2010/11 Annual Report Lenovo Group Limited

Stock Code: 992

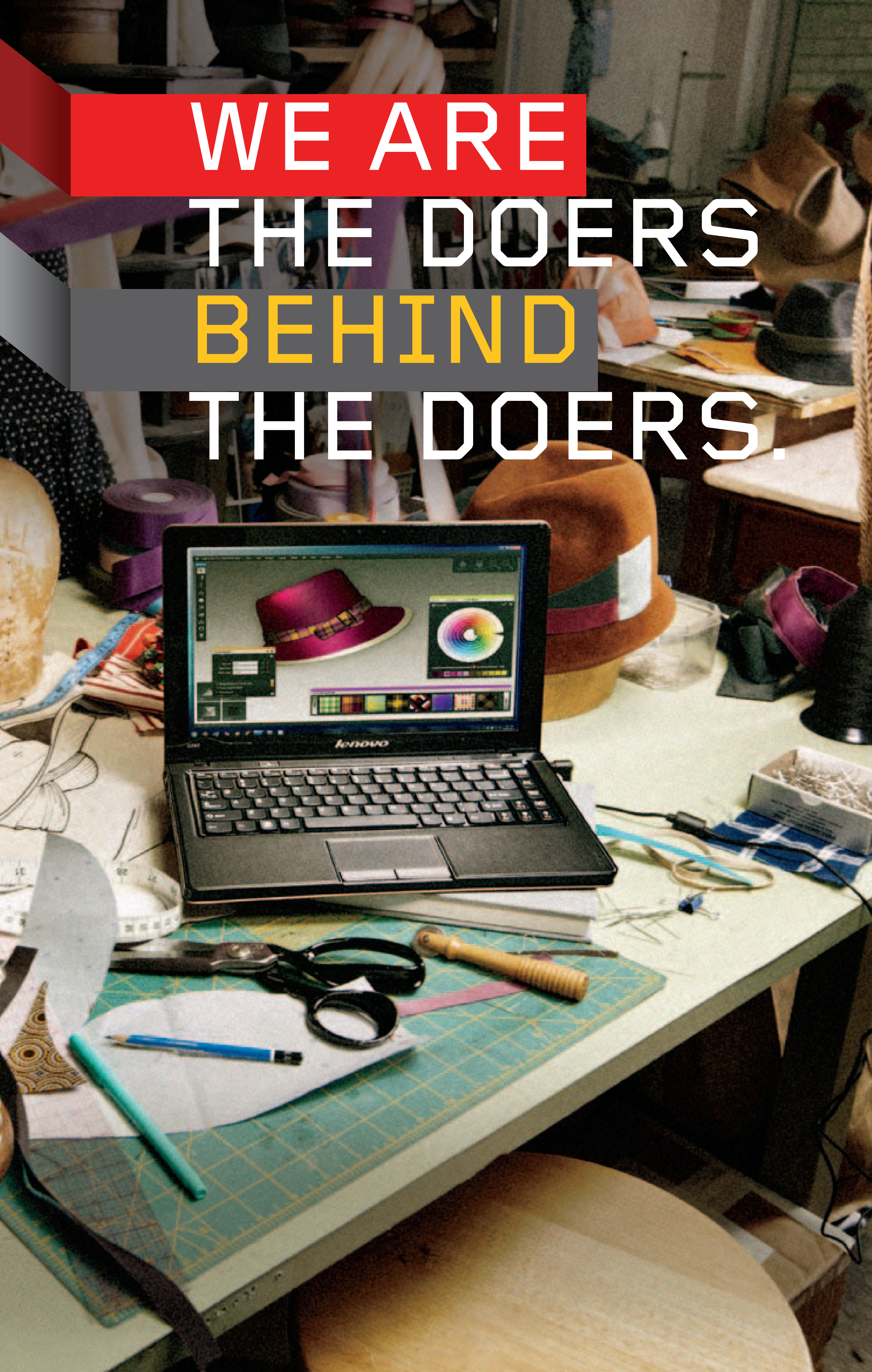
lenovo® FOR THOSE WHO DO.

WE MAKE DO MACHINES.

ABOUT LENOVO

Lenovo (HKSE: 992) (ADR: LNVGY) is a US$21 billion personal technology company serving customers in more than 160 countries, and the world's fourth-largest PC vendor. Dedicated to building exceptionally engineered PCs and mobile internet devices, Lenovo's business is built on product innovation, a highly-efficient global supply chain and strong strategic execution. 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. Its product lines include legendary Think-branded commercial PCs and Idea-branded consumer PCs, as well as servers, workstations, and a family of mobile internet devices, including tablets and smart phones. Lenovo has major research centers in Yamato, Japan; Beijing, Shanghai and Shenzhen, China; and Raleigh, North Carolina, US.

WE ARE
THE DOERS
BEHIND
THE DOERS.



WE TINKER
FOR THE
TINKERERS,
CREATE
FOR THE
CREATORS.

OVER 27,000 STRONG, EACH ONE OF US UNITED NOT IN THE AMAZING POWER OF OUR TECHNOLOGY, BUT IN THE POWER OF PEOPLE TO DO AMAZING THINGS WITH IT. FROM UNCLES TO ARCHITECTS, OUR GREATEST WORK IS IN SERVICE OF THEIR GREATEST WORK.

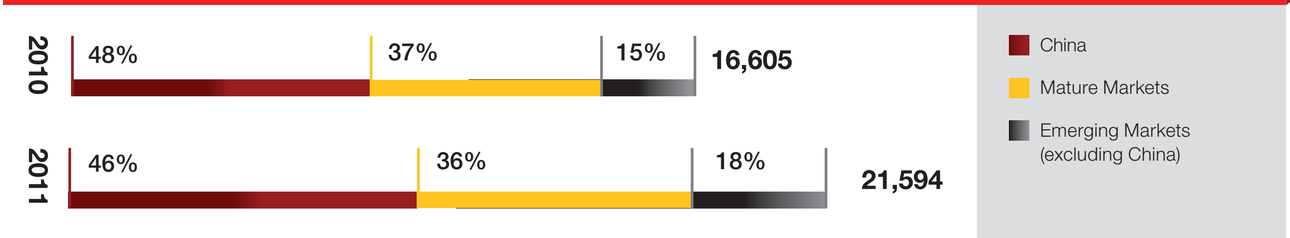
CONTENTS

FINANCIAL HIGHLIGHTS

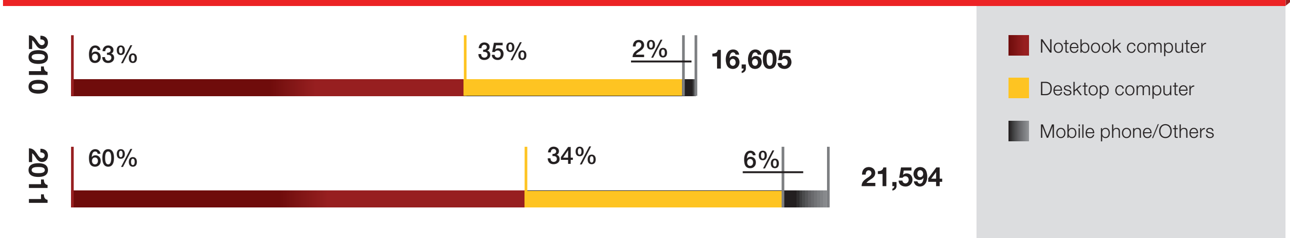
For the year ended March 31	**2011 US$ million**	2010 US$ million	Year-on-year Change
Group Results			
Sales	**21,594**	16,605	30.0%
Gross profit	**2,364**	1,790	32.1%
Gross profit margin (%)	**10.9**	10.8	0.1 pt
Operating expenses[1]	**(1,978)**	(1,586)	24.7%
Expense-to-revenue ratio[1] (%)	**9.2**	9.6	-0.4 pt
EBITDA[1]	**603**	432	39.6%
Pre-tax income[1]	**362**	161	124.7%
Pre-tax income margin[1] (%)	**1.7**	1.0	0.7 pt
Profit attributable to equity holders of the Company	**273**	129	111.2%
EPS – basic (US cents)	**2.84**	1.42	1.42
EPS – diluted (US cents)	**2.73**	1.33	1.40
Interim dividend per share (HK cents)	**2.6**	1.0	1.60
Final dividend per share (HK cents)	**5.0**	4.5	0.50
Total dividend per share (HK cents)	**7.6**	5.5	2.10
Cash and Working Capital			
Bank deposits and cash and cash equivalents	**2,997**	2,439	22.9%
Total bank borrowings	**(272)**	(495)	-45.1%
Net cash reserves	**2,725**	1,944	40.2%
Cash conversion cycle (days)	**(33)**	(30)	(3)

Note:
[1] Excluding restructuring charges, one-off charges and other income, net.

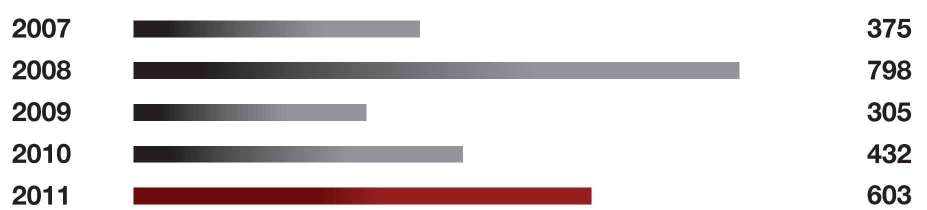
Sales Analysis by Geography
for the year ended March 31 (US$ million)



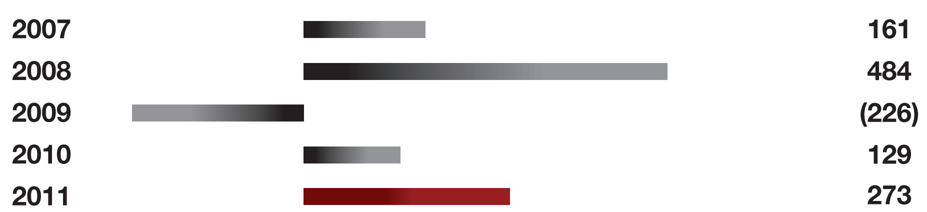
Sales Analysis by Product
for the year ended March 31 (US$ million)



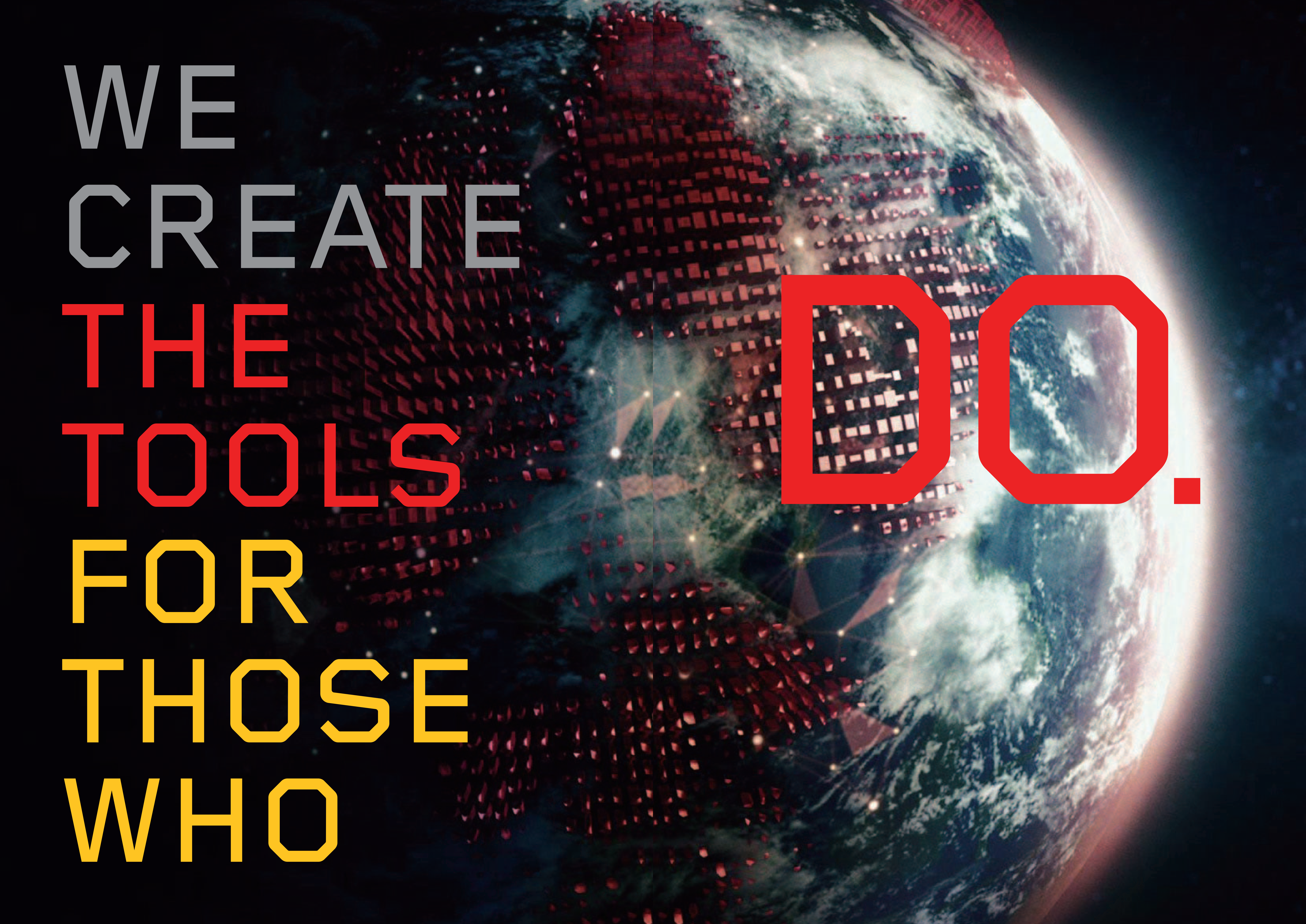
EBITDA - Continuing Operations[1,2]
for the year ended March 31 (US$ million)



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, 2006 to March 31, 2008.
[2] Excluding restructuring charges, one-off charges and other income, net.


WE
CREATE
THE
TOOLS
FOR
THOSE
WHO
DO.

WE WILL

continue to invest in innovation, marketing and branding to protect our core business and drive growth through attacking

NEW OPPORTUNITIES.

The 2010/11 fiscal year was an encouraging year for all of us at Lenovo. Despite the slowdown of the worldwide PC market, Lenovo has once again recorded strong, balanced growth while achieving a number of major breakthroughs.

Lenovo outgrew the worldwide PC market in unit shipments, and gained market share across all geographies, products and customer segments, making it the world's fastest growing PC company for six consecutive quarters. For the first time, we surpassed 10% market share worldwide, reaching a historical high of 10.2% for the year. It was also the first time for us to become the largest PC maker in emerging markets including China, the world's largest in the education and government notebook PC segment, and the second largest in the worldwide commercial notebook PC segment. Our sales also for the first time exceeded US$21 billion, with both profit before taxation and profit attributable to equity holders doubling year-to-year.

WHY CAN LENOVO DELIVER SUCH ENCOURAGING RESULTS?

"Building the leadership team, developing strategies and taking people with you" has been the key to our success. Our core management team, led by our CEO Yang Yuanqing, took their new positions two years ago, and they developed the "Protect and Attack" strategy. Facing the volatile market and ever-shifting needs of customers, the new management executed the strategy with determination while fine-tuning it continuously. Time and time again, they practiced The Lenovo Way, and brought the "We Do What We Say, We Own What We Do" culture to life. The concerted efforts of the team have brought fruitful returns to the Group. The resulting balanced and solid foundation has prepared us well for the next phase of development and future market transitions.

The PC market is expected to experience more and rapid evolutions in the future. Despite the slow rebound in the consumer market, Mature Markets have already overcome the effects of the financial crisis and seen strong momentum in corporate refreshment demand. The China market is now exhibiting moderate yet still powerful growth, after continuous rapid growth in previous years. Emerging Markets (excluding China) are demonstrating enormous growth potential and have become the world's major focus to drive future growth. The rise of mobile internet products reflects the strong market demand for the convergence of different personal technology devices such as PCs and smartphones. This, in turn, is bringing structural changes and huge opportunities to the market.

WHAT ARE THE PLANS OF LENOVO MOVING FORWARD?

To address the market changes, the Group has established its Mobile Internet and Digital Home Group this year. This business unit aims to extend our business beyond the traditional PC arena and to capture opportunities globally in the rapidly growing areas including mobile internet, smart TV, etc., thus developing Lenovo into a leading personal technology product company.

The PC business remains as the Group's core business, and we must accelerate our growth and expand market share by delivering quality products to our customers around the world. Convergence of technologies will however generate new business opportunities: emergence of innovative products, mobile internet devices and ecosystem created by a wide variety of new applications and services, are drawing a whole new map for future global technological development.

To capture every opportunity in this dynamic environment, we are fully committed and dedicated to winning for the future. To realize this commitment, we will continue to invest in research and innovation, marketing and brand building with an aim to maintain a balanced development across geographies, products and customer segments. While strengthening our core business, we will seek new opportunities to drive business growth where opportunities present themselves.

We recognize that insights about market dynamics, prompt response to market changes and solid execution with a clear vision are crucial to continued growth of a company. Throughout its history, Lenovo has always been seeking to fulfill our commitments, to strengthen our businesses and to build a bright future through decisive actions and living our corporate culture of "We Do What We Say, We Own What We Do."

Under the leadership of our CEO Yang Yuanqing, our core management team draws on their abundant experience, expertise, wisdom, passion and pragmatic spirit to lead each of their teams. Given the fact that they represent all of the functions and business units of the Group and are abreast of comprehensive information with a big picture perspective, they will be able to explore and assess a plan thoroughly before reaching a decision. I have full confidence that they will continue implementing our innovative yet practical vision and strategies to create a promising future grounded on today's solid success, thus bringing Lenovo to a new stage of development and greater heights in the years ahead.

Liu Chuan zhi

Liu Chuanzhi
Chairman of the Board
Hong Kong, May 26, 2011

CEO'S REPORT

During the past two years, Lenovo has successfully turned around our business. Now, I am pleased to report that we had one of the best years in our company's history.

Our strong performance during the fiscal year was driven by the following key factors:

- **A clear strategy that balances short- and long-term goals.** We protect our core business in China and relationship business in mature markets while attacking high-growth opportunities in emerging markets, as well as the transactional and mobile internet businesses. Our employees around the world are all focused on executing this strategy.
- **A leadership organization that enables the global senior management team to consult with each other frequently, consider issues carefully and make efficient decisions.** We have a diverse, international leadership team that provides the experience, expertise and perspective to compete successfully in a rapidly changing global environment.
- **Investment in innovation that differentiates our products.** Lenovo products consistently win awards and receive rave reviews. They deliver the high quality, reliability and durability to meet our customers demand. We will continue to leverage spirit of innovation and history of technological breakthroughs to into new product categories and drive future growth.
- **A unique, efficient, end-to-end business model.** Our relationship model serving global, large enterprise and public accounts is a real strength and has delivered outstanding profits. At the same time, our transactional model addressing small-to-medium sized businesses and consumers is being implemented worldwide – and we are gaining share and momentum in this area.
- **Our culture of delivering on commitments has taken hold.** The Lenovo Way inspires our people to "do what we say and own what we do." A strong culture makes us growing faster and more competitive, and The Lenovo Way is becoming a key competitive advantage.

Because of these factors, we had an outstanding fiscal year, setting records, achieving major milestones ahead of schedule and positioning ourselves well for even stronger growth in the future. These notable achievements include:

- Lenovo outperformed the market and was the fastest growing major PC company in every quarter during the fiscal year.
- Lenovo's worldwide market share reached an all-time high for the second straight year. We have sustained our double-digit share worldwide. We gained share in every market and every product segment.
- We set all-time highs for unit shipments and sales. And for the first time, our sales surpassed US$21 billion.
- Our profitability grew significantly thanks to balanced performance worldwide.
- All of our geographies delivered outstanding results aligned with our global strategy:
  - We reached another all-time high for market share in China, where we further strengthened our market-leading position.
  - We became number one in global emerging markets including China .
  - We gained share and increased profit in our Mature Markets Group. By the end of the fiscal year, we had achieved record share for our Mature Markets Group.
- Our performance in critical product segments also set a new standard for Lenovo:
  - We are the number one notebook company globally in education and government segment.
  - We are the number two global commercial notebook company.
  - We are the number two All-in-One PC company worldwide.
  - We sold more than 11 million consumer PCs.
- We effectively scaled our growth by maintaining a strong focus on controlling expenses and achieved our lowest expense/revenue ratio since acquiring the IBM PCD.
- We formed a new business unit – Mobile Internet and Digital Home Group – to aggressively attack the fast-growing mobile internet space. With this focus, we will enhance our existing product lines and expand our end-to-end capabilities in this important area. Already, Lenovo has launched our new tablet – LePad – in China and delivered growing volume of our smartphone launched last year in China. In the fiscal year 2011/12, we will launch a complete family of tablet products in major markets around the world while investing in new areas like smart TV and cloud technologies that may one day become core business for us.
- We made bold moves to expand our PC business as well. Lenovo announced a joint venture with NEC in Japan. This will make Lenovo the number one PC company in Japan, the world's third largest PC market.

These successes demonstrate that we have the right strategy and solid execution, and that the company is well positioned to deliver strong, sustainable growth in the future.

WE

have the right strategy and solid execution, and is well positioned to deliver strong, sustainable growth

IN THE FUTURE.

STRATEGIC PRIORITIES

In the fiscal year ahead, Lenovo will focus on the following priorities:

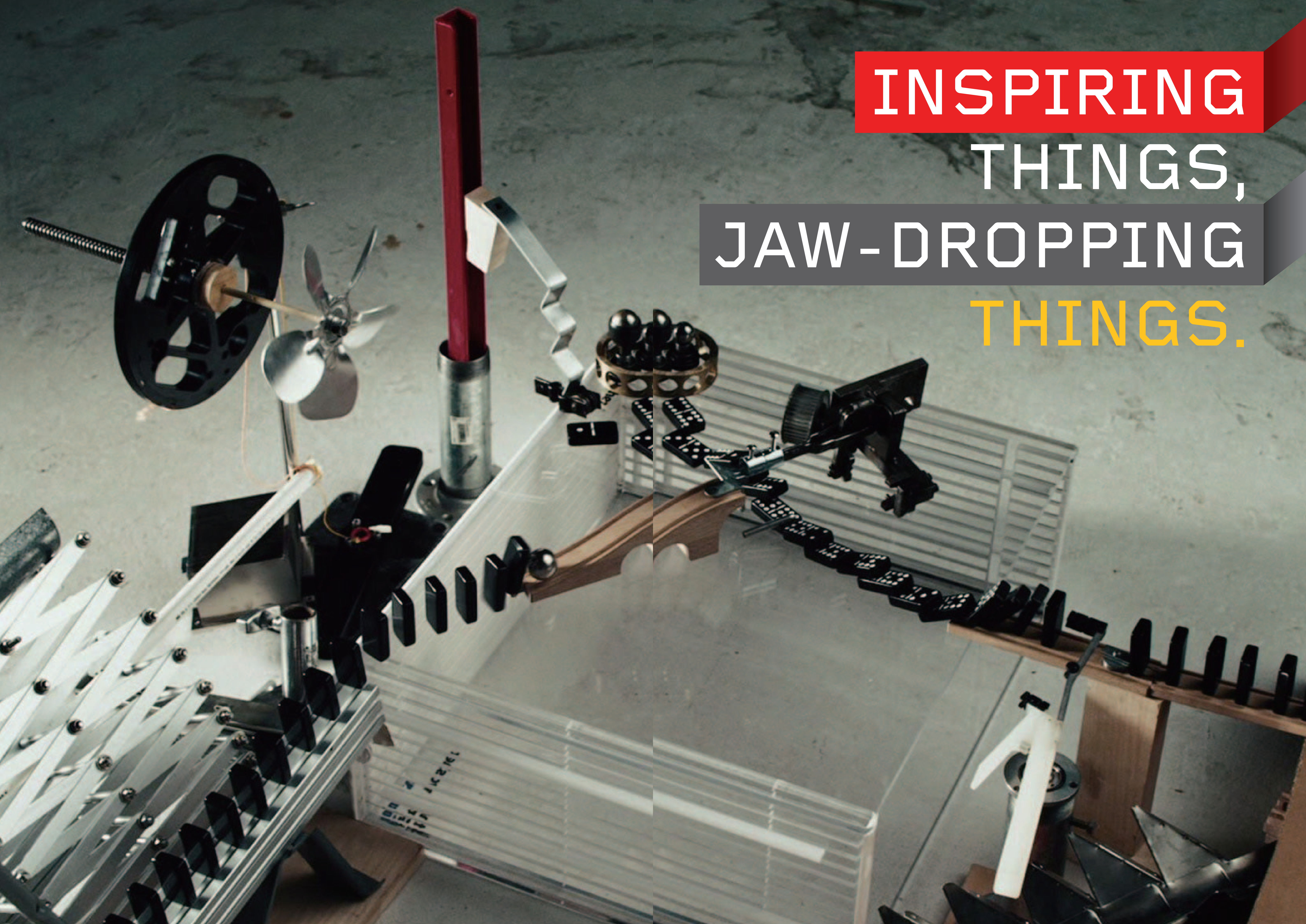
- **Strategy:** Our "Protect and Attack" strategy is working and will continue to guide our execution. We will work to extend our leadership position and increase profitability in China and relationship business in mature markets. In emerging markets and transactional sales in mature markets, our focus will be on capturing growth. And we will expand our pursuit of opportunities in the mobile internet space through new products and creating a great user experience.
- **Innovation:** We will continue to invest in innovation. Our focus will be on providing a better user experience, core component technology that differentiates us, and developing better end-to-end application platforms and ecosystems.
- **Brand:** We will continue to invest in building a global brand. Our brand must become a strength that makes us more competitive in consumer sales, enhances the values of our products and improves our profitability over time.
- **Business Model:** We will continue to refine our business model and promote end-to-end efficiency, building on the great success in relationship sales and continuing to improve the speed of our transactional model to take advantage of market opportunities.
- **Execution:** Our growth has been fueled by strong execution. We will build on that success by continuing to focus on scaling our growth and controlling costs, thereby enhancing our competitiveness.

These accomplishments demonstrate the great progress we have made and the intense focus we have on achieving our long-term mission: to become one of the leading personal technology companies in the world. We have achieved many milestones during the fiscal year – and this is only the beginning. We have momentum, the commitment of 27,000 people worldwide, and a strong, clear vision for the future. I believe we are well positioned to continue to grow and be successful in the years ahead.

Y. Yang

Yang Yuanqing
Chief Executive Officer
Hong Kong, May 26, 2011

INSPIRING THINGS, JAW-DROPPING THINGS.



LENOVO MANAGEMENT TEAM

01 **Liu Chuanzhi**
Chairman of the Board

02 **Yang Yuanqing**
Chief Executive Officer

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

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

05 **Milko van Duijl**
Senior Vice President and President of Mature Markets

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

07 **Robert Cones**
Senior Vice President, Operations of Mature Markets Group

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

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

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

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

12 **Liu Jun**
Senior Vice President and President of Mobile Internet and Digital Home Group

13 **Peter Hortensius**
Senior Vice President and President of Product Group

14 **Lu Yan**
Senior Vice President, Think Products Group

15 **Qiao Song**
Senior Vice President, Business Development and M&A

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

17 **David Schmoock**
Senior Vice President and General Manager – North America

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

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

WE ARE A

DO

CULTURE.

WE ARE A GLOBAL COLLECTIVE OF EMPOWERED INNOVATORS, INVENTORS, OBSESSED WITH CRAFT OF MAKING THE PERFECT TOOLS FOR DOERS.

BUSINESS REVIEW

Lenovo has continued to outperform the worldwide PC market for the past eight consecutive quarters, through solid execution of the successful "Protect and Attack" strategy.

During the fiscal year 2010/11, the worldwide PC market continued to show relatively strong growth at the beginning of the year, with the rate moderating towards the end. This trend was due primarily to a tightening macro-economic environment, as many countries sought to curb inflation especially in emerging markets, as well as softening consumer PC demand and the comparison to relatively high year-on-year growth rates in certain markets.

The worldwide PC market showed diverse performance between the commercial and consumer PC segments. Momentum in commercial PC demand has gradually picked up, benefiting from the corporate refreshment cycle, while consumer PC demand weakened due to a worsening macro-economic environment and increasing competition from tablet products. Worldwide commercial PC unit shipments grew by 8.8 percent year-on-year for the fiscal year, reversing the declining trend since the financial crisis in the fiscal year 2008/09. Worldwide consumer PC unit shipments grew only 6.2 percent year-on-year, and this segment actually declined in the fiscal quarter four. As a result, the overall worldwide PC unit shipments grew 7.4 percent year-on-year.

Lenovo has continued to outperform the worldwide PC market for the past eight consecutive quarters, through solid execution of the successful "Protect and Attack" strategy. Balanced growth across geographies, products and customer segments, has enabled the Group to become the fastest growing PC company among key players for six consecutive quarters. Lenovo achieved double-digit market share in the first three fiscal quarters and a 9.9 percent share in the fiscal quarter four, according to industry estimates. The Group's PC business recorded 28.2 percent year-on-year unit shipments growth for the fiscal year, which helped to bring Lenovo's worldwide PC market share to a historic high of 10.2 percent, a 1.7 percentage-point increase from a year ago. Lenovo was the largest PC company in emerging markets including China; the largest in worldwide education and government notebook PC segment; and the second largest in the worldwide commercial notebook PC segment.

The Group's mobile business also performed well during the fiscal year. The feature phone business showed strong unit shipments growth of 40.3 percent year-on-year. The Group also launched the LePhone smartphone in China in May 2010. Overall, the Group's mobile business unit shipments grew 47.4 percent year-on-year compared to its own performance in the previous fiscal year. Its market share in China increased by 0.7 percentage-point year-on-year to 4.7 percent. Lenovo retained its position as the number one domestic mobile handset brand in the country, according to industry estimates. Late in the fiscal year, the Group formed a new organization – Mobile Internet and Digital Home (MIDH) Group – to coordinate its initiatives in the mobile internet markets and better prepare itself to tap growth opportunities. As a key first step, Lenovo launched its first tablet PC, LePad, in China in March 2011.

Lenovo's MIDH Group kickoff

In January 2011, Lenovo announced an agreement to establish a strategic joint venture with NEC Corporation (NEC). This joint venture would create the largest PC group in Japan, giving both Lenovo and NEC a unique opportunity to grow their commercial and consumer PC businesses in the world's third largest PC market through a stronger market position, enhanced product portfolios, and expanded distribution channels. The anticipated completion of the transaction is on or about June 30, 2011.

For the fiscal year ended March 31, 2011, the Group's sales increased by 30.0 percent year-on-year to US$21,594 million. Sales of the Group's PC business were US$20,790 million, representing a year-on-year increase of 25.9 percent, as its growth in PC unit shipments was partially offset by lower average selling price of the products. The mobile business recorded its first full fiscal year contribution following acquisition with sales of US$804 million. The Group's gross profit increased by 32.1 percent year-on-year to US$2,364 million and gross margin increased from 10.8 percent in the previous fiscal year to 10.9 percent. The Group's effective margin management, increased mix of the Think branded products and improved overall competitiveness contributed to the gross margin expansion.

The Group also continued its stringent expense control during the fiscal year, while still making significant strategic investments in product innovation, corporate branding, and promotions of LePhone and LePad. These investments are intended to drive long-term, sustainable growth and better profitability in the future. The Group's operating expenses excluding restructuring charges and one-off items increased by 24.7 percent year-on-year to US$1,978 million. As a result, Lenovo's expense-to-revenue ratio was down from 9.6 percent in the previous fiscal year to 9.2 percent, a historic low level since the IBM PCD acquisition in 2005. The Group reported profit before taxation of US$358 million and profit attributable to equity holders of US$273 million, increases of 102.9 and 111.2 percent, respectively, from the previous fiscal year.

PERFORMANCE OF GEOGRAPHIES

During the year ended March 31, 2011, Lenovo achieved strong performance in all geographies where it has operations, gaining PC market share across the board in China, Emerging Markets (excluding China) and Mature Markets, benefiting from its focus on strategic priorities and solid execution. The Group's China business continued to perform well and recorded another historic high in PC market share. Emerging Markets (excluding China) continued expanding faster than the overall market under the Group's attack strategy to grow share in this geography while operating loss incurred narrowed significantly. Capitalizing on the recovery of corporate PC demand, Mature Markets returned to profit, and its operating margin improved in each quarter during the fiscal year.

China

Overall, China accounted for 46.4 percent of the Group's total sales. The PC and mobile businesses in this country accounted for 42.7 percent and 3.7 percent of the Group's total sales, respectively.

During the fiscal year, China PC market continued to maintain a growth premium against worldwide PC market, but the expansion in unit shipments slowed to 12.4 percent year-on-year. The softening of PC demand in China was due to several factors, including the high year-on-year comparison base, slower consumer spending due to volatility in the domestic stock and real estate markets, and continued government measures to tighten market liquidity and curb inflation.

Lenovo continued to grow faster than the market and further extended its leadership in China by protecting its market positions in key cities, and simultaneously attacking opportunities arising from increasing PC penetration in emerging smaller cities and rural areas. Lenovo extended its channel structure in China to increase the chain-store retailer mix in key cities, expand store front coverage in emerging cities and grow its network of channel partners focusing on the small-to-medium sized business (SMB) segment. Lenovo's unit shipments growth in China was 22.2 percent year-on-year for the fiscal year and market share increased by 2.4 percentage-point year-on-year to an all-time high of 29.5 percent, according to industry estimates.

Lenovo's mobile business also continued to post strong shipments growth of 47.4 percent year-on-year in its first full fiscal year of reporting following integration into the Group, compared to its own performance in the previous fiscal year. It further strengthened Lenovo's position as the number one domestic mobile handset brand in China.

Operating profit in China grew to US$507 million during the fiscal year, but operating margin was 5.1 percent, down from 5.6 percent in the previous fiscal year. Operating margin was under pressure due to additional marketing expenses incurred in promoting the newly launched LePhone and LePad. Operating margin for China PC business was stable at 5.7 percent, unchanged from the previous fiscal year.

Emerging Markets (excluding China)

Emerging Markets (excluding China) accounted for 17.9 percent of the Group's total sales.

The Group's strong growth momentum continued in the Emerging Markets (excluding China) during the fiscal year. Lenovo successfully expanded its business scale in the geography through continued improvement in distribution channels, a strengthened product portfolio, and new investments in branding and marketing. The Group's unit shipments grew 50.1 percent year-on-year for the fiscal year, which was about three times the overall market growth of 17.8 percent. Lenovo's market share increased by 1.3 percentage-point year-on-year to 6.1 percent, according to industry estimates. Strong unit shipments growth and share gains were recorded across all key regions such as RUCIS (+141.5 percent), India (+64.9 percent), ASEAN (+41.1 percent) and Latin America (+41.1 percent). In some key markets, such as India, registered double-digit market share in some quarters for the first time in the fiscal year.

Operating loss in Emerging Markets (excluding China) narrowed to US$65 million during the fiscal year, against an operating loss of US$97 million recorded in the previous fiscal year, mainly due to improved scale.

Mature Markets

Mature Markets accounted for 35.7 percent of the Group's total sales.

Capitalizing on the recovering in corporate PC demand, Lenovo's Mature Markets successfully returned to profit, and its operating margin improved in each quarter during the fiscal year, while unit shipments consistently expanding faster than the overall market. Therefore, the Group's overall share in Mature Markets rose by 1.2 percentage-point year-on-year to 5.5 percent, and it posted gains in most key regions. Most notably, Lenovo recorded historic high market share in North America in the fiscal quarter four and Australia and New Zealand (ANZ) recorded the highest share within Mature Markets.

The Group's unit shipments in Mature Markets grew 27.4 percent year-on-year during the fiscal year against a 0.2 percent decline in the overall market. Unit shipments in North America, Western Europe, Japan and ANZ increased by 31.8, 22.8, 40.2 and 6.3 percent year-on-year, respectively.

IdeaCenter All-in-One desktop

Lenovo saw excellent recovery in Mature Markets' relationship business, particularly in the second half of the fiscal year with both the Global Accounts and Enterprise and Public Sector business units delivering significant revenue growth and profit. There were several key global account wins and significant contract extensions within the fiscal year, which fueled profitable growth in this segment. These results allowed Lenovo to invest in growth opportunities such as the retail segment. The Group's SMB business across the Mature Markets was profitable even as it faced challenges in the retail channel due to significant slowdown in consumer demand. The channel strategy execution has shown good progress, particularly in new partner recruitment and increases in share of wallet with existing key partners.

Operating profit in Mature Markets was US$78 million during the fiscal year, against an operating loss of US$65 million recorded in the previous fiscal year. The Group's operating profit continued to show improvement in every quarter during the fiscal year. Mature Markets' operating margin was 1.0 percent for the fiscal year and reached 1.9 percent in the fiscal quarter four.

Lenovo's showcase at the CES 2011

PERFORMANCE OF PRODUCT GROUPS

During the fiscal year 2010/11, Lenovo achieved strong and balanced unit shipments growth in both commercial and consumer PC products. The performance of the Think Product Group, which mainly targets commercial customers, benefited from a recovery of corporate PC demand, while the Idea Product Group, which primarily focuses on the consumer and entry SMB products, was propelled by continued strong growth of the consumer PC segment in China and other emerging markets. According to industry estimates, Lenovo's market share in the worldwide commercial PC market increased by 2.1 percentage-point year-on-year to 14.3 percent during the fiscal year, while its worldwide consumer PC market share increased by 1.2 percentage-point year-on-year to 6.8 percent.

In January 2011, Lenovo announced that it had established the new MIDH business group, to fully capitalize on upcoming opportunities by leveraging its leadership in PC area. MIDH Group is responsible for creating mobile internet-focused devices, including tablet products and smartphones, as well as devices for new categories like cloud computing, smart TV and the digital home. It is also responsible for developing services and applications that will fuel these next generation convergence devices.

At the International Consumer Electronics Show (CES) in Las Vegas in January 2011, Lenovo announced several awards winning Think and Idea branded products that attracted positive industry recognition.

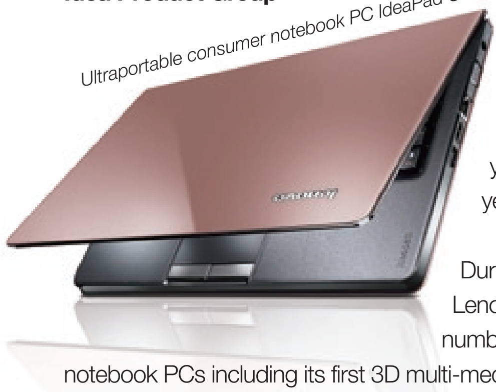
Think Product Group

Unit shipments of the Think Product Group grew 27.6 percent year-on-year for the fiscal year. In October 2010, Lenovo announced that it had sold its 60 millionth ThinkPad, a milestone achievement for an iconic product responsible for many industry firsts.

Lenovo offers a wide range of commercial desktops to businesses of all sizes that feature cutting-edge technology, customer-centric innovation and powerful productivity features. Lenovo's ThinkCentre A70z All-in-One and M70e are ideal for value-oriented medium to large businesses that want a full-featured PC. Lenovo also offers the ThinkCentre M90z - the industry's first large business-focused 23-inch All-in-One desktop that blends strong performance and IT features with sophisticated style and design.

At the CES, Lenovo announced several award winning, Think-branded products such as ThinkPad X120e, targeting at SMB. In March 2011, the Group announced the next generation of its best-selling ultraportable notebook PC, ThinkPad X220. It provides mobile business professionals with the full performance and usability found in larger notebook PCs, but in a light, ultraportable design.

Idea Product Group



Ultraportable consumer notebook PC IdeaPad U260

Unit shipments of the Idea Product Group grew 29.3 percent year-on-year for the fiscal year.

During the fiscal year, Lenovo launched a number of innovative notebook PCs including its first 3D multi-media notebook PC, the IdeaPad Y560d. The Group also introduced the world's first 12.5-inch ultraportable consumer notebook PC, IdeaPad U260, featuring a magnesium-aluminum alloy metal cover, leather-patterned palm rest and glass touchpad. Lenovo also introduced a number of popular desktop PCs, including IdeaCentre A700 All-in-One, a stylish multi-media consumer desktop PC and the IdeaCentre B305 All-in-One for more mainstream performance.

Notebook and Desktop Products

Lenovo also achieved balanced unit shipments growth and market share gains for both notebook and desktop PCs during the fiscal year. Despite slowing demand in the entry level consumer notebook PC market, the Group's notebook PC unit shipments growth remained solid at 30.2 percent year-on-year – about three times the worldwide growth rate in this product segment. As a result, Lenovo's worldwide market share in notebook PC increased by 1.5 percentage-point year-on-year, to 10.1 percent, according to industry estimates. This performance helped to move Lenovo from fifth to fourth place among worldwide notebook PC companies.

In the desktop PC segment, Lenovo benefited from the recovery in commercial PC demand, as well as outstanding sales performance of its stylish All-in-One consumer desktop PC. The Group's desktop PC unit shipments grew 25.5 percent year-on-year, about seven times of the growth of the overall worldwide desktop PC market. As a result, Lenovo's worldwide market share in desktop PC increased by 1.8 percentage-point year-on-year, to 10.4 percent, and the Group remained the world's third largest desktop PC company, according to industry estimates.

Mobile Products

Sales of mobile products accounted for 3.7 percent of the Group's total sales and as stated, Lenovo's mobile business unit shipments grew 47.4 percent year-on-year compared to its own performance in the previous fiscal year. Lenovo's mobile products were mainly sold in China and its market share in China's mobile handset market increased by 0.7 percentage-point year-on-year, to 4.7 percent.

Lenovo launched its LePhone smartphone in May 2010 in China and has already set up partnerships with two of the country's top mobile carriers, China Unicom and China Telecom. LePhone is a sleek and powerful Android smartphone that combines rich services, easy access to applications, and robust media in a fun to use touch screen handheld, designed for Chinese consumers that love style and functionality in their mobile phones.

In addition, Lenovo launched its first tablet product, LePad, in March 2011 in China and it is the first major launch since the formation of the MIDH business group. LePad comes with an abundance of preloaded Chinese applications for work

Lenovo launched its first tablet product, LePad, in China

and entertainment, and all are ready for use straight out of the box. LePad is also equipped with outstanding hardware that enhances the user experience.

Lenovo's new global branding campaign "Lenovo: For Those Who Do"

GLOBAL SUPPLY CHAIN

Following a very turbulent period in the previous two fiscal years, Lenovo's global supply chain faced relatively favorable and stable cost and supply conditions in its markets for key commodities such as memory, LCD panels and storage, as well as logistics services. These conditions, combined with strong sales performance, provided momentum for the Group to effectively scale its supply chain and improve profitability.

Lenovo's global supply chain made substantial gains in scaling its operation during the fiscal year to support the Group's rapid worldwide growth in unit shipments and market share. There were across the board improvements in end-to-end cost-per-box, which reached its historical lowest mark with an 11 percent year-on-year improvement. Furthermore, product delivery performance reached new, record-high levels with significant reduction in order-to-delivery cycle times and increased reliability in meeting customer expected arrival dates. Lenovo also leveraged its ongoing Lean Six Sigma program to improve overall business efficiency, with projects generating hard cost savings of US$161 million across the Group, exceeding the corporate plan by almost 70 percent.

Lenovo's global supply chain also strengthened its operational foundation to support future growth and product line expansion. The Group signed an agreement and began construction on a major operations center in Chengdu, Sichuan Province in western China. This center, scheduled to open in late 2011, will substantially increase Lenovo's overall production capacity, while improving operational speed and efficiency of the supply chain network. Lenovo will continue employing a mix of in-house and outsourced manufacturing, an operational strategy that provides the flexibility to respond quickly to market demand while delivering industry-leading quality products to customers.

BRAND BUILDING

Lenovo took the next step in asserting its position as a global leader by launching its new global branding campaign. Known as "Lenovo: For Those Who Do," the campaign captures the essence of who we are as a company, and the customers we serve. Lenovo does more than just build technology; it creates engines for the world's doers and the mind-blowing things they create. The Group's breakthrough products are made to serve people on the quest to build what's next.

Lenovo understands the doers of the world because that's who we are. Throughout our history, Lenovo has dared to do before others have thought to try. At the CES, Lenovo again showed it technological leadership, with products such as the ThinkPad X120e, one of many products to win awards at CES. The Group will continue its innovation leadership in the year ahead by launching more bold products – particularly in the mobile internet space – to provide "Do Machines" that inspire its customers to pursue their passions.

FINANCIAL REVIEW

FINANCIAL HIGHLIGHTS

For the year ended March 31	2011 US$'000	2010 US$'000
Sales	21,594,371	16,604,815
EBITDA[1]	603,202	431,806
Profit attributable to equity holders of the Company	273,234	129,368
Earnings per share (US cents)		
– Basic	2.84	1.42
– Diluted	2.73	1.33
Dividend per ordinary share (HK cents)		
– Interim dividend	2.6	1.0
– Proposed final dividend	5.0	4.5

Notes:
[1] Excluding restructuring charges, one-off charges and other income, net.

RESULTS

For the year ended March 31, 2011, the Group achieved total sales of approximately US$21,594 million. Profit attributable to equity holders for the year was approximately US$273 million, representing an increase of US$144 million as compared with last year. Gross profit margin for the year was 0.1 percent point up from 10.8 percent reported in the last year. The balance sheet position remained strong, bank deposits and cash and cash equivalents increased by US$558 million as compared to March 31, 2010. Basic earnings per share and diluted earnings per share were US2.84 cents and US2.73 cents, representing an increase of US1.42 cents and US1.40 cents respectively as compared with last year.

The Group adopts market segments as the reporting format. Market segments comprise China, Emerging Markets (excluding China) and Mature Markets. Further analyses on segment performance are set out in Business Review.

	2011		2010	
For the year ended March 31	Sales to external customers US$'000	Adjusted pre-tax income/(loss) US$'000	Sales to external customers US$'000	Adjusted pre-tax income/(loss) US$'000
China	10,015,371	507,497	7,892,275	444,164
Emerging Markets (excluding China)	3,859,739	(64,669)	2,639,812	(96,625)
Mature Markets	7,719,261	77,734	6,072,728	(65,119)
	21,594,371	520,562	16,604,815	282,420

The adjusted pre-tax income/(loss) excludes the effects of non-recurring expenditure such as restructuring costs from the operating segments. It 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 reconciliation of adjusted pre-tax income/(loss) is set out in note 5(b) to the financial statements.

Other income – net

Other income represents net gain on disposal of and dividend income received from available-for-sale financial assets.

Selling and distribution expenses

Selling and distribution expenses for the year increased by 23.7 percent as compared to last year. This is principally attributable to a US$156 million increase in promotional activities and a US$45 million increase in employee benefit costs.

Administrative expenses

The Group experienced an increase of 27.1 percent in administrative expenses for the year as compared to last year. This is mainly attributable to a US$143 million increase in employee benefit costs, a US$18 million increase in depreciation and amortization expenses, and a US$6 million increase in operating lease payments. The increase is partially offset by a decrease in contracted service expense of US$65 million.

Research and development expenses

Research and development spending for the year increased by 41.6 percent as compared to last year. The major part of the increase is attributable to an increase in employee benefit costs of US$40 million, R&D related office expenses of US$12 million, depreciation and amortization expenses of US$4 million and costs in relation to the relocation of R&D laboratory of US$7 million.

Other operating income – net

Net other operating income for the year increased by US$113 million as compared to a net other operating expense of US$34 million in last year. The increase is attributable to one-off expense items such as warranty costs not reimbursable by suppliers of US$30 million and an IP license fee of US$12 million noted in last year and the gain on disposal of a subsidiary of US$13 million recognized in current year. A net exchange gain of US$21 million is reported this year as compared to a net exchange loss of US$1 million in last year.

Major expense items

For the year ended Mach 31	**2011 US$'000**	2010 US$'000
Depreciation and impairment of property, plant and equipment and amortization of prepaid lease payments	**81,856**	106,591
Amortization and impairment of intangible assets	**94,284**	70,202
Employee benefit costs	**1,431,218**	1,182,019
– long-term incentive awards	***41,375***	*51,413*
– severance and related costs	***1,095***	*25,448*
Rental expenses under operating leases	**52,670**	44,729

CAPITAL EXPENDITURE

The Group incurred capital expenditures of US$148 million (2010: US$108 million) during the year ended March 31, 2011, mainly for the acquisition of office equipment, completion of construction-in-progress and investments in the Group's information technology systems.

LIQUIDITY AND FINANCIAL RESOURCES

At March 31, 2011, total assets of the Group amounted to US$10,706 million (2010: US$8,956 million), which were financed by equity attributable to owners of the Company of US$1,835 million (2010: US$1,606 million), non-controlling interests of US$179,000 (2010: US$177,000), and total liabilities of US$8,871 million (2010: US$7,350 million). At March 31, 2011, the current ratio of the Group was 0.99 (2010: 0.97).

The Group had a solid financial position and continued to maintain a strong and steady cash inflow from its operating activities. At March 31, 2011, bank deposits, cash and cash equivalents totaled US$2,997 million (2010: US$2,439 million), of which 53.9 (2010: 42.9) percent was denominated in US dollars, 37.1 (2010: 46.6) percent in Renminbi, 0.7 (2010: 1.6) percent in Euros, 0.4 (2010: 0.2) percent in Japanese Yen, and 7.9 (2010: 8.7) percent in other currencies.

The Group adopts a conservative policy to invest the surplus cash generated from operations. At March 31, 2011, 75.6 (2010: 78.2) percent of cash are bank deposits, and 24.4 (2010: 21.8) percent of cash are investments in liquid money market funds of investment grade.

Although the Group has consistently maintained a very liquid position, banking facilities have nevertheless been put in place for contingency purposes.

The Group had a US$300 million 3-year loan facility with a bank in China. At March 31, 2010 and 2011, it was utilized to the extent of US$200 million and expires in March 2012.

In addition, the Group has entered into another 5-Year loan facility agreement with a bank of US$300 million on July 17, 2009. The facility has not been utilized as at March 31, 2011 (2010: Nil).

On February 2, 2011, the Group entered into a 5-Year loan facility agreement for US$500 million. The facility has not been utilized as at March 31, 2011.

The Group has also arranged other short-term credit facilities. At March 31, 2011, the Group's total available credit facilities amounted to US$5,570 million (2010: US$4,936 million), of which US$331 million (2010: US$276 million) was in trade lines, US$475 million (2010: US$485 million) in short-term and revolving money market facilities and US$4,764 million (2010: US$4,175 million) in forward foreign exchange contracts. At March 31, 2011, the amounts drawn down were US$201 million (2010: US$191 million) in trade lines, US$3,190 million (2010: US$2,641 million) being used for the forward foreign exchange contracts; and US$72 million (2010: US$65 million) in short-term bank loans.

At March 31, 2011, the Group's outstanding bank loans represented the term loans of US$200 million (2010: US$430 million) and short-term bank loans of US$72 million (2010: US$65 million). At March 31, 2010, short-term bank loans of US$28 million were secured by the same amount of bank deposits. The security was released following repayment of the loan during the year. When compared with total equity of US$1,835 million (2010: US$1,606 million), the Group's gearing ratio was 0.15 (2010: 0.31). The net cash position of the Group at March 31, 2011 is US$2,725 million (2010: US$1,944 million) of which US$20 million is restricted bank deposit (2010: Nil).

The Group is confident that all the loan facilities on hand can meet the funding requirements of the Group's operations and business development.

At March 31	2011 US$ million	2010 US$ million
Bank deposits and cash and cash equivalents	**2,997**	2,439
Less: total borrowings	**(272)**	(495)
	2,725	1,944

The Group adopts a consistent hedging policy for business transactions to reduce the risk of currency fluctuation arising from daily operations. At March 31, 2011, the Group had commitments in respect of outstanding forward foreign exchange contracts amounting to US$3,190 million (2010: US$2,641 million).

The Group's forward foreign exchange contracts are either used to hedge a percentage of future 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 in 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.

All warrants were either exercised or repurchased by the Company.

On November 15, 2010, the remaining 769,167 convertible preferred shares were converted into 282,263,115 voting ordinary shares.

Under the general mandate authorized by the shareholders in the annual general meeting, the Company repurchases ordinary shares in order to increase shareholder value. For the year ended March 31, 2011, the Company repurchased 157,760,000 ordinary shares at par value of HK$0.025 each in the capital of the Company at an aggregate consideration of approximately US$87 million (2010: Nil).

CONTINGENT LIABILITIES

The Group, in the ordinary course of its business, is involved in various 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, 2011, the Group had a total of 27,039 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

"Protect and Attack" Strategy, Fiscal Year 2011/12

Protect	Attack
China **1.** Extend PC share lead **2.** Increase profitability **3.** Grow commercial with Server and workstation **Mature Relationship** **1.** Deliver steady profits in all regions **2.** Drive share gain across the board	**MIDH** **1.** Grow MIDH presence globally - Pad/Phone/Smart TV in China - Global Pad offering **2.** Drive convergence (cloud devices, killer apps, best user experience) **Emerging Markets (excluding China)** **1.** Get 10%+ Share in key countries **2.** Attack SMB/consumer & move to profitability **Mature Transactional** **1.** Grow share through Home/SMB and retail channels **2.** Expand attach business to drive profitability

Innovation leadership	- Innovative Products & User Experience - Business Model	- Quality focus - Global Branding
Effective business model	- Streamline E2E model for 3 customer segments - Improve E2E speed	- Focus on consumer voice
Global culture	- Lead The Lenovo Way - Meet commitments/Take ownership	

Worldwide PC market growth moderated further in the second half of fiscal year 2010/11 and even posted a negative growth in the fiscal quarter four. Challenges to the worldwide PC market demand – such as uncertainties about the pace of the global economic recovery, the ongoing debt crisis in Western Europe, further macro-economic tightening measures in China, and tablet cannibalization at entry level consumer PC – likely will continue.

The corporate refreshment cycle will continue to help sustain growth in commercial PC demand, while consumer PC demand likely will face continued "head winds" amidst a weakening macro-economic environment and cannibalization by tablet products. Nevertheless, Lenovo remains optimistic about the global PC market outlook and confident that the Group will continue outperforming its major industry peers in the new fiscal year through balanced growth and solid execution of its well-defined strategy.

The Group will continue its "Protect and Attack" strategy intended to drive continued growth in unit shipments, while expanding margins and delivering more values to its customers and shareholders.

The China PC market is expected to show gradual improvement in the new fiscal year benefiting from the momentum of China's healthy, growing economy. The relatively low PC penetration rates in emerging cities and suburban areas, and relatively low year-on-year comparison bases in coming quarters, likely will result in improved rates of PC market growth, especially in the second half of the new fiscal year.

The Group is confident that the China PC market will continue to outperform the worldwide PC market over time, and that its leadership position in the country will provide a unique competitive advantage in capturing this growth opportunity. Lenovo will endeavor to protect its core PC business in China by extending its PC market share lead and increasing profitability, and also by expanding its commercial business with servers and workstations. The Group will further attack market share in China's emerging cities, aggressively develop the MIDH business and align the end-to-end route-to-market organization to improve efficiency and profitability.

Lenovo's Joint Venture with NEC in Japan

Meanwhile, Lenovo will continue to benefit from the sustained strong growth momentum in Emerging Markets (excluding China) under its attack strategy to outperform its major peers and capture market share. The Group already captured double-digit market share in India for the fiscal quarters three and four, and will continue attacking this geography, seeking to achieve double-digit market shares in key countries and improve profitability. Lenovo will accelerate consumer business momentum by focusing on retail development, achieving a breakthrough in SMB business, and driving the relationship business model.

Looking forward, the corporate PC refresh cycle will continue to drive PC industry growth in Mature Markets, and Lenovo believes that the corporate PC replacement trend will remain on track. Lenovo is well positioned to leverage this market environment given its unique position in the commercial PC segment. The Group will continue to protect its relationship business with the aims of delivering steady profits in all regions and driving across-the-board market share gains. The Group will address the growth opportunity in both consumer and SMB PC segments with innovative products, while continuing to expand its channel partner network and deploying tools to simplify its business models in Mature Markets. Furthermore, the Group will increase its investments in marketing activity in key countries to improve brand consideration. Finally, the Group will leverage the joint venture with NEC in Japan to grow market share in the world's third largest PC market, becoming the number one in the market upon anticipated completion of the transaction on or about June 30, 2011.

Lenovo has delivered consistent strong performance in the past two years under its successful "Protect and Attack" strategy despite challenges in the market environment, and established a solid foundation for the next phase of corporate development. Lenovo will remain firmly committed to this successful strategy, confident that the Group will continue to outperform the worldwide PC market through balanced growth. Lenovo also will attack MIDH business to develop global presence and drive the convergence of its products.

The PC market is changing into multi-products and multi-platform, therefore innovation in products remains a key factor for success. The Group will continue to differentiate through strong design and Lenovo has a sound track record for product innovation in the global PC industry. The Group had two very successful CES, in which the Group's technology and products earned great industry recognition. In addition, Lenovo has been ranked in surveys by Bloomberg Business as one of the world's most innovative companies for two straight years. The Group will remain committed to product innovation in order to differentiate itself from the competitors and to enhance corporate profitability. Through its major research centers in Raleigh, Yamato, Beijing, Shanghai and Shenzhen, the Group created attractive products that are competitive in the market, and well-received by customers.

Lenovo has benefited from its strong brand reputation in China, and it is the Group's strategy to build its brand reputation globally to drive future price stability and margin enhancement over time. The Group launched an aggressive corporate marketing campaign with an objective to further strengthen its brand globally.

Although the Group's strategy mandates investments in product innovation, brand building in global markets, and mobile internet products to drive future growth, Lenovo will continue its stringent control on expense and enhance end-to-end operating efficiency. With increasing unit shipments in PC and mobile products, the Group will likely to continue to enjoy the increased benefits of larger scale. Therefore, Lenovo is confident that its expense-to-revenue ratio will remain at low levels in the new fiscal year even as the company invests to drive future growth.

Given its strong balance sheet, the Group will continue to actively look for inorganic growth opportunities within the PC industry, which would supplement its organic growth strategy to accelerate future expansion.

With the global market environment showing signs of continued growth in areas where Lenovo is well positioned, management is confident that the Group will consistently deliver solid performance and create more values for the shareholders through the successful execution of strategic priorities and balanced growth.

When someone asks

WHAT IT IS WE DO,

is it enough to say
we make the world's
best technology?

Or is the better answer that

WE MAKE THE TECHNOLOGY

that powers
the world's
best ideas?

CORPORATE GOVERNANCE

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 and other stakeholders. 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, 2011, 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 E.1.2

The Chairman of the Board was unable to attend the Company's annual general meeting which was held on July 30, 2010 as he had an engagement that was important to the businesss of the Company.

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 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 72 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 62 to 65 of this annual report.

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 62 to 63 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.

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.

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 Mr. Nicholas C. Allen (Committee Chairman), Professor Woo Chia-Wei, Mr. Ting Lee Sen and Ms. Ma Xuezheng.

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 addition, separate executive sessions were 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.

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, 2011, the Committee held three meetings and passed circular resolutions in which the following activities were resolved to be undertaken:

- Approval of 2010/11 updated merit plan
- Submission of 2010/11 non-executive director pay recommendation by independent consultant for the Board's approval
- Approval of 2009/10 bonus payments and 2010/11 compensation for the direct reports of CEO and President
- Approval of 2009/10 bonus payment for CEO
- Approval of the total budget for 2010/11 merit for direct reports of CEO and President
- Approval of 2010/11 merit for CEO and Chairman of the Board
- Approval of the change to 2010/11 LTI budget
- Approval of the changes to attainment and goals of the senior management incentive plan
- Approval of additional LTI grants to outstanding performed employees

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 CEO and making proposals to the Compensation Committee.

The Committee met four times during the year to review the business performance and business strategy of the Group and it also assessed the performance of the CEO for 2009/10.

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 members participated in a Board meeting to review the senior management succession planning of the Company.

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:

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

Notes:

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

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, the Compensation Committee will engage an independent international compensation consulting firm to conduct an analysis of the compensation package of non-executive directors and make recommendation to the Board (comprising only executive director) for approval. In making its recommendation, the firm will also review other relevant factors such as the time commitment, workload, job requirements and responsibilities of the non-executive directors and compare 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, 2011 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, 2011 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 58 to 61. Options outstanding for executive and non-executive directors as of March 31, 2011 under these schemes are presented in the Directors' Report on page 60.

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 68 to 70.

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, 2010 (unvested)	Awarded during the year	Vested during the year	Exercised during the year	Cancelled/ lapsed during the year (Note 3)	As at March 31, 2011 (unvested)	Total outstanding as at March 31, 2011	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	–	–	–	–	–	–	390,000	390,000	06.01.2007 – 06.01.2009
	SAR	07/08	3.94	99,000	–	99,000	–	–	–	297,000	297,000	06.01.2008 – 06.01.2010
	SAR	08/09	5.88	130,653	–	65,326	–	–	65,327	195,980	195,980	06.01.2009 – 06.01.2011
	SAR	09/10	3.17	18,500,000	–	4,625,000	–	–	13,875,000	18,500,000	18,500,000	05.25.2010 – 05.25-2013
	SAR	09/10	5.23	–	5,930,042	1,976,681	–	–	5,953,361	5,930,042	5,930,042	02.08.2011 – 02.08.2013
	SAR	10/11	4.92	–	6,644,127	–	–	–	6,644,127	6,644,127	6,644,127	02.21.2012 – 02.21.2014
	RSU	07/08	3.94	33,000	–	33,000	–	–	–	–	–	06.01.2008 – 06.01.2010
	RSU	08/09	5.88	52,260	–	26,130	–	–	26,130	26,130	26,130	06.01.2009 – 06.01.2011
	RSU	10/11	3.95	–	1,545,892	1,545,892	–	–	–	–	–	06.18.2010
Mr. Yang Yuanqing	SAR	05/06	2.42	–	–	–	6,362,756	–	–	–	–	05.01.2006 – 05.01.2009
	SAR	06/07	2.35	3,346,417	–	3,346,417	–	–	–	13,385,665	13,385,665	06.01.2007 – 06.01.2010
	SAR	07/08	3.94	3,001,005	–	1,500,503	–	–	1,500,502	6,002,009	6,002,009	06.01.2008 – 06.01.2011
	SAR	08/09	5.88	2,954,891	–	984,964	–	–	1,969,927	3,939,855	3,939,855	06.01.2009 – 06.01.2012
	SAR	09/10	3.17	22,800,000	–	5,700,000	–	–	17,100,000	22,800,000	22,800,000	05.25,2010 – 05.25,2013
	SAR	09/10	5.23	6,596,156	–	1,649,039	–	–	4,947,117	6,596,156	6,596,156	02.08.2011 – 02.08.2014
	SAR	10/11	4.92	–	–	11,030,219	–	–	11,030,219	11,030,219	11,030,219	02.21.2012 – 02.21.2015
	RSU	06/07	2.35	743,649	–	743,649	–	–	–	–	–	06.01.2007 – 06.01.2010
	RSU	07/08	3.94	3,362,202	–	1,681,102	–	–	1,681,100	1,681,100	1,681,100	06.01.2008 – 06.01.2011
	RSU	08/09	5.88	787,971	–	262,657	–	–	525,314	525,314	525,314	06.01.2009 – 06.01.2012
	RSU	09/10	3.17	10,200,000	–	2,550,000	–	–	7,650,000	7,650,000	7,650,000	05.25.2010 – 05.25.2013
	RSU	09/10	5.23	–	4,947,117	1,236,779	–	–	3,710,338	3,710,338	3,710,338	02.08.2011 – 02.08.2014
	RSU	10/11	4.92	–	7,878,728	–	–	–	7,878,728	7,878,728	7,878,728	02.21.2012 – 02.21.2015
Mr. Zhu Linan	SAR	05/06	3.15	–	–	–	–	–	–	564,000	564,000	05.01.2006 – 05.01.2008
	SAR	06/07	2.99	–	–	–	–	–	–	390,000	390,000	06.01.2007 – 06.01.2009
	SAR	07/08	3.94	99,000	–	99,000	–	–	–	297,000	297,000	06.01.2008 – 06.01.2010
	SAR	08/09	5.88	130,653	–	65,326	–	–	65,327	195,980	195,980	06.01.2009 – 06.01.2011
	SAR	09/10	3.88	263,796	–	87,932	–	–	175,864	263,796	263,796	08.07.2010 – 08.07.2012
	SAR	09/10	4.47	38,163	–	12,721	–	–	25,442	38,163	38,163	11.30.2010 – 11.30.2012
	SAR	10/11	4.59	–	237,001	–	–	–	237,001	237,001	237,001	08.20.2011 – 08.20.2013
	RSU	07/08	3.94	33,000	–	33,000	–	–	–	–	–	06.01.2008 – 06.01.2010
	RSU	08/09	5.88	52,260	–	26,130	–	–	26,130	26,130	26,130	06.01.2009 – 06.01.2011
	RSU	09/10	3.88	119,907	–	39,969	–	–	79,938	79,938	79,938	08.07.2010 – 08.07.2012
	RSU	09/10	4.47	17,347	–	5,782	–	–	11,565	11,565	11,565	11.30.2010 – 11.30.2012
	RSU	10/11	4.59	–	118,501	–	–	–	118,501	118,501	118,501	08.20.2011 – 08.20.2013

Name	Award type	Fiscal Year of Award	Effective price (HK$)	Number of units: As at April 1, 2010 (unvested)	Awarded during the year	Vested during the year	Exercised during the year	Cancelled/ lapsed during the year (Note 3)	As at March 31, 2011 (unvested)	Total outstanding as at March 31, 2011	Max no. of shares subject to conditions	Vesting period (mm.dd.yyyy)
Ms. Ma Xuezheng	SAR	06/07	2.35	1,027,473	–	1,027,473	527,564	499,909	–	–	–	06.01.2007 – 06.01.2010
	SAR	07/08	3.94	99,000	–	99,000	18,242	80,758	–	–	–	06.01.2008 – 06.01.2010
	SAR	07/08	5.62	346,565	–	173,283	–	–	173,282	693,130	693,130	06.01.2008 – 06.01.2011
	SAR	08/09	5.88	130,653	–	65,327	–	–	65,326	195,980	195,980	06.01.2009 – 06.01.2011
	SAR	09/10	3.88	263,796	–	87,932	17,295	70,637	175,864	175,864	175,864	08.07.2010 – 08.07.2012
	SAR	09/10	4.47	38,163	–	12,721	–	–	25,442	38,163	38,163	11.30.2010 – 11.30.2012
	SAR	10/11	4.59	–	237,001	–	–	–	237,001	237,001	237,001	08.20.2011 – 08.20.2013
	RSU	06/07	2.35	342,491	–	342,491	–	–	–	–	–	06.01.2007 – 06.01.2010
	RSU	07/08	3.94	33,000	–	33,000	–	–	–	–	–	06.01.2008 – 06.01.2010
	RSU	07/08	5.62	115,521	–	57,761	–	–	57,760	57,760	57,760	06.01.2008 – 06.01.2011
	RSU	08/09	5.88	52,260	–	26,130	–	–	26,130	26,130	26,130	06.01.2009 – 06.01.2011
	RSU	09/10	3.88	119,907	–	39,969	–	–	79,938	79,938	79,938	08.07.2010 – 08.07.2012
	RSU	09/10	4.47	17,347	–	5,782	–	–	11,565	11,565	11,565	11.30.2010 – 11.30.2012
	RSU	10/11	4.59	–	118,501	–	–	–	118,501	118,501	118,501	08.20.2011 – 08.20.2013
Mr. James G. Coulter	SAR	07/08	3.94	99,000	–	99,000	–	–	–	–	–	06.01.2008 – 06.01.2010
	SAR	08/09	5.88	130,654	–	65,327	–	–	65,327	65,327	65,327	06.01.2009 – 06.01.2011
	SAR	09/10	3.88	263,796	–	87,932	–	–	175,864	175,864	175,864	08.07.2010 – 08.07.2012
	SAR	09/10	4.47	38,163	–	12,721	–	–	25,442	25,442	25,442	11.30.2010 – 11.30.2012
	SAR	10/11	4.59	–	237,001	–	–	–	237,001	237,001	237,001	08.20.2011 – 08.20.2013
	RSU	07/08	3.94	33,000	–	33,000	–	–	–	–	–	06.01.2008 – 06.01.2010
	RSU	08/09	5.88	52,260	–	26,130	–	–	26,130	26,130	26,130	06.01.2009 – 06.01.2011
	RSU	09/10	3.88	119,907	–	39,969	–	–	79,938	79,938	79,938	08.07.2010 – 08.07.2012
	RSU	09/10	4.47	17,347	–	5,782	–	–	11,565	11,565	11,565	11.30.2010 – 11.30.2012
	RSU	10/11	4.59	–	118,501	–	–	–	118,501	118,501	118,501	08.20.2011 – 08.20.2013
Mr. William O. Grabe	SAR	05/06	3.15	–	–	–	–	–	–	564,000	564,000	05.01.2006 – 05.01.2008
	SAR	06/07	2.99	–	–	–	–	–	–	390,000	390,000	06.01.2007 – 06.01.2009
	SAR	07/08	3.94	99,000	–	99,000	–	–	–	–	–	06.01.2008 – 06.01.2010
	SAR	08/09	5.88	130,654	–	65,327	–	–	65,327	65,327	65,327	06.01.2009 – 06.01.2011
	SAR	09/10	3.88	263,796	–	87,932	–	–	175,864	175,864	175,864	08.07.2010 – 08.07.2012
	SAR	09/10	4.47	38,163	–	12,721	–	–	25,442	25,442	25,442	11.30.2010 – 11.30.2012
	SAR	10/11	4.59	–	237,001	–	–	–	237,001	237,001	237,001	08.20.2011 – 08.20.2013
	RSU	07/08	3.94	33,000	–	33,000	–	–	–	–	–	06.01.2008 – 06.01.2010
	RSU	08/09	5.88	52,260	–	26,130	–	–	26,130	26,130	26,130	06.01.2009 – 06.01.2011
	RSU	09/10	3.88	119,907	–	39,969	–	–	79,938	79,938	79,938	08.07.2010 – 08.07.2012
	RSU	09/10	4.47	17,347	–	5,782	–	–	11,565	11,565	11,565	11.30.2010 – 11.30.2012
	RSU	10/11	4.59	–	118,501	–	–	–	118,501	118,501	118,501	08.20.2011 – 08.20.2013
	RSU	10/11	4.74	–	36,788	36,788	–	–	–	–	–	Note 1
	RSU	10/11	4.59	–	38,090	38,090	–	–	–	–	–	Note 1
	RSU	10/11	5.66	–	30,808	30,808	–	–	–	–	–	Note 1
	RSU	10/11	5.47	–	3,987	2,309	–	–	–	–	–	Note 1
	RSU	10/11	4.88	–	35,733	31,762	–	–	–	–	–	Note 1
Dr. Wu Yibing	SAR	09/10	3.88	263,796	–	87,932	–	–	175,864	175,864	175,864	08.07.2010 – 08.07.2012
	SAR	09/10	4.47	38,163	–	12,721	–	–	25,442	25,442	25,442	11.30.2010 – 11.30.2012
	SAR	10/11	4.59	–	237,001	–	–	–	237,001	237,001	237,001	08.20.2011 – 08.20.2013
	RSU	09/10	3.88	119,907	–	39,969	–	–	79,938	79,938	79,938	08.07.2010 – 08.07.2012
	RSU	09/10	4.47	17,347	–	5,782	–	–	11,565	11,565	11,565	11.30.2010 – 11.30.2012
	RSU	10/11	4.59	–	118,501	–	–	–	118,501	118,501	118,501	08.20.2011 – 08.20.2013

Name	Award type	Fiscal Year of Award	Effective price (HK$)	Number of units: As at April 1, 2010 (unvested)	Awarded during the year	Vested during the year	Exercised during the year	Cancelled/ lapsed during the year (Note 3)	As at March 31, 2011 (unvested)	Total outstanding as at March 31, 2011	Max no. of shares subject to conditions	Vesting period (mm.dd.yyyy)
Professor Woo Chia-Wei	SAR	05/06	3.15	–	–	–	–	–	–	564,000	564,000	05.01.2006-05.01.2008
	SAR	06/07	2.99	–	–	–	–	–	–	390,000	390,000	06.01.2007-06.01.2009
	SAR	07/08	3.94	99,000	–	99,000	–	–	–	–	–	06.01.2008 – 06.01.2010
	SAR	08/09	5.88	130,654	–	65,327	–	–	65,327	65,327	65,327	06.01.2009 – 06.01.2011
	SAR	09/10	3.88	263,796	–	87,932	–	–	175,864	175,864	175,864	08.07.2010 – 08.07.2012
	SAR	09/10	4.47	38,163	–	12,721	–	–	25,442	25,442	25,442	11.30.2010 – 11.30.2012
	SAR	10/11	4.59	–	237,001	–	–	–	237,001	237,001	237,001	08.20.2011 – 08.20.2013
	RSU	07/08	3.94	33,000	–	33,000	–	–	–	–	–	06.01.2008 – 06.01.2010
	RSU	08/09	5.88	52,260	–	26,130	–	–	26,130	26,130	26,130	06.01.2009 – 06.01.2011
	RSU	09/10	3.88	119,907	–	39,969	–	–	79,938	79,938	79,938	08.07.2010 – 08.07.2012
	RSU	09/10	4.47	17,347	–	5,782	–	–	11,565	11,565	11,565	11.30.2010 – 11.30.2012
	RSU	10/11	4.59	–	118,501	–	–	–	118,501	118,501	118,501	08.20.2011 – 08.20.2013
	RSU	10/11	4.74	–	32,700	32,700	–	–	–	–	–	Note 1
	RSU	10/11	4.59	–	33,857	33,857	–	–	–	–	–	Note 1
	RSU	10/11	5.66	–	27,385	27,385	–	–	–	–	–	Note 1
	RSU	10/11	5.47	–	3,576	3,576	–	–	–	–	–	Note 1
	RSU	10/11	4.88	–	31,762	31,762	–	–	–	–	–	Note 1
Mr. Ting Lee Sen	SAR	05/06	3.15	–	–	–	–	–	–	564,000	564,000	05.01.2006-05.01.2008
	SAR	06/07	2.99	–	–	–	–	–	–	390,000	390,000	06.01.2007-06.01.2009
	SAR	07/08	3.94	99,000	–	99,000	–	–	–	–	–	06.01.2008 – 06.01.2010
	SAR	08/09	5.88	130,654	–	65,327	–	–	65,327	65,327	65,327	06.01.2009 – 06.01.2011
	SAR	09/10	3.88	263,796	–	87,932	–	–	175,864	175,864	175,864	08.07.2010 – 08.07.2012
	SAR	09/10	4.47	38,163	–	12,721	–	–	25,442	25,442	25,442	11.30.2010 – 11.30.2012
	SAR	10/11	4.59	–	237,001	–	–	–	237,001	237,001	237,001	08.20.2011 – 08.20.2013
	RSU	07/08	3.94	33,000	–	33,000	–	–	–	–	–	06.01.2008 – 06.01.2010
	RSU	08/09	5.88	52,260	–	26,130	–	–	26,130	26,130	26,130	06.01.2009 – 06.01.2011
	RSU	09/10	3.88	119,907	–	39,969	–	–	79,938	79,938	79,938	08.07.2010 – 08.07.2012
	RSU	09/10	4.47	17,347	–	5,782	–	–	11,565	11,565	11,565	11.30.2010 – 11.30.2012
	RSU	10/11	4.59	–	118,501	–	–	–	118,501	118,501	118,501	11.30.2011 – 11.30.2013
	RSU	10/11	5.47	–	1,908	1,293	–	–	–	–	–	Note 1
Dr. Tian Suning	SAR	07/08	5.14	50,650	–	50,650	–	–	–	–	–	09.01.2008 – 09.01.2010
	SAR	08/09	5.88	130,654	–	65,327	–	–	65,327	65,327	65,327	06.01.2009 – 06.01.2011
	SAR	09/10	3.88	263,796	–	87,932	–	–	175,864	175,864	175,864	08.07.2010 – 08.07.2012
	SAR	09/10	4.47	38,163	–	12,721	–	–	25,442	25,442	25,442	11.30.2010 – 11.30.2012
	SAR	10/11	4.59	–	237,001	–	–	–	237,001	237,001	237,001	08.20.2011 – 08.20.2013
	RSU	07/08	5.14	16,884	–	16,884	–	–	–	–	–	09.01.2008 – 09.01.2010
	RSU	08/09	5.88	52,260	–	26,130	–	–	26,130	26,130	26,130	06.01.2009 – 06.01.2011
	RSU	09/10	3.88	119,907	–	39,969	–	–	79,938	79,938	79,938	08.07.2010 – 08.07.2012
	RSU	09/10	4.47	17,347	–	5,782	–	–	11,565	11,565	11,565	11.30.2010 – 11.30.2012
	RSU	10/11	4.59	–	118,501	–	–	–	118,501	118,501	118,501	08.20.2011 – 08.20.2013
Mr. Nicholas C. Allen	SAR	09/10	4.47	107,343	–	35,781	–	–	71,562	71,562	71,562	11.30.2010 – 11.30.2012
	SAR	10/11	4.59	–	237,001	–	–	–	237,001	237,001	237,001	08.20.2011 – 08.20.2013
	RSU	09/10	4.47	48,792	–	16,264	–	–	32,528	32,528	32,528	11.30.2010 – 11.30.2012
	RSU	10/11	4.59	–	118,501	–	–	–	118,501	118,501	118,501	08.20.2011 – 08.20.2013

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.

Note 3: These units were cancelled in accordance with the operation of the SAR plan rules.

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, 2011 and the comparative figures for the financial year ended March 31, 2010 are as follows:

	2011 US$mn	2010 US$mn
Audit		
– 2009/10	**–**	3.6
– 2010/11	**4.0**	–
	4.0	3.6
Non-audit	**0.6**	0.5
Total	**4.6**	4.1

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.

The internal control system of the Company covers every activity and transaction. 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.

Also essential to the internal control system are well defined policies and procedures that are properly documented and communicated to employees. The Corporate policies form the basis of all our major guidelines and procedures and set out the control standards required for the functioning of our business entities. The policies cover those required for administrative and operating activities such as performance monitoring, employee health and safety, delegation of authority, personnel administration, information security, and business continuity management.

Additionally, the Company's Code of Conduct demonstrates Lenovo's commitment to an environment of uncompromising integrity and helps employees determine when to ask for advice, and where to obtain it. All Lenovo employees are required to comply with the company's Code of Conduct, which is available on Lenovo's intranet, and to participate in annual training to reinforce the company's commitment to compliance and to conducting business with integrity. Lenovo regards any violation of this Code as a serious matter and is committed to follow up on all reported concerns. 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.

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.

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, Internal Audit has implemented a comprehensive and continuous quality assurance program covering all Internal Audit activities. In addition, the Audit Committee periodically commissions an independent external quality assurance review of the Internal Audit function.

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. Using this information Internal Audit develops a risk based audit plan focusing on areas with significant risks or where substantial changes have been made. The 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. In addition to reviews performed by Internal and External Auditors, Lenovo also places importance on self testing of key controls by our management in order to ensure that their internal controls are working as intended or necessary actions have been taken to address control weaknesses.

Furthermore, Internal Audit are responsible for investigating any allegations of potential violations of Lenovo's Code of Conduct or the Anti-Bribery and Anti-Corruption Policy. 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.

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 2010 Annual General Meeting of the Company held on July 30, 2010 was attended by, among others, CEO, Chief Financial Officer, Chairman of the Audit Committee and representatives of independent professional consultant Towers Watson and external auditor PwC to answer questions raised by shareholders at the meeting. Resolutions passed at the 2010 Annual General Meeting included: adoption of the Group's audited accounts for the year ended March 31, 2010 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, 2011, 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 2010 Annual General Meeting were decided by way of poll voting. The poll was conducted by Tricor Abacus Limited, the Company's share registrar, 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 team to promote open, transparent, efficient and consistent communications with shareholders, investors and equity analysts. The team commits to proactively providing the investment community all necessary information, data and services in a timely manner, in order to help participants in the investment community to better understand the Company's strategy, operations and new development.

During the fiscal year 2010/11, the Company's senior management team presented its annual and quarterly earnings results in Hong Kong, New York, Beijing and San Francisco. Through various investor relations activities such as analyst briefings, webcasts, conference calls and global investor roadshows, the senior management team presented and communicated with investors and analysts on the Company's strategy and development. The Company hosted an investor reverse roadshow in Beijing for global institutional investors in September 2010 and the senior management team presented Lenovo's most updated strategies and development plans. Site visits were also arranged to Lenovo's innovation center and manufacturing plant for the participants. The Company continued to organize an annual analyst roundtable to enhance equity analysts' in-depth understanding in its specific business segment. In December 2010, the investor relations team invited Lenovo's Chief Technology Officer, Mr. He Zhiqiang, to present the Company's latest mobile internet strategy and new initiatives. In addition to regular one-on-one investor meetings, the senior management team also participated the following investor conferences held by major international investment banks in order to actively communicate with institutional investors around the world.

Date	Conference	Location
April 2010	Macquarie Hong Kong Conference	Hong Kong
June 2010	Nomura Pan-Asia Technology Conference	Hong Kong
June 2010	Credit Suisse China Investment Conference	Shanghai
June 2010	UBS Taiwan Conference	Taipei
June 2010	Yuanta Greater China Downstream Technology Corporate Day	Hong Kong
September 2010	Citigroup Global Technology Conference	New York
September 2010	Deutsche Bank European Technology Conference	London
September 2010	Credit Suisse Asian Technology Conference	Taipei
September 2010	CLSA Investor's Forum	Hong Kong
October 2010	BNP Paribas China Conference	Guilin
November 2010	Daiwa Investment Conference	Hong Kong
December 2010	Barclays Global Technology Conference	San Francisco
December 2010	Nomura Investment Conference	Tokyo
December 2010	HSBC Greater China Corporate Day	Hong Kong
January 2011	Nomura CES Conference	Las Vegas
January 2011	BNP Paribas CES Technology Day	Las Vegas
January 2011	UBS Greater China Conference	Shanghai
March 2011	Citigroup Taiwan Investor Conference	Taipei
March 2011	Credit Suisse Asian Investment Conference	Hong Kong

The Company's continuous effort in investor relations has been well-recognized by the investment community. During the fiscal year, the Company CFO Wong Wai-Ming was awarded "Regional CFO of the Year" by the Asset Magazine as an recognition to his contributions to the Company's financial performance. In the IR Magazine Awards 2010, Lenovo was ranked the "Best Investor Relations Website/Webcasting in Hong Kong", and the investor relations team was voted the "Top 3 Best IR Professional" and the "Top 3 Best IR by TMT Companies" in the same event. Lenovo's fiscal year 2009/10 annual report has won the Silver Award of "Best Annual Report for Electronic Manufacturing Sector" in the Galaxy Awards 2010. Moreover, Lenovo has also been selected as a constituent stock of the Hang Seng Corporate Sustainability Index in Hong Kong, which demonstrated market recognition for the Company's achievements in corporate sustainability. The investor relations team will continue to endeavor to provide award-winning investor relations services to the shareholders, investors and equity analysts.

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

Market Capitalization and Public Float

As at March 31, 2011, the market capitalization of listed shares of the Company was approximately HK$44.3 billion based on the total number of 9,995,161,897 issued Shares of the Company and the closing price of HK$4.43 per share.

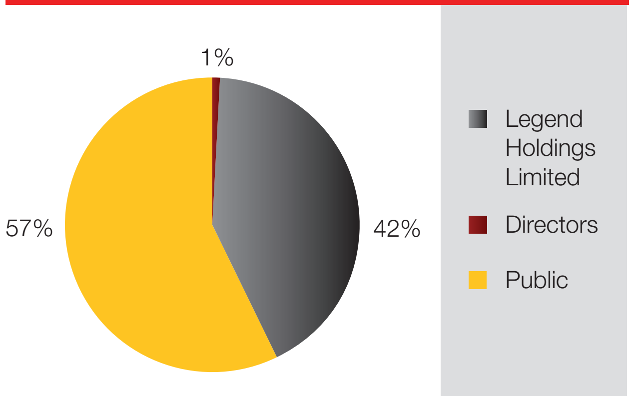
The daily average number of traded Shares was approximately 49.5 million Shares over an approximate free float of 5,700 million Shares in the fiscal year 2010/11. The highest closing price for the Share was HK$6.20 per share on April 26, 2010 and the lowest closing price was HK$3.93 per share on March 17, 2011.

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, 2011 and has continued to maintain the public float as at the date of this annual report.

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, 2011, there were 1,319 registered shareholders holding the Shares, of whom 98.26 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, 2011



Shareholdings as at March 31, 2011

Size of Registered Shareholdings	No. of Shareholders	% of Shareholders	No. of Shares	% of Issued Share Capital
2,000 or below	301	22.820%	545,782	0.005%
2,001-10,000	676	51.252%	4,716,000	0.047%
10,001-100,000	307	23.275%	9,048,272	0.091%
100,001-1,000,000	20	1.516%	6,474,000	0.065%
Above 1,000,000	15	1.137%	9,974,377,843	99.792%
Total	1,319	100.000%	9,995,161,897	100.000%

Remarks:

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

(ii) 56.373 percent of all the issued Shares were held through HKSCC Nominees Limited.

INFORMATION FOR INVESTORS

Listing Information	
Listing	Hong Kong Stock Exchange
Stock code	992
American Depositary Receipts Level I Program	
Ordinary shares to ADR	20:1
Stock code	LNVGY
Share Information	
Board lot size	2,000 shares
Ordinary shares outstanding as of March 31, 2011	9,995,161,897 shares
Market capitalization as of March 31, 2011	HK$44.3 billion (Approx. US$5.7 billion)
Basic earnings per share for the year ended March 31, 2011	2.84 US cents
Dividend per ordinary share for the year ended March 31, 2011	
– Interim	2.6 HK cents
– Total	7.6 HK cents
Key Dates	
First Quarter Results Announcement	August 19, 2010
Interim Results Announcement	November 10, 2010
Closure of Register of Members for Interim Dividend	November 29-December 1, 2010 (Both days inclusive)
Payment of 2010/11 Interim Dividend	December 9, 2010
Third Quarter Results Announcement	February 17, 2011
Annual Results Announcement	May 26, 2011
Annual General Meeting	July 22, 2011

CORPORATE SOCIAL RESPONSIBILITY

SUSTAINABILITY

Lenovo supports and implements sustainable and responsible business practices globally and is devoted to ensuring that our products, employees, sites, and suppliers are following these commitments. These sustainable and responsible business practices serve as a means to minimize risk, reduce costs, increase shareholder value and support our long-term prospects for profitability.

Lenovo's sustainability commitments encompass:

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

Lenovo is a signatory and member of the UN Global Compact and fully embraces its policies and principles. The UN Global Compact is a public-private strategic policy initiative for businesses committed to aligning operations and strategies with ten universally accepted principals in the area of human rights, labor, environment and anti-corruption.

Lenovo's sustainability commitments and 2010 highlights are summarized below. More extensive information on sustainability can be found at:

http://www.lenovo.com/csr

Corporate Governance and Strategy

Lenovo has always been committed to sustainable business practices, and in late 2010, the company launched an initiative to update its corporate governance in line with best practices, to ensure that there is full accountability for sustainability at all levels of management. In addition, Lenovo began an initiative to embed sustainability into the company's business strategy. The outcomes of both of these initiatives will be announced in FY 2012. Lenovo was recognized for its leadership and commitment to sustainability in July 2010, when the company was selected as one of only thirty companies to be included in the first Hang Seng Sustainability Index.

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.

Employee Health, Welfare and Diversity

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. Lenovo tracks its performance in health and safety, and relevant data can be found in our sustainability report. The Company's Global Occupation Heath and Safety (OHS) organization has established world-class standards for employee workplace safety. Lenovo is pursuing global volunteer initiatives, such as OHSAS 18001, in which Lenovo's global supply chain was certified OHSAS 18001 compliant by Bureau Veritas.

In 2010, Lenovo was recognized with multiple awards in the area of health and safety. Lenovo's Shenzhen, China facility was recognized with its sixth consecutive "Safety Outstanding Contribution" award from the FuTian District Safety Government Committee in 2010. In addition, the United States Fulfillment Center (USFC), in Whitsett, North Carolina will be recognized by the North Carolina Department of Labor with their third consecutive annual Gold Award for accident prevention in 2010.

As a major competitor in a high-tech industry, attracting and retaining top talent is critical to Lenovo's performance. 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.

Women in Lenovo Leadership (WILL) was launched in 2007 on International Women's Day with the purpose of addressing key priorities that would support a woman's growth and contribution to the company. WILL involves events, programs and HR processes to enhance work life balance, mentoring, networking, training and external partnerships with other players engaged in initiatives for women. WILL is a global program with regional leaders in Australia/New Zealand, Brazil, Canada, China, France, Western Europe, UK, India, Japan and the U.S. These leaders provide specific focus in their regions on topics of interest to women in these regions.

WILL contributes to the overall business strategy of Lenovo and is therefore a key ingredient to profitability. Employees have an opportunity to leverage their experiences and knowledge and expand their growth. We are uniquely poised to help our company and organizations successfully maneuver this new diverse, global reality because we have such a strong foundation for advocating for, and advancing, inclusion in our workplace. WILL is an essential part of developing an outline of how our current and future leaders can develop and leverage their skills to help make all of our companies and organizations more successful on a global scale.

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 relies on the principles of Life Cycle Analysis to ensure that every stage of the product's life is taken into consideration including manufacturing, transportation, installation, use, service, and recycling. This enables Lenovo to have deep insight into opportunities for risk and cost minimization as well as insight into new opportunities for enhancing and increasing product marketability to meet the preferences of an increasingly informed public.

Corporate strategies, policies and guidelines have been designed to support Lenovo's 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.

Lenovo's global Quality Management System, which has earned ISO 9001 certification, is committed to the goals of achieving customer satisfaction, delivering superior products, solutions, and services, while meeting customer requirements.

100% of Lenovo's products are compliant with RoHS requirements. Lenovo completed the RoHS transition on 1 October 2007 and all components, commodities, parts and products have been RoHS compliant since that time. For more information: http://www.lenovo.com/social_responsibility/us/en/sustainability/RoHS_Communication.pdf.

The Environment

Lenovo is committed to accountability and leadership in environmental affairs and continues to build upon a history of environmental achievement. This commitment is documented in Lenovo's corporate environmental policy which applies to all operations and forms the foundation of Lenovo's Environmental Management System (EMS). The EMS establishes the framework from which Lenovo manages all facets of its environmental aspects and drives continuous improvement in its environmental performance. 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. Facilities included in Lenovo's ISO 14001 registration are listed in the table below.

ISO 14001 Registered Manufacturing & Development Facilities

Location	Primary Function(s)
Lenovo Building/Beijing, China	Manufacturing -Administration
North R&D Center/Beijing, China	Development
Huiyang Plant/Huiyang, China	Manufacturing
Monterrey Plant, Apodaca, NL, Mexico	Manufacturing
Morrisville, NC, USA	Development – Administration
Shanghai, China	Manufacturing
ZhangJiang Building/Shanghai, China	Development
ISH2 and Shuncang Buildings/Shenzhen, China	Manufacturing
Lenovo R&D Center, Shenzhen, China	Development
Pondicherry, India	Manufacturing
USFC, Whitsett, NC, USA	Fulfillment Center
Yamato Development Lab/Yokohama, Japan	Development

In August of 2010, Lenovo's CEO Yang Yuanqing signed a comprehensive Climate Change Policy for Lenovo and approved associated targets to support these policy goals. Lenovo's climate change strategy focuses on five areas of influence, within which Lenovo works to drive and facilitate global, national, and local greenhouse gas emissions (GHG) reductions. These areas of influence include:

- Lenovo internal operation and the direct emissions from our facilities (Scope 1 emissions)
- Energy suppliers and their operational emissions which are attributable to Lenovo activities (Scope 2 emissions)
- Lenovo's supply chain and emissions associated with the production and delivery of goods and services to Lenovo (i.e., "cradle to gate" – Scope 3 emissions)
- Lenovo customers and the emissions associated with their procurement, use and disposal of Lenovo products (i.e., "gate to grave" – Scope 4 emissions)

- Governmental, NGO, and public actions in support of a transition to a low carbon economy

Lenovo is making progress in all of these areas as we continue to work internally and externally to reduce the environmental impact of our operations. Our initial goal is to eliminate or offset 100% of Lenovo's Scope 1 GHG emissions and achieve a 10% absolute reduction in Lenovo's Scope 2 GHG emissions by March 31, 2011 (using FY08/09 as a baseline) were met. These goals were met through a combination of energy efficiency measures and the purchase of renewable energy credits and carbon offsets. We have committed to further purchases of renewable energy credits during FY 2011 and carbon offset purchases during FY 2011 and FY 2012. We continue to emphasize energy efficiency within our operations. Over 40 separate energy efficiency projects were initiated at our facilities around the world during the past two years.

We also continue to work with external partners to improve our ability to quantify, track and mitigate the impacts of our supply chain and our products. Lenovo is engaged with the Electronics Industry Citizenship Coalition (EICC) in the development of a database to track the GHG emissions of our supply chain. Initial work on quantifying the greenhouse gas emissions of Lenovo's largest suppliers is nearing completion. This work will be expanded during the coming year to include water impacts of our supply chain.

We also continue our engagement in the development of standards and tools to accurately quantify the lifetime impact of our products. We participated as a member of the Stakeholder Advisory Group for the World Resources Institute's (WRI) and the World Business Council on Sustainable Development's (WBCSD) writing of the new Product and Reporting Standard for the Greenhouse Gas Protocol Initiative. Lenovo was one of the initial testers of the Standard using it to establish the product carbon footprint for one of our all-in-one desktop PCs. We will now participate as a member of the Stakeholder Advisory Group for further work in this area as the Carbon Trust works in conjunction with WRI and WBCSD to develop ICT industry guidance for the Standard.

In addition, Lenovo continues to work with other members of the ICT industry, academia and U.S. Environmental Protection Agency in the development of tools to simplify and expedite determination of the product carbon footprint for PC products. Work on a tool for laptops is nearing completion and the project is now transitioning to tools supporting analysis of the impacts of desktops and visual devices.

Further details on our strategy, objectives, targets and environmental performance are available at http://www.lenovo.com/climate. Detailed results regarding our FY 2011 environmental performance will be published in our annual sustainability report.

Lenovo's Environmentally Conscious Products program focused in FY10/11 on the following key areas:

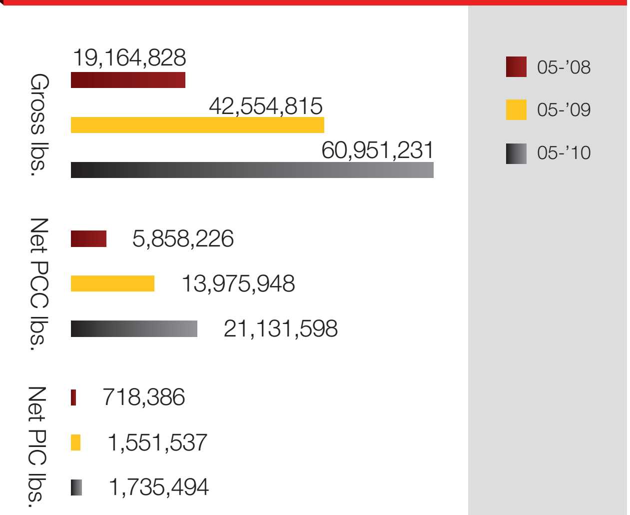
- Product Materials, including the use of post-consumer recycled content;

- Product Energy, including a new focus on product carbon footprint; and

- Product packaging, including size reduction and use of environmentally preferable materials.

In the product materials area, Lenovo is a leader in the use of recycled content in PC products, and has made tremendous progress in the use of post-consumer recycled content plastics. By working with Lenovo suppliers to develop and qualify engineering grades of post-consumer recycled content plastic (PCC), Lenovo has used more than 60 million pounds of recycle content plastics with over 20 million net PCC since beginning these efforts. In 2010 alone, more than 10% of all Lenovo supplier purchased plastics for the production of Lenovo products contained recycled content (PIC &/or PCC).

Lenovo PCC & PIC Usage



In using recycled plastics, Lenovo supports its objective of reducing the carbon footprint of Lenovo products and through the use of recycled content has avoided the emission of greater than 34 million pounds of CO_2. In addition to supporting Lenovo's internal goals, by driving such high volume demand for engineering grade PCC plastics, Lenovo is helping to build the infrastructure and demand for recycled plastic. Consistent with Lenovo's commitment to continuous improvement, Lenovo's environmental and product development teams continue to drive the use of these "environmentally preferred" materials in the production of Lenovo products by establishing the following fiscal year 2011/2012 EMS objectives and targets applicable to all Lenovo products.

- Product groups to grow the use of PCC plastics by 20% over the previous year
- Product groups to use some PCC plastics in every new product released

Increasing the energy efficiency and reducing the carbon footprint of Lenovo's products is another ongoing focus area for Lenovo. Lenovo offers a full complement of ENERGY STAR® qualified notebooks, desktops, workstations, monitors, and servers. In 2010, ENERGY STAR availability within Lenovo's current offerings included:

- Approximately 93% of all notebook platforms, including Think, Idea, and Essential product lines
- Approximately 43% of all desktop platforms, including Think, Idea, and Essential product lines
- Approximately 92% of all workstation platforms (for pre-configured systems)
- Approximately 93% of all monitors

In addition, many notebook and desktop configurations offered exceeded the current ENERGY STAR® energy efficiency criteria by 10% to more than 25%. 75% of all ENERGY STAR qualified monitors exceeded the ENERGY STAR standard by at least 10% with 33% exceeding the criteria by at least 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. 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 and the award winning use of thermoplastics and other recycled packaging materials. All of these initiatives help reduce the environmental impact from Lenovo products. Suppliers are required to implement and maintain documented quality and environmental management systems that meet ISO9001/14001 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.

In FY10/11, Lenovo supply chain operations continued to show improvement in supplier engagement and commitment to the EICC code. 99% of our Tier one suppliers are committed to the EICC and have signed formal agreements. Greater than 80% of Lenovo's top production spend suppliers have completed self assessments to understand where improvements are needed and/or conducted EICC audits to validate compliance. In addition to conducting supplier education and training on EICC code/compliance, Lenovo partnered with the EICC on supplier training events relating to topics such as supply chain capability building, material extraction, working hrs., EICC eLearning modules, carbon reporting and energy efficiency.

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% 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 *Next Generation Hope Fund* is helping redefine how Lenovo and our employees support the communities where we live and do business worldwide. We support the needs of the communities where we live and do business through select investment opportunities that leverage our innovation leadership and global culture. Like our industry leading products, we enable *doers to do more* through social investment programs that support a wide range of programs including those focused on education, research, entrepreneurship, disaster relief and regional community outreach. To help ensure program success, we evaluate the effectiveness of each investment against predefined goals upon completion. Lenovo provides assistance through cash contributions, equipment donations, and employee volunteer hours. As a company, Lenovo annually commits 1% of our pre-tax income to programs that serve society.

Lenovo aims to advance, enhance and extend education at all levels. We support education related programs and initiatives through our industry leading products and technologies, community investments and program sponsorships. We don't limit the scope of our education related social investments but rather we consider each opportunity based on its own unique merits. Lenovo donates equipment, provides cash contributions and lends our expertise to schools and related organizations across all global markets. Lenovo supports global education investments in both K-12 and higher education.

Established in 2009, Lenovo's Youth Public Entrepreneurship program is one of China's leading philanthropic initiatives. This program, which targets college students in China, encourages youth entrepreneurship in China's public welfare organizations. This innovative program assists young people building careers in public welfare while helping to make China's public welfare enterprises more vibrant and dynamic. Lenovo China offers its professional resources to assist in training, public practice, venture capital, and other skills so that young college students interested in careers in public entrepreneurship can successfully achieve their goals.

Lenovo has a long-standing practice of assisting communities around the world when disaster strikes. Lenovo and our employees are committed to helping those less fortunate and to lend a helping hand to those who can no longer provide for themselves. During FY 2010/11, Lenovo and our employees supported various global disaster relief efforts including relief efforts in Japan, Mexico and New Zealand. In response to the March, 2011 magnitude 9.1 earthquake and tsunami in Japan, Lenovo donated US$1,000,000 to the Japan Red Cross to support disaster relief efforts. In addition, Lenovo employees worldwide donated over US$20,000 to support relief efforts in Japan.

Lenovo's regional offices have established extensive relationships with their local communities and regional non-governmental organizations. These regional offices support education, environmental and social causes unique to their community. These regional offices support education, environmental and social causes unique to their community.

DIRECTORS' REPORT & FINANCIAL STATEMENTS

DIRECTORS' REPORT

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, 2011.

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 73.

The state of affairs of the Group and of the Company as at March 31, 2011 is set out in the consolidated and company balance sheets on pages 75 to 77.

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

An interim dividend of HK2.6 cents (2010: HK1.0 cents) per ordinary share, amounting to a total of approximately HK$252.6 million (approximately US$32.6 million) (2010: approximately HK$95 million (approximately US$12 million)), was paid to shareholders during the year.

The directors recommend the payment of a final dividend of HK5.0 cents per ordinary share (2010: HK4.5 cents). Subject to shareholders' approval at the forthcoming annual general meeting, the final dividend will be payable on Tuesday, August 2, 2011 to the shareholders whose names appear on the Register of Members of ordinary shares of the Company on Friday, July 22, 2011.

The Register of Members of ordinary shares of the Company will be closed from Wednesday, July 20, 2011 to Friday, July 22, 2011, 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 19, 2011.

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, 2011 and for the last four financial years are set out on page 138.

Reserves

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

Distributable Reserves

At March 31, 2011, the distributable reserves of the Company amounted to US$423,131,000 (2010: US$570,311,000).

Bank Loans

Particulars of bank loans as at March 31, 2011 are set out in notes 28(a) and 33 to the financial statements.

Donations

Charitable and other donations made by the Group during the year amounted to US$2,143,000 (2010: US$497,000).

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 30 to the financial statements.

Subsidiaries and Associates

Particulars of the Company's principal subsidiaries and associates as at March 31, 2011 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 9 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	26 percent
Five largest suppliers combined	36 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, 2011, the total number of shares which may be issued on the exercise of the outstanding options granted thereunder is 28,670,000 ordinary shares, representing approximately 0.29 percent of the issued share capital of the Company 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.

(c) Maximum number of shares

As at March 31, 2011, the maximum number of ordinary shares available for issue under the New Option Scheme is 110,968,051 shares, representing approximately 1.11 percent of the issued share capital of the Company as at the date of this report.

Directors' Rights to Acquire Shares or Debentures *(continued)*

Share Option Schemes *(continued)*

2. New Option Scheme *(continued)*

(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, 2010	Options exercised during the year	Options held at March 31, 2011	Option lapsed during the year	Exercise price HK$	Grant date (MM.DD.YYYY)	Exercise period (MM.DD.YYYY)
Old Option Scheme							
Directors							
Mr. Yang Yuanqing	2,188,000	2,188,000	–	–	4.072	04.16.2001	04.16.2001 to 04.15.2011
Ms. Ma Xuezheng	1,920,000	1,920,000	–	–	4.072	04.16.2001	04.16.2001 to 04.15.2011
	1,444,000	1,444,000	–	–	2.876	08.31.2001	08.31.2001 to 08.30.2011
Continuous contract employees	47,887,000	20,213,000	–	27,674,000	4.312	01.15.2001	01.15.2001 to 01.14.2011
	14,416,000	13,036,000	1,380,000	–	4.072	04.16.2001	04.16.2001 to 04.15.2011
	30,528,000	3,238,000	27,290,000	–	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	1,282,000	876,000	406,000	–	2.245	04.26.2003	04.26.2003 to 04.25.2013
Continuous contract employees	7,672,500	180,500	7,492,000	–	2.435	10.10.2002	10.10.2002 to 10.09.2012
	27,430,000	6,851,000	20,579,000	–	2.245	04.26.2003	04.26.2003 to 04.25.2013
	69,917,051	2,380,000	67,537,051	–	2.545	04.27.2004	04.27.2004 to 04.26.2014
Other participants	10,702,000	1,164,000	9,538,000	–	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$5.259.
2. Weighted average closing price of the listed ordinary shares of the Company immediately before the dates on which the options were exercised by continuous contract employees under the New Option Scheme was HK$5.097.
3. Weighted average closing price of the listed ordinary shares of the Company immediately before the dates on which the options were exercised by other participants under the New Option Scheme was HK$5.731.
4. No options are granted and cancelled during the year.
5. The accounting policy adopted for the above share option schemes are set out in note 2(v)(iv) to the financial statements. Other details are set out in note 30(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, 2011 are set out in the Corporate Governance section on pages 38 to 41 and note 30(a) to the financial statements.

Apart from the share option schemes and the LTI Program, at no time during the year ended March 31, 2011 was the Company or any of its subsidiaries a party to any arrangements to enable the directors of the Company to acquire benefits by means of acquisitions of shares in, or debentures of, the Company or any body corporate.

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

During the year, the Company purchased 157,760,000 ordinary shares of HK$0.025 each in the capital of the Company at prices ranging from HK$3.94 to HK$4.60 per share on The Stock Exchange of Hong Kong Limited.

Month/Year	Number of shares repurchased	Highest price per share	Lowest price per share	Aggregate Consideration paid (excluding expenses)
		HK$	HK$	HK$
6/2010	34,456,000	4.50	4.17	149,427,360
7/2010	43,026,000	4.49	4.11	185,729,660
8/2010	6,000,000	4.53	4.41	26,738,540
9/2010	5,852,000	4.60	4.42	26,391,160
3/2011	68,426,000	4.38	3.94	284,393,100

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

On November 15, 2010, group companies/funds of TPG Capital, Newbridge Capital and General Atlantic, the holders of the Company's convertible preferred shares, converted 769,167 convertible preferred shares into 282,263,115 fully paid ordinary shares of the Company.

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's securities during the year ended March 31, 2011.

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

Independent Non-executive Directors
Professor Woo Chia-Wei
Mr. Ting Lee Sen
Dr. Tian Suning
Mr. Nicholas C. Allen

In accordance with article 101 of the Company's articles of association, Mr. Liu Chuanzhi, Dr. Wu Yibing, Professor Woo Chia-Wei and Dr. Tian Suning 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, 67, 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, 46, 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, 48, 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, 58, 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 chairman of Boyu Capital Limited, a newly formed private equity firm focusing mainly in Greater China investment. She is currently a member of the Listing Committee of HKSE. Besides, she is holding the following directorship; a non-executive director of Wumart Stores, Inc. (HKSE listed) and also an independent non-executive director of Standard Chartered Bank (Hong Kong) Limited.

Biography of Directors and Senior Management *(continued)*

Biography of directors *(continued)*

Non-executive directors *(continued)*

Mr. James G. Coulter, 51, 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. 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., IMS Health Inc., Creative Artists Agency and The Neiman Marcus Group, Inc..

Mr. William O. Grabe, 73, has been a non-executive director of the Company since May 17, 2005. Mr. Grabe is an Advisory Director of General Atlantic LLC. He formerly served as a Managing Director of General Atlantic and has been associated 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: Gartner Inc. (NYSE listed) and Compuware Corporation (NASDAQ listed).

Dr. Wu Yibing, 43, has been a non-executive director of the Company since 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 is a non-executive director of Neptune Orient Lines Limited (Singapore Stock Exchange listed). He sits on the board of China Social Entrepreneur Foundation.

Independent non-executive directors

Professor Woo Chia-Wei, 73, 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., Shanghai Industrial Holdings Ltd. and Trony Solar Holdings Company Limited (all HKSE listed).

Mr. Ting Lee Sen, 68, 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) and an independent board member of NeoPhotonics Corporation (NYSE 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, 47, 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 2006 and was a vice chairman of PCCW Ltd. (HKSE listed) between 2005 and 2007. From 1993 till 1999, he was co-founder and CEO of AsiaInfo-Linkage, 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 Taikang Life Insurance Company Ltd. In addition, he is a non-executive director of Media China Corporation Limited (HKSE listed) and a senior advisor of Kohlberg Kravis Roberts & Co..

Mr. Nicholas C. Allen, 56, has been an independent non-executive director of the Company since 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 an independent non-executive director of VinaLand Limited (London Stock Exchange AIM listed).

Biography of Directors and Senior Management *(continued)*

Biography of senior management

Mr. Rory Read, 49, 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, 52, joined the Group in 2007 and was appointed as Senior Vice President of Global Services in July 2009. He is responsible for managing and delivering technology Service and Support for 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, 41, 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, Latin America, 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, commercial desktop business unit, 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, 51, joined the Group in May 2005 and is currently Senior Vice President overseeing the operations for Mature Markets Group. Mr. Cones was most recently the General Manager of Lenovo Latin America. Prior to joining Lenovo, Mr. Cones was Vice President and CFO for IBM's Personal Systems 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, 52, 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, 48, 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, 50, joined the Group in May 2005 and is currently the Senior Vice President of the Company and President of Product Group responsible for all Think and Idea-branded desktops, notebooks, workstations, servers, peripherals and software. 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, 42, joined the Group in 1993 and is currently Senior Vice President of the Company and President of the new Mobile Internet & Digital Home Group responsible for mobile internet devices, services and applications. Prior to that, Mr. Liu held a broad range of leadership positions in Lenovo including president of the Products Group and 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, 46, rejoined the Group as Senior Vice President, following the completion of buying back of Lenovo Mobile in January 2010. Mr. Lu is the head of Think Products Group responsible for Think products. He first joined the Group in 1992 and held various senior positions in desktop, motherboard, handheld device and information product businesses. 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.

Ms. Qiao Jian, 43, joined the Group in 1990 and is currently Senior Vice President, Strategy and Planning, responsible for global strategy design and execution. Ms. Qiao has extensive experience in strategy, human resources, marketing and branding. She holds a Bachelor's degree in management science from Fudan University and holds an EMBA from China-Europe International Business School.

Biography of Directors and Senior Management *(continued)*

Biography of senior management *(continued)*

Mr. Qiao Song, 43, joined the Group in 1991 and is currently the Senior Vice President of the Company and Head of Business Development and M&A. Mr. Song was most recently the chief procurement officer of the Group and prior to that, held several leader positions 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, 56, 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, 42, joined the Group in 2006 and is currently Senior Vice President of the Company and General Manager of Lenovo's North America organization responsible for daily operations, growth and market share of the region. Prior to assuming this position, Mr. Schmoock held various senior positions in the Group including Head of Center of Excellence managing critical business and customer activities, Chief Information Officer leading IT transformation and he has also led operations for Mature Markets. Before joining the Group, he was Vice President of Marketing for Dell Asia-Pacific/Japan. Mr. Schmoock holds a Bachelor of Arts degree in Political Science from Columbia University.

Mr. Gerry Smith, 48, 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, 48, joined the Group in May 2005 and is currently Senior Vice President of the Company and 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 BBA from Nijenrode University and a Doctorandus title and MBA from the University of Rotterdam. Both located in the Netherlands.

Ms. Wang Xiaoyan, 49, 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, 53, is Senior Vice President of the Company and Chief Financial Officer. 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, 2011, 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	17,860,650	976,000	–	18,836,650
	Share awards	32,547,279	–	–	32,547,279
					51,383,929
Mr. Yang Yuanqing	Ordinary shares	65,528,163	–	–	65,528,163
	Share awards	85,199,384	–	–	85,199,384
					150,727,547
Mr. Zhu Linan	Ordinary shares	4,055,539	–	–	4,055,539
	Share awards	2,222,074	–	–	2,222,074
					6,277,613
Ms. Ma Xuezheng	Ordinary shares	15,839,888	–	7,240,000	23,079,888
	Share options	406,000	–	–	406,000
	Share awards	1,634,032	–	–	1,634,032
					25,119,920
Mr. James G. Coulter	Ordinary shares	337,147	–	–	337,147
	Share awards	1,658,074	–	–	1,658,074
					1,995,221
Mr. William O. Grabe	Ordinary shares	895,744	–	–	895,744
	Share awards	2,222,074	–	–	2,222,074
					3,117,818
Dr. Wu Yibing	Ordinary shares	45,890	–	–	45,890
	Share awards	748,964	–	–	748,964
					794,854
Professor Woo Chia-Wei	Ordinary shares	820,924	–	–	820,924
	Share awards	2,222,074	–	–	2,222,074
					3,042,998
Mr. Ting Lee Sen	Ordinary shares	409,909	–	–	409,909
	Share awards	2,222,074	–	–	2,222,074
					2,631,983
Dr. Tian Suning	Ordinary shares	150,531	–	–	150,531
	Share awards	1,123,024	–	–	1,123,024
					1,273,555
Mr. Nicholas C. Allen	Ordinary shares	16,264	–	–	16,264
	Share awards	495,373	–	–	495,373
					511,637

Directors' Interests *(continued)*

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

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.

Save as disclosed above, as at March 31, 2011, none of the directors or chief executive of the Company or their associates had any interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register maintained by the Company under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Substantial Shareholders' Interests in Securities of the Company

As at March 31, 2011, the following persons had an interests in the shares or underlying shares of the Company as recorded in the register maintained under section 336 of the SFO:

		Capacity and number of shares/ underlying shares held			
Name	**Long and short positions**	**Beneficial owner**	**Corporate interests**	**Aggregate long and short positions**	**Percentage** *(Note 4)*
Legend Holdings Limited *(Note 1)*	Long position	2,667,636,724	1,570,243,469 *(Note 2)*	4,237,880,193	42.37%
	Short position	–	233,500,000 *(Note 2)*	233,500,000	2.33%
Employees' Shareholding Society of Legend Holdings Limited *(Note 3)*	Long position	–	4,237,880,193	4,237,880,193	42.37%
	Short position	–	233,500,000	233,500,000	2.33%

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, and its subsidiaries.
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. 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, 2011, 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, 2011, an amount of US$1,931,627 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, 2011 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 70% funded at the actuarial valuation date.
- There was a deficit of US$17,635,608 under the qualified plan for this reason at the actuarial valuation date.

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, 2011, an amount of Yen 328,402,567 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, 2011 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.

Defined Benefit Pensions Plans *(continued)*

Japan – Pension Plan *(continued)*

- 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 81% funded at the actuarial valuation date.
- There was a deficit of Yen 1,692,057,993 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, 2011, an amount of EUROS 1,456,927 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, 2011 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:	4.25%
– Future salary increases:	Age-group based
– Future pension increases:	1.75%

- The plan was 64% funded at the actuarial valuation date.
- There was a deficit of EUROS 8,309,780 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, 2010 to March 31, 2011, the amount of forfeitures was US$413,943, US$161,629 of which had been used to reduce Lenovo contributions, leaving US$705,655 at March 31, 2011 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.

Defined Contribution Plans *(continued)*

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 February 2, 2011 (the "Facility Agreement") for a term loan facility of up to USD500 million (the "Facility"). The final maturity date of the Facility will fall on the date which is 60 months after February 2, 2011. 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 20% or more of the issued share capital of the Company; or (ii) is not or ceases to be the single largest shareholder of the Company.

Continuing Connected Transactions

On March 31, 2009, the Company entered into a Master Services Agreement with 聯想移動通信科技有限公司 (Lenovo Mobile Communication Technology Ltd.) ("Lenovo Mobile") in respect of the sharing of office spaces, provision of logistic, administrative and information technology services by the Group to Legend Holdings Limited, its subsidiaries and associates 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 is HK$25,000,000. Legend Holdings Limited is a controlling shareholder of the Company and thus a connected person of the Company within the meaning of the Listing Rules. Details of this Master Services Agreement are set out in the Company's announcement dated March 31, 2009.

In accordance with rule 14A.37 of the Listing Rules, the independent non-executive directors of the Company reviewed the continuing connected transactions in the paragraph 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.

Pursuant to Rule 14A.38 of the Listing Rules, the Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued an unqualified letter containing findings and conclusions in respect of the continuing connected transactions disclosed by the Group in the paragraph above in accordance with paragraph 14A.38 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

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 26, 2011

INDEPENDENT AUDITOR'S REPORT

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 73 to 137, which comprise the consolidated and company balance sheets as at March 31, 2011, 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 information.

Directors' Responsibility for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants, and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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 about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view 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 consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at March 31, 2011, 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 26, 2011

CONSOLIDATED INCOME STATEMENT

For the year ended March 31, 2011

	Note	2011 US$'000	2010 US$'000
Sales	5	**21,594,371**	16,604,815
Cost of sales		**(19,230,417)**	(14,815,221)
Gross profit		**2,363,954**	1,789,594
Other income – net	6	**419**	83,126
Selling and distribution expenses		**(1,038,455)**	(839,388)
Administrative expenses		**(719,708)**	(566,245)
Research and development expenses		**(303,413)**	(214,343)
Other operating income/(expense) – net		**79,427**	(34,058)
Operating profit	7	**382,224**	218,686
Finance income	8(a)	**24,927**	20,377
Finance costs	8(b)	**(49,175)**	(62,881)
Share of (losses)/profits of associates		**(225)**	121
Profit before taxation		**357,751**	176,303
Taxation	9	**(84,515)**	(46,935)
Profit for the year		**273,236**	129,368
Profit attributable to			
Equity holders of the Company		**273,234**	129,368
Non-controlling interests		**2**	–
		273,236	129,368
Basic earnings per share attributable to equity holders of the Company	12(a)	**US2.84 cents**	US1.42 cents
Diluted earnings per share attributable to equity holders of the Company	12(b)	**US2.73 cents**	US1.33 cents
Dividends	13	**96,601**	68,728

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended March 31, 2011

	Note	2011 US$'000	2010 US$'000
Profit for the year		**273,236**	129,368
Other comprehensive (loss)/income:			
Fair value change on available-for-sale financial assets	22	**(15,892)**	67,674
Investment revaluation reserve reclassified to consolidated income statement on disposal of available-for-sale financial assets		**–**	(70,809)
Fair value change on cash flow hedge			
– interest rate swap contracts		**2,371**	4,127
– forward foreign exchange contracts		**(27,023)**	18,518
Actuarial loss from defined benefit pension plans	37	**(7,190)**	(10,840)
Exchange reserve reclassified to consolidated income statement on disposal of a subsidiary		**(12,996)**	–
Currency translation differences		**47,442**	(61,660)
		(13,288)	(52,990)
Total comprehensive income for the year		**259,948**	76,378
Total comprehensive income attributable to:			
Equity holders of the Company		**259,946**	76,378
Non-controlling interests		**2**	–
		259,948	76,378

CONSOLIDATED BALANCE SHEET

At March 31, 2011

	Note	2011 US$'000	2010 US$'000
Non-current assets			
Property, plant and equipment	14	**209,417**	248,261
Prepaid lease payments	15	**9,682**	3,748
Construction-in-progress	16	**32,092**	24,711
Intangible assets	17	**2,134,452**	2,066,337
Interests in associates	19	**914**	1,061
Deferred income tax assets	21	**251,098**	254,978
Available-for-sale financial assets	22	**78,689**	112,520
Other non-current assets		**53,132**	8,699
		2,769,476	2,720,315
Current assets			
Inventories	23	**803,702**	878,887
Trade receivables	24(a)	**1,368,924**	1,021,062
Notes receivable	24(b)	**391,649**	386,746
Derivative financial assets		**13,295**	13,283
Deposits, prepayments and other receivables	24(c)	**2,305,325**	1,463,422
Income tax recoverable		**56,912**	33,562
Bank deposits	25	**42,158**	200,456
Cash and cash equivalents	25	**2,954,498**	2,238,195
		7,936,463	6,235,613
Total assets		**10,705,939**	8,955,928

CONSOLIDATED BALANCE SHEET (continued)

At March 31, 2011

	Note	2011 US$'000	2010 US$'000
Share capital	30	**31,941**	31,388
Reserves		**1,802,780**	1,574,453
Equity attributable to owners of the Company		**1,834,721**	1,605,841
Non-controlling interests		**179**	177
Total equity		**1,834,900**	1,606,018
Non-current liabilities			
Bank borrowings	28(a)	**–**	200,000
Convertible preferred shares	28(b)	**–**	94,980
Warranty provision	27	**395,242**	301,234
Deferred revenue		**277,205**	218,034
Retirement benefit obligations	37	**74,870**	80,867
Derivative financial liabilities		**–**	248
Deferred income tax liabilities	21	**17,093**	10,331
Other non-current liabilities		**73,976**	24,863
		838,386	930,557
Current liabilities			
Trade payables	26(a)	**2,179,839**	3,141,426
Notes payable	26(b)	**98,964**	94,427
Derivative financial liabilities		**39,223**	11,259
Provisions, accruals and other payables	27	**5,096,649**	2,585,850
Income tax payable		**96,711**	84,329
Bank borrowings	28(a)	**71,561**	64,706
Current portion of non-current liabilities	29	**449,706**	437,356
		8,032,653	6,419,353
Total liabilities		**8,871,039**	7,349,910
Total equity and liabilities		**10,705,939**	8,955,928
Net current liabilities		**(96,190)**	(183,740)
Total assets less current liabilities		**2,673,286**	2,536,575

On behalf of the Board

Liu Chuanzhi
Director

Yang Yuanqing
Director

BALANCE SHEET

At March 31, 2011

	Note	2011 US$'000	2010 US$'000
Non-current assets			
Property, plant and equipment	14	**689**	806
Construction-in-progress	16	**3,602**	2,204
Intangible assets	17	**24,771**	23,183
Investments in subsidiaries	18(a)	**1,929,073**	1,898,912
		1,958,135	1,925,105
Current assets			
Derivative financial assets		**–**	2,025
Deposits, prepayments and other receivables	24(c)	**1,626**	5,898
Amounts due from subsidiaries	18(b)	**692,351**	914,325
Bank deposits	25	**20,000**	–
Cash and cash equivalents	25	**25,955**	259,559
		739,932	1,181,807
Total assets		**2,698,067**	3,106,912
Share capital	30	**31,941**	31,388
Reserves	31	**1,871,739**	2,000,510
Total equity		**1,903,680**	2,031,898
Non-current liabilities			
Bank borrowings	28(a)	**–**	200,000
Convertible preferred shares	28(b)	**–**	94,980
Derivative financial liabilities		**–**	248
		–	295,228
Current liabilities			
Derivative financial liabilities		**5,565**	3,252
Provisions, accruals and other payables	27	**39,319**	19,848
Amounts due to subsidiaries	18(b)	**549,503**	526,686
Current portion of non-current liabilities	29	**200,000**	230,000
		794,387	779,786
Total liabilities		**794,387**	1,075,014
Total equity and liabilities		**2,698,067**	3,106,912
Net current (liabilities)/assets		**(54,455)**	402,021
Total assets less current liabilities		**1,903,680**	2,327,126

On behalf of the Board

Liu Chuanzhi
Director

Yang Yuanqing
Director

CONSOLIDATED CASH FLOW STATEMENT

For the year ended March 31, 2011

	Note	2011 US$'000	2010 US$'000
Cash flows from operating activities			
Net cash generated from operations	36(a)	**1,089,097**	976,873
Interest paid		**(48,089)**	(59,891)
Tax paid		**(75,754)**	(82,231)
Net cash generated from operating activities		**965,254**	834,751
Cash flows from investing activities			
Purchase of property, plant and equipment		**(48,834)**	(36,144)
Sale of property, plant and equipment		**8,440**	8,762
Sale of intangible assets		**25**	–
Acquisition of subsidiaries, net of cash acquired		**–**	(106,704)
Net proceeds from disposal of subsidiaries and an associate		**–**	11,982
Payment for construction-in-progress		**(78,531)**	(39,979)
Payment for intangible assets		**(20,297)**	(32,320)
Net proceeds from disposal of financial instruments		**21,398**	89,538
Decrease/(increase) in bank deposits		**158,298**	(172,126)
Dividend received		**93**	1,558
Interest received		**24,927**	20,377
Net cash generated from/(used in)investing activities		**65,519**	(255,056)
Cash flows from financing activities			
Exercise of share options		**25,116**	13,640
Repurchase of shares		**(86,610)**	–
Dividends paid		**(87,870)**	(11,896)
Net decrease in bank borrowings	36(b)	**(223,145)**	(218,884)
Net cash used in financing activities		**(372,509)**	(217,140)
Increase in cash and cash equivalents		**658,264**	362,555
Effect of foreign exchange rate changes		**58,039**	12,261
Cash and cash equivalents at the beginning of the year		**2,238,195**	1,863,379
Cash and cash equivalents at the end of the year	25	**2,954,498**	2,238,195

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended March 31, 2011

	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$'000	Non-controlling interests US$'000	Total US$'000
At April 1, 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**
Profit for the year	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**273,234**	**2**	**273,236**
Other comprehensive (loss)/income	**-**	**-**	**-**	**(15,892)**	**-**	**-**	**-**	**(24,652)**	**34,446**	**-**	**(7,190)**	**-**	**(13,288)**
Total comprehensive (loss)/income for the year	**-**	**-**	**-**	**(15,892)**	**-**	**-**	**-**	**(24,652)**	**34,446**	**-**	**266,044**	**2**	**259,948**
Transfer to statutory reserve	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**23,806**	**(23,806)**	**-**	**-**
Conversion of Series A cumulative convertible preferred shares	**891**	**98,073**	**(2,836)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**96,128**
Exercise of share options	**168**	**24,948**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**25,116**
Repurchase of shares	**(506)**	**(86,610)**	**-**	**-**	**506**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(86,610)**
Vesting of shares under long-term incentive program	**-**	**-**	**-**	**-**	**-**	**34,944**	**(54,149)**	**-**	**-**	**-**	**-**	**-**	**(19,205)**
Share-based compensation	**-**	**-**	**-**	**-**	**-**	**-**	**41,375**	**-**	**-**	**-**	**-**	**-**	**41,375**
Dividends paid	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(87,870)**	**-**	**(87,870)**
At March 31, 2011	**31,941**	**1,377,529**	**-**	**56,474**	**1,003**	**(76,110)**	**63,280**	**(18,583)**	**(1,523)**	**58,236**	**342,474**	**179**	**1,834,900**
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 (loss)/income	–	–	–	(3,135)	–	–	–	22,645	(61,660)	–	(10,840)	–	(52,990)
Total comprehensive (loss)/income for the year	–	–	–	(3,135)	–	–	–	22,645	(61,660)	–	118,528	–	76,378
Transfer to statutory reserve	–	–	–	–	–	–	–	–	–	122	(122)	–	–
Issue of ordinary shares	359	63,141	–	–	–	–	–	–	–	–	–	–	63,500
Conversion of Series A cumulative convertible preferred shares	1,190	126,484	(3,970)	–	–	–	–	–	–	–	–	–	123,704
Exercise of share options	104	13,536	–	–	–	–	–	–	–	–	–	–	13,640
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)
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

NOTES TO THE FINANCIAL STATEMENTS

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 existing standards and interpretations (including certain amendments from improvements to HKFRS published in October 2008 and May 2009) that are mandatory for the year ended March 31, 2011 and where considered appropriate and relevant to its operations.

HKFRS 3 (revised), "Business combinations" (effective for annual periods beginning on or after July 1, 2009) continues to apply the acquisition method to business combinations with some significant changes. For example, all payments to purchase a business are recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through income statement. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. When a business combination is achieved in stages, the acquirer should remeasure its previously held interest in the acquiree at its fair value at the date control is obtained, recognizing a gain/loss in the income statement. All acquisition-related costs should be expensed. The Group applies HKFRS 3 (revised) prospectively. The adoption of HKFRS 3 (revised) does not result in a material impact on the Group's financial statements as there was no business combination completed during the year ended March 31, 2011.

HKAS 27 (revised), "Consolidated and separate financial statements" (effective for annual periods beginning on or after July 1, 2009) requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting requirements when control is lost. Any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognized in profit or loss. The amendment does not have a material impact on the Group's financial statements.

The adoption of the other newly effective interpretations and amendments to existing standards and interpretations does 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 interpretation, and amendments to existing standards and interpretations have been issued but are not effective for the year ended March 31, 2011 and have not been early adopted:

	Effective for annual periods beginning on or after
New and revised standards, new interpretation and amendments to existing standard and interpretation	
HKFRS 9, Financial instruments	January 1, 2013
HKAS 24 (Revised), Related party disclosures	January 1, 2011
HK(IFRIC)-Int 19, Extinguishing financial liabilities with equity instruments	July 1, 2010
Amendments to HKFRS 7, Financial instruments: Disclosures – Transfers to financial assets	July 1, 2011
Amendments to HKAS 12, Deferred tax: Recovery of underlying assets	January 1, 2012
Amendments to HK(IFRIC)-Int 14, Prepayments of a minimum funding requirement	January 1, 2011
Improvements to HKFRS 2010	
Amendments to:	
HKFRS 3 (Revised), Business combinations	July 1, 2010
HKFRS 7, Financial instruments: Disclosures	January 1, 2011
HKAS 1 (Revised), Presentation of financial statements	January 1, 2011
HKAS 21, The effect of changes in foreign exchange rates	July 1, 2010
HKAS 28, Investments in associates	July 1, 2010
HKAS 31, Interests in joint ventures	July 1, 2010
HKAS 32, Financial instruments: Presentation	July 1, 2010
HKAS 34, Interim financial reporting	January 1, 2011
HKAS 39, Financial instruments: Recognition and measurement	July 1, 2010
HK(IFRIC)-Int 13, Customer loyalty programmes	January 1, 2011

1 Basis of preparation *(continued)*

The Group is currently assessing the impact of the adoption of the new and revised standards, new interpretation, and amendments to existing standards and interpretations above to the Group in future periods. So far, it has concluded that the adoption of the above do not have material impact on the Group's financial statements.

For cash flow statement presentation, effect of foreign exchange rate changes on cash flow from operations has been presented as part of net cash generated from operations. As a result, comparative information has been reclassified to conform to the current year's presentation.

2 Significant accounting policies

The significant accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented.

(a) Basis of consolidation

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

(i) Subsidiaries

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 Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognizes any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

Investments in subsidiaries are accounted for at cost less provision for impairment losses. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill (Note 2(f)(i)). If it is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, 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.

Inter-company transactions, balances and unrealized gains on transactions between group companies are eliminated. Unrealized losses are also eliminated.

(ii) Transactions with non-controlling interests

The Group treats transactions with non-controlling interests as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

2 Significant accounting policies *(continued)*

(a) Basis of consolidation *(continued)*

(ii) Transactions with non-controlling interests (continued)

When the Group ceases to have control or significant influence, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognized in profit or loss. The fair value is the initial carrying amount for the purposes of subsequent accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized in other comprehensive income are reclassified to profit or loss.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognized in other comprehensive income are reclassified to profit or loss where appropriate.

(iii) Associates

An associate is an entity over which the Group has significant influence, but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Interests in associates are accounted for using the equity method of accounting and are initially recognized at cost. The Group's interests in associates include goodwill identified on acquisition, net of any accumulated impairment losses. See note 2(g) for the impairment of non-financial assets including goodwill.

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

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

Unrealized gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealized losses are eliminated unless the transaction provides evidence of an impairment of the assets transferred.

(b) 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.

(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 (the "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 and 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 income/(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 other comprehensive income and included in the investment revaluation reserve 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 recognized in other comprehensive income and included in the investment revaluation reserve in equity.

2 Significant accounting policies *(continued)*

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

(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 in other comprehensive income.

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 other comprehensive income. 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 historical cost less accumulated depreciation and accumulated impairment losses.

Depreciation of buildings and buildings related equipment is calculated using the straight-line method to allocate their cost to their estimated residual value 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 using the straight-line method to allocate their cost to their estimated residual value over the unexpired periods of the leases.

(ii) Other property, plant and equipment

Other property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses. Depreciation on other property, plant and equipment is calculated using the straight-line method to allocate their cost to their estimated residual value 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)).

(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 represents building, plant and machinery and internal use software under construction and pending installation and is stated at historical cost, less any accumulated impairment losses. Historical 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 available for use. 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 historical 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 associates at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of associates is included in interests in associates 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

Separately acquired 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.

Development costs that are directly attributable to the design and testing of identifiable and unique software controlled by the Group are recognized as intangible assets when the following criteria are met:

– it is technically feasible to complete the software so that it will be available for use;

– management intends to complete the software and use it;

– there is an ability to use the software;

– adequate technical, financial and other resources to complete the development and to use the software are available; and

– the expenditure attributable to the software during its development can be reliably measured.

Development costs include the employee costs incurred as a result of developing software and an appropriate portion of relevant overheads.

Other development expenditures that do not meet these criteria are recognized as an expense as incurred. Development costs previously recognized as an expense are not recognized as an asset in a subsequent period.

Costs associated with maintaining computer software are recognized as an expense as incurred.

(iv) Patents, technology and marketing rights

Expenditure on acquired patents, technology and marketing rights is capitalized at historical cost upon acquisition and amortized using the straight-line method over their useful lives of up to 5 years.

2 Significant accounting policies *(continued)*

(g) Impairment of 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.

(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.

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

Financial assets at fair value through profit or loss are 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 effective hedging instruments (Note 2(j)). Assets in this category are classified as current assets if expected to be settled within 12 months; otherwise, they are classified as non-current.

(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 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, deposits, bank deposits and cash and cash equivalents 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 it within 12 months of the balance sheet date.

Regular way 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 from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortized cost using the effective interest method.

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 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.

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

2 Significant accounting policies *(continued)*

(i) Impairment of financial assets

(i) Assets carried at amortized cost

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 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 (or events) 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;

  (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.

For loans and receivables category, 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), the reversal of the previously recognized impairment loss is recognized in the income statement.

(ii) Assets classified as available-for-sale

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.

For debt securities classified as available-for-sale, the Group uses the criteria refer to (i) 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.

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

(iii) Investments in subsidiaries

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.

2 Significant accounting policies *(continued)*

(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.

(ii) Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is 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). The gain or loss relating to the effective portion of interest rate swaps hedging variable rate borrowings is recognized in the income statement within 'finance costs'. The gain or loss relating to the ineffective portion is recognized in the income statement within 'other operating income/(expenses) – net'. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset (for example, inventory), 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.

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 receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. Majority of other receivables are amounts due from subcontractors for part components sold in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

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.

2 Significant accounting policies *(continued)*

(m) Cash and cash equivalents

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 are classified as equity.

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 (Note 2(o)). 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.

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 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 and other payables

Trade payables are obligations to pay for part components or services that have been acquired in the ordinary course of business from suppliers. Majority of other payables are obligations to pay for finished goods that have been acquired in the ordinary course of business from subcontractors. Trade and other 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 and other 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.

2 Significant accounting policies *(continued)*

(q) Provisions *(continued)*

(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 has been reliably estimated. Restructuring costs provision comprises lease termination penalties and employee termination payments. Provisions are not recognized for future operating losses.

(r) Current and deferred income tax

The tax expense for the period comprises current and deferred income 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 associates 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 recognized, 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 accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively 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 associates, except for deferred income tax liability 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.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same tax authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

(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) 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, services and mobile devices 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, ranging from one to four 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$236 million as at March 31, 2011 (2010: US$48 million) are included in deposits, prepayments and other receivables in the balance sheet.

2 Significant accounting policies *(continued)*

(t) Revenue *(continued)*

(ii) Interest income

Interest income is recognized 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 receivables is recognized using the original effective interest rate.

(iii) Dividend income

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

(u) 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.

(v) 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 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. A defined benefit plan is a pension plan that is not a defined contribution plan. Typically, defined benefit plans define 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.

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. Significant portion of 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. In countries where there is no deep market in such bonds, the market rates on government bonds are used.

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.

Past service costs are recognized immediately in income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past service costs are amortized on a straight-line basis over the vesting period.

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)*

(v) 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 period in which they arise. These 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 two types of awards, namely share appreciation rights and restricted 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. The total expense is recognized over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied.

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, with a corresponding adjustment to other comprehensive income.

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

(iv) Share options

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

(w) 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. Payments made under operating leases (net of any inventives received from the lessor) are charged to the income statement on a straight-line basis over the lease term.

(x) 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.

3 Financial risk management

The Group's activities expose it to a variety of financial risks, such as market risk (including foreign currency risk and cash flow 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 currency risk, credit risk, interest rate risk, use of derivative financial instruments and investment of excess liquidity.

(a) Financial risk factors

(i) Foreign currency risk

The Group operates internationally and is exposed to foreign currency 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 denominated in a currency that is not the group companies' functional currencies.

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 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 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.

(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 by any customers 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 33) 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.

3 Financial risk management *(continued)*

(a) Financial risk factors *(continued)*

(iv) Liquidity risk (continued)

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 balance sheet date, the Group held money market funds of US$732,181,000 (2010: US$530,429,000) (Note 25).

The tables below analyze the Group's and the Company's financial liabilities into relevant maturity groupings based on the remaining periods at the balance sheet date to the contractual maturity dates. Derivative financial liabilities are included in the analysis if their contractual maturities are essential for an understanding of the timing of the cash flows. The amounts disclosed in the tables are the contractual undiscounted cash outflows/(inflows).

	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, 2011					
Bank loans	**–**	**50,098**	**221,463**	**–**	**271,561**
Trade payables	**369,244**	**1,748,618**	**61,977**	**–**	**2,179,839**
Notes payable	**–**	**96,992**	**1,972**	**–**	**98,964**
Accruals and other payables	**109,513**	**3,246,135**	**293,273**	**–**	**3,648,921**
Derivative financial instruments					
Forward foreign exchange contracts (gross-settled)					
– outflow	**–**	**1,451,974**	**242,931**	**–**	**1,694,905**
– inflow	**–**	**(1,438,703)**	**(239,040)**	**–**	**(1,677,743)**
Forward foreign exchange contracts (net-settled)	**–**	**7,725**	**–**	**–**	**7,725**
Interest rate swap contracts (net-settled)	**–**	**476**	**544**	**–**	**1,020**
Others	**–**	**–**	**3,913**	**73,976**	**77,889**
At March 31, 2010					
Bank loans	–	30,888	263,818	200,000	494,706
Convertible preferred shares	–	–	–	98,611	98,611
Trade payables	667,781	2,473,645	–	–	3,141,426
Notes payable	–	94,427	–	–	94,427
Accruals and other payables	360,020	1,293,273	196,824	–	1,850,117
Derivative financial instruments					
Forward foreign exchange contracts (gross-settled)					
– outflow	–	1,421,835	–	–	1,421,835
– inflow	–	(1,427,122)	–	–	(1,427,122)
Forward foreign exchange contracts (net-settled)	–	107	–	–	107
Interest rate swap contracts (net-settled)	–	1,759	2,203	–	3,962
Others	–	–	10,550	24,863	35,413

3 Financial risk management *(continued)*

(a) Financial risk factors *(continued)*

(iv) Liquidity risk (continued)

	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, 2011					
Bank loans	**–**	**–**	**200,000**	**–**	**200,000**
Accruals and other payables	**–**	**–**	**39,319**	**–**	**39,319**
Amounts due to subsidiaries	**549,503**	**–**	**–**	**–**	**549,503**
Derivative financial instruments					
Forward foreign exchange contracts (gross-settled)					
– outflow	**–**	**4,496**	**–**	**–**	**4,496**
– inflow	**–**	**(4,497)**	**–**	**–**	**(4,497)**
Forward foreign exchange contracts (net-settled)	**–**	**4,545**	**–**	**–**	**4,545**
Interest rate swap contracts (net-settled)	**–**	**476**	**544**	**–**	**1,020**
At March 31, 2010					
Bank loans	–	–	230,000	200,000	430,000
Convertible preferred shares	–	–	–	98,611	98,611
Accruals and other payables	–	–	19,848	–	19,848
Amounts due to subsidiaries	526,686	–	–	–	526,686
Derivative financial instruments					
Interest rate swap contracts (net-settled)	–	1,759	2,203	–	3,962

(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, 2011, if United States dollar had weakened/strengthened by one percent against all other currencies with all other variables held constant, post-tax profit for the year would have been US$2.56 million (2010: US$3.35 million) higher/lower, mainly as a result of foreign exchange gains/losses on translation of unhedged portion 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.

3 Financial risk management *(continued)*

(b) Market risks sensitivity analysis *(continued)*

(ii) Interest rate sensitivity analysis

Cash flow interest rate risk on United States dollar-denominated long-term borrowings is mitigated through the use of floating-to-fixed interest rate swaps as hedges. Borrowings in other currencies are insignificant. Accordingly, no interest rate sensitivity analysis on borrowings is presented.

At March 31, 2011, 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 would have been US$1.32 million (2010: US$0.97 million) lower/higher. This analysis 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.

(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 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 net cash position of the Group as at March 31, 2011 and 2010 are as follows:

	2011 US$ million	2010 US$ million
Bank deposits and cash and cash equivalents (Note 25)	**2,997**	2,439
Less: total borrowings	**(272)**	(495)
Net cash position	**2,725**	1,944
Total equity	**1,835**	1,606
Gearing ratio	**0.15**	0.31

(d) Fair value estimation

The table below analyzes financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- 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 data (that is, unobservable inputs)

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.

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

3 Financial risk management *(continued)*

(d) Fair value estimation *(continued)*

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.

The following table presents the assets and liabilities of the Group that are measured at fair value at March 31, 2011 and 2010.

	Level 1 US$'000	**Level 2** US$'000	**Level 3** US$'000	**Total** US$'000
At March 31, 2011				
Assets				
Available-for-sale financial assets				
– Listed equity investments	**76,473**	**–**	**–**	**76,473**
– Unlisted equity investments	**–**	**–**	**2,216**	**2,216**
Derivative financial assets	**–**	**13,295**	**–**	**13,295**
	76,473	**13,295**	**2,216**	**91,984**
Liabilities				
Derivative financial liabilities	**–**	**39,223**	**–**	**39,223**
At March 31, 2010				
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 financial instruments of the Company carried at fair value are categorized under Level 2 as follows:

	2011 **US$'000**	2010 US$'000
Derivative financial assets	**–**	2,025
Derivative financial liabilities	**5,565**	3,500

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 amounts of an asset or a cash-generating unit have been determined based on value-in-use calculations. These calculations require the use of estimates.

4 Critical accounting estimates and judgments *(continued)*

(a) Impairment of non-financial assets *(continued)*

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.

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 values in the financial statements.

Deferred income 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 income 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 income 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 income tax assets and related financial models and budgets are reviewed at each balance sheet date and to the extent that there is insufficient convincing evidence that sufficient taxable profits will be available within the utilization periods to allow utilization of the carry forward tax losses, the asset balance will be reduced and the difference charged to the income statement.

Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax provisions and deferred income tax assets and liabilities 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) Revenue recognition

Application of various accounting principles related to the measurement and recognition of revenue requires the Group to make judgments and estimates. Specifically, complex arrangements with non-standard terms and conditions may require significant contract interpretation to determine the appropriate accounting, including whether the deliverables specified in a multiple element arrangement should be treated as separate units of accounting. Other significant judgments include determining whether the Group or a reseller is acting as the principal in a transaction and whether separate contracts are considered part of one arrangement.

4 Critical accounting estimates and judgments *(continued)*

(d) Revenue recognition *(continued)*

The Group sells products to channels. Sales through channels are primarily made under agreements allowing for limited rights of sales return, volume discounts, price protection and rebates, and marketing development funds. The Group's policy for sales to channels is to defer, until the return period is over, the full amount of revenue relative to sales for which the rights of return apply unless there is sufficient historical data to establish reasonable and reliable estimates of customer returns which 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. Revenue recognition is also impacted by the Group's ability to estimate volume discounts, price protection and rebates, and marketing development funds. The Group considers various factors, including a review of specific transactions, historical experience and market and economic conditions when calculating these provisions and allowances.

Revenue from sales of goods is recognized when both ownership and risk of loss are effectively transferred to customer. Risk of loss associated with goods-in-transit is generally retained by the Group. The Group books revenue upon delivery of products, and defers the amounts of revenue based on the estimated days-in-transit at the end of each month. The days-in-transit is estimated based on the Group's weighted average estimated time of shipment arrival. Cost of in-transit products is deferred in deposits, prepayment and other receivables in the balance sheet until revenue is recognized. The estimates of days-in-transit are reviewed semi-annually.

(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

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

The LEC considers business from a market perspective. The Group has three market segments, China, emerging markets (excluding China) and mature markets, which are also the Group's reportable operating segments.

The LEC assesses the performance of the operating segments based on a measure of adjusted pre-tax income/(loss). This measurement basis excludes the effects of non-recurring expenditure such as restructuring costs from the operating segments. The measurement basis 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 are as follows:

	China US$'000	Emerging Markets (excluding China) US$'000	Mature Markets US$'000	Total US$'000
Year ended March 31, 2011				
Sales to external customers	10,015,371	3,859,739	7,719,261	21,594,371
Adjusted pre-tax income/(loss)	507,497	(64,669)	77,734	520,562
Depreciation and amortization	71,380	22,017	82,743	176,140
Restructuring costs	–	(51)	398	347
Additions to non-current assets*	46,256	6,305	15,510	68,071
At March 31, 2011				
Total assets	4,029,553	2,768,369	1,387,477	8,185,399
Total liabilities	3,036,757	2,789,863	1,564,411	7,391,031

5 Segment information *(continued)*

(a) Segment results, assets and liabilities *(continued)*

	China US$'000	Emerging Markets (excluding China) US$'000	Mature Markets US$'000	Total US$'000
Year ended March 31, 2010				
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
Additions to non-current assets*	49,017	3,540	20,085	72,642
At March 31, 2010				
Total assets	3,094,515	1,586,158	1,199,948	5,880,621
Total liabilities	2,190,074	1,929,730	1,258,603	5,378,407

* Other than financial instruments and deferred income tax assets; and exclude construction-in-progress pending allocation to segments.

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

	2011 US$'000	2010 US$'000
Adjusted pre-tax income	**520,562**	282,420
Unallocated:		
Headquarters and corporate expenses	**(134,879)**	(141,737)
Restructuring costs	**(3,878)**	(5,123)
Finance income	**24,927**	20,377
Finance costs	**(49,175)**	(62,881)
Net gain on disposal of available-for-sale financial assets and investments	**326**	82,090
Dividend income from available-for-sale financial assets	**93**	1,558
Impairment of investments	**–**	(522)
Share of (losses)/profits of associates	**(225)**	121
Consolidated profit before taxation	**357,751**	176,303

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

	2011 US$'000	2010 US$'000
Segment assets for reportable segments	**8,185,399**	5,880,621
Unallocated:		
Deferred income tax assets	**251,098**	254,978
Derivative financial assets	**13,295**	13,283
Available-for-sale financial assets	**78,689**	112,520
Interests in associates	**914**	1,061
Unallocated bank deposits and cash and cash equivalents	**1,727,569**	1,813,368
Unallocated inventories	**180,516**	311,455
Other unallocated assets	**268,459**	568,642
Total assets per consolidated balance sheet	**10,705,939**	8,955,928

5 Segment information *(continued)*

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

	2011 US$'000	2010 US$'000
Segment liabilities for reportable segments	**7,391,031**	5,378,407
Unallocated:		
Income tax payable	**96,711**	84,329
Deferred income tax liabilities	**17,093**	10,331
Derivative financial liabilities	**39,223**	11,507
Unallocated bank borrowings	**200,000**	430,000
Convertible preferred shares	**–**	94,980
Other unallocated liabilities	**1,126,981**	1,340,356
Total liabilities per consolidated balance sheet	**8,871,039**	7,349,910

(e) Other segment information

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

	2011 US$'000	2010 US$'000
Personal computer		
– desktop	**7,307,142**	5,859,405
– notebook	**12,990,444**	10,437,927
Mobile phone	**804,459**	91,144
Others	**492,326**	216,339
	21,594,371	16,604,815

The total of non-current assets other than financial instruments, deferred income tax assets and employment benefit assets (there are no rights arising under insurance contracts) located in China and other countries are approximately US$1,592,475,000 (2010: US$1,402,505,000) and US$847,214,000 (2010: US$950,312,000) respectively.

6 Other income – net

	2011 US$'000	2010 US$'000
Net gain on disposal of available-for-sale financial assets and investments	**326**	82,090
Dividend income from available-for-sale financial assets	**93**	1,558
Impairment of investments	**–**	(522)
	419	83,126

7 Operating profit

Operating profit is stated after charging/(crediting) the following:

	2011 US$'000	2010 US$'000
Depreciation and impairment of property, plant and equipment and amortization of prepaid lease payments	**81,856**	106,591
Amortization and impairment of intangible assets	**94,284**	70,202
Employees' benefit costs (Note 10)	**1,431,218**	1,182,019
Cost of inventories sold	**18,641,858**	14,105,889
Auditor's remuneration	**3,940**	3,640
Rental expenses under operating leases	**52,670**	44,729
Gain on disposal of subsidiaries and an associate	**(13,015)**	(2,600)

8 Finance income and costs

(a) Finance income

	2011 US$'000	2010 US$'000
Interest on bank deposits	**23,229**	18,947
Interest on money market funds	**1,118**	950
Others	**580**	480
	24,927	20,377

(b) Finance costs

	2011 US$'000	2010 US$'000
Interest on bank loans and overdrafts	**16,330**	30,413
Dividend and relevant finance costs on convertible preferred shares (Note 28(b))	**3,810**	10,915
Factoring cost	**17,022**	10,600
Others	**12,013**	10,953
	49,175	62,881

9 Taxation

The amount of taxation in the consolidated income statement represents:

	2011 US$'000	2010 US$'000
Current tax		
– Hong Kong profits tax	**234**	58
– Taxation outside Hong Kong	**67,334**	87,716
Deferred tax (Note 21)	**16,947**	(40,839)
	84,515	46,935

Hong Kong profits tax has been provided at the rate of 16.5% (2010: 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 are as follows:

	2011 US$'000	2010 US$'000
Profit before taxation	**357,751**	176,303
Tax calculated at domestic rates applicable in countries concerned	**95,520**	16,875
Income not subject to taxation	**(95,994)**	(252,688)
Expenses not deductible for taxation purposes	**67,727**	262,091
Utilization of previously unrecognized tax losses	**(2,483)**	(77)
Effect on opening deferred income tax assets due to change in tax rates	**1,743**	867
Deferred income tax assets not recognized	**10,383**	12,131
Under-provision in prior years	**7,619**	7,736
	84,515	46,935

The weighted average applicable tax rate for the year was 27% (2010: 10%).

10 Employee benefit costs

	2011 US$'000	2010 US$'000
Wages and salaries (including provision for restructuring costs of US$1,095,000 (2010: US$5,123,000))	**1,058,164**	899,970
Social security costs	**121,362**	95,923
Long-term incentive awards granted (Notes 30(a))	**41,375**	51,413
Pension costs		
– Defined contribution plans	**58,341**	36,633
– Defined benefit plans (Note 37)	**9,878**	7,433
Others	**142,098**	90,647
	1,431,218	1,182,019

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 37.

11 Emoluments of directors and highest paid individuals

(a) Directors' and senior management's emoluments

Directors' emoluments comprise payments by the Group to directors of the Company in connection with the management of the affairs of the Company and its subsidiaries. The remuneration of each director for the years ended March 31, 2011 and 2010 is set out below:

	2011						
Name of Director	Fees US$'000	Salaries US$'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	–	911	3,297	7,492	91	96	11,887
Non-executive directors							
Mr. Liu Chuanzhi	–	460	805	2,178	–	–	3,443
Mr. Zhu Linan	80	–	–	127	–	–	207
Ms. Ma Xuezheng	80	–	–	229	–	–	309
Mr. James G. Coulter	80	–	–	148	–	–	228
Mr. William O. Grabe	90	–	–	209	–	–	299
Dr. Wu Yibing	80	–	–	105	–	–	185
Independent non-executive directors							
Professor Woo Chia-Wei	80	–	–	192	–	–	272
Mr. Ting Lee Sen	80	–	–	130	–	–	210
Dr. Tian Suning	80	–	–	112	–	–	192
Mr. Nicholas C Allen	100	–	–	76	–	–	176
	750	1,371	4,102	10,998	91	96	17,408

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

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

	2010						
Name of Director	Fees US$'000	Salaries US$'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

Notes:

(i) Discretionary bonuses paid for the two years ended March 31, 2011 and 2010 represent the amounts in connection with the performance bonuses for the two years ended March 31, 2010 and 2009 respectively.

(ii) Details of the long-term incentive program of the Company are set out in Note 30(a). The fair value of the employee services received in exchange for the grant of the long-term incentive awards is recognized as an expense. The total amount to be amortized over the vesting period is determined by reference to the fair value of the long-term incentive awards at the date of grant. The amounts disclosed above represent the amortized amounts for the two years ended March 31, 2011 and 2010.

(iii) Mr. William O. Grabe and Professor Woo Chia-Wei have elected to defer their receipts of the cash of director's fee into fully vested share units under the long-term incentive program (Note 30(a)) for the year ended March 31, 2010.

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include two (2010: two) directors whose emoluments are reflected in the analysis presented above. The emoluments of the remaining three (2010: three) individuals during the year are as follows:

	2011 US$'000	2010 US$'000
Basic salaries, allowances, and benefits-in-kind	**1,465**	1,365
Discretionary bonuses	**3,065**	1,113
Employer's contribution to pension schemes	**405**	124
Long-term incentive awards	**4,571**	4,698
Others	**314**	431
	9,820	7,731

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

(b) Five highest paid individuals *(continued)*

The emoluments fell within the following bands:

	Number of individuals	
	2011	2010
Emolument bands		
US$2,441,315 – US$2,505,559	**–**	1
US$2,569,806 – US$2,634,050	**–**	1
US$2,634,051 – US$2,698,295	**–**	1
US$3,019,522 – US$3,083,766	**1**	–
US$3,148,012 – US$3,212,256	**1**	–
US$3,533,483 – US$3,597,727	**1**	–

12 Earnings per share

(a) Basic

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

	2011	2010
Weighted average number of ordinary shares in issue for the purpose of basic earnings per share	**9,634,806,069**	9,113,645,262

	US$'000	US$'000
Profit attributable to equity holders of the Company	**273,234**	129,368

(b) Diluted

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

	2011	2010
Weighted average number of ordinary shares in issue	**9,634,806,069**	9,113,645,262
Adjustments for convertible preferred shares	**176,317,792**	–
Adjustments for share options and long-term incentive awards	**337,099,963**	621,234,062
Weighted average number of ordinary shares in issue for calculation of diluted earnings per share	**10,148,223,824**	9,734,879,324

	US$'000	US$'000
Profit attributable to equity holders of the Company	**273,234**	129,368
Interest expense on convertible preferred shares	**3,810**	–
Profit used to determine diluted earnings per share	**277,044**	129,368

Adjustments for the dilutive potential ordinary shares are as follows:

– For the convertible preferred shares, they are assumed to have been converted into ordinary shares and the net profit is adjusted to add back the relevant finance costs. For the year ended March 31, 2010, they were antidilutive as the amount of the dividend and related finance costs per ordinary share attainable on conversion exceeded basic earnings per share and they were excluded from the weighted average number of ordinary shares in issue for calculation of diluted earnings per share.

– For the share options, 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.

13 Dividends

	2011 US$'000	2010 US$'000
Interim dividend of HK2.6 cents (2010: HK1.0 cent) per ordinary share, paid on December 9, 2010	**32,581**	12,264
Proposed final dividend – HK5.0 cents (2010: HK4.5 cents) per ordinary share	**64,020**	56,464
	96,601	68,728

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, 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	–	7,028	5,010	26	3,974	682	16,720
Transfer from construction-in-progress	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 and impairment losses	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
Year ended March 31, 2011							
Opening net book amount	**79,768**	**34,881**	**35,826**	**20,360**	**76,020**	**1,406**	**248,261**
Exchange adjustment	**3,373**	**132**	**(289)**	**5**	**2,847**	**54**	**6,122**
Reclassification	**4,483**	**1,089**	**369**	**(3,075)**	**(2,947)**	**81**	**–**
Additions	**1,320**	**6,544**	**5,820**	**1,016**	**33,351**	**783**	**48,834**
Transfer from construction-in-progress	**688**	**604**	**515**	**491**	**525**	**–**	**2,823**
Transfer to intangible assets	**–**	**–**	**–**	**–**	**(748)**	**–**	**(748)**
Transfer to prepaid lease payments	**(5,866)**	**–**	**–**	**–**	**–**	**–**	**(5,866)**
Disposals	**(19)**	**(1,110)**	**(172)**	**(1,682)**	**(5,086)**	**(180)**	**(8,249)**
Depreciation	**(3,945)**	**(10,899)**	**(24,062)**	**(8,685)**	**(33,626)**	**(543)**	**(81,760)**
Closing net book amount	**79,802**	**31,241**	**18,007**	**8,430**	**70,336**	**1,601**	**209,417**
At March 31, 2011							
Cost	**118,374**	**81,009**	**234,522**	**28,613**	**231,133**	**3,457**	**697,108**
Accumulated depreciation and impairment losses	**38,572**	**49,768**	**216,515**	**20,183**	**160,797**	**1,856**	**487,691**
Net book amount	**79,802**	**31,241**	**18,007**	**8,430**	**70,336**	**1,601**	**209,417**

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, 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
Year ended March 31, 2011					
Opening net book amount	**500**	**70**	**211**	**25**	**806**
Exchange adjustment	**(1)**	**(10)**	**10**	**(1)**	**(2)**
Additions	**–**	**57**	**93**	**–**	**150**
Disposals	**–**	**(1)**	**(1)**	**(3)**	**(5)**
Depreciation	**(130)**	**(37)**	**(76)**	**(17)**	**(260)**
Closing net book amount	**369**	**79**	**237**	**4**	**689**
At March 31, 2011					
Cost	**2,329**	**192**	**592**	**158**	**3,271**
Accumulated depreciation	**1,960**	**113**	**355**	**154**	**2,582**
Net book amount	**369**	**79**	**237**	**4**	**689**

15 Prepaid lease payments

	Group	
	2011 **US$'000**	2010 US$'000
At the beginning of the year	**3,748**	5,833
Exchange adjustment	**164**	8
Disposal of subsidiaries	**–**	(1,660)
Transfer from property, plant and equipment	**5,866**	–
Disposals	**–**	(308)
Amortization	**(96)**	(125)
At the end of the year	**9,682**	3,748

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	
	2011 **US$'000**	2010 US$'000	**2011** **US$'000**	2010 US$'000	**2011** **US$'000**	2010 US$'000	**2011** **US$'000**	2010 US$'000	**2011** **US$'000**	2010 US$'000
At the beginning of the year	**414**	2,158	**23,772**	44,156	**525**	748	**24,711**	47,062	**2,204**	7,780
Exchange adjustment	**31**	2	**315**	5	**(1)**	1	**345**	8	**(9)**	(6)
Reclassification	**(354)**	(1,253)	**(17)**	246	**255**	1,007	**(116)**	–	**–**	–
Additions	**1,335**	196	**66,752**	37,125	**10,444**	2,658	**78,531**	39,979	**4,868**	2,206
Acquisition of subsidiaries	**–**	–	**–**	145	**–**	–	**–**	145	**–**	–
Transfer to property, plant and equipment	**(688)**	(611)	**–**	(658)	**(2,135)**	(3,889)	**(2,823)**	(5,158)	**–**	–
Transfer to intangible assets	**–**	–	**(66,821)**	(56,499)	**(320)**	–	**(67,141)**	(56,499)	**(3,461)**	(7,776)
Disposals	**–**	–	**–**	(748)	**(1,415)**	–	**(1,415)**	(748)	**–**	–
Disposals of subsidiaries	**–**	(78)	**–**	–	**–**	–	**–**	(78)	**–**	–
At the end of the year	**738**	414	**24,001**	23,772	**7,353**	525	**32,092**	24,711	**3,602**	2,204

No interest expenses were capitalized in construction-in-progress as at March 31, 2011 and 2010.

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, 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	176,552	–	1,624	8,184	8,460	–	194,820
Transfer from construction-in-progress	–	–	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
Year ended March, 31 2011							
Opening net book amount	**1,473,517**	**380,003**	**188,124**	**7,671**	**12,464**	**4,558**	**2,066,337**
Exchange adjustment	**72,342**	**–**	**2,483**	**–**	**(638)**	**37**	**74,224**
Additions	**–**	**–**	**20,297**	**–**	**–**	**–**	**20,297**
Reclassification	**–**	**(3)**	**(1,237)**	**–**	**1,240**	**–**	**–**
Transfer from construction-in-progress	**–**	**–**	**66,821**	**–**	**320**	**–**	**67,141**
Transfer from property, plant and equipment	**–**	**–**	**748**	**–**	**–**	**–**	**748**
Disposal	**–**	**–**	**(11)**	**–**	**–**	**–**	**(11)**
Amortization	**–**	**–**	**(82,756)**	**(2,708)**	**(4,225)**	**(4,595)**	**(94,284)**
Closing net book amount	**1,545,859**	**380,000**	**194,469**	**4,963**	**9,161**	**–**	**2,134,452**
At March 31, 2011							
Cost	**1,545,859**	**510,000**	**451,117**	**25,122**	**105,456**	**–**	**2,637,554**
Accumulated amortization and impairment losses	**–**	**130,000**	**256,648**	**20,159**	**96,295**	**–**	**503,102**
Net book amount	**1,545,859**	**380,000**	**194,469**	**4,963**	**9,161**	**–**	**2,134,452**

17 Intangible assets *(continued)*

(b) Company

	Internal use software US$'000
At April 1, 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	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
Year ended March 31, 2011	
Opening net book amount	**23,183**
Exchange adjustment	**(58)**
Transfer from construction-in-progress	**3,461**
Additions	**6,097**
Amortization	**(7,912)**
Closing net book amount	**24,771**
At March 31, 2011	
Cost	**49,960**
Accumulated amortization	**25,189**
Net book amount	**24,771**

Impairment tests for goodwill and intangible assets with indefinite useful lives

The carrying amounts of goodwill and trademarks and trade names with indefinite useful lives are presented below:

At March 31, 2011

	China US$ million	REM * US$ million	Latin America US$ million	North America US$ million	West Europe US$ million	Japan, Australia, New Zealand US$ million	Total US$ million
Goodwill	**1,065**	**143**	**24**	**161**	**84**	**69**	**1,546**
Trademarks and trade names	**209**	**55**	**9**	**58**	**35**	**14**	**380**

* Previously known as HARIE, includes Africa, Asia Pacific, Central/Eastern Europe, Hong Kong, India, Korea, Middle East, Pakistan, Russia, Taiwan and Turkey

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

17 Intangible assets *(continued)*

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

Management has completed the allocation of the goodwill attributable to the acquisition of Lenovo Mobile Communication Limited. The goodwill is primarily attributable to the significant synergies expected to arise in connection with the Group's strategic objectives and the development of customer-focused products to capitalize on the mobile internet device business growth in China. The entire amount of goodwill of US$177 million as at March 31, 2010 has been allocated to the China market segment during the year.

The Group completed its annual impairment test for goodwill allocated to the Group's various cash generating units ("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 flow 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.

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

	2011	2010
China	**21.3%**	13.9%
REM	**6.2%**	9.7%
Latin America	**5.0%**	2.3%
North America	**(0.3%)**	4.3%
West Europe	**5.4%**	0.2%
Japan, Australia, New Zealand	**(4.0%)**	(3.2%)

Future cash flows are discounted at the standard rate of 11% (2010: 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, 2011 arising from the review (2010: Nil).

The Group has performed a sensitivity analysis on key assumptions used for the annual impairment test for goodwill. A reasonably possible change in key assumptions used in the impairment test for goodwill would not cause any CGU's carrying amount to exceed its respective recoverable amount, except for the forecasted operating margins of REM. If such margin had been one and a half percentage points lower than management's estimates, the Group would have recognized an impairment of US$12 million against the goodwill of REM.

18 Subsidiaries

(a) Investments in subsidiaries

	Company	
	2011 **US$'000**	2010 US$'000
Unlisted investments, at cost	**1,929,073**	1,898,912

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.

19 Interests in associates

	Group	
	2011	2010
	US$'000	US$'000
Share of net assets	**914**	1,061

The following is a list of the principal associates as at March 31, 2011:

Company name	Place of establishment	Interest held indirectly 2011	2010	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 associates 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$'000	Available-for-sale financial assets US$'000	Total US$'000
Assets as per consolidated balance sheet					
At March 31, 2011					
Available-for-sale financial assets (Note 22)	**–**	**–**	**–**	**78,689**	**78,689**
Derivative financial assets	**–**	**11,188**	**2,107**	**–**	**13,295**
Trade receivables (Note 24(a))	**1,368,924**	**–**	**–**	**–**	**1,368,924**
Notes receivable (Note 24(b))	**391,649**	**–**	**–**	**–**	**391,649**
Deposits and other receivables (Note 24(c))	**1,766,184**	**–**	**–**	**–**	**1,766,184**
Bank deposits (Note 25)	**42,158**	**–**	**–**	**–**	**42,158**
Cash and cash equivalents (Note 25)	**2,954,498**	**–**	**–**	**–**	**2,954,498**
	6,523,413	**11,188**	**2,107**	**78,689**	**6,615,397**
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

20 Financial instruments by category *(continued)*

Group *(continued)*

	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, 2011				
Trade payables (Note 26(a))	**–**	**–**	**2,179,839**	**2,179,839**
Notes payable (Note 26(b))	**–**	**–**	**98,964**	**98,964**
Derivative financial liabilities	**20,110**	**19,113**	**–**	**39,223**
Accruals and other payables (Note 27)	**–**	**–**	**3,648,921**	**3,648,921**
Bank borrowings (Note 28(a))	**–**	**–**	**271,561**	**271,561**
	20,110	**19,113**	**6,199,285**	**6,238,508**
At March 31, 2010				
Trade payables (Note 26(a))	–	–	3,141,426	3,141,426
Notes payable (Note 26(b))	–	–	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
Bank borrowings (Note 28(a))	–	–	494,706	494,706
Capital lease obligation	–	–	1,240	1,240
Convertible preferred shares	–	–	94,980	94,980
	3,950	7,557	5,676,896	5,688,403

Company

	Loan and receivables US$'000
Assets as per balance sheet	
At March 31, 2011	
Deposits (Note 24(c))	**379**
Amounts due from subsidiaries (Note 18(b))	**692,351**
Cash and cash equivalents (Note 25)	**25,955**
	718,685
At March 31, 2010	
Deposits (Note 24 (c))	881
Amounts due from subsidiaries (Note 18(b))	914,325
Cash and cash equivalents (Note 25)	259,559
	1,174,765

20 Financial instruments by category *(continued)*

Company *(continued)*

	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, 2011				
Derivative financial liabilities	**4,547**	**1,018**	**–**	**5,565**
Accruals and other payables (Note 27)	**–**	**–**	**39,319**	**39,319**
Amounts due to subsidiaries (Note 18(b))	**–**	**–**	**549,503**	**549,503**
Bank borrowings (Note 28(a))	**–**	**–**	**200,000**	**200,000**
	4,547	**1,018**	**788,822**	**794,387**
At March 31, 2010				
Derivative financial liabilities	110	3,390	–	3,500
Accruals and other payables (Note 27)	–	–	19,848	19,848
Amounts due to subsidiaries (Note 18(b))	–	–	526,686	526,686
Bank borrowings (Note 28(a))	–	–	430,000	430,000
Convertible preferred shares	–	–	94,980	94,980
	110	3,390	1,071,514	1,075,014

21 Deferred income tax assets and liabilities

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

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

	Group	
	2011 US$'000	2010 US$'000
Deferred income tax assets:		
Current	**193,274**	205,174
Non-current	**57,824**	49,804
	251,098	254,978
Deferred income tax liabilities:		
Non-current	**(17,093)**	(10,331)
Net deferred income tax assets	**234,005**	244,647

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

	Group	
	2011 US$'000	2010 US$'000
At the beginning of the year	**244,647**	190,844
Reclassification and exchange adjustments	**6,305**	637
Acquisition of subsidiaries	**–**	12,327
(Debited)/credited to consolidated income statement (Note 9)	**(16,947)**	40,839
At the end of the year	**234,005**	244,647

21 Deferred income tax assets and liabilities *(continued)*

(a) The movements in deferred income tax assets, analyzed by major component, during the year are as follows:

	Provisions and accruals US$'000	Tax losses US$'000	Accelerated accounting depreciation US$'000	Deferred revenue US$'000	Total US$'000
At April 1, 2009	122,036	19,519	3,823	45,466	190,844
Acquisition of subsidiaries	6,000	6,327	–	–	12,327
Reclassification and exchange adjustment	(11,624)	9,079	1,419	1,763	637
Credited/(debited) to consolidated income statement	21,595	(11,025)	4,191	36,409	51,170
At March 31, 2010 and April 1, 2010	**138,007**	**23,900**	**9,433**	**83,638**	**254,978**
Reclassification and exchange adjustment	**(1,003)**	**(3,741)**	**432**	**10,753**	**6,441**
Credited/(debited) to consolidated income statement	**13,416**	**5,297**	**(1,735)**	**(27,299)**	**(10,321)**
At March 31, 2011	**150,420**	**25,456**	**8,130**	**67,092**	**251,098**

Deferred income 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, 2011, the Group did not recognize deferred income tax assets in respect of tax losses of approximately US$751,904,000 (2010: US$849,311,000) that can be carried forward against future taxable income, of which, tax losses of US$659,254,000 (2010: US$737,480,000) can be carried forward indefinitely. The remaining balances of tax losses will expire as follows:

	Group	
	2011 US$'000	2010 US$'000
Expiring in		
– 2014	**16,263**	6,556
– 2015	**7,146**	52,582
– 2016	**5,616**	10,392
– 2017	**42,098**	42,301
– 2018	**13,108**	–
– 2019	**8,419**	–
	92,650	111,831

(b) The movements in deferred income tax liabilities, analyzed by major component, during the year are as follows:

	Accelerated tax depreciation US$'000	Undistributed earnings US$'000	Total US$'000
At April 1, 2009	–	–	–
Debited to consolidated income statement	–	10,331	10,331
At March 31, 2010 and April 1, 2010	**–**	**10,331**	**10,331**
Exchange adjustment	**8**	**128**	**136**
Debited to consolidated income statement	**475**	**6,151**	**6,626**
At March 31, 2011	**483**	**16,610**	**17,093**

22 Available-for-sale financial assets

	Group	
	2011 **US$'000**	2010 US$'000
At the beginning of the year	**112,520**	101,916
Exchange adjustment	**81**	191
Fair value change recognized in other comprehensive income	**(15,892)**	67,674
Acquisition of subsidiaries	**–**	18,020
Disposals	**(18,020)**	(75,281)
At the end of the year	**78,689**	112,520
Equity securities, at fair value		
Listed in Hong Kong	**1,442**	636
Listed outside Hong Kong	**75,031**	91,769
	76,473	92,405
Unlisted	**2,216**	20,115
	78,689	112,520
Equity securities are denominated in the following currencies:		
United States dollar	**75,119**	91,769
Renminbi	**914**	19,111
Hong Kong dollar	**2,656**	1,640
	78,689	112,520

23 Inventories

	Group	
	2011 **US$'000**	2010 US$'000
Raw materials and work-in-progress	**391,892**	490,443
Finished goods	**411,810**	388,444
	803,702	878,887

24 Receivables

(a) Customers are generally granted credit term ranging from 15 to 60 days. Ageing analysis of trade receivables of the Group at the balance sheet date, based on invoice date, is as follows:

	Group	
	2011 **US$'000**	2010 US$'000
0 – 30 days	**941,811**	665,535
31 – 60 days	**251,698**	242,946
61 – 90 days	**92,817**	68,526
Over 90 days	**103,679**	61,374
	1,390,005	1,038,381
Less: provision for impairment	**(21,081)**	(17,319)
Trade receivables – net	**1,368,924**	1,021,062

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

24 Receivables *(continued)*

(a) *(continued)*

At March 31, 2011, trade receivables, net of impairment, of US$213,710,000 (2010: US$182,403,000) were past due. The ageing of these receivables, based on due date, is as follows:

	Group	
	2011 **US$'000**	2010 US$'000
Within 30 days	**141,819**	94,758
31 – 60 days	**16,809**	48,083
61 – 90 days	**28,901**	24,967
Over 90 days	**26,181**	14,595
	213,710	182,403

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

	Group	
	2011 **US$'000**	2010 US$'000
At beginning of the year	**17,319**	29,755
Exchange adjustment	**(45)**	296
Provisions made	**10,076**	14,702
Uncollectible receivables written off	**(4,343)**	(22,434)
Unused amounts reversed	**(1,926)**	(5,000)
At the end of the year	**21,081**	17,319

(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	
	2011 **US$'000**	2010 US$'000	**2011** **US$'000**	2010 US$'000
Deposits and other receivables	**1,766,184**	1,287,894	**379**	881
Prepayments	**539,141**	175,528	**1,247**	5,017
	2,305,325	1,463,422	**1,626**	5,898

(d) The carrying amounts of trade, notes and other receivables and deposits approximate their fair values. 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.

(e) The carrying amounts of trade, notes and other receivables and deposits are denominated in the following currencies:

	Group		Company	
	2011 **US$'000**	2010 US$'000	**2011** **US$'000**	2010 US$'000
United States dollar	**1,593,051**	1,532,052	**–**	531
Renminbi	**1,057,078**	625,006	**–**	–
Euro	**425,835**	250,017	**–**	–
Hong Kong dollar	**130,888**	105,457	**379**	350
Other currencies	**319,905**	183,170	**–**	–
	3,526,757	2,695,702	**379**	881

25 Bank deposits and cash and cash equivalents

	Group		Company	
	2011 US$'000	2010 US$'000	**2011 US$'000**	2010 US$'000
Bank deposits				
– matured between three to six months	**22,158**	172,126	**–**	–
– restricted bank balances	**20,000**	28,330	**20,000**	–
	42,158	200,456	**20,000**	–
Cash and cash equivalents				
– cash at bank and in hand	**2,222,317**	1,707,766	**25,955**	79,559
– money market funds	**732,181**	530,429	**–**	180,000
	2,954,498	2,238,195	**25,955**	259,559
	2,996,656	2,438,651	**45,955**	259,559
Maximum exposure to credit risk	**2,996,656**	2,438,651	**45,955**	259,559

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

	Group		Company	
	2011 US$'000	2010 US$'000	**2011 US$'000**	2010 US$'000
United States dollar	**1,615,329**	1,046,513	**45,510**	254,022
Renminbi	**1,110,373**	1,137,606	**46**	–
Euro	**21,633**	38,602	**–**	44
Japanese Yen	**12,863**	3,827	**–**	–
Other currencies	**236,458**	212,103	**399**	5,493
	2,996,656	2,438,651	**45,955**	259,559

The effective annual interest rates for bank deposits and cash and cash equivalents of the Group and of the Company at March 31, 2011 ranged from 0% to 12.01% (2010: 0% to 9.02%) per annum and from 0% to 0.21% (2010: 0% to 0.67%) per annum respectively.

26 Payables

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

	Group	
	2011 US$'000	2010 US$'000
0 – 30 days	**1,381,832**	2,425,237
31 – 60 days	**503,648**	609,720
61 – 90 days	**230,791**	74,499
Over 90 days	**63,568**	31,970
	2,179,839	3,141,426

Trade payables are denominated in the following currencies:

	Group	
	2011 US$'000	2010 US$'000
United States dollar	**1,348,334**	2,504,068
Renminbi	**551,847**	276,183
Euro	**23,851**	38,736
Hong Kong dollar	**181,589**	284,624
Other currencies	**74,218**	37,815
	2,179,839	3,141,426

(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	
	2011 US$'000	2010 US$'000	**2011 US$'000**	2010 US$'000
Provisions	**307,900**	260,796	**–**	–
Accruals	**904,219**	659,212	**18,817**	9,765
Provision for billing adjustments	**1,139,828**	474,937	**–**	–
Other payables	**2,744,702**	1,190,905	**20,502**	10,083
	5,096,649	2,585,850	**39,319**	19,848

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

Provisions include warranty and restructuring provisions as follows:

	Group		
	Warranty US$'000	**Restructuring** US$'000	**Total** US$'000
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
Year ended March 31, 2011			
At the beginning of the year	**550,689**	**11,341**	**562,030**
Exchange adjustment	**11,310**	**84**	**11,394**
Provisions made	**644,778**	**3,126**	**647,904**
Amounts utilized	**(510,054)**	**(3,585)**	**(513,639)**
Unused amounts reversed	**(2,000)**	**(2,547)**	**(4,547)**
	694,723	**8,419**	**703,142**
Long-term portion classified as non-current liabilities	**(395,242)**	**–**	**(395,242)**
At the end of the year	**299,481**	**8,419**	**307,900**

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

28 Borrowings

(a) Bank borrowings

	Group		Company	
	2011	2010	**2011**	2010
	US$'000	US$'000	**US$'000**	US$'000
Term loans (i) (Note 29)	**200,000**	230,000	**200,000**	230,000
Term loans (syndicated) (ii)	**–**	200,000	**–**	200,000
Short-term loans (iii)	**71,561**	64,706	**–**	–
	271,561	494,706	**200,000**	430,000

Notes:

(i) Term loans comprise a US$200 million (2010: US$200 million) 3-year term loan facility with a bank in China obtained in March 2009. The 5-year fixed rate loan facility with a bank in China of US$30 million as at March 31, 2010 was fully repaid during the year. (Note 29).

(ii) Syndicated loans of US$200 million as at March 31, 2010 represent 5-year loan facility from syndicated banks and was fully repaid during the year.

(iii) Majority of the short-term loans are denominated in United States dollar.

The exposure of the bank borrowings of the Group and the Company to interest rate changes and the contractual repricing dates at the end of the reporting period are as follows:

	Group		Company	
	2011	2010	**2011**	2010
	US$'000	US$'000	**US$'000**	US$'000
Within 1 year	**271,561**	294,706	**200,000**	230,000
Between 2 and 5 years	**–**	200,000	**–**	200,000
	271,561	494,706	**200,000**	430,000

The carrying amounts of bank borrowings approximate their fair value as the impact of discounting is not significant.

(b) Convertible preferred shares

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 in 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$2.75 per share.

All warrants were either exercised or repurchased by the Company; and all remaining convertible preferred shares were converted into voting ordinary shares during the year.

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

	2011	2010
	US$'000	US$'000
At the beginning of the year	**94,980**	215,974
Exchange adjustment	**62**	(280)
Interest charged	**3,810**	10,915
Interest paid	**(2,724)**	(7,925)
Conversion to voting ordinary shares	**(96,128)**	(123,704)
At the end of the year	**–**	94,980

29 Current portion of non-current liabilities

The current portion of non-current liabilities presented in the balance sheet are as follow:

	Group		Company	
	2011 US$'000	2010 US$'000	**2011 US$'000**	2010 US$'000
Bank borrowings (Note 28(a)(i))	**200,000**	230,000	**200,000**	230,000
Deferred revenue	**245,793**	196,806	**–**	–
Others	**3,913**	10,550	**–**	–
	449,706	437,356	**200,000**	230,000

30 Share capital

	2011		2010	
	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	**9,788,044,282**	**31,388**	9,211,389,406	29,530
Issue of ordinary shares	**–**	**–**	111,668,936	359
Conversion from Series A cumulative convertible preferred shares	**282,263,115**	**891**	369,112,652	1,190
Exercise of share options	**52,614,500**	**168**	32,370,500	104
Exercise of warrants	**–**	**–**	63,502,788	205
Repurchase of shares	**(157,760,000)**	**(506)**	–	–
At the end of the year	**9,965,161,897**	**31,941**	9,788,044,282	31,388
Series A cumulative convertible preferred shares (Note 28(b)):				
At the beginning of the year	**769,167**	**891**	1,774,999	2,081
Conversion to voting ordinary shares	**(769,167)**	**(891)**	(1,005,832)	(1,190)
At the end of the year	**–**	**–**	769,167	891

30 Share capital *(continued)*

(a) Long-term incentive program

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

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

Under the long-term incentive program, the Company may grant awards, at its discretion, using any of the two types of equity-based compensation: (i) share appreciation rights and (ii) restricted 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.

Under the two types of compensation, the Company reserves the right, at its discretion, to pay the award in cash or ordinary shares of the Company.

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

	Number of units	
	SARs	RSUs
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
Outstanding at April 1, 2010	**337,853,379**	**224,709,428**
Granted during the year	**69,595,347**	**61,441,432**
Vested during the year	**(133,727,293)**	**(83,219,962)**
Lapsed/cancelled during the year	**(9,828,947)**	**(13,100,058)**
Outstanding at March 31, 2011	**263,892,486**	**189,830,840**
Average fair value per unit (HK$)		
– At March 31, 2010	2.15	4.33
– At March 31, 2011	**1.53**	**3.47**

The fair values of the SARs awarded under the long-term incentive program were calculated by applying a Black-Scholes pricing model. For the year ended March 31, 2011, 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 64.39 percent (2010: 69.45 percent), expected dividends during the vesting periods of 1.58 percent (2010: 1.77 percent), contractual life of 4.75 years (2010: 4.75 years), and a risk-free interest rate of 1.45 percent (2010: 1.37 percent).

The remaining vesting periods of the awards under the long-term incentive program as at March 31, 2011 ranged from 0.08 to 3.92 years (2010: 0.08 to 3.92 years).

30 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.

	2011 Number of outstanding share options	2010 Number of outstanding share options
At the beginning of the year	**219,926,551**	258,011,051
Exercised during the year (ii)	**(52,614,500)**	(32,370,500)
Lapsed during the year (iii)	**(27,674,000)**	(5,714,000)
At the end of the year (iv)	**139,638,051**	219,926,551

(i) No share options were granted or cancelled by the Company during the years ended March 31, 2010 and 2011.

30 Share capital *(continued)*

(b) Share options *(continued)*

(ii) Details of share options exercised during the year ended March 31, 2011 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$
04.07.2010 to 04.26.2010	2.245	5.67-6.20	347,000	779,015
05.12.2010 to 05.25.2010	2.245	4.64-5.34	46,000	103,270
07.05.2010 to 07.21.2010	2.245	4.15-4.91	138,000	309,810
08.03.2010 to 08.24.2010	2.245	4.56-5.24	96,000	215,520
09.13.2010 to 09.21.2010	2.245	4.66-4.87	218,000	489,410
10.25.2010 to 10.27.2010	2.245	5.09-5.33	134,000	300,830
11.03.2010 to 11.22.2010	2.245	5.20-5.54	4,780,000	10,731,100
12.06.2010 to 12.28.2010	2.245	4.97-5.61	1,050,000	2,357,250
01.04.2011 to 01.04.2011	2.245	5.08-5.08	12,000	26,940
02.22.2011 to 02.28.2011	2.245	4.70-4.80	10,000	22,450
03.01.2011 to 03.21.2011	2.245	4.18-4.75	20,000	44,900
04.13.2010 to 04.26.2010	2.435	5.51-6.20	844,000	2,055,140
05.25.2010 to 05.25.2010	2.435	4.64-4.64	6,000	14,610
06.08.2010 to 06.08.2010	2.435	4.36-4.36	2,000	4,870
07.14.2010 to 07.27.2010	2.435	4.55-4.88	84,000	204,540
11.15.2010 to 11.25.2010	2.435	5.30-5.53	158,000	384,730
12.01.2010 to 12.06.2010	2.435	5.27-5.61	240,500	585,618
01.11.2011 to 01.11.2011	2.435	4.68-4.68	10,000	24,350
04.19.2010 to 04.26.2010	2.545	5.64-6.20	904,000	2,300,680
05.04.2010 to 05.25.2010	2.545	4.64-5.84	84,000	213,780
06.22.2010 to 06.29.2010	2.545	4.24-4.63	46,000	117,070
07.05.2010 to 07.20.2010	2.545	4.15-4.77	96,000	244,320
08.03.2010 to 08.18.2010	2.545	4.79-5.24	166,000	422,470
09.20.2010 to 09.20.2010	2.545	4.85-4.85	44,000	111,980
10.26.2010 to 10.27.2010	2.545	5.09-5.31	156,000	397,020
11.01.2010 to 11.22.2010	2.545	5.18-5.54	554,000	1,409,930
12.06.2010 to 12.28.2010	2.545	4.97-5.61	216,000	549,720
01.04.2011 to 01.31.2011	2.545	4.52-5.08	90,000	229,050
02.16.2011 to 02.16.2011	2.545	4.76-4.76	18,000	45,810
03.08.2011 to 03.08.2011	2.545	4.72-4.72	6,000	15,270
04.13.2010 to 04.26.2010	2.876	5.51-6.20	544,000	1,564,544
05.04.2010 to 05.25.2010	2.876	4.64-5.84	92,000	264,592
06.21.2010 to 06.21.2010	2.876	4.44-4.44	32,000	92,032
07.07.2010 to 07.21.2010	2.876	4.40-4.91	56,000	161,056
08.04.2010 to 08.11.2010	2.876	4.66-5.19	28,000	80,528
09.21.2010 to 09.22.2010	2.876	4.81-4.87	1,276,000	3,669,776
10.25.2010 to 10.27.2010	2.876	5.09-5.33	232,000	667,232
11.22.2010 to 11.29.2010	2.876	5.21-5.54	1,698,000	4,883,448
12.06.2010 to 12.28.2010	2.876	4.97-5.61	490,000	1,409,240
01.04.2011 to 01.11.2011	2.876	4.68-5.08	68,000	195,568
02.21.2011 to 02.22.2011	2.876	4.80-4.92	104,000	299,104
03.01.2011 to 03.08.2011	2.876	4.72-4.75	62,000	178,312
08.25.2010 to 08.25.2010	4.072	4.43-4.43	2,188,000	8,909,536

30 Share capital *(continued)*

(b) Share options *(continued)*

(ii) Details of share options exercised during the year ended March 31, 2011 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$
09.06.2010 to 09.22.2010	4.072	4.70-4.81	1,930,000	7,858,960
11.22.2010 to 11.23.2010	4.072	5.35-5.54	2,084,000	8,486,048
12.06.2010 to 12.31.2010	4.072	4.98-5.61	2,608,000	10,619,776
02.21.2011 to 02.21.2011	4.072	4.92-4.92	200,000	814,400
03.23.2011 to 03.29.2011	4.072	4.26-4.48	8,134,000	33,121,648
04.13.2010 to 04.26.2010	4.312	5.51-6.20	2,039,000	8,792,168
05.04.2010 to 05.24.2010	4.312	5.02-5.84	174,000	750,288
06.01.2010 to 06.01.2010	4.312	4.66-4.66	24,000	103,488
07.27.2010 to 07.28.2010	4.312	4.88-4.96	82,000	353,584
08.03.2010 to 08.11.2010	4.312	4.66-5.24	228,000	983,136
09.13.2010 to 09.27.2010	4.312	4.66-4.88	296,710	1,279,414
10.25.2010 to 10.27.2010	4.312	5.09-5.33	1,090,000	4,700,080
11.01.2010 to 11.22.2010	4.312	5.18-5.54	5,193,290	22,393,466
12.06.2010 to 12.21.2010	4.312	4.95-5.61	5,084,000	21,922,208
01.04.2011 to 01.11.2011	4.312	4.68-5.08	6,002,000	25,880,624
			52,614,500	195,145,709
				US$25,116,000

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 to 08.04.2009	2.245	3.93-3.93	112,000	251,440
09.07.2009 to 09.07.2009	2.245	3.72-3.72	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 to 08.04.2009	2.435	3.93-3.93	104,000	253,240
09.07.2009 to 09.07.2009	2.435	3.72-3.72	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 to 02.03.2010	2.435	5.68-5.68	14,000	34,090
03.10.2010 to 03.23.2010	2.435	5.12-5.41	248,000	603,880

30 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$
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 to 09.29.2009	2.545	3.48-3.48	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 to 06.02.2009	2.876	3.12-3.12	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 to 09.07.2009	2.876	3.72-3.72	4,000	11,504
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 to 01.06.2010	4.072	5.43-5.43	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 to 11.17.2009	4.312	4.69-4.69	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

30 Share capital *(continued)*

(b) Share options *(continued)*

(iii) Details of share options lapsed during the years ended March 31, 2011 and 2010 are as follows:

Exercise period (MM.DD.YYYY)	**Exercise price** HK$	**2011 Number of share options lapsed**	2010 Number of share options lapsed
Old Option Scheme			
01.28.2000 to 01.27.2010	4.038	**–**	5,714,000
01.15.2001 to 01.14.2011	4.312	**27,674,000**	–
		27,674,000	5,714,000

(iv) Details of share options at the balance sheet date are as follows:

Exercise period (MM.DD.YYYY)	**Exercise price** HK$	**2011 Number of outstanding share options**	2010 Number of outstanding share options
Old Option Scheme			
01.15.2001 to 01.14.2011	4.312	**–**	47,887,000
04.16.2001 to 04.15.2011	4.072	**1,380,000**	18,524,000
08.31.2001 to 08.30.2011	2.876	**27,290,000**	31,972,000
		28,670,000	98,383,000
New Option Scheme			
10.10.2002 to 10.09.2012	2.435	**17,030,000**	18,374,500
04.26.2003 to 04.25.2013	2.245	**26,401,000**	33,252,000
04.27.2004 to 04.26.2014	2.545	**67,537,051**	69,917,051
		110,968,051	121,543,551
		139,638,051	219,926,551

31 Share premium and reserves – Company

The changes in the share premium and reserves of the Company during the years ended March 31, 2011 and 2010 are as follows:

	Share premium US$'000	Convertible rights in respect of convertible preferred shares US$'000	Exchange reserve US$'000	Share redemption reserve US$'000	Share-based compensation reserve US$'000	Hedging reserve US$'000	Other reserve US$'000	Retained earnings US$'000	Total US$'000
At April 1, 2010	1,341,118	2,836	9,522	497	76,054	(3,398)	3,570	570,311	2,000,510
Fair value change on interest rate swap	–	–	–	–	–	2,365	–	–	2,365
Profit for the year	–	–	–	–	–	–	–	(57,474)	(57,474)
Currency translation differences	–	–	(5,263)	–	–	–	–	–	(5,263)
Conversion of Series A cumulative convertible preferred shares	98,073	(2,836)	–	–	–	–	–	–	95,237
Exercise of share options	24,948	–	–	–	–	–	–	–	24,948
Repurchase of shares	(86,610)	–	–	506	–	–	–	–	(86,104)
Vesting of shares under long-term incentive program	–	–	–	–	(54,149)	–	–	–	(54,149)
Share-based compensation	–	–	–	–	41,375	–	–	–	41,375
Dividends paid	–	–	–	–	–	–	–	(89,706)	(89,706)
At March 31, 2011	1,377,529	–	4,259	1,003	63,280	(1,033)	3,570	423,131	1,871,739

	Share premium US$'000	Convertible rights in respect of convertible preferred shares and warrants US$'000	Exchange reserve US$'000	Share redemption reserve US$'000	Share-based compensation reserve US$'000	Hedging reserve US$'000	Other reserve US$'000	Retained earnings US$'000	Total US$'000
At April 1, 2009	1,106,379	42,159	12,925	497	92,684	(7,765)	–	545,702	1,792,581
Fair value change on interest rate swap	–	–	–	–	–	4,367	–	–	4,367
Profit for the year	–	–	–	–	–	–	–	36,876	36,876
Currency translation differences	–	–	(3,403)	–	–	–	–	–	(3,403)
Issue of ordinary shares	63,141	–	–	–	–	–	–	–	63,141
Conversion of Series A cumulative convertible preferred shares	126,484	(3,970)	–	–	–	–	–	–	122,514
Exercise of share options	13,536	–	–	–	–	–	–	–	13,536
Exercise and repurchase of warrants	31,578	(35,353)	–	–	–	–	3,570	–	(205)
Vesting of shares under long-term incentive program	–	–	–	–	(68,043)	–	–	–	(68,043)
Share-based compensation	–	–	–	–	51,413	–	–	–	51,413
Dividends paid	–	–	–	–	–	–	–	(12,267)	(12,267)
At March 31, 2010	1,341,118	2,836	9,522	497	76,054	(3,398)	3,570	570,311	2,000,510

32 Significant related party transactions

(a) The Group had the following significant related party transactions in the normal course of business during the year:

	2011 US$'000	2010 US$'000
北京聯想利泰軟件有限公司 (Beijing Legendsoft International Technology Company Limited) (an associate)		
– Sales of goods	**60**	–
– Purchase of goods	**281**	165
– Service income	**2,024**	1,724
北京聯想調頻科技有限公司 (Beijing Legend Tiaopin Technology Limited) (a subsidiary of a substantial shareholder of the Company)		
– Purchase of goods	**1,148**	141
– Service income	**102**	573

Note: The English name of each company is a direct translation of its Chinese registered name.

The directors are of the opinion that the above transactions were conducted on normal commercial terms and in the ordinary course of business of the Group.

(b) Key management compensation

Details on key management compensation are set out in Note 11.

33 Bank facilities

Total bank facilities of the Group are as follows:

	Total facilities		**Utilized amounts**	
	2011 US$'000	2010 US$'000	**2011 US$'000**	2010 US$'000
Revolving loans	**800,000**	–	**–**	–
Term loans	**300,000**	830,000	**200,000**	430,000
Short-term loans	**475,000**	485,000	**71,561**	64,706
Foreign exchange contracts	**4,764,000**	4,175,000	**3,190,000**	2,641,000
Other trade finance facilities	**331,000**	276,000	**201,000**	191,000
	6,670,000	5,766,000	**3,662,561**	3,326,706

All the bank borrowings are unsecured and the effective annual interest rates at March 31, 2011 are as follows:

	United States dollar		**Other currencies**	
	2011	2010	**2011**	2010
Term loans	**3.5%**	3.5%-5.2%	**–**	–
Short-term loans	**1.5%-2.4%**	–	**1.5%-14.1%**	5.4%-30.1%

34 Commitments

(a) Commitments arising from business combination

On January 27, 2011, the Company entered into a business combination agreement ("Agreement") with NEC Corporation ("NEC"). Pursuant to the Agreement, the Company and NEC agreed to establish a joint venture company ("JVCo") to own and operate their respective personal computer business in Japan. The Company will pay NEC an amount equal to US$175 million which will be satisfied by an issue of the Company's ordinary shares to NEC. The agreement contains provisions on adjustments made to working capital which will be satisfied in cash. Immediately following the completion, the Company and NEC will own 51% and 49% respectively of the issued share capital of JVCo.

Pursuant to the Agreement, both the Company and NEC are respectively granted call and put options which entitle the Company to purchase from NEC or NEC to sell to the Company the 49% NEC's equity interests in JVCo. Both options will be exercisable following the fifth anniversary of the date of completion.

(b) Capital commitments

Except as disclosed in Note 34(a) above, at March 31, 2011, the Group had the following other capital commitments:

	2011 **US$'000**	2010 US$'000
Contracted but not provided for:		
– Property, plant and equipment	**4,662**	3,235
– Intangible assets	**8,525**	17,182
– IT consulting services	**–**	1,163
	13,187	21,580
Authorized but not contracted for:		
– Property, plant and equipment	**22,782**	37,386
– Intangible assets	**–**	67,602
	22,782	104,988

At March 31, 2011, the Company did not have any capital commitments (2010: Nil) other than as disclosed in Note (a) above.

(c) Commitments under operating leases

The future aggregate minimum lease payments in respect of land and buildings under non-cancelable operating leases of the group are as follows:

	2011 **US$'000**	2010 US$'000
Not later than one year	**36,267**	35,960
Later than one year but not later than five years	**94,409**	77,218
Later than five years	**44,268**	50,796
	174,944	163,974

At March 31, 2011, the Company did not have any operating lease commitments (2010: Nil)

35 Contingent liabilities

(a) The Group, in the ordinary course of its business, is involved in various 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, 2011, such facilities granted and utilized amounted to approximately US$2,146,903,000 and US$1,249,895,000 (2010: US$1,653,268,000 and US$1,101,677,000) respectively.

(c) The Company has issued letters of guarantee to certain suppliers and vendors of its subsidiaries. At March 31, 2011, the guarantees were expired (2010: US$100,000,000 granted and fully utilized).

36 Notes to the consolidated cash flow statement

(a) Reconciliation of profit before taxation to net cash generated from operations

	2011 **US$'000**	2010 US$'000
Profit before taxation	**357,751**	176,303
Share of losses/(profits) of associates	**225**	(121)
Finance income	**(24,927)**	(20,377)
Finance costs	**49,176**	62,881
Depreciation of property, plant and equipment and amortization of prepaid lease payments	**81,856**	100,826
Amortization of intangible assets and share-based compensation	**135,659**	120,756
(Gain)/loss on disposal of property, plant and equipment and prepaid lease payments	**(191)**	3,369
Loss on disposal of construction-in-progress	**1,415**	748
Gain on disposal of intangible assets	**(14)**	–
Gain on disposal of subsidiaries and an associate	**(13,015)**	(2,600)
Impairment of assets	**–**	6,624
Dividend income	**(93)**	(1,558)
Gain on disposal of financial instruments	**(326)**	(82,090)
Decrease/(increase) in inventories	**75,185**	(401,082)
Increase in trade receivables, notes receivable, deposits, prepayments and other receivables	**(1,238,985)**	(1,086,354)
Increase in trade payables, notes payable, provisions, accruals and other payables	**1,761,769**	2,183,039
Effect of foreign exchange rate changes	**(96,388)**	(83,491)
Net cash generated from operations	**1,089,097**	976,873

(b) Changes in bank borrowings

	2011 **US$'000**	2010 US$'000
Change in short-term bank loans	**6,855**	16,116
Repayment of borrowings	**(230,000)**	(235,000)
	(223,145)	(218,884)

37 Retirement benefit obligations

	Group	
	2011 US$'000	2010 US$'000
Pension obligation included in non-current liabilities		
Pension benefits	**63,120**	70,235
Post-employment medical benefits	**11,750**	10,632
	74,870	80,867
Expensed in income statement		
Pension benefits (Note 10)	**9,878**	7,433
Post-employment medical benefits	**1,106**	1,841
	10,984	9,274
Net actuarial loss recognized in other comprehensive income for the year	**7,190**	10,840
Cumulative actuarial loss recognized in the statement of other comprehensive income	**11,005**	3,815

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 other comprehensive income in the period they arise.

37 Retirement benefit obligations *(continued)*

(a) Pension benefits

The amounts recognized in the consolidated balance sheet are determined as follows:

	Group	
	2011 US$'000	2010 US$'000
Present value of funded obligations	**228,275**	213,769
Fair value of plan assets	**(174,241)**	(151,081)
Deficit of funded plans	**54,034**	62,688
Present value of unfunded obligations	**9,086**	7,547
Liability in the balance sheet	**63,120**	70,235
Representing:		
Pension benefits obligation	**64,362**	71,631
Pension plan assets	**(1,242)**	(1,396)
	63,120	70,235

The principal actuarial assumptions used are as follows:

	2011	2010
Discount rate	**2.25% – 5.0%**	2.25% – 5.25%
Expected return on plan assets	**0% – 5%**	0% – 5%
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%
Life expectancy for male aged 60	**23**	23
Life expectancy for female aged 60	**27**	26

The expected return on plan assets is derived by taking the weighted average of the long term expected rate of return on each of the asset classes that the plan was invested in at the balance sheet date.

(b) Post-employment medical benefits

The Group operates a number of post-employment medical benefit schemes, principally in the 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.

Changes in future medical cost trend rates has no effect on the liabilities for post-employment medical benefits.

The amounts recognized in the consolidated balance sheet are determined as follows:

	2011 US$'000	2010 US$'000
Present value of funded obligations	**17,037**	18,053
Fair value of plan assets	**(6,562)**	(7,618)
	10,475	10,435
Present value of unfunded obligations	**1,275**	197
Liability in the balance sheet	**11,750**	10,632

37 Retirement benefit obligations *(continued)*

(c) Additional information on post-employment benefits (pension and medical)

Plan assets of the Group comprise:

	Pensions		Medical	
	2011	2010	**2011**	2010
	US$'000	US$'000	**US$'000**	US$'000
Equities	**12,613**	25,901	**–**	810
Bonds	**81,661**	83,622	**–**	–
Others	**79,967**	41,558	**6,562**	6,808
Total	**174,241**	151,081	**6,562**	7,618

Reconciliation of fair value of plan assets of the Group:

	Pensions		Medical	
	2011	2010	**2011**	2010
	US$'000	US$'000	**US$'000**	US$'000
Opening fair value	**151,081**	134,852	**7,618**	7,761
Exchange adjustment	**4,491**	6,209	**(810)**	–
Expected return on plan assets	**5,197**	3,947	**179**	196
Actuarial (losses)/gains	**(3,511)**	561	**(131)**	(175)
Contributions by the employer	**23,367**	11,088	**30**	–
Contributions by plan participants	**165**	–	**–**	–
Benefits paid	**(6,549)**	(5,576)	**(324)**	(164)
Closing fair value	**174,241**	151,081	**6,562**	7,618
Actual return on plan assets	**1,686**	4,508	**48**	21

Contributions of US$16,364,000 are estimated to be made for the year ending March 31, 2012, excluding amounts due to be transferred from IBM plans.

Reconciliation of movements in present value of defined benefit obligations of the Group:

	Pensions		Medical	
	2011	2010	**2011**	2010
	US$'000	US$'000	**US$'000**	US$'000
Opening defined benefit obligation	**221,316**	193,967	**18,250**	16,646
Exchange adjustment	**3,918**	9,677	**(766)**	373
Current service cost	**7,655**	4,833	**551**	1,221
Past service cost	**14**	–	**–**	–
Interest cost	**7,406**	6,505	**828**	816
Actuarial losses/(gains)	**3,681**	11,868	**(133)**	(642)
Contributions by plan participants	**165**	–	**–**	–
Benefits paid	**(6,794)**	(5,576)	**(324)**	(164)
Curtailments	**–**	42	**(94)**	–
Closing defined benefit obligation	**237,361**	221,316	**18,312**	18,250

During the year benefits of US$245,000 were paid directly by the Group (2010: Nil).

37 Retirement benefit obligations *(continued)*

(c) Additional information on post-employment benefits (pension and medical) *(continued)*

Summary of pensions and post-retirement medical benefits of the Group:

	2011 US$'000	2010 US$'000	2009 US$'000	2008 US$'000	2007 US$'000
Present value of defined benefit obligations	**255,673**	239,566	210,613	220,650	213,775
Fair value of plan assets	**180,803**	158,699	142,613	135,160	110,827
Deficit	**74,870**	80,867	68,000	85,490	102,948
Actuarial losses/(gains) arising on plan assets	**3,642**	(386)	6,023	(11,384)	(2,152)
Actuarial losses/(gains) arising on plan liabilities	**3,548**	11,226	(13,048)	10,081	8,040

The amounts recognized in the consolidated income statement are as follows:

	Pensions		Medical	
	2011 US$'000	2010 US$'000	**2011 US$'000**	2010 US$'000
Current service cost	**7,655**	4,833	**551**	1,221
Past service cost	**14**	–	**–**	–
Interest cost	**7,406**	6,505	**828**	816
Expected return on plan assets	**(5,197)**	(3,947)	**(179)**	(196)
Curtailment losses	**–**	42	**(94)**	–
Total expense recognized in the income statement	**9,878**	7,433	**1,106**	1,841

(d) The Company does not have any pension plan or post-employment medical benefits plan.

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 2011	Effective holding 2010	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

38 Principal subsidiaries *(continued)*

Company name	Place of incorporation/ establishment	Issued and fully paid up capital	Effective holding 2011	Effective holding 2010	Principal activities
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	EUR109,771,664.93	**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
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	INR625,021,514	**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

38 Principal subsidiaries *(continued)*

Company name	Place of incorporation/ establishment	Issued and fully paid up capital	Effective holding 2011	Effective holding 2010	Principal activities
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%**	100%	Manufacturing and distribution of mobile handsets
Lenovo Mobile Communication Technology (HK) Limited	Hong Kong	US$1,000,000	**100%**	100%	Trading
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
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

38 Principal subsidiaries *(continued)*

Company name	Place of incorporation/ establishment	Issued and fully paid up capital	Effective holding 2011	2010	Principal activities
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
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, 2010 and 2011 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 26, 2011.

FIVE-YEAR FINANCIAL SUMMARY

	2011 US$'000	2010 US$'000	2009 US$'000	2008 US$'000	2007 US$'000
Continuing operations					
Sales	**21,594,371**	16,604,815	14,900,931	16,351,503	13,978,309
Cost of sales	**(19,230,417)**	(14,815,221)	(13,103,735)	(13,901,523)	(12,091,433)
Gross profit	**2,363,954**	1,789,594	1,797,196	2,449,980	1,886,876
Other income – net	**419**	83,126	929	17,261	8,187
Selling and distribution expenses	**(1,038,455)**	(839,388)	(938,451)	(1,103,713)	(1,033,296)
Administrative expenses	**(719,708)**	(566,245)	(627,903)	(595,902)	(488,150)
Research and development expenses	**(303,413)**	(214,343)	(220,010)	(229,759)	(196,225)
Other operating income (expense) – net	**79,427**	(34,058)	(203,561)	(38,823)	(15,906)
Operating profit/(loss)	**382,224**	218,686	(191,800)	499,044	161,486
Finance income	**24,927**	20,377	59,977	52,048	26,329
Finance costs	**(49,175)**	(62,881)	(56,473)	(38,366)	(35,133)
Share of (losses)/profits of associates	**(225)**	121	351	124	1,869
Profit/(loss) before taxation	**357,751**	176,303	(187,945)	512,850	154,551
Taxation	**(84,515)**	(46,935)	(38,444)	(47,613)	(26,197)
Profit/(loss) from continuing operations	**273,236**	129,368	(226,389)	465,237	128,354
Discontinued operations					
Profit from discontinued operations	**–**	–	–	19,920	32,784
Profit/(loss) for the year	**273,236**	129,368	(226,389)	485,157	161,138
Profit/(loss) attributable to:					
Equity holders of the Company	**273,234**	129,368	(226,392)	484,263	161,138
Non-controlling interests	**2**	–	3	894	–
	273,236	129,368	(226,389)	485,157	161,138
Dividends	**96,601**	68,728	35,575	186,753	59,331
Earnings/(loss) per share					
Basic					
– Continuing operations	**US2.84 cents**	US1.42 cents	(US2.56 cents)	US5.29 cents	US1.49 cents
– Discontinued operations	**–**	–	–	US0.22 cents	US0.38 cents
	US2.84 cents	US1.42 cents	(US2.56 cents)	US5.51 cents	US1.87 cents
Diluted					
– Continuing operations	**US2.73 cents**	US1.33 cents	(US2.56 cents)	US4.86 cents	US1.47 cents
– Discontinued operations	**–**	–	–	US0.20 cents	US0.37 cents
	US2.73 cents	US1.33 cents	(US2.56 cents)	US5.06 cents	US1.84 cents
Total assets	**10,705,939**	8,955,928	6,621,663	7,539,321	5,450,838
Total liabilities	**8,871,039**	7,349,910	5,310,748	5,926,058	4,316,562
Net assets	**1,834,900**	1,606,018	1,310,915	1,613,263	1,134,276

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

WEBSITE

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