

lenovo

联想

Lenovo Group Limited 聯想集團有限公司

(Incorporated in Hong Kong with limited liability)
(Stock Code: 0992)

2004/05 Interim Results Announcement

(ii) For the six months ended 30 September 2003:

INTERIM RESULTS

The board of directors (the “Board”) of Lenovo Group Limited (the “Company”) are pleased to announce that the unaudited results of the Company and its subsidiaries (the “Group”) for the six months ended 30 September 2004 together with comparative figures for the corresponding period of last year, are as follows:

CONSOLIDATED PROFIT AND LOSS ACCOUNT					
	3 months ended 30 September 2004 (unaudited) HK\$'000	6 months ended 30 September 2004 (unaudited) HK\$'000	3 months ended 30 September 2003 (unaudited) HK\$'000	6 months ended 30 September 2003 (unaudited) HK\$'000	
Turnover	Notes 3	5,654,798	11,532,708	6,247,401	11,589,140
Earnings before interest, taxation, depreciation and amortisation expenses		255,662	608,114	294,842	602,170
Depreciation expenses		(50,463)	(101,888)	(49,139)	(97,336)
Amortisation of intangible assets		(7,461)	(15,891)	(8,441)	(15,234)
Impairment of assets		(20,363)	(51,364)	-	-
Gains on disposal of investments		110,294	164,382	6,002	6,002
Finance income		20,895	41,646	19,004	40,049
Profit from operations	4	308,564	644,999	262,268	535,651
Finance costs		(2,776)	(3,500)	-	-
		305,788	641,499	262,268	535,651
Share of losses of jointly controlled entities		(6,090)	(10,110)	(4,910)	(13,539)
Share of (losses)/profits of associated companies		(2,051)	(246)	270	5,379
Profit before taxation		297,647	631,143	257,628	527,491
Taxation	5	(13,593)	(24,905)	(2,079)	1,326
Profit after taxation		284,054	606,238	255,549	528,817
Minority interests		5,992	20,633	5,613	10,601
Profit attributable to shareholders		290,046	626,871	261,162	539,418
Dividend	6	N/A	179,357	N/A	149,436
Earnings per share – basic	7	3.89 HK cents	8.39 HK cents	3.49 HK cents	7.22 HK cents
Earnings per share – fully diluted	7	3.88 HK cents	8.38 HK cents	3.47 HK cents	7.19 HK cents

CONSOLIDATED BALANCE SHEET			
	As at 30 September 2004 (unaudited) HK\$'000	As at 31 March 2004 (audited) HK\$'000	
Non-current assets			
Intangible assets	552,487	646,986	
Tangible fixed assets	867,707	867,707	
Construction-in-progress	290,607	260,377	
Investments in jointly controlled entities	193,466	124,124	
Investments in associated companies	50,891	112,682	
Investment securities	28,283	75,982	
Deferred tax assets	34,780	34,718	
	2,018,221	2,242,141	
Current assets			
Inventories	905,195	1,393,018	
Trade receivables	1,714,639	1,230,944	
Notes receivable	646,442	520,321	
Deposits, prepayments and other receivables	751,331	301,513	
Tax recoverable	-	4,033	
Cash and cash equivalents	3,126,389	2,650,071	
	7,143,996	6,099,900	
Current liabilities			
Trade payables	2,479,248	2,155,057	
Notes payable	317,475	356,531	
Accruals and other payables	688,153	616,897	
Amounts due to jointly controlled entities	107,199	108,471	
Tax payable	17,341	5,031	
Short-term bank loan	125,000	-	
Current portion of long-term liabilities	115,659	55,453	
	3,850,075	3,297,440	
Net current assets	3,293,921	2,802,460	
Total assets less current liabilities	5,312,142	5,044,601	
Financed by:			
Share capital	186,830	186,890	
Reserves	4,703,171	4,301,834	
Shareholders' funds	4,890,001	4,488,724	
Minority interests	30,800	29,330	
Long-term liabilities	391,341	526,547	
	5,312,142	5,044,601	

CONDENSED CONSOLIDATED CASH FLOW STATEMENT			
	6 months ended 30 September 2004 (unaudited) HK\$'000	6 months ended 30 September 2003 (unaudited) HK\$'000	
Net cash inflow from operating activities	598,326	110,401	
Net cash outflow from investing activities	(18,532)	(174,014)	
Net cash outflow from financing activities	(103,601)	(631,736)	
Increase/(decrease) in cash and cash equivalents	476,193	(695,349)	
Effect of foreign exchange rate changes	125	(4)	
Cash and cash equivalents at the beginning of the period	2,650,071	2,808,323	
Cash and cash equivalents at the end of the period	3,126,389	2,112,970	

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY									
	Share capital (unaudited) HK\$'000	Share premium (unaudited) HK\$'000	Surplus arising on consolidation (unaudited) HK\$'000	Exchange reserve (unaudited) HK\$'000	Investment revaluation reserve (unaudited) HK\$'000	Share redemption reserve (unaudited) HK\$'000	Accumulated losses (unaudited) HK\$'000	Total (unaudited) HK\$'000	
Balance as at 1 April 2004	186,890	4,762,526	27,871	4,581	(5,976)	2,898	(490,066)	4,488,724	
Deficit in fair market value of investment securities	-	-	-	-	(1,322)	-	-	(1,322)	
Exchange differences	-	-	-	13	-	-	-	13	
Net gains and losses not recognised in the consolidated profit and loss account	-	-	-	13	(1,322)	-	-	(1,309)	
Profit for the period	-	-	-	-	-	-	626,871	626,871	
Reserves written off on disposal of subsidiaries	-	-	-	(2,377)	-	-	-	(2,377)	
Reserves realised on disposal of investment securities	-	-	-	-	-	-	-	(12,908)	
Impairment of investments	-	-	-	-	(19,601)	-	-	19,601	
Exercise of share options	128	11,556	-	-	-	-	-	11,684	
Repurchase of shares	(188)	(16,093)	-	-	-	188	-	(16,093)	
Dividend paid	-	-	-	-	-	-	(224,192)	(224,192)	
As at 30 September 2004	186,830	4,757,989	27,871	2,217	(605)	3,086	(87,387)	4,890,001	
Balance as at 1 April 2003	186,934	4,734,055	27,871	4,311	(14,496)	2,589	(752,743)	4,188,521	
Surplus in fair market value of investment securities	-	-	-	-	13,707	-	-	13,707	
Exchange differences	-	-	-	(4)	-	-	-	(4)	
Net gains and losses not recognised in the consolidated profit and loss account	-	-	-	(4)	13,707	-	-	13,703	
Profit for the period	-	-	-	-	-	-	539,418	539,418	
Reserves realised on disposal of investment securities	-	-	-	-	(341)	-	-	(341)	
Exercise of share options	8	758	-	-	-	-	-	766	
Repurchase of shares	(234)	-	-	-	-	234	(20,124)	(20,124)	
Dividend paid	-	-	-	-	-	-	(612,378)	(612,378)	
As at 30 September 2003	186,708	4,734,813	27,871	4,307	(1,130)	2,823	(845,827)	4,109,565	

- Notes:
- 1. Basis of preparation**
The Board is responsible for the preparation of the Group's unaudited interim financials. These unaudited interim financials have been prepared in accordance with Statement of Standard Accounting Practice No. 25 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. These condensed accounts should be read in conjunction with the audited accounts for the year ended 31 March 2004.
 - 2. Principal accounting policies**
The principal accounting policies and methods of calculations used in the preparation of these unaudited interim financials are consistent with those used in the annual accounts for the year ended 31 March 2004.
 - 3. Turnover, revenue and segment information**
3A. Primary reporting format – business segments
(i) For the six months ended 30 September 2004:

	Corporate IT business (unaudited) HK\$'000	Consumer IT business (unaudited) HK\$'000	Handheld device business (unaudited) HK\$'000	Other business (unaudited) HK\$'000	Total (unaudited) HK\$'000
Profit and loss account					
Turnover	6,228,287	3,818,778	1,191,327	294,316	11,532,708
Segment operating results	313,188	239,969	1,363	(53,031)	501,489
Amortisation of goodwill				(11,154)	(11,154)
Impairment of assets				(51,364)	(51,364)
Gains on disposal of investments				164,382	164,382
Finance income				41,646	41,646
Finance costs				(3,500)	(3,500)
Contribution to operating profit				641,499	641,499
Share of losses of jointly controlled entities				(10,110)	(10,110)
Share of losses of associated companies				(246)	(246)
Profit before taxation				631,143	631,143
Taxation				(24,905)	(24,905)
Profit after taxation				606,238	606,238
Minority interests				20,633	20,633
Profit attributable to shareholders				626,871	626,871

	Corporate IT business (unaudited) HK\$'000	Consumer IT business (unaudited) HK\$'000	Handheld device business (unaudited) HK\$'000	Other business (unaudited) HK\$'000	Total (unaudited) HK\$'000
Profit and loss account					
Turnover	5,855,356	4,138,201	908,359	687,224	11,589,140
Segment operating results	369,775	237,716	(43,527)	(63,375)	500,589
Amortisation of goodwill					(10,989)
Gains on disposal of investments					6,002
Finance income					40,049
Finance costs					-
Contribution to operating profit					535,651
Share of losses of jointly controlled entities					(13,539)
Share of profits of associated companies					5,379
Profit before taxation					527,491
Taxation					1,326
Profit after taxation					528,817
Minority interests					10,601
Profit attributable to shareholders					539,418

- 3B. Secondary reporting format – geographical segments**
As over 90% of the Group's business operations are located in the People's Republic of China, no geographical segment analysis is presented.

4. Profit from operations				
	3 months ended 30 September 2004 (unaudited) HK\$'000	6 months ended 30 September 2004 (unaudited) HK\$'000	3 months ended 30 September 2003 (unaudited) HK\$'000	6 months ended 30 September 2003 (unaudited) HK\$'000
(a) Turnover	5,654,798	11,532,708	6,247,401	11,589,140
Cost of sales	(4,874,050)	(9,828,870)	(5,357,790)	(9,864,801)
Gross profit	780,748	1,703,838	889,611	1,724,339
Finance income	20,895	41,646	19,004	40,049
Gains on disposal of investments	110,294	164,382	6,002	6,002
Impairment of assets	(20,363)	(51,364)	-	-
Distribution expenses	(399,509)	(818,412)	(446,224)	(832,162)
Administrative expenses	(75,673)	(170,616)	(88,894)	(181,192)
Other operating expenses	(100,367)	(208,584)	(108,790)	(206,151)
Amortisation of intangible assets	(7,461)	(15,891)	(8,441)	(15,234)
Total operating expenses (see (b))	(583,010)	(1,213,503)	(652,349)	(1,234,739)
Profit from operations	308,564	644,999	262,268	535,651
(b) Analysis of operating expenses by nature:				
Selling expenses	(129,472)	(285,794)	(147,902)	(291,952)
Promotional and advertising expenses	(98,193)	(184,141)	(105,109)	(189,345)
Staff costs	(200,753)	(434,349)	(234,473)	(458,496)
Other expenses	(147,131)	(293,328)	(156,424)	(279,712)
Amortisation of intangible assets	(7,461)	(15,891)	(8,441)	(15,234)
Total operating expenses	(583,010)	(1,213,503)	(652,349)	(1,234,739)

5. Taxation				
	3 months ended 30 September 2004 (unaudited) HK\$'000	6 months ended 30 September 2004 (unaudited) HK\$'000	3 months ended 30 September 2003 (unaudited) HK\$'000	6 months ended 30 September 2003 (unaudited) HK\$'000
Taxation outside Hong Kong	13,154	24,834	5,470	11,554
Deferred taxation	454	(62)	(3,377)	(13,097)
	13,608	24,772	2,093	(1,543)
Share of taxation attributable to: jointly controlled entities	(15)	11	-	84
associated companies	-	122	(14)	133
	13,593	24,905	2,079	(1,326)

6. Dividend				
	6 months ended 30 September 2004 (unaudited) HK\$'000	6 months ended 30 September 2003 (unaudited) HK\$'000		
Interim dividend, declared after period end, of 2.4 HK cents (2003/04: 2.0 HK cents) per share	179,357		149,436	

7. Earnings per share				
The calculation of basic and diluted earnings per share is based on the following data:				
	6 months ended 30 September 2004 (unaudited)	6 months ended 30 September 2003 (unaudited)		
Earnings for the purposes of basic and diluted earnings per share (HK\$'000)	626,871		539,418	
Weighted average number of shares for the purposes of basic earnings per share	7,476,022,359		7,469,327,977	
Effect of potential dilutive shares	6,162,854		30,914,415	
Weighted average number of shares for the purposes of diluted earnings per share	7,482,185,213		7,500,242,392	

8. Ageing analysis				
Ageing analysis of trade receivables as at 30 September 2004 is as follow:				
	As at 30 September 2004 (unaudited) HK\$'000	As at 30 June 2004 (unaudited) HK\$'000	As at 31 March 2004 (audited) HK\$'000	
0-30 days	1,411,565	1,233,249	944,212	
31-60 days	176,109	77,050	84,481	
61-90 days	12,082	19,358	20,862	
Over 90 days	114,883	166,584	181,389	
	1,714,639	1,496,241	1,230,944	

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

Ageing analysis of trade payables as at 30 September 2004 is as follow:				
	As at 30 September 2004 (unaudited) HK\$'000	As at 30 June 2004 (unaudited) HK\$'000	As at 31 March 2004 (audited) HK\$'000	
0-30 days	1,991,482	1,567,468	1,791,869	
31-60 days	355,502	335,793	210,993	
61-90 days	42,177	69,766	27,554	
Over 90 days	90,087	130,210	124,641	
	2,479,248	2,103,237	2,155,057	

9. Condensed balance sheet of the Company				
	As at 30 September 2004 (unaudited) HK\$'000	As at 31 March 2004 (audited) HK\$'000		
Tangible fixed assets	24,505	32,115		
Investments	2,334,365	2,327,875		
Current assets	4,175,612	4,408,126		
Current liabilities	124,438	130,700		
Net current assets	4,051,174	4,277,426		
Total assets less current liabilities	6,410,044	6,637,416		
Share capital	186,830	186,890		
Retained earnings	1,462,941	1,685,102		
Reserves	4,760,273	4,765,424		
	6,410,044	6,637,416		

INTERIM DIVIDEND
The Board has declared an interim dividend of 2.4 HK cents (2003/04: 2.0 HK cents) per share for the six months ended 30 September 2004, absorbing an aggregate amount of approximately HK\$179 million (2003/04: HK\$149 million), to shareholders whose names appear on the Register of Members of the Company on 8 December 2004. The interim dividend will be paid on 14 December 2004.