**
Exchange adjustment	**756**	**(1,371)**	**8,642**	**4,224**	**(9,676)**	**(34)**	**2,541**
Reclassification	**(2,536)**	**482**	**(10,553)**	**(5,658)**	**18,265**	**–**	**–**
Additions	**337**	**5,410**	**9,984**	**1,065**	**19,092**	**256**	**36,144**
Acquisition of subsidiaries (Note 37)	**–**	**7,028**	**5,010**	**26**	**3,974**	**682**	**16,720**
Transfer from construction-in-progress (Note 16)	**337**	**1,970**	**564**	**471**	**1,816**	**–**	**5,158**
Disposals of subsidiaries	**(7,523)**	**(1)**	**(305)**	**(3)**	**(323)**	**–**	**(8,155)**
Disposals	**–**	**(2,744)**	**(2,670)**	**(1,501)**	**(4,815)**	**(93)**	**(11,823)**
Impairment	**(74)**	**(73)**	**(1,061)**	**(98)**	**(4,385)**	**(74)**	**(5,765)**
Depreciation	**(2,801)**	**(9,614)**	**(41,622)**	**(6,638)**	**(39,742)**	**(284)**	**(100,701)**
Closing net book amount	**79,768**	**34,881**	**35,826**	**20,360**	**76,020**	**1,406**	**248,261**
At March 31, 2010							
Cost	**102,020**	**88,815**	**214,617**	**38,646**	**252,781**	**3,244**	**700,123**
Accumulated depreciation	**22,252**	**53,934**	**178,791**	**18,286**	**176,761**	**1,838**	**451,862**
Net book amount	**79,768**	**34,881**	**35,826**	**20,360**	**76,020**	**1,406**	**248,261**

14 Property, plant and equipment *(continued)*

(b) Company

	Leasehold improvements US$'000	Furniture and fixtures US$'000	Office equipment US$'000	Motor vehicles US$'000	Total US$'000
At April 1, 2008					
Cost	1,996	127	7,247	247	9,617
Accumulated depreciation	1,938	102	6,764	196	9,000
Net book amount	58	25	483	51	617
Year ended March 31, 2009					
Opening net book amount	58	25	483	51	617
Exchange adjustment	–	1	2	1	4
Additions	625	83	241	–	949
Disposals	–	(1)	(3)	–	(4)
Transfer to intangible assets (Note 17(b))	–	–	(373)	–	(373)
Depreciation	(79)	(15)	(48)	(16)	(158)
Closing net book amount	604	93	302	36	1,035
At March 31, 2009					
Cost	2,314	185	850	248	3,597
Accumulated depreciation	1,710	92	548	212	2,562
Net book amount	604	93	302	36	1,035
Year ended March 31, 2010					
Opening net book amount	**604**	**93**	**302**	**36**	**1,035**
Exchange adjustment	**(1)**	**–**	**1**	**(1)**	**(1)**
Additions	**25**	**27**	**16**	**–**	**68**
Disposals	**–**	**(12)**	**(4)**	**–**	**(16)**
Depreciation	**(128)**	**(38)**	**(104)**	**(10)**	**(280)**
Closing net book amount	**500**	**70**	**211**	**25**	**806**
At March 31, 2010					
Cost	**2,335**	**184**	**828**	**248**	**3,595**
Accumulated depreciation	**1,835**	**114**	**617**	**223**	**2,789**
Net book amount	**500**	**70**	**211**	**25**	**806**

15 Prepaid lease payments

	Group 2010 US$'000	Group 2009 US$'000
At the beginning of the year	**5,833**	6,099
Exchange adjustment	**8**	159
Disposal of subsidiaries	**(1,660)**	–
Disposals	**(308)**	(271)
Amortization	**(125)**	(154)
At the end of the year	**3,748**	5,833

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

16 Construction-in-progress

	Group								Company	
	Buildings under construction		Internal use software		Others		Total		Internal use software	
	2010 US$'000	2009 US$'000	**2010 US$'000**	2009 US$'000	**2010 US$'000**	2009 US$'000	**2010 US$'000**	2009 US$'000	**2010 US$'000**	2009 US$'000
At the beginning of the year	**2,158**	871	**44,156**	49,307	**748**	1,059	**47,062**	51,237	**7,780**	13,893
Exchange adjustment	**2**	6	**5**	18	**1**	2	**8**	26	**(6)**	20
Reclassification	**(1,253)**	–	**246**	908	**1,007**	(908)	**–**	–	**–**	–
Additions	**196**	1,846	**37,125**	61,032	**2,658**	1,110	**39,979**	63,988	**2,206**	–
Acquisition of subsidiaries	**–**	–	**145**	–	**–**	–	**145**	–	**–**	–
Transfer to property, plant and equipment (Note 14)	**(611)**	(565)	**(658)**	–	**(3,889)**	(515)	**(5,158)**	(1,080)	**–**	–
Transfer to intangible assets (Note 17)	**–**	–	**(56,499)**	(67,109)	**–**	–	**(56,499)**	(67,109)	**(7,776)**	(6,133)
Written-off	**–**	–	**(748)**	–	**–**	–	**(748)**	–	**–**	–
Disposals of subsidiaries	**(78)**	–	**–**	–	**–**	–	**(78)**	–	**–**	–
At the end of the year	**414**	2,158	**23,772**	44,156	**525**	748	**24,711**	47,062	**2,204**	7,780

17 Intangible assets

(a) Group

	Goodwill US$'000	Trademarks and trade names US$'000	Internal use software US$'000	Customer relationships US$'000	Patent and technology US$'000	Marketing rights US$'000	Total US$'000
At April 1, 2008							
Cost	1,300,837	525,305	161,038	17,023	92,220	98,001	2,194,424
Accumulated amortization and impairment losses	3,899	145,305	45,492	16,863	85,008	59,489	356,056
Net book amount	1,296,938	380,000	115,546	160	7,212	38,512	1,838,368
Year ended March, 31 2009							
Opening net book amount	1,296,938	380,000	115,546	160	7,212	38,512	1,838,368
Exchange adjustment	–	–	463	–	1	118	582
Reclassification	–	–	–	–	20,000	(20,000)	–
Additions	–	–	22,011	–	900	–	22,911
Transfer from construction-in-progress (Note 16)	–	–	67,109	–	–	–	67,109
Reclassification from property, plant and equipment and deferred assets	–	–	7,620	–	–	–	7,620
Amortization	–	–	(42,025)	(160)	(22,914)	(18,630)	(83,729)
Closing net book amount	1,296,938	380,000	170,724	–	5,199	–	1,852,861
At March 31, 2009							
Cost	1,296,938	516,352	272,922	17,000	106,620	78,337	2,288,169
Accumulated amortization and impairment losses	–	136,352	102,198	17,000	101,421	78,337	435,308
Net book amount	1,296,938	380,000	170,724	–	5,199	–	1,852,861
Year ended March, 31 2010							
Opening net book amount	**1,296,938**	**380,000**	**170,724**	**–**	**5,199**	**–**	**1,852,861**
Exchange adjustment	**27**	**–**	**8**	**–**	**–**	**4**	**39**
Additions	**–**	**3**	**20,607**	**–**	**–**	**11,710**	**32,320**
Acquisition of subsidiaries (Note 37)	**176,552**	**–**	**1,624**	**8,184**	**8,460**	**–**	**194,820**
Transfer from construction-in-progress (Note 16)	**–**	**–**	**56,499**	**–**	**–**	**–**	**56,499**
Impairment	**–**	**–**	**(859)**	**–**	**–**	**–**	**(859)**
Amortization	**–**	**–**	**(60,479)**	**(513)**	**(1,195)**	**(7,156)**	**(69,343)**
Closing net book amount	**1,473,517**	**380,003**	**188,124**	**7,671**	**12,464**	**4,558**	**2,066,337**
At March 31, 2010							
Cost	**1,473,517**	**516,355**	**351,470**	**25,184**	**115,080**	**11,719**	**2,493,325**
Accumulated amortization and impairment losses	**–**	**136,352**	**163,346**	**17,513**	**102,616**	**7,161**	**426,988**
Net book amount	**1,473,517**	**380,003**	**188,124**	**7,671**	**12,464**	**4,558**	**2,066,337**

17 Intangible assets *(continued)*

(b) Company

	Internal use software US$'000
At April 1, 2008	
Cost	10,243
Accumulated amortization	2,000
Net book amount	8,243
Year ended March 31, 2009	
Opening net book amount	8,243
Exchange adjustment	67
Transfer from construction-in-progress (Note 16)	6,133
Transfer from property, plant and equipment (Note 14(b))	373
Additions	619
Amortization	(3,200)
Closing net book amount	12,235
At March 31, 2009	
Cost	17,435
Accumulated amortization	5,200
Net book amount	12,235
Year ended March 31, 2010	
Opening net book amount	**12,235**
Exchange adjustment	**(34)**
Transfer from construction-in-progress (Note 16)	**7,776**
Additions	**8,868**
Amortization	**(5,662)**
Closing net book amount	**23,183**
At March 31, 2010	
Cost	**34,170**
Accumulated amortization	**10,987**
Net book amount	**23,183**

17 Intangible assets *(continued)*

Impairment tests for goodwill and intangible assets with indefinite useful lives

As explained in Note 5, the Group underwent an organizational structure change under which these intangible assets have been allocated to the Group's cash-generating units ("CGU") affected using a relative value approach in accordance with HKAS 36, "Impairment of Assets". The carrying amounts of goodwill and trademarks and trade names with indefinite useful lives are presented below:

At March 31, 2010

	China US$ million	HARIE * US$ million	Latin America US$ million	North America US$ million	West Europe US$ million	Japan, Australia, New Zealand US$ million	Amounts pending allocation US$ million	Total US$ million
Goodwill	850	143	24	151	92	37	177	1,474
Trademarks and trade names	209	55	9	58	35	14	–	380

* Includes Africa, Asia Pacific, Central/Eastern Europe, Hong Kong, India, Korea, Middle East, Pakistan, Russia, Taiwan and Turkey

At March 31, 2009

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

The reallocation of goodwill and trademarks and trade names with indefinite useful lives does not have any impact on or change in the basis of assessment of their recoverable amounts.

Goodwill pending allocation represents the amount attributable to the acquisition of Lenovo Mobile Communication Technology Ltd, details of which are set out in Note 37. The goodwill is primarily attributable to the significant synergies expected to arise in connection with the development of the mobile of the internet device business of the Group. Management is in the process of determining the allocation of goodwill to the appropriate CGU of the Group.

The Group completed its annual impairment test for goodwill allocated to the Group's various CGU by comparing their recoverable amounts to their carrying amounts as at the reporting date. The recoverable amount of a CGU is determined based on value in use. These assessments use pre-tax cash flow projections based on financial budgets approved by management covering a 5-year period with a terminal value related to the future cash flows of the CGU beyond the five-year period are extrapolated using the estimated growth rates stated below. The estimated growth rates adopted do not exceed the long-term average growth rates for the businesses in which the CGU operates.

17 Intangible assets *(continued)*

Impairment tests for goodwill and intangible assets with indefinite useful lives *(continued)*

The estimated growth rates used for value-in-use calculations in 2010 are as follows:

	China	HARIE	Latin America	North America	West Europe	Japan, Australia, New Zealand
Growth rate	**13.9%**	**9.7%**	**2.3%**	**4.3%**	**0.2%**	**(3.2%)**

The estimated growth rates used for value-in-use calculations in 2009 are as follows:

	Americas	Europe, Middle East and Africa	Asia Pacific (excluding Greater China)	Greater China
Growth rate	1.6%	2.8%	1.4%	9%

Future cash flows are discounted at the standard rate of 11% (2009: 11%) across all CGUs.

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

The directors are of the view that there was no evidence of impairment of goodwill and trademarks and trade names as at March 31, 2010 arising from the review (2009: Nil).

If the discount rate had been one percentage point higher than management's estimates (from 11% to 12%), the Group would have recognized an impairment against goodwill of US$8 million. If the growth rates had been one percentage point lower than management's estimates, the Group would have recognized an impairment against goodwill of US$3 million. If the forecasted operating margins had been one-fifth percentage point lower than management's estimates, the Group would have recognized an impairment against goodwill of US$15 million.

18 Subsidiaries

(a) Investments in subsidiaries

	Company	
	2010 **US$'000**	2009 US$'000
Unlisted investments, at cost	**1,898,912**	1,860,176

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

(b) Amounts due from/(to) subsidiaries

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

The carrying amounts of amounts due from subsidiaries approximate their fair value which are also the maximum exposure to credit risk at the balance sheet date.

19 Interests in associated companies

	Group 2010 US$'000	Group 2009 US$'000
Share of net assets	**1,061**	2,635

The following is a list of the principal associated companies as at March 31, 2010:

Company name	Place of establishment	Interest held indirectly 2010	Interest held indirectly 2009	Principal activities
北京聯想傳奇信息技術有限公司 (Beijing Lenovo Parasaga Information Technology Co. Limited) (Chinese enterprise invested by a foreign-invested enterprise)	Chinese Mainland	**45%**	45%	Distribution and development of software
閃聯信息技術工程中心有限公司 (IGRS Engineering Lab Limited) (Chinese enterprise invested by a foreign-invested enterprise)	Chinese Mainland	**23%**	23%	Distribution and development of IT technology

Notes:

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

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

20 Financial instruments by category

Group

	Loan and receivables US$'000	Assets at fair value through income statement US$'000	Derivatives used for hedging US$'000	Available-for-sale US$'000	Total US$'000
Assets as per consolidated balance sheet					
At March 31, 2010					
Available-for-sale financial assets (Note 22)	**–**	**–**	**–**	**112,520**	**112,520**
Derivative financial assets	**–**	**6,766**	**6,517**	**–**	**13,283**
Trade receivables (Note 24(a))	**1,021,062**	**–**	**–**	**–**	**1,021,062**
Notes receivable (Note 24(b))	**386,746**	**–**	**–**	**–**	**386,746**
Deposits and other receivables (Note 24(c))	**1,287,894**	**–**	**–**	**–**	**1,287,894**
Bank deposits (Note 25)	**200,456**	**–**	**–**	**–**	**200,456**
Cash and cash equivalents (Note 25)	**2,238,195**	**–**	**–**	**–**	**2,238,195**
	5,134,353	**6,766**	**6,517**	**112,520**	**5,260,156**
At March 31, 2009					
Available-for-sale financial assets (Note 22)	–	–	–	101,916	101,916
Derivative financial assets	–	10,676	2,487	–	13,163
Trade receivables (Note 24(a))	482,086	–	–	–	482,086
Notes receivable (Note 24(b))	221,575	–	–	–	221,575
Deposits and other receivables (Note 24(c))	837,793	–	–	–	837,793
Cash and cash equivalents (Note 25)	1,863,379	–	–	–	1,863,379
	3,404,833	10,676	2,487	101,916	3,519,912

20 Financial instruments by category *(continued)*

Group

	Liabilities at fair value through income statement US$'000	Derivatives used for hedging US$'000	Other financial liabilities at amortized cost US$'000	Total US$'000
Liabilities as per consolidated balance sheet				
At March 31, 2010				
Trade payables (Note 26(a))	**–**	**–**	**3,141,426**	**3,141,426**
Notes payable	**–**	**–**	**94,427**	**94,427**
Derivative financial liabilities	**3,950**	**7,557**	**–**	**11,507**
Accruals and other payables (Note 27)	**–**	**–**	**1,850,117**	**1,850,117**
Short-term bank loans	**–**	**–**	**64,706**	**64,706**
Interest-bearing bank loans (Note 28(a))	**–**	**–**	**430,000**	**430,000**
Capital lease obligation	**–**	**–**	**1,240**	**1,240**
Convertible preferred shares	**–**	**–**	**94,980**	**94,980**
	3,950	**7,557**	**5,676,896**	**5,688,403**
At March 31, 2009				
Trade payables (Note 26(a))	–	–	1,635,290	1,635,290
Notes payable	–	–	34,180	34,180
Derivative financial liabilities	11,993	19,063	–	31,056
Accruals and other payables (Note 27)	–	–	1,135,683	1,135,683
Short-term bank loans	–	–	20,293	20,293
Interest-bearing bank loans (Note 28(a))	–	–	665,000	665,000
Capital lease obligation	–	–	2,486	2,486
Convertible preferred shares	–	–	215,974	215,974
	11,993	19,063	3,708,906	3,739,962

20 Financial instruments by category *(continued)*

Company

	Loan and receivables US$'000
Assets as per balance sheet	
At March 31, 2010	
Deposits (Note 24(c))	**881**
Amount due from subsidiaries (Note 18(b))	**914,325**
Cash and cash equivalents (Note 25)	**259,559**
	1,174,765
At March 31, 2009	
Deposits and other receivables (Note 24(c))	529
Amount due to subsidiaries (Note 18(b))	1,013,394
Cash and cash equivalents (Note 25)	163,618
	1,177,541

	Liabilities at fair value through income statement US$'000	Derivatives used for hedging US$'000	Other financial liabilities at amortized cost US$'000	Total US$'000
Liabilities as per balance sheet				
At March 31, 2010				
Derivative financial liabilities	**110**	**3,390**	**–**	**3,500**
Accrual and other payables (Note 27)	**–**	**–**	**19,848**	**19,848**
Amounts due to subsidiaries (Note 18(b))	**–**	**–**	**526,686**	**526,686**
Interest-bearing bank loans (Note 28(a))	**–**	**–**	**430,000**	**430,000**
Convertible preferred shares	**–**	**–**	**94,980**	**94,980**
	110	**3,390**	**1,071,514**	**1,075,014**
At March 31, 2009				
Derivative financial liabilities	–	7,765	–	7,765
Accrual and other payables (Note 27)	–	–	18,945	18,945
Amounts due to subsidiaries (Note 18(b))	–	–	329,039	329,039
Interest-bearing bank loans (Note 28(a))	–	–	665,000	665,000
Convertible preferred shares	–	–	215,974	215,974
	–	7,765	1,228,958	1,236,723

21 Deferred tax assets and liabilities

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

The analysis of deferred tax assets and liabilities is as follows:

	Group	
	2010 **US$'000**	2009 US$'000
Deferred tax assets recognized on the balance sheet	**254,978**	190,844
Deferred tax liabilities recognized on the balance sheet	**(10,331)**	–
Net deferred tax assets	**244,647**	190,844

The movements in the net deferred tax assets are as follows:

	Group	
	2010 **US$'000**	2009 US$'000
At the beginning of the year	**190,844**	156,440
Acquisition of subsidiaries	**12,327**	–
Reclassification and exchange adjustments	**637**	(17,833)
Credited to consolidated income statement (Note 9)	**40,839**	52,237
At the end of the year	**244,647**	190,844

Closing net book amount analyzed into:

	Group	
	2010 **US$'000**	2009 US$'000
Current	**205,174**	151,939
Non-current	**39,473**	38,905
	244,647	190,844

Deferred tax assets are recognized for deductible temporary differences and tax losses carried forward to the extent that realization of the related tax benefit through the future taxable profits is probable. At March 31, 2010, the Group has unrecognized tax losses of approximately US$234,632,000 (2009: US$187,001,000) that can be carried forward against future taxable income. Unrecognized tax losses of US$122,801,000 (2009: US$64,889,000) can be carried forward indefinitely. The remaining balances of unrecognized tax losses will expire as follows:

	Group	
	2010 **US$'000**	2009 US$'000
Expiring in		
– 2011	**–**	307
– 2014	**6,556**	72,849
– 2015	**52,582**	19,720
– 2016	**10,392**	11,652
– 2017	**42,301**	17,584
	111,831	122,112

21 Deferred tax assets and liabilities *(continued)*

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

	Provisions US$'000	Tax losses US$'000	Tax depreciation allowances US$'000	Deferred revenue US$'000	Others US$'000	Total US$'000
Year ended March 31, 2009						
At the beginning of the year	99,322	7,658	5,975	29,634	13,851	156,440
Reclassification and exchange adjustments	(1,540)	(5,695)	(2,216)	(1,881)	(6,501)	(17,833)
(Debited)/credited to consolidated income statement (Note 9)	(9,599)	17,556	64	17,713	26,503	52,237
At the end of the year	88,183	19,519	3,823	45,466	33,853	190,844
Year ended March 31, 2010						
At the beginning of the year	**88,183**	**19,519**	**3,823**	**45,466**	**33,853**	**190,844**
Acquisition of subsidiaries	**6,000**	**6,327**	**–**	**–**	**–**	**12,327**
Reclassification and exchange adjustments	**(1,568)**	**9,079**	**1,419**	**1,763**	**(10,056)**	**637**
Credited/(debited) to consolidated income statement (Note 9)	**11,482**	**(11,025)**	**4,191**	**36,409**	**(218)**	**40,839**
At the end of the year	**104,097**	**23,900**	**9,433**	**83,638**	**23,579**	**244,647**

22 Available-for-sale financial assets

	Group 2010 US$'000	Group 2009 US$'000
At the beginning of the year	**101,916**	67,697
Exchange adjustment	**191**	247
Net gain transferred to other comprehensive income	**67,674**	34,830
Acquisition of subsidiaries	**18,020**	–
Disposals	**(75,281)**	(858)
At the end of the year	**112,520**	101,916
Equity securities, at fair value		
Listed in Hong Kong	**636**	33,215
Listed outside Hong Kong	**91,769**	66,821
	92,405	100,036
Unlisted	**20,115**	1,880
	112,520	101,916

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

	2010 US$'000	2009 US$'000
Hong Kong	**1,640**	34,220
Renminbi	**19,111**	875
United States dollars	**91,769**	66,821
	112,520	101,916

23 Inventories

	Group	
	2010	2009
	US$'000	US$'000
Raw materials	**371,592**	72,402
Work-in-progress	**118,851**	109,246
Finished goods	**388,444**	268,722
	878,887	450,370

24 Receivables

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

	Group		
	2010	2009	2008
	US$'000	US$'000	US$'000
0-30 days	**907,412**	391,098	691,428
31-60 days	**65,335**	9,014	–
61-90 days	**32,730**	21,515	32,528
Over 90 days	**32,904**	90,214	50,168
	1,038,381	511,841	774,124
Less: provision for impairment	**(17,319)**	(29,755)	(13,885)
Trade receivables – net	**1,021,062**	482,086	760,239

Trade receivables that are not past due are fully performing and not considered impaired.

At March 31, 2010, trade receivables of US$130,969,000 (2009: US$120,743,000) were past due and subject to impairment assessment. The ageing of these receivables is as follows:

	Group		
	2010	2009	2008
	US$'000	US$'000	US$'000
31-60 days	**65,335**	9,014	–
61-90 days	**32,730**	21,515	32,528
Over 90 days	**32,904**	90,214	50,168
	130,969	120,743	82,696

It was assessed that a significant proportion of these receivables is expected to be recovered. The amount of the provision was US$17,319,000 as at March 31, 2010 (2009: US$29,755,000). The remaining amount of US$113,650,000 as at March 31, 2010 (2009: US$90,988,000) relates to a number of independent customers for whom there is no recent history of default.

24 Receivables *(continued)*

(a) *(continued)*

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

	Group		
	2010	2009	2008
	US$'000	US$'000	US$'000
At the beginning of the year	**29,755**	13,885	23,939
Exchange adjustment	**296**	168	–
Provisions made	**14,702**	24,631	–
Receivables written off during the year as uncollectible	**(22,434)**	(7,400)	(8,167)
Unused amounts reversed	**(5,000)**	(1,529)	(597)
Disposal of discontinued operations	**–**	–	(1,290)
At the end of the year	**17,319**	29,755	13,885

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

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

	Group			Company	
	2010	2009	2008	**2010**	2009
	US$'000	US$'000	US$'000	**US$'000**	US$'000
Deposits	**553**	3,466	2,640	**881**	212
Prepayments	**175,528**	197,050	182,534	**5,017**	67
Other receivables	**1,287,341**	834,327	1,021,872	**–**	317
	1,463,422	1,034,843	1,207,046	**5,898**	596

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

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

	Group			Company	
	2010	2009	2008	**2010**	2009
	US$'000	US$'000	US$'000	**US$'000**	US$'000
Renminbi	**625,006**	488,692	593,121	**–**	–
United States dollar	**1,532,052**	288,806	1,275,841	**531**	312
Euro	**250,017**	194,396	251,095	**–**	–
Hong Kong dollar	**105,457**	15,236	35,820	**350**	217
Other currencies	**183,170**	554,324	–	**–**	–
	2,695,702	1,541,454	2,155,877	**881**	529

25 Bank deposits and cash and cash equivalents

	Group		Company	
	2010	2009	**2010**	2009
	US$'000	US$'000	**US$'000**	US$'000
Bank deposits matured within one year	**200,456**	–	**–**	–
Cash and cash equivalents				
– cash at bank and in hand	**1,707,766**	1,509,244	**79,559**	13,618
– money market funds	**530,429**	354,135	**180,000**	150,000
	2,238,195	1,863,379	**259,559**	163,618
	2,438,651	1,863,379	**259,559**	163,618
Maximum exposure to credit risk	**2,438,651**	1,863,379	**259,559**	163,618

Bank deposits of approximately US$28,000,000 as at March 31, 2010 (2009: Nil) were pledged as security for certain short-term bank loans (Note 32).

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

	Group		Company	
	2010	2009	**2010**	2009
	US$'000	US$'000	**US$'000**	US$'000
United States dollar	**1,046,513**	1,224,838	**254,022**	163,146
Euro	**38,602**	52,083	**44**	–
Japanese Yen	**3,827**	34,637	**–**	109
Renminbi	**1,137,606**	456,337	**–**	–
Other currencies	**212,103**	95,484	**5,493**	363
	2,438,651	1,863,379	**259,559**	163,618

26 Payables

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

	Group		
	2010	2009	2008
	US$'000	US$'000	US$'000
0-30 days	**2,425,237**	995,240	1,590,841
31-60 days	**609,720**	476,657	452,141
61-90 days	**74,499**	86,164	161,298
Over 90 days	**31,970**	77,229	21,849
	3,141,426	1,635,290	2,226,129

Trade payables are denominated in the following currencies:

	Group		
	2010	2009	2008
	US$'000	US$'000	US$'000
Euro	**38,736**	21,257	34,120
Hong Kong dollar	**284,624**	95,131	5,631
Renminbi	**276,183**	144,501	561,645
United States dollar	**2,504,068**	1,374,401	1,624,733
Other currencies	**37,815**	–	–
	3,141,426	1,635,290	2,226,129

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

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

27 Provisions, accruals and other payables

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

	Group			Company	
	2010	2009	2008	**2010**	2009
	US$'000	US$'000	US$'000	**US$'000**	US$'000
Provisions	**260,796**	460,994	496,432	**–**	–
Accruals	**659,212**	524,746	742,269	**9,765**	7,916
Provision for billing adjustments	**474,937**	426,081	159,276	**–**	–
Other payables	**1,190,905**	610,937	761,445	**10,083**	11,029
	2,585,850	2,022,758	2,159,422	**19,848**	18,945

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

Provisions include warranty and restructuring provisions as follows:

	Group		
	Warranty	**Restructuring**	**Total**
	US$'000	**US$'000**	**US$'000**
Year ended March 31, 2009			
At the beginning of the year	697,915	7,588	705,503
Exchange adjustment	(2,191)	(520)	(2,711)
Provisions made	404,564	108,041	512,605
Amounts utilized	(483,898)	(16,755)	(500,653)
Unused amounts reversed	(82,991)	(751)	(83,742)
	533,399	97,603	631,002
Long-term portion classified as non-current liabilities	(170,008)	–	(170,008)
At the end of the year	363,391	97,603	460,994
Year ended March 31, 2010			
At the beginning of the year	**533,399**	**97,603**	**631,002**
Exchange adjustment	**(2,739)**	**2,673**	**(66)**
Provisions made	**480,402**	**6,631**	**487,033**
Acquisition of subsidiaries	**4,701**	**–**	**4,701**
Amounts utilized	**(451,065)**	**(81,943)**	**(533,008)**
Unused amounts reversed	**(14,009)**	**(13,623)**	**(27,632)**
	550,689	**11,341**	**562,030**
Long-term portion classified as non-current liabilities	**(301,234)**	**–**	**(301,234)**
At the end of the year	**249,455**	**11,341**	**260,796**

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 provision is reviewed quarterly to ensure 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.

28 Non-current liabilities

(a) The interest-bearing bank loans of US$200 million classified as non-current liabilities represents a US$300 million 3-year term loan facility with a bank in China obtained in March 2009. This facility was utilized to the extent of US$200 million at March 31, 2010 (2009: US$200 million).

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

The exposure of the interest-bearing bank loans to interest rate changes and the contractual repricing dates at the end of the reporting period are as follows:

	Group and Company	
	2010	2009
	US$'000	US$'000
Repayable on demand	**230,000**	400,000
Over 3 months to 1 year	**–**	35,000
Over 1 year	**200,000**	230,000
	430,000	665,000

(b) 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 ordinary shares of the Company 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 stated value 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. The warrant holders are entitled to subscribe for 237,417,474 shares in the Company at HK$2.725 per share.

On September 9, 2009 and February 11, 2010, 621,250 and 384,582 convertible preferred shares were converted into 227,981,647 and 141,131,005 voting ordinary shares respectively. At March 31, 2010, the outstanding number of convertible preferred shares was 769,167.

On September 9, 2009, 63,502,788 warrants were exercised pursuant to which the remaining 173,914,686 warrants were repurchased by the Company at a unit price of HK$0.995 on the same day.

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

	Group and Company	
	2010	2009
	US$'000	US$'000
At April 1	**215,974**	211,181
Exchange adjustment	**(280)**	918
Interest charged	**10,915**	14,115
Interest paid	**(7,925)**	(10,240)
Conversion to voting ordinary shares	**(123,704)**	–
At March 31	**94,980**	215,974

28 Non-current liabilities *(continued)*

(c) The current portion of non-current liabilities presented in the balance sheet are as follows:

	Group			Company	
	2010	2009	2008	**2010**	2009
	US$'000	US$'000	US$'000	**US$'000**	US$'000
Marketing rights	**7,575**	–	11,443	**–**	–
Electronic waste disposal levy	**2,975**	2,359	2,138	**–**	–
Interest-bearing bank loans	**230,000**	435,000	35,000	**230,000**	435,000
Deferred revenue	**196,806**	203,514	180,846	**–**	–
	437,356	640,873	229,427	**230,000**	435,000

The interest-bearing bank loans classified as current portion of non-current liabilities comprise US$200 million (2009: US$400 million) of the 5-year revolving term loan with syndicated banks and US$30 million (2009: US$35 million) of the 5-year fixed rate loan facility with a bank in China.

29 Share capital

	2010		2009	
	Number of shares	**HK$'000**	Number of shares	HK$'000
Authorized:				
At the beginning and end of the year				
Ordinary shares	**20,000,000,000**	**500,000**	20,000,000,000	500,000
Series A cumulative convertible preferred shares	**3,000,000**	**27,525**	3,000,000	27,525
		527,525		527,525
	Number of shares	**US$'000**	Number of shares	US$'000
Issued and fully paid:				
Voting ordinary shares:				
At the beginning of the year	**9,211,389,406**	**29,530**	8,888,786,650	28,496
Issue of ordinary shares (Note 37)	**111,668,936**	**359**	–	–
Conversion from non-voting ordinary shares	**–**	**–**	375,282,756	1,203
Conversion from Series A cumulative convertible preferred shares	**369,112,652**	**1,190**	–	–
Exercise of share options	**32,370,500**	**104**	24,948,000	80
Exercise of warrants	**63,502,788**	**205**	–	–
Repurchase of shares	**–**	**–**	(77,628,000)	(249)
At the end of the year	**9,788,044,282**	**31,388**	9,211,389,406	29,530
Non-voting ordinary shares:				
At the beginning of the year	**–**	**–**	375,282,756	1,203
Conversion to voting ordinary shares	**–**	**–**	(375,282,756)	(1,203)
At the end of the year	**–**	**–**	–	–
Issued and fully paid ordinary shares	**9,788,044,282**	**31,388**	9,211,389,406	29,530
Issued and fully paid Series A cumulative convertible preferred shares (Note 28(b)):				
At the beginning of the year	**1,774,999**	**2,081**	1,774,999	2,081
Conversion to voting ordinary shares	**(1,005,832)**	**(1,190)**	–	–
At the end of the year	**769,167**	**891**	1,774,999	2,081

29 Share capital *(continued)*

(a) Long-term incentive program

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

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

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

(i) Share Appreciation Rights ("SARs")

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

(ii) Restricted Share Units ("RSUs")

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

(iii) Performance Share Units ("PSUs")

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

The PSU plan was discontinued in 2006; however, the Company continues to honor grants previously awarded. All outstanding awards vested completely on May 1, 2008.

Under all three types of compensation, the Company reserves the right, at its discretion, to pay the award in cash or ordinary shares of the Company.

29 Share capital *(continued)*

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

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

	Number of units		
	SARs	RSUs	PSUs
Outstanding at April 1, 2008	299,817,833	194,257,292	10,982,918
Granted during the year	290,145,645	231,923,705	–
Vested during the year	(125,173,097)	(82,027,769)	(10,887,843)
Lapsed/cancelled during the year	(51,354,953)	(61,471,698)	(95,075)
Outstanding at March 31, 2009	413,435,428	282,681,530	–
Outstanding at April 1, 2009	**413,435,428**	**282,681,530**	**–**
Granted during the year	**96,610,284**	**61,351,183**	**–**
Vested during the year	**(140,174,073)**	**(93,518,476)**	**–**
Lapsed/cancelled during the year	**(32,018,260)**	**(25,804,809)**	**–**
Outstanding at March 31, 2010	**337,853,379**	**224,709,428**	**–**
Average fair value per unit (HK$)			
– At March 31, 2009	0.97	2.80	–
– At March 31, 2010	2.15	4.33	–

The fair values of the SARs awarded under the long-term incentive program for the years ended March 31, 2009 and 2010 was calculated by applying a Black-Scholes pricing model. The model inputs were the fair value (i.e. market value) of the Company's shares at the grant date, taking into account the expected volatility of 69.45 percent (2009: 59.43 percent), expected dividends during the vesting periods of 1.77 percent (2009: 1.90 percent), contractual life of 4.75 years (2009: 4.75 years), and a risk-free interest rate of 1.37 percent (2009: 1.54 percent).

The remaining vesting periods of the awards under the long-term incentive program as at March 31, 2010 ranged from 0.08 to 3.92 years (2009: 0.08 to 3.92 years).

29 Share capital *(continued)*

(b) Share options

Under the Company's employee share option scheme adopted on January 18, 1994 ("Old Option Scheme"), the Company granted options to employees (including directors) of the Company or its subsidiaries to subscribe for ordinary shares in the Company, subject to a maximum of 10 percent of the issued share capital of the Company from time to time. Options granted are exercisable at any time during a period of ten years from the date upon which the option is accepted. The subscription price of the option shares is the higher of the nominal value of the ordinary shares and an amount which is 80 percent of the average of the closing prices of the listed ordinary shares on the five trading days immediately preceding the date on which the offer is made. The Old Option Scheme was terminated on April 26, 2002. Despite the fact that no further options may be granted thereunder, all other provisions of the Old Option Scheme will remain in force to govern the exercise of all the options previously granted.

On March 25, 2002, an ordinary resolution approving the adoption of a new share option scheme ("New Option Scheme") was passed by shareholders at an extraordinary general meeting of the Company.

Under the New Option Scheme, the Company may grant options to qualified participants as defined in the New Option Scheme to subscribe for ordinary shares in the Company, subject to a maximum of 10 percent of the issued share capital of the Company as at the date of adoption of the New Option Scheme. Options granted are exercisable at any time during a period of ten years from the date upon which the option is accepted. The subscription price of the option shares is the highest of the closing price of the listed ordinary shares on the date of grant; the average of the closing prices of the listed ordinary shares for the five trading days immediately preceding the date of grant; and the nominal value of the ordinary shares.

	2010 Number of outstanding share options	2009 Number of outstanding share options
At the beginning of the year	**258,011,051**	282,959,051
Exercised during the year (ii)	**(32,370,500)**	(24,948,000)
Lapsed during the year (iii)	**(5,714,000)**	–
At the end of the year (iv)	**219,926,551**	258,011,051

(i) No share options were granted or cancelled by the Company during the years ended March 31, 2009 and 2010.

29 Share capital *(continued)*

(b) Share options *(continued)*

(ii) Details of share options exercised during the year ended March 31, 2010 are as follows:

Exercise date (MM.DD.YYYY)	Exercise price HK$	Market value per ordinary share at exercise date HK$	Number of share options exercised	Gross proceeds received HK$
05.11.2009 to 05.25.2009	2.245	2.86-3.17	196,000	440,020
06.01.2009 to 06.05.2009	2.245	3.03-3.29	226,000	507,370
07.20.2009 to 07.28.2009	2.245	3.15-3.60	106,000	237,970
08.04.2009	2.245	3.93	112,000	251,440
09.07.2009	2.245	3.72	20,000	44,900
10.12.2009 to 10.20.2009	2.245	4.03-4.70	388,000	871,060
11.10.2009 to 11.17.2009	2.245	4.15-4.69	1,622,000	3,641,390
12.07.2009 to 12.28.2009	2.245	4.26-4.84	698,000	1,567,010
01.04.2010 to 01.14.2010	2.245	4.99-5.90	480,000	1,077,600
02.02.2010 to 02.03.2010	2.245	5.40-5.68	82,000	184,090
03.10.2010 to 03.23.2010	2.245	5.12-5.41	478,000	1,073,110
05.11.2009 to 05.26.2009	2.435	2.86-3.03	88,000	214,280
06.02.2009 to 06.05.2009	2.435	3.03-3.12	78,000	189,930
07.21.2009 to 07.28.2009	2.435	3.36-3.60	60,000	146,100
08.04.2009	2.435	3.93	104,000	253,240
09.07.2009	2.435	3.72	12,000	29,220
10.13.2009 to 10.20.2009	2.435	4.20-4.70	141,500	344,553
11.10.2009 to 11.17.2009	2.435	4.15-4.69	98,000	238,630
12.07.2009 to 12.29.2009	2.435	4.26-4.85	418,000	1,017,830
01.14.2010 to 01.27.2010	2.435	5.08-5.90	346,000	842,510
02.03.2010	2.435	5.68	14,000	34,090
03.10.2010 to 03.23.2010	2.435	5.12-5.41	248,000	603,880
05.11.2009 to 05.25.2009	2.545	2.86-3.17	130,000	330,850
06.01.2009 to 06.08.2009	2.545	2.86-3.29	288,000	732,960
07.20.2009 to 07.28.2009	2.545	3.15-3.60	94,000	239,230
08.04.2009 to 08.25.2009	2.545	3.62-3.93	500,000	1,272,500
09.29.2009	2.545	3.48	8,000	20,360
10.12.2009 to 10.20.2009	2.545	4.03-4.70	414,000	1,053,630
11.10.2009 to 11.17.2009	2.545	4.15-4.69	1,588,000	4,041,460
12.07.2009 to 12.28.2009	2.545	4.26-4.84	1,046,000	2,662,070
01.04.2010 to 01.14.2010	2.545	4.99-5.90	1,036,000	2,636,620
02.02.2010 to 02.03.2010	2.545	5.40-5.68	198,000	503,910
03.10.2010 to 03.23.2010	2.545	5.12-5.41	272,000	692,240
05.19.2009 to 05.26.2009	2.876	2.87-3.03	78,000	224,328
06.02.2009	2.876	3.12	16,000	46,016
07.27.2009 to 07.28.2009	2.876	3.59-3.60	36,000	103,536
08.04.2009 to 08.18.2009	2.876	3.59-3.93	182,000	523,432
09.07.2009	2.876	3.72	4,000	11,504

29 Share capital *(continued)*

(b) Share options *(continued)*

(ii) Details of share options exercised during the year ended March 31, 2010 are as follows: *(continued)*

Exercise date (MM.DD.YYYY)	Exercise price HK$	Market value per ordinary share at exercise date HK$	Number of share options exercised	Gross proceeds received HK$
10.12.2009 to 10.20.2009	2.876	4.03-4.70	470,000	1,351,720
11.10.2009 to 11.17.2009	2.876	4.15-4.69	3,136,000	9,019,136
12.01.2009 to 12.28.2009	2.876	4.45-4.84	1,222,000	3,514,472
01.04.2010 to 01.14.2010	2.876	4.99-5.90	826,000	2,375,576
02.03.2010 to 02.08.2010	2.876	5.23-5.68	212,000	609,712
03.10.2010 to 03.23.2010	2.876	5.12-5.41	348,000	1,000,848
11.16.2009 to 11.30.2009	4.038	4.47-4.68	144,000	581,472
12.08.2009 to 12.29.2009	4.038	4.50-4.85	564,000	2,277,432
01.14.2010 to 01.26.2010	4.038	5.19-5.90	88,000	355,344
01.06.2010	4.072	5.43	2,520,000	10,261,440
02.08.2010 to 02.23.2010	4.072	5.23-5.49	160,000	651,520
03.10.2010 to 03.22.2010	4.072	5.27-5.41	6,612,000	26,924,064
10.20.2009 to 10.27.2009	4.312	4.52-4.70	54,000	232,848
11.17.2009	4.312	4.69	238,000	1,026,256
12.08.2009 to 12.28.2009	4.312	4.50-4.84	334,000	1,440,208
01.04.2010 to 01.14.2010	4.312	4.99-5.90	2,580,000	11,124,960
02.03.2010 to 02.10.2010	4.312	5.12-5.68	638,000	2,751,056
03.10.2010 to 03.24.2010	4.312	5.17-5.41	319,000	1,375,528
			32,370,500	105,778,461
				US$13,640,000

Details of share options exercised during the year ended March 31, 2009 are as follows:

Exercise date (MM.DD.YYYY)	Exercise price HK$	Market value per ordinary share at exercise date HK$	Number of share options exercised	Gross proceeds received HK$
05.13.2008 to 05.19.2008	2.170	6.19-6.61	1,740,000	3,775,800
04.01.2008 to 04.29.2008	2.245	5.07-6.00	318,000	713,910
05.05.2008 to 05.27.2008	2.245	5.75-6.63	474,000	1,064,130
06.03.2008 to 06.24.2008	2.245	5.26-5.96	308,000	691,460
07.07.2008 to 07.29.2008	2.245	5.23-5.59	30,000	67,350
08.04.2008 to 08.26.2008	2.245	5.24-5.67	3,422,000	7,682,390
09.01.2008 to 09.23.2008	2.245	3.90-4.96	216,000	484,920
10.13.2008 to 10.20.2008	2.245	2.56-3.25	148,000	332,260
12.22.2008	2.245	2.22	20,000	44,900
04.01.2008 to 04.29.2008	2.435	5.07-6.00	136,000	331,160
05.05.2008 to 05.27.2008	2.435	5.75-6.63	332,000	808,420
06.03.2008 to 06.24.2008	2.435	5.26-5.96	352,000	857,120
07.07.2008 to 07.29.2008	2.435	5.23-5.59	410,000	998,350
08.04.2008 to 08.26.2008	2.435	5.24-5.67	220,000	535,700
09.02.2008 to 09.23.2008	2.435	3.90-4.95	30,000	73,050
10.13.2008 to 10.14.2008	2.435	3.16-3.25	16,000	38,960
04.01.2008 to 04.29.2008	2.545	5.07-6.00	1,096,000	2,789,320

29 Share capital *(continued)*

(b) Share options *(continued)*

(ii) Details of share options exercised during the year ended March 31, 2009 are as follows: *(continued)*

Exercise date (MM.DD.YYYY)	Exercise price HK$	Market value per ordinary share at exercise date HK$	Number of share options exercised	Gross proceeds received HK$
05.05.2008 to 05.27.2008	2.545	5.75-6.63	906,000	2,305,770
06.03.2008 to 06.24.2008	2.545	5.26-5.96	164,000	417,380
07.07.2008 to 07.29.2008	2.545	5.23-5.59	538,000	1,369,210
08.04.2008 to 08.26.2008	2.545	5.24-5.67	364,000	926,380
09.01.2008 to 09.23.2008	2.545	3.90-4.96	722,000	1,837,490
10.06.2008 to 10.14.2008	2.545	3.01-3.29	86,000	218,870
04.01.2008 to 04.29.2008	2.876	5.07-6.00	1,354,000	3,894,104
05.05.2008 to 05.27.2008	2.876	5.75-6.63	676,000	1,944,176
06.03.2008 to 06.17.2008	2.876	5.26-5.96	46,000	132,296
07.07.2008 to 07.29.2008	2.876	5.23-5.59	142,000	408,392
08.04.2008 to 08.26.2008	2.876	5.24-5.67	2,500,000	7,190,000
09.01.2008 to 09.23.2008	2.876	3.90-4.96	1,182,000	3,399,432
10.14.2008	2.876	3.25	14,000	40,264
08.04.2008	2.904	5.38	332,000	964,128
08.12.2008 to 08.18.2008	2.904	5.36-5.67	500,000	1,452,000
05.20.2008	4.038	6.44	30,000	121,140
06.24.2008	4.038	5.44	64,000	258,432
09.01.2008 to 09.23.2008	4.038	3.90-4.96	92,000	371,496
04.21.2008	4.072	5.96	200,000	814,400
05.05.2008 to 05.27.2008	4.072	5.75-6.63	2,406,000	9,797,232
08.25.2008	4.072	5.57	400,000	1,628,800
04.01.2008 to 04.29.2008	4.312	5.07-6.00	888,000	3,829,056
05.05.2008 to 05.27.2008	4.312	5.75-6.63	994,000	4,286,128
06.02.2008 to 06.03.2008	4.312	5.83-5.88	22,000	94,864
07.07.2008 to 07.22.2008	4.312	5.23-5.59	262,000	1,129,744
08.11.2008 to 08.26.2008	4.312	5.36-5.67	690,000	2,975,280
09.02.2008 to 09.09.2008	4.312	4.70-4.95	106,000	457,072
			24,948,000	73,552,736
				US$9,433,000

(iii) Details of share options lapsed during the year ended March 31, 2009 and 2010 are as follows:

Exercise period (MM.DD.YYYY)	Exercise price HK$	2010 Number of share option lapsed	2009 Number of share options lapsed
01.28.2000 to 01.27.2010	4.038	**5,714,000**	–
		5,714,000	–

29 Share capital *(continued)*

(b) Share options *(continued)*

(iv) Details of outstanding share options at the balance sheet date were as follows:

Exercise period (MM.DD.YYYY)	**Exercise price** HK$	**2010 Number of outstanding share options**	2009 Number of outstanding share options
Old Option Scheme			
01.28.2000 to 01.27.2010	4.038	**–**	6,510,000
01.15.2001 to 01.14.2011	4.312	**47,887,000**	52,050,000
04.16.2001 to 04.15.2011	4.072	**18,524,000**	27,816,000
08.31.2001 to 08.30.2011	2.876	**31,972,000**	38,502,000
		98,383,000	124,878,000
New Option Scheme			
10.10.2002 to 10.09.2012	2.435	**18,374,500**	19,982,000
04.26.2003 to 04.25.2013	2.245	**33,252,000**	37,660,000
04.27.2004 to 04.26.2014	2.545	**69,917,051**	75,491,051
		121,543,551	133,133,051
		219,926,551	258,011,051

30 Share capital and reserves – Company

The changes in the share capital and reserves of the Company during the year ended March 31, 2010 are as follows:

	Share capital US$'000	Share premium US$'000	Convertible rights in respect of convertible preferred shares and warrants US$'000	Share redemption reserve US$'000	Share-based compensation reserve US$'000	Hedging reserve US$'000	Exchange reserve US$'000	Other reserve US$'000	Retained earnings US$'000	Total US$'000
At April 1, 2009	29,530	1,106,379	42,159	497	92,684	(7,765)	12,925	-	545,702	1,822,111
Fair value change on interest rate swap contracts	-	-	-	-	-	4,367	-	-	-	4,367
Profit for the year	-	-	-	-	-	-	-	-	36,876	36,876
Exchange differences	-	-	-	-	-	-	(3,403)	-	-	(3,403)
Issue of ordinary shares (Note 37)	359	63,141	-	-	-	-	-	-	-	63,500
Conversion of Series A cumulative convertible preferred shares	1,190	126,484	(3,970)	-	-	-	-	-	-	123,704
Exercise and repurchase of warrants	205	31,578	(35,353)	-	-	-	-	3,570	-	-
Vesting of shares under long-term inventive program	-	-	-	-	(68,043)	-	-	-	-	(68,043)
Exercise of share options	104	13,536	-	-	-	-	-	-	-	13,640
Share-based compensation	-	-	-	-	51,413	-	-	-	-	51,413
Dividend paid	-	-	-	-	-	-	-	-	(12,267)	(12,267)
At March 31, 2010	31,388	1,341,118	2,836	497	76,054	(3,398)	9,522	3,570	570,311	2,031,898

30 Share capital and reserves – Company *(continued)*

The changes in the share capital and reserves of the Company during the year ended March 31, 2009 are as follows:

	Share capital US$'000	Share premium US$'000	Convertible rights in respect of convertible preferred shares and warrants US$'000	Share redemption reserve US$'000	Share-based compensation reserve US$'000	Hedging reserve US$'000	Exchange reserve US$'000	Other reserve US$'000	Retained earnings US$'000	Total US$'000
At April 1, 2008	29,699	1,150,684	42,159	497	78,737	(1,788)	3,246	–	792,934	2,096,168
Fair value change on interest rate swap contracts	–	–	–	–	–	(5,977)	–	–	–	(5,977)
Loss for the year	–	–	–	–	–	–	–	–	(59,626)	(59,626)
Exchange differences	–	–	–	–	–	–	9,679	–	–	9,679
Vesting of shares under long-term incentive program	–	–	–	–	(40,167)	–	–	–	–	(40,167)
Exercise of share options	80	9,353	–	–	–	–	–	–	–	9,433
Share-based compensation	–	–	–	–	54,114	–	–	–	–	54,114
Repurchase of shares	(249)	(53,658)	–	–	–	–	–	–	–	(53,907)
Dividends paid	–	–	–	–	–	–	–	–	(187,606)	(187,606)
At March 31, 2009	29,530	1,106,379	42,159	497	92,684	(7,765)	12,925	–	545,702	1,822,111

31 Significant related party transactions

(a) The Group had the following significant related party transactions in the normal course of business during the year:

	2010 US$'000	2009 US$'000
北京聯想利泰軟件有限公司		
(Beijing Legendsoft International Technology Company Limited)		
(an associated company)		
– Purchase of goods	**165**	6,361
– Service income	**1,724**	1,399

Note: The English name of the company is a direct translation of its Chinese registered name.

During the year, the Group acquired the entire interests in Lenovo Mobile Communication Technology Ltd, 40% of which was purchased from Jade Ahead Limited, an associate of the controlling shareholder of the Company. Details of the transaction are disclosed in Note 37 to these financial statements.

The directors are of the opinion that the above transactions were conducted on normal commercial terms and in the ordinary course of business of the Group.

(b) Key management compensation

Details on key management compensation are set out in Note 11.

32 Bank facilities

Total bank facilities of the Group are as follows:

	Total facilities		Utilized amounts	
	2010 US$'000	2009 US$'000	**2010 US$'000**	2009 US$'000
Term loan	**330,000**	365,000	**230,000**	265,000
Short-term syndicated loans	**200,000**	400,000	**200,000**	400,000
Short-term loans	**485,000**	498,000	**64,706**	20,293
Forward foreign exchange contracts	**4,175,000**	3,433,000	**2,641,000**	1,964,000
Other trade finance facilities	**276,000**	279,000	**191,000**	91,000
	5,466,000	4,975,000	**3,326,706**	2,740,293

Except as disclosed in Note 25, all the bank borrowings are unsecured and the effective annual interest rates at March 31, 2010 were as follows:

	US$	**Others currencies**
Term loan	3.54%-5.16%	–
Short-term syndicated loans	4.74%	–
Short-term loans	–	5.4%-30.1%

33 Commitments

(a) Capital commitments

	Group	
	2010 US$'000	2009 US$'000
Contracted but not provided for:		
– Property, plant and equipment	**3,235**	22,728
– Intangible assets	**9,998**	10,608
– Investment	**7,184**	8,719
– IT consulting services	**1,163**	1,126
	21,580	43,181
Authorized but not contracted for:		
– Property, plant and equipment	**7,924**	34,184
– Intangible assets	**67,602**	42,660
– Investment	**29,462**	31,639
	104,988	108,483

At March 31, 2010, the Company did not have any capital commitments (2009: Nil).

33 Commitments *(continued)*

(b) Commitments under operating leases

The Group had future aggregate minimum lease payments in respect of land and buildings under non-cancelable operating leases as follows:

	2010 US$'000	2009 US$'000
Not later than one year	**35,960**	38,946
Later than one year but not later than five years	**77,218**	93,714
Later than five years	**50,796**	61,901
	163,974	194,561

At March 31, 2010, the Company did not have any operating lease commitments (2009: Nil).

34 Contingent liabilities

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

(b) The Company has executed guarantees with respect to bank facilities made available to its subsidiaries. At March 31, 2010, such facilities granted and utilized amounted to approximately US$1,653,268,000 and US$1,101,677,000 (2009: US$533,837,000 and US$59,952,000) respectively.

(c) The Company has issued letters of guarantee to certain suppliers and vendors of its subsidiaries. At March 31, 2010, the guarantees of approximately US$100,000,000 (2009: US$100,000,000) granted were fully utilized.

35 Notes to the consolidated cash flow statement

(a) Reconciliation of profit/(loss) before taxation to net cash generated from operations

	2010 US$'000	2009 US$'000
Profit/(loss) before taxation	176,303	(187,945)
Share of profits of associated companies	(121)	(351)
Finance income	(20,377)	(59,977)
Depreciation of property, plant and equipment and amortization of prepaid lease payments	100,826	143,269
Amortization of intangible assets and share-based compensation	120,756	137,843
Loss/(gain) on disposal of property, plant and equipment and prepaid lease	3,369	(276)
Gain on disposal of subsidiaries and an associated company	(2,600)	–
Impairment of assets	7,372	–
Dividend income	(1,558)	(1,053)
(Gain)/loss on disposal of financial assets	(82,090)	124
(Increase)/decrease in inventories	(401,082)	26,028
(Increase)/decrease in trade receivables, notes receivable, deposits, prepayments and other receivables	(1,086,354)	616,431
Increase/(decrease) in trade payables, notes payable, provisions, accruals and other payables	2,183,039	(692,274)
Finance costs	62,881	38,142
Net cash generated from operations	1,060,364	19,961

(b) Changes in bank borrowings

	2010 US$'000	2009 US$'000
Change in short term bank loans	16,116	(40,837)
Proceeds from borrowings	–	200,000
Repayment of borrowings	(235,000)	(34,670)
	(218,884)	124,493

36 Retirement benefit obligations

	Group 2010 US$'000	2009 US$'000
Pension obligation included in other non-current liabilities		
Pension benefits	**70,235**	59,115
Post-employment medical benefits	**10,632**	8,885
	80,867	68,000
Expensed in income statement		
Pension benefits	**7,433**	11,032
Post-employment medical benefits	**1,841**	1,021
	9,274	12,053
Net actuarial (loss)/gain recognized in other comprehensive income	**(10,840)**	7,025

On the acquisition of the personal computer business of IBM, the Group assumed a cash balance pension liability for substantially all former IBM employees in Japan, and final salary defined benefit obligations for selected employees in other countries.

In the United States, the Group operates a final-salary pension plan that covers approximately 20% of all employees. These were former participants in the IBM US pension plan. In addition, the Group operates a supplemental defined benefit plan that covers certain executives transferred from IBM and is intended to provide benefits in excess of certain US tax and labour law limits that apply to the pension plan. Both plans are frozen to new participation. However, benefits continue to accrue.

In Germany, the Group operates a sectionalized plan that has both defined contribution and defined benefit features, including benefits based on a final pay formula. This plan is closed to new entrants.

Participant benefits under the Group plans depend on the provisions of the former IBM plan under which the participant had been covered. The Group's major plans are valued by qualified actuaries annually using the projected unit credit method.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to net comprehensive income in the period they arise. The cumulative amount of actuarial gains and losses recognized in other comprehensive income is a net loss of US$3,815,000 (2009: net gain of US$7,025,000).

(a) Pension benefits

The amounts recognized in the balance sheet are determined as follows:

	Group 2010 US$'000	2009 US$'000
Present value of funded obligations	**213,769**	188,720
Fair value of plan assets	**(151,081)**	(134,852)
	62,688	53,868
Present value of unfunded obligations	**7,547**	5,247
Liability in the balance sheet	**70,235**	59,115
Pension plan asset in the balance sheet	**–**	–

36 Retirement benefit obligations *(continued)*

(a) Pension benefits *(continued)*

The movements in the liability recognized in the balance sheet are as follows:

	Group	
	2010	2009
	US$'000	US$'000
At the beginning of the year	**59,115**	77,264
Exchange adjustment	**3,468**	(2,566)
Pension expense	**7,433**	11,032
Contributions by employer	**(11,088)**	(19,823)
Net actuarial loss/(gain)	**11,307**	(6,792)
At the end of the year	**70,235**	59,115

The amounts recognized in the income statement are as follows:

	Group	
	2010	2009
	US$'000	US$'000
Current service cost	**4,833**	7,522
Interest cost	**6,505**	6,186
Expected return on plan assets	**(3,947)**	(4,066)
Curtailment losses	**42**	1,390
Total expense recognized in the income statement	**7,433**	11,032

The principal actuarial assumptions used are as follows:

	Group	
	2010	2009
Discount rate	**2.25%-5.25%**	2.5%-5.5%
Expected return on plan assets	**0%-5%**	0%-4.25%
Future salary increases	**2.2%-3.5%**	2.2%-3.5%
Future pension increases	**0%-1.75%**	0%-1.75%
Cash balance crediting rate	**2.5%**	2.5%
Future life expectancy for those aged 60	**22**	22

The expected return on plan assets is derived by taking the weighted average of the long term expected rate of return on each of the asset classes that the plan was invested in at the balance sheet date.

36 Retirement benefit obligations *(continued)*

(b) Post-employment medical benefits

The Group operates a number of post-employment medical benefit schemes, principally in the US. The method of accounting, assumptions and the frequency of valuations are similar to those used for defined benefit pension schemes.

The US plan (Lenovo Future Health Account and Retiree Life Insurance Program) is currently funded by a trust that qualifies for tax exemption under US tax law, out of which benefits to eligible retirees and dependents will be made.

The liabilities for post-employment medical benefits are not sensitive to changes in future medical cost trend rates.

The amounts recognized in the balance sheet are determined as follows:

	Group	
	2010 **US$'000**	2009 US$'000
Present value of funded obligations	**18,053**	16,491
Fair value of plan assets	**(7,618)**	(7,761)
	10,435	8,730
Present value of unfunded obligations	**197**	155
Liability in the balance sheet	**10,632**	8,885

Movements in the liability recognized in the balance sheet are as follows:

	Group	
	2010 **US$'000**	2009 US$'000
At the beginning of the year	**8,885**	8,226
Exchange adjustment	**373**	(116)
Contributions by employer	**–**	(13)
Post-retirement expense	**1,841**	1,021
Net actuarial gains	**(467)**	(233)
At the end of the year	**10,632**	8,885

The amounts recognized in the income statement are as follows:

	Group	
	2010 **US$'000**	2009 US$'000
Current service cost	**1,221**	1,650
Interest cost	**816**	739
Expected return on plan assets	**(196)**	(217)
Curtailment gain	**–**	(1,151)
Total expense recognized in the income statement	**1,841**	1,021

36 Retirement benefit obligations *(continued)*

(c) Additional information on post-employment benefits (pension and medical)

Plan assets comprise:

	Pensions		Medical	
	2010 US$'000	2009 US$'000	**2010 US$'000**	2009 US$'000
Equities	**25,901**	36,245	**7,618**	7,761
Bonds	**83,622**	88,711	**–**	–
Others	**41,558**	9,896	**–**	–
Total	**151,081**	134,852	**7,618**	7,761

Reconciliation of fair value of plan assets of the Group:

	Pensions		Medical	
	2010 US$'000	2009 US$'000	**2010 US$'000**	2009 US$'000
Opening fair value	**134,852**	127,142	**7,761**	8,018
Exchange adjustment	**6,209**	(3,840)	**–**	–
Expected return on plan assets	**3,947**	4,066	**196**	217
Actuarial gains/(losses)	**561**	(5,800)	**(175)**	(223)
Contributions by the employer	**11,088**	19,823	**–**	13
Benefits paid	**(5,576)**	(6,539)	**(164)**	(264)
Closing fair value	**151,081**	134,852	**7,618**	7,761
Actual return on plan assets	**4,594**	(1,734)	**21**	(6)

Contributions of US$17,910,000 are estimated to be made for the year ending March 31, 2011, excluding amounts due to be transferred from IBM plans.

36 Retirement benefit obligations *(continued)*

(c) Additional information on post-employment benefits (pension and medical) *(continued)*

Reconciliation of movements in present value of defined benefit obligations of the Group:

	Pensions		Medical	
	2010 US$'000	2009 US$'000	**2010 US$'000**	2009 US$'000
Opening defined benefit obligation	**193,967**	204,406	**16,646**	16,244
Exchange adjustment	**9,677**	(6,406)	**373**	(116)
Current service cost	**4,833**	7,522	**1,221**	1,650
Interest cost	**6,505**	6,186	**816**	739
Actuarial losses/(gains)	**11,868**	(12,592)	**(642)**	(456)
Benefits paid	**(5,576)**	(6,539)	**(164)**	(264)
Curtailments	**42**	1,390	**–**	(1,151)
Closing defined benefit obligation	**221,316**	193,967	**18,250**	16,646

Summary of pensions and post-retirement medical benefits

	Group				
	2010 US$'000	2009 US$'000	2008 US$'000	2007 US$'000	2006 US$'000
Present value of defined benefit obligations	**239,566**	210,613	220,650	213,775	178,568
Fair value of plan assets	**158,699**	142,613	135,160	110,827	32,581
Deficit	**80,867**	68,000	85,490	102,948	145,987
Actuarial (gains)/losses arising on plan assets					
Amount of (gains)/losses	**(386)**	6,023	(11,384)	(2,152)	32
Percentage of the fair value of plan assets	**0.3%**	(4.2%)	8.4%	1.9%	(0.1%)
Actuarial losses/(gains) arising on plan liabilities					
Amount of losses/(gains)	**11,226**	(13,048)	10,081	8,040	(510)
Percentage of the present value of the defined benefit obligation	**5.2%**	(6.2%)	4.6%	4.0%	(0.3%)

The Group's pension and post-retirement medical benefits plans are established during the year ended March 31, 2006.

37 Business combinations

On January 31, 2010 the Group completed the acquisition of the entire interests in Lenovo Mobile Communication Technology Ltd ("Lenovo Mobile") under a sale and purchase agreement dated November 27, 2009.

The estimated total consideration for acquiring Lenovo Mobile is approximately HK$250 million, including cash, the Company's shares as consideration shares and related transaction costs.

Set forth below is the preliminary calculation of goodwill:

	US$'000
Purchase consideration:	
– Cash	186,146
– Direct costs relating to the acquisition	990
– Fair value of shares issued (Notes 29 and 30)	63,500
Total purchase consideration	250,636
Less: Fair value of net assets acquired	(74,084)
Goodwill (Note 17(a))	176,552

The major components of assets and liabilities arising from the acquisition are as follows:

	Fair value US$'000	**Carrying value** US$'000
Cash and cash equivalents	80,432	80,432
Secured bank balances	28,330	28,330
Property, plant and equipment (Note 14(a))	16,720	17,693
Other non-current assets	12,472	12,472
Intangible assets (Note 17(a))	18,268	1,624
Net working capital except cash and cash equivalents and secured bank balances	(76,476)	(76,476)
Non-current liabilities	(5,662)	(5,662)
Net assets acquired	74,084	58,413

	US$'000
Purchase consideration settled in cash	186,146
Direct costs relating to the acquisition	990
Less: Cash and cash equivalents in subsidiaries acquired	(80,432)
Acquisition of subsidiaries, net of cash acquired	106,704

The goodwill is primarily attributable to the significant synergies expected to arise in connection with the development of the mobile internet device business of the Group.

Intangible assets acquired are expected to be amortized over their useful lives of 3 years.

The acquired tangible assets primarily comprised trade receivables, inventories and plant and equipment. The liabilities assumed primarily comprised trade payables and other current and non-current liabilities.

The sale and purchase agreement contains provisions that may require miscellaneous adjustments to be agreed between the Company and seller. Such adjustments have not been finalized, but estimates have been recorded as part of the purchase price allocation, as indicated above. This process is expected to be finalized in the financial year 2010/11.

38 Principal subsidiaries

The following includes the principal subsidiaries directly or indirectly held by the Company and, in the opinion of the directors, are significant to the results of the year or form a substantial portion of the net assets of the Group. The directors consider that giving details of other subsidiaries would result in particulars of excessive length.

Company name	Place of incorporation/ establishment	Issued and fully paid up capital	Effective holding 2010	Effective holding 2009	Principal activities
Held directly:					
聯想(北京)有限公司 (Lenovo (Beijing) Limited) [1] (Wholly foreign-owned enterprise)	Chinese Mainland	HK$175,481,300	**100%**	100%	Manufacturing and distribution of IT products and provision of IT services
聯想(上海)有限公司 (Lenovo (Shanghai) Co., Ltd.) [1] (Wholly foreign-owned enterprise)	Chinese Mainland	HK$10,000,000	**100%**	100%	Distribution of IT products and provision of IT services
Held indirectly:					
北京聯想軟件有限公司 (Beijing Lenovo Software Limited) [1] (Wholly foreign-owned enterprise)	Chinese Mainland	HK$5,000,000	**100%**	100%	Provision of IT services and distribution of IT products
惠陽聯想工業物業有限公司 (Huiyang Lenovo Industry Property Limited) [1] (Chinese-foreign equity joint venture)	Chinese Mainland	US$2,045,500	**100%**	100%	Property holding and property management
聯想國際信息產品(深圳)有限公司 (International Information Products (Shenzhen) Co., Ltd) [1] (Wholly foreign-owned enterprise)	Chinese Mainland	US$7,800,000	**100%**	100%	Manufacturing and distribution of IT products
Lenovo (Asia Pacific) Limited	Hong Kong	HK$1,225,130,735	**100%**	100%	Investment holding and distribution of IT products
Lenovo (Australia & New Zealand) Pty Limited	Australia	AUD36,272,716	**100%**	100%	Distribution of IT products
Lenovo (Belgium) Sprl	Belgium	EUR24,384,053	**100%**	100%	Investment holding and distribution of IT products
Lenovo (Canada) Inc.	Canada	CAD10,000,000	**100%**	100%	Distribution of IT products
聯想(成都)有限公司 (Lenovo (Chengdu) Limited) [1] (Chinese-foreign equity joint venture)	Chinese Mainland	RMB12,000,000	**100%**	100%	Provision of IT services and distribution of IT products
Lenovo Computer Limited	Hong Kong	HK$2	**100%**	100%	Procurement agency and distribution of IT products
Lenovo (Danmark) ApS	Denmark	DKK126,000	**100%**	100%	Distribution of IT products
Lenovo (Deutschland) GmbH	Germany	EUR25,100	**100%**	100%	Distribution of IT products
Lenovo (France) SAS	France	EUR1,837,000	**100%**	100%	Distribution of IT products
Lenovo (Hong Kong) Limited	Hong Kong	HK$23,640,611	**100%**	100%	Distribution of IT products

38 Principal subsidiaries *(continued)*

Company name	Place of incorporation/ establishment	Issued and fully paid up capital	Effective holding 2010	2009	Principal activities
惠陽聯想電子工業有限公司 (Lenovo (Huiyang) Electronic Industrial Co., Ltd.) [1] (Wholly foreign-owned enterprise)	Chinese Mainland	HK$16,000,000	**100%**	100%	Manufacturing of IT products
Lenovo (India) Private Limited	India	INR6,250,215,140	**100%**	100%	Manufacturing and distribution of IT products
聯想信息產品(深圳)有限公司 (Lenovo Information Products (Shenzhen) Co. Ltd.) [1] (Wholly foreign-owned enterprise)	Chinese Mainland	US$80,000,000	**100%**	100%	Manufacturing and distribution of IT products
Lenovo (International) B.V.	Netherlands	EUR20,000	**100%**	100%	Investment holding and distribution of IT products
Lenovo (Israel) Ltd	Israel	ILS1,000	**100%**	100%	Distribution of IT products
Lenovo (Italy) S.r.l	Italy	EUR100,000	**100%**	100%	Distribution of IT products
Lenovo (Japan) Ltd	Japan	JPY300,000,000	**100%**	100%	Distribution of IT products
Lenovo Korea LLC	Korea	KRW3,580,940,000	**100%**	100%	Distribution of IT products
Lenovo Mexico, S. de R.L. de C.V.	Mexico	MXN101,158,469	**100%**	100%	Distribution of IT products
聯想移動通信科技有限公司 (Lenovo Mobile Communication Technology Ltd.) [1] (Chinese-foreign equity joint venture)	Chinese Mainland	RMB187,500,000	**100%**	–	Manufacturing and distribution of mobile handsets
Lenovo Mobile Communication Technology (HK) Limited	Hong Kong	US$1,000,000	**100%**	–	Trading of mobile handsets' components
Lenovo PC HK Limited	Hong Kong	HK$2 ordinary and HK$1,000,000 non -voting deferred	**100%**	100%	Distribution of IT products
Lenovo (Schweiz) GmbH	Switzerland	CHF2,000,000	**100%**	100%	Distribution of IT products
聯想(瀋陽)有限公司 (Lenovo (Shenyang) Limited) [1] (Chinese-foreign equity joint venture)	Chinese Mainland	US$1,200,000	**100%**	100%	Provision of IT services and distribution of IT products
Lenovo (Singapore) Pte. Ltd.	Singapore	SGD1,314,573,749	**100%**	100%	Procurement agency, group treasury, supply chain management, intellectual property rights management and distribution of IT products
Lenovo (South Africa) (Pty) Limited	South Africa	ZAR100	**100%**	100%	Distribution of IT products
Lenovo (Spain), SRL	Spain	EUR108,182	**100%**	100%	Distribution of IT products

38 Principal subsidiaries *(continued)*

Company name	Place of incorporation/ establishment	Issued and fully paid up capital	Effective holding 2010	Effective holding 2009	Principal activities
Lenovo (Sweden) AB	Sweden	SEK200,000	**100%**	100%	Distribution of IT products
Lenovo Technology (United Kingdom) Limited	United Kingdom	GBP8,629,507	**100%**	100%	Distribution of IT products
Lenovo Technology B.V.	Netherlands	EUR20,000	**100%**	100%	Distribution of IT products
Lenovo Technology Sdn. Bhd.	Malaysia	MYR1,000,000	**100%**	100%	Distribution of IT products
Lenovo Tecnologia (Brasil) Ltda	Brazil	BRL112,298,654	**100%**	100%	Distribution of IT products
Lenovo (Thailand) Limited	Thailand	THB50,000,000	**100%**	100%	Distribution of IT products
Lenovo (United States) Inc.	United States	US$1	**100%**	100%	Distribution of IT products
Lenovo (Venezuela), SA	Venezuela	VEB3,846,897	**100%**	100%	Distribution of IT products
聯想(武漢)有限公司 (Lenovo (Wuhan) Limited) 1 (Chinese-foreign equity joint venture)	Chinese Mainland	RMB10,000,000	**100%**	100%	Provision of IT services and distribution of IT products
聯想(西安)有限公司 (Lenovo (Xian) Limited) 1 (Chinese-foreign equity joint venture)	Chinese Mainland	RMB10,000,000	**100%**	100%	Provision of IT services and distribution of IT products
LLC "Lenovo (East Europe/Asia)"	Russia	RUB1,910,000	**100%**	100%	Distribution of IT products
上海聯想電子有限公司 (Shanghai Lenovo Electronic Co., Ltd.) 1 (Chinese-foreign equity joint venture)	Chinese Mainland	RMB20,000,000	**100%**	100%	Manufacturing of IT products
陽光雨露信息技術服務(北京)有限公司 (Sunny Information Technology Service (Beijing) Co., Ltd.) 1 (Chinese-foreign equity joint venture)	Chinese Mainland	RMB20,000,000	**100%**	100%	Provision of repair services for computer hardware and software systems

Notes:

(i) All the above subsidiaries operate principally in their respective places of incorporation or establishment.

(ii) All the Chinese Mainland subsidiaries are limited liability companies. They have adopted December 31 as their financial year end date for statutory reporting purposes. For the preparation of the consolidated financial statements, financial statements of these subsidiaries for the years ended March 31, 2009 and 2010 have been used.

(iii) The company whose English name ends with a "1" is a direct transliteration of its Chinese registered name.

39 Approval of financial statements

The financial statements were approved by the board of directors on May 27, 2010.

	2010 US$'000	2009 US$'000	2008 US$'000	2007 US$'000	2006 US$'000
Continuing operations					
Sales	**16,604,815**	14,900,931	16,351,503	13,978,309	12,685,726
Cost of sales	**(14,815,221)**	(13,103,735)	(13,901,523)	(12,091,433)	(10,967,415)
Gross profit	**1,789,594**	1,797,196	2,449,980	1,886,876	1,718,311
Other income/(expenses) – net	**83,126**	929	17,261	8,187	(7,739)
Selling and distribution expenses	**(839,388)**	(938,451)	(1,103,713)	(1,033,296)	(969,288)
Administrative expenses	**(566,245)**	(627,903)	(595,902)	(488,150)	(415,608)
Research and development expenses	**(214,343)**	(220,010)	(229,759)	(196,225)	(164,822)
Other operating expenses – net	**(34,058)**	(203,561)	(38,823)	(15,906)	(85,275)
Operating profit/(loss)	**218,686**	(191,800)	499,044	161,486	75,579
Finance income	**20,377**	59,977	52,048	26,329	24,229
Finance costs	**(62,881)**	(56,473)	(38,366)	(35,133)	(51,981)
Share of profits of jointly controlled entities	**–**	–	–	–	138
Share of profits of associated companies	**121**	351	124	1,869	464
Profit/(loss) before taxation	**176,303**	(187,945)	512,850	154,551	48,429
Taxation	**(46,935)**	(38,444)	(47,613)	(26,197)	(56,881)
Profit/(loss) from continuing operations	**129,368**	(226,389)	465,237	128,354	(8,452)
Discontinued operations					
Profit from discontinued operations	**–**	–	19,920	32,784	36,122
Profit/(loss) for the year	**129,368**	(226,389)	485,157	161,138	27,670
Profit/(loss) attributable to:					
Equity holders of the Company	**129,368**	(226,392)	484,263	161,138	22,210
Minority interests	**–**	3	894	–	5,460
	129,368	(226,389)	485,157	161,138	27,670
Dividends	**68,728**	35,575	186,753	59,331	59,198
Earnings/(loss) per share					
Basic					
– Continuing operations	**US1.42 cents**	(US2.56 cents)	US5.29 cents	US1.49 cents	(US0.16 cents)
– Discontinued operations	**–**	–	US0.22 cents	US0.38 cents	US0.41 cents
	US1.42 cents	(US2.56 cents)	US5.51 cents	US1.87 cents	US0.25 cents
Diluted					
– Continuing operations	**US1.33 cents**	(US2.56 cents)	US4.86 cents	US1.47 cents	(US0.15 cents)
– Discontinued operations	**–**	–	US0.20 cents	US0.37 cents	US0.40 cents
	US1.33 cents	(US2.56 cents)	US5.06 cents	US1.84 cents	US0.25 cents
Total assets	**8,955,928**	6,621,663	7,539,321	5,450,838	5,040,558
Total liabilities	**7,349,910**	5,310,748	5,926,058	4,316,562	3,995,911
Net assets	**1,606,018**	1,310,915	1,613,263	1,134,276	1,044,647

CORPORATE INFORMATION

Board of Directors

Chairman and non-executive director
Mr. Liu Chuanzhi

Executive director
Mr. Yang Yuanqing

Non-executive directors
Mr. Zhu Linan
Ms. Ma Xuezheng
Mr. James G. Coulter
Mr. William O. Grabe
Dr. Wu Yibing

Independent non-executive directors
Professor Woo Chia-Wei
Mr. Ting Lee Sen
Dr. Tian Suning
Mr. Nicholas C. Allen

Chief Financial Officer
Mr. Wong Wai Ming

Company Secretary
Mr. Mok Chung Fu

Registered Office
23rd Floor, Lincoln House, Taikoo Place,
979 King's Road, Quarry Bay, Hong Kong

Principal Bankers
BNP Paribas
Standard Chartered Bank (Hong Kong) Limited
China Merchants Bank
Citibank, N.A.
Industrial and Commercial Bank of China
The Hongkong and Shanghai Banking Corporation Limited

Independent Auditor
PricewaterhouseCoopers
Certified Public Accountants
22nd Floor, Prince's Building,
Central, Hong Kong

Share Registrar
Tricor Abacus Limited
26th Floor, Tesbury Centre,
28 Queen's Road East, Hong Kong

American Depositary Receipts
(Depositary and Registrar)
Citibank, N.A.
14th Floor, 388 Greenwich Street,
New York, NY 10013, USA

Stock Codes

Hong Kong Stock Exchange:	992
American Depositary Receipts:	LNVGY

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www.lenovo.com

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