lenovo 联想

Lenovo Group Limited 聯想集團有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 992)

FY2014/15 INTERIM RESULTS ANNOUNCEMENT

INTERIM RESULTS

The board of directors (the "Board") of Lenovo Group Limited (the "Company") announces the unaudited results of the Company and its subsidiaries (the "Group") for the three and six months ended September 30, 2014 together with comparative figures for the corresponding period of last year, as follows:

FINANCIAL HIGHLIGHTS

	3 months ended September 30, 2014 (unaudited) *US$'million*	6 months ended September 30, 2014 (unaudited) *US$'million*	3 months ended September 30, 2013 (unaudited) *US$'million*	6 months ended September 30, 2013 (unaudited) *US$'million*	Year-on-year change 3 months ended September 30	Year-on-year change 6 months ended September 30
Revenue	10,475	20,870	9,774	18,561	7%	12%
Gross profit	1,457	2,806	1,265	2,456	15%	14%
Gross profit margin	13.9%	13.4%	12.9%	13.2%	1.0pts	0.2pts
Operating expenses	(1,092)	(2,150)	(982)	(1,971)	11%	9%
Operating profit	365	656	283	485	29%	35%
Other non-operating expenses - net	(36)	(63)	(18)	(5)	95%	1,130%
Profit before taxation	329	593	265	480	24%	23%
Profit for the period	272	483	214	384	27%	26%
Profit attributable to equity holders of the Company	262	476	220	394	19%	21%
Earnings per share attributable to equity holders of the Company						
Basic	US 2.52 cents	US 4.58 cents	US 2.12 cents	US 3.79 cents	US 0.40 cents	US 0.79 cents
Diluted	US 2.49 cents	US 4.52 cents	US 2.10 cents	US 3.75 cents	US 0.39 cents	US 0.77 cents

INTERIM DIVIDEND

The Board has declared an interim dividend of HK6.0 cents (2013/14: HK6.0 cents) per share for the six months ended September 30, 2014, absorbing an aggregate amount of approximately HK$666.5 million (approximately US$86.0 million) (2013/14: approximately HK$623.6 million (approximately US$80.4 million)), to shareholders whose names appear on the register of members of the Company on Friday, November 21, 2014. The interim dividend will be paid on Monday, December 1, 2014.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed on Friday, November 21, 2014, during which no transfer of shares will be registered. In order to qualify for the interim dividend, all properly completed transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's share registrar, Tricor Abacus Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong no later than 4:30 p.m. on Thursday, November 20, 2014. Shares of the Company will be traded ex-dividend as from Wednesday, November 19, 2014.

BUSINESS REVIEW AND OUTLOOK

Business Review

During the six months ended September 30, 2014, Lenovo continued to deliver solid growth in group sales and operating profits with margin expansion. Lenovo's clear strategy and solid execution led the Group to achieve solid results across all lines of business.

Driven by solid strategic execution, the Group continued to outperform the market benefiting from the continued stabilization of the worldwide PC market. During the interim period under review, the Group recorded 13 percent year-on-year unit shipments growth against the global PC market decline of 1 percent, thereby outperforming the worldwide PC market by a 14-points premium. Lenovo further strengthened its number one position in the worldwide PC market and reached another record high share of 19.7 percent in fiscal quarter two, according to preliminary industry estimates, and it is the sixth consecutive quarter for the Group as the largest worldwide PC player. The Group recorded balanced growth across geographic, product and customer segments during the period under review.

During the interim period under review, the Group's mobile device business continued to deliver strong growth driven by aggressive expansion in markets outside of China. The Group's worldwide smartphone shipments grew about 38 percent year-on-year to a 32.8 million, driven by market outperformance of the business in China and aggressive business expansion in emerging markets outside of China. On the tablet side, the Group demonstrated strong growth momentum for its tablet business. Its worldwide tablet shipments grew 44 percent year-on-year against market growth of 10 percent year-on-year to a unit shipments of 5.4 million in interim period under review, according to preliminary industry estimates. The Group thus has become for the first time as the number one in the broader PC market, including PC and tablet, with a market share of 14.1 percent in the fiscal quarter two.

For the six months ended September 30, 2014, the Group's sales increased by 12 percent year-on-year to US$20,870 million. Sales of the Group's PC and other non mobile device personal technology products were US$17,304 million, representing a year-on-year increase of 13 percent. Sales of the mobile devices increased by 11 percent year-on-year to US$2,980 million. Sales of other goods and services were US$586 million. Gross profit increased by 14 percent year-on-year to US$2,806 million. Gross margin increased by 0.2 percentage points year-on-year to 13.4 percent. The Group's operating expenses increased by 9 percent year-on-year to US$2,150 million, mainly attributed to higher R&D investments to support future growth and M&A expenses. However, better scaling and stringent cost controls helped the Group's expense-to-revenue ratio improved by 0.3 percentage points year-on-year to 10.3 percent. The Group recorded profit before taxation at US$593 million and profit attributable to equity holders of US$476 million, representing increases of 23 and 21 percent year-on-year respectively.

Performance of Geographies

During the six months ended September 30, 2014, Lenovo achieved solid and balanced performance in all geographies where it has operations - China, Americas ("AG"), Asia Pacific ("AP"), and EMEA - as well as across product and customer segments.

China

China accounted for 36 percent of the Group's total revenue. Driven by solid execution of the Group's strategy, Lenovo continued to deliver profitable growth for its China business during interim period under review.

The China PC market continued to show signs of stabilization during the period. Led by its solid execution and distinct strength in brand, product and distribution channel networks, Lenovo continued to outperform in the China PC market, its unit shipments grew 1.2 percent year-on-year, with a 6-point market growth premium during the interim period under review. During fiscal quarter two, the Group achieved positive growth for the first time in the past six quarters, and it recorded PC unit shipments growth of 5 percent year-on-year against a market decline of 3 percent year-on-year according to preliminary industry estimates. The Group further strengthened its number one position with market share gain of 2.8 percentage points year-on-year to 36.7 percent. Leveraging its leadership position, the Group continued to improve its profitability.

The Group refined its strategy and focused on the balance between growth and profitability for its mobile device business in China, and invested in driving the 4G smartphone product transition and broadening its routes to market to enhance competitiveness during the period. The Group's smartphone shipments recorded solid growth during the period under review. In response to the market changes, the Group is creating a new company focused on building a leading internet-based smart devices and services business in China.

During the six months ended September 30, 2014 under review, the Group's China revenue remained flat year-on-year at US$7,546 million, while the operating profit increased by 7 percent to US$428 million and operating margin was 5.7 percent, an increase of 0.4 percentage points year-on-year. Operating margin for the China PC business was 7.0 percent, up 0.2 percentage points year-on-year, benefiting from its better product mix with improved average selling price and stringent expense control.

Americas (AG)

AG accounted for 21 percent of the Group's total revenue. The Group's AG PC unit shipments grew by about 9 percent against market decline of 4 percent year-on-year during the interim period under review. The Group continued to deliver solid growth in the North America region driven by balanced growth in both consumer and commercial businesses. Lenovo's unit shipments in North America thus increased 15 percent year-on-year in the interim period under review. For the fiscal quarter two, its market share in North America increased by 0.3 percentage points year-on-year to 10.7 percent. However, the Group's performance in Brazil was impacted due to the weak market environment affected by local macroeconomic and political situations. Its unit shipments in Brazil declined 19.7 percent year-on-year against market decline of 26 percent in the interim period under review. The Group has taken actions in stabilizing the Brazil business.

During the interim period under review, the Group's AG revenue grew 9 percent year-on-year to US$4,386 million. Operating profit in AG decreased by around US$17 million year-on-year to US$39 million and operating margin was 0.9 percent, a decrease of 0.5 percentage points year-on-year. The decrease was mainly attributable to Brazil, which was affected by local macroeconomic and political situations, while margins of North America and Latin America regions continued to see year-on-year improvements.

Asia Pacific (AP)

AP accounted for 15 percent of the Group's total revenue. The Group continued to drive profitable growth in its businesses in AP. The Group's PC unit shipments in AP grew 3 percent year-on-year for the interim period against market decline of 8 percent. The Group's market share in AP increased by 1.6 percentage points year-on-year, to a record high 16.0 percent in fiscal quarter two. During fiscal quarter two, the Group recorded strong PC growth in ASEAN and ANZ regions with year-on-year growth of 21 percent and 57 percent, respectively. Lenovo achieved strong growth also in its mobile device businesses. The smartphone unit shipments grew robustly driven by strong growth in ASEAN countries in fiscal quarter two according to preliminary industry estimates.

The Group's AP revenue grew 11 percent year-on-year to US$3,138 million. Thanks to its profitability improvement in regions, including Japan, India, ASEAN and ANZ, the Group's operating profit achieved US$132 million in AP during the interim period under review. Operating profit margin improved 2.9 percentage points year-on-year to a record high level at 4.2 percent.

Europe-Middle East-Africa (EMEA)

EMEA accounted for 28 percent of the Group's total revenue. Lenovo's PC unit shipments in EMEA grew by 47 percent year-on-year, against market growth of 11 percent year-on-year in the interim period under review. During the fiscal quarter two, the Group's market share increased by 4.4 percentage points from a year ago to a record high 19.3 percent in fiscal quarter two, according to preliminary industry estimates. Strong year-on-year unit shipments growth and share gains were recorded across all regions during the period under review. In fiscal quarter two, Lenovo achieved the number one PC position in 16 countries in EMEA, including Germany and Russia. Lenovo has also continued to expand its smartphone and tablet business in EMEA and achieved strong growth for both businesses in this fiscal quarter. Its smartphone and tablet unit shipments achieved record high levels in the fiscal quarter.

The Group's EMEA revenue grew 41 percent year-on-year to US$5,800 million. Thanks to strong growth across the board, it achieved a record high operating profit of US$210 million in EMEA during the interim period under review. Operating profit margin improved 2.1 percentage points year-on-year to a record high level at 3.6 percent.

Performance of Product Group

During the six month ended September 30, 2014, Lenovo's commercial PC unit shipments grew 9 percent year-on-year, against the year-on-year flattish market. Lenovo's market share in the worldwide commercial PC market increased by 1.2 percentage points year-on-year to 20.4 percent during the fiscal quarter two, according to preliminary industry estimates. During the period under review, the Think brand, which mainly targets premium PCs and tablets, and enterprise solutions, continued to launch innovative models in desktop, notebook PCs and tablets. These included commercial targeted products like ThinkCentre Tiny-in-One 23, which provides a versatile all-in-one solution that offers a clean, clutter-free, compact solution with easy two-step setup for mass deployment. The Group also launched the ThinkPad Helix, a thinner and lighter, business 2-in-1 Ultrabook with its top-of-line hardware and software technologies for leading flexibility, productivity and connectivity. In early October, Lenovo also announced the new YOGA 3 Pro, an ultra slim convertible PC, offers a think and light frame and new watchband hinge design, a QHD+ screen and Harmony, and Lenovo's intuitive software that adapts to users' personal preferences as they use the device in its different modes.

The Lenovo brand, which primarily focuses on the mainstream/entry PC and tablet products, was propelled by continued, strong year-on-year growth of the consumer PC segment in EMEA, AP and AG markets to gain share in the consumer business. According to industry estimates, Lenovo further solidified its number one position in the worldwide consumer PC market. During the six month under review, its consumer PC unit shipments grew 18 percent year-on-year, which was an 20 point premium to the market. Its market share increased by 2.9 percentage points year-on-year to a record high 19.0 percent in the fiscal quarter two. During the period under review, Lenovo launched its Horizon 2 two-in-one tabletop PC, an interpersonal computing device that brings people together in a totally new way. The Horizon allows up to four people to use it simultaneously, interacting with content and playing games with joysticks, strikers and dice.

During the interim period under review, the Mobile Business Group's smartphone and tablet businesses continued to post strong unit shipments growth globally. The Group's worldwide smartphone shipments achieved a record-high level of over 32.8 million for the interim period, growing by 38 percent year-on-year against market growth of 25 percent, driven by aggressive expansion in markets outside of China. The shipments mix from markets outside of China increased to about 20 percent in the fiscal quarter two, from only 9 percent in the same quarter last year. Its market share in worldwide smartphone market continued to expand by 0.5 percentage points year-on-year to 5.2 percent in the fiscal quarter. During the interim period under review, the Group revealed two new premium VIBE smartphones including VIBE X2 which offers the world's first layered smartphone as the first global handset maker with new MediaTek MT6595 processor, and the new VIBE Xtension accessories, and the VIBE Z2, which perfects the "selfie" with super high resolution camera and super bright HD screen with optical image stabilization.

The Group's worldwide tablet shipments grew almost 44 percent year-on-year to 5.4 million for the interim period under review. The Group achieved robust tablet growth in markets outside of China, and the mix of shipments from outside of China grew to 87 percent in fiscal quarter two. During the fiscal quarter two, the Group thus has become for the first time as the number one in the broader PC market, including PC and tablet, with a market share of 14.1 percent. On the tablet side, Lenovo also debuted its new YOGA tablet 2 series. For the first time, consumers can now choose Windows models, available in 8-in and 10-in sizes, as well as new Android models in 8-in and 10-in models, with the new 13-in YOGA

Tablet 2 Pro.

The Enterprise Business Group, although still represented a small portion of the current business, achieved robust growth during the period under review as one of the future growth engines for the Group. The Group's enterprise products had volume growth of about 35 percent year-on-year. The Group has showed strong business progress from both EMEA and AG.

Apart from devices, Lenovo continued to build the foundation for the Ecosystem business during the period under review. The Group now has one of the world's largest app stores, helping to create a new and unique experience for Lenovo users. The Group's star applications, including SHAREit and SECUREit apps continued to attract good customer traction.

Outlook

The broader PC industry, including traditional PC, convertible PC and tablet, still offers Lenovo plenty of opportunities for profitable growth, particularly as the industry continues to stabilize and consolidate. Meanwhile, on the mobile device side, there are continuous changes in the consumer demands and market sentiments across form factors and screen sizes: smartphones moving from premium to mainstream, China smartphone market is no longer the hypergrowth market and its mix to global market is getting smaller; impact of tablet cannibalization diminishing as the tablet market continues to be challenged by convertible PCs and Phablets on larger and smaller screens respectively. Lenovo, which has built a solid foundation across these business lines, an efficient business model and global position, with a complete product portfolio across all these devices, is uniquely positioned to capture these arising opportunities.

On October 1, 2014, Lenovo and IBM announced the completion for the closing of the acquisition of IBM's x86 server business. The acquisition will make Lenovo the third-largest player in the global and the number one player in the China x86 server market, enabling Lenovo to capture the significant growth opportunities in the enterprise hardware systems space. The Group will aim to stabilize and grow the business, and drive profitability improvement through scale and supply chain efficiency.

On October 30, 2014, Lenovo and Google announced that Lenovo's acquisition of Motorola Mobility from Google is complete. The acquisition of the Motorola brand and Motorola 's portfolio of innovative smartphones like Moto X, Moto G, Moto E and the DROID™ series, as well as the wearables like Moto 360 watch, positions Lenovo as the world's third largest maker of smartphones. The acquisition of Motorola Mobility echoes the Group's strategy to expand its smartphone business into global reach by bringing the Group into Mature Markets. The Group will continue with China as its home turf and quickly respond to market changes by focusing on internet as a route to market and means to engage its customers, while continuing to expand aggressively in emerging markets.

Lenovo's solid execution of its clear strategy has led the Group to establish a firm foundation and leadership, and its commitment to innovation for a broad product portfolio helps differentiate the Group in its markets recognition. Lenovo has a clear strategy, great global scale, and proven operational excellence. With the close of the IBM's x86 server business and Motorola Mobility acquisitions, it will give the Group three growth engines – PC, Mobile and Enterprise. Looking forward, the Group will focus on integration of the two deals for delivering a compelling experience and value across the entire device portfolio (PC, Mobile and Enterprise) with Cloud Services for its customers. The Group will continue its investment in building its core competencies, product innovation, and end-to-end efficiency enhancing its competitiveness to ensure future sustainable profit growth.

FINANCIAL REVIEW

Results for the six months ended September 30, 2014

For the six months ended September 30, 2014, the Group achieved total sales of approximately US$20,870 million. Profit attributable to equity holders for the period was approximately US$476 million, representing an increase of US$82 million as compared with the corresponding period of last year. Gross profit margin for the period was 0.2 points up from 13.2 percent reported in the corresponding period of last year. Basic earnings per share and diluted earnings per share were US4.58 cents and US4.52 cents, representing an increase of US0.79 cents and US0.77 cents respectively as compared with the corresponding period of last year.

The Group adopts geographical segments as the reporting format. Geographical segments comprise China, AP, EMEA and AG. Sales by segment are as follows:

	3 months ended September 30, 2014 *US$'000*	**6 months ended September 30, 2014** *US$'000*	3 months ended September 30, 2013 *US$'000*	6 months ended September 30, 2013 *US$'000*
China	**3,766,829**	**7,546,315**	3,859,786	7,578,684
AP	**1,553,063**	**3,138,492**	1,502,882	2,818,795
EMEA	**3,010,392**	**5,799,286**	2,258,353	4,125,955
AG	**2,145,378**	**4,386,205**	2,152,712	4,037,397
	10,475,662	**20,870,298**	9,773,733	18,560,831

Further analyses of sales by segment are set out in Business Review and Outlook.

Operating expenses analyzed by function for the six months ended September 30, 2014 and 2013 are as follows:

	3 months ended September 30, 2014 *US$'000*	**6 months ended September 30, 2014** *US$'000*	3 months ended September 30, 2013 *US$'000*	6 months ended September 30, 2013 *US$'000*
Other income - net	**1,185**	**1,490**	547	653
Selling and distribution expenses	**(490,946)**	**(957,616)**	(475,509)	(913,812)
Administrative expenses	**(391,083)**	**(760,367)**	(316,952)	(663,427)
Research and development expenses	**(202,786)**	**(382,957)**	(189,445)	(359,764)
Other operating (expenses)/income - net	**(7,955)**	**(50,015)**	683	(33,844)
	(1,091,585)	**(2,149,465)**	(980,676)	(1,970,194)

Other income – net

Other income for the period mainly represents net gain from disposal of available-for-sale financial assets.

Selling and distribution expenses

Selling and distribution expenses for the period increased by 5 percent as compared to the corresponding period of last year. This is principally attributable to a US$12 million increase in advertising and promotional expenses.

Administrative expenses

Administrative expenses for the period increased by 15 percent as compared to the corresponding period of last year. This is mainly attributable to the US$52 million increase in legal and professional fees in relation to business combination activities.

Research and development expenses
Research and development spending for the period increased by 6 percent as compared to the corresponding period of last year. The major part of the increase is attributable to the increase in employee benefit costs, and an increase in depreciation and amortization expenses of US$16 million.

Other operating (expenses)/income - net
The net other operating expenses for the period comprised mainly a US$53 million net exchange loss and other miscellaneous expenses; netted with incentives and grants received in recognition of the Group's research and development related spending of US$12 million.

The net other operating expenses in the corresponding period of last year represented mainly a US$57 million net exchange loss and other miscellaneous expenses; netted with incentives and grants received in recognition of the Group's research and development related spending of US$38 million.

Other non-operating expenses (net) for the six months ended September 30, 2014 and 2013 comprised the following:

	3 months ended September 30, 2014 *US$'000*	**6 months ended September 30, 2014** *US$'000*	3 months ended September 30, 2013 *US$'000*	6 months ended September 30, 2013 *US$'000*
Finance income	**7,869**	**18,313**	6,700	19,195
Finance costs	**(43,315)**	**(78,650)**	(20,130)	(34,877)
Share of (loss)/profit of associates and joint ventures	**(1,041)**	**(3,148)**	(5,286)	10,522
	(36,487)	**(63,485)**	(18,716)	(5,160)

Finance income mainly represents interest on bank deposits.

Finance costs for the period increased by 126 percent as compared to the corresponding period of last year. This is mainly attributable to interest expense of US$29 million in relation to the 5-Year US$1.5 billion notes, issued in May 2014, bearing annual interest at 4.7% due in May 2019, and an increase in factoring costs of US$15 million.

Second Quarter 2014/15 compared to Second Quarter 2013/14

	3 months ended September 30, 2014 (unaudited) *US$'million*	3 months ended September 30, 2013 (unaudited) *US$'million*	Year-on-year change
Revenue	10,475	9,774	7%
Gross profit	1,457	1,265	15%
Gross profit margin	13.9%	12.9%	1.0pts
Operating expenses	(1,092)	(982)	11%
Operating profit	365	283	29%
Other non-operating expenses - net	(36)	(18)	95%
Profit before taxation	329	265	24%
Profit for the period	272	214	27%
Profit attributable to:			
Equity holders of the Company	262	220	19%
Earnings per share attributable to equity holders of the Company			
Basic	US 2.52 cents	US 2.12 cents	US 0.40 cents
Diluted	US 2.49 cents	US 2.10 cents	US 0.39 cents

For the three months ended September 30, 2014, the Group achieved total sales of approximately US$10,475 million. Profit attributable to equity holders for the period was approximately US$262 million, representing an increase of US$42 million as compared with the corresponding period of last year. Gross profit margin for the period was 1.0 points up from 12.9 percent reported in the corresponding period of last year. Basic earnings per share and diluted earnings per share were US2.52 cents and US2.49 cents, representing an increase of US0.40 cents and US0.39 cents respectively as compared with the corresponding period of last year.

Operating expenses increased by 11 percent as compared to the corresponding period of last year. This is mainly attributable to US$21 million increase in legal and professional fees in relation to business combination activities and US$49 million increase in employee benefit costs, and increased business activities.

Other non-operating expenses (net) increased by 95 percent as compared to the corresponding period of last year. This is mainly attributable to interest expense of US$18 million in relation to the 5-Year US$1.5 billion notes, issued in May 2014, bearing annual interest at 4.7% due in May 2019, and an increase in factoring costs of US$9 million.

Capital Expenditure

The Group incurred capital expenditure of US$510 million (2013/14: US$239 million) during the six months ended September 30, 2014, mainly for the acquisition of property, plant and equipment, additions in construction-in-progress and intangible assets.

Liquidity and Financial Resources

At September 30, 2014, total assets of the Group amounted to US$21,603 million (March 31, 2014: US$18,357 million), which were financed by equity attributable to owners of the Company of US$3,065 million (March 31, 2014: US$3,010 million), non-controlling interests (net of put option written on non-controlling interest) of US$21 million (March 31, 2014: US$15 million), and total liabilities of US$18,517 million (March 31, 2014: US$15,332 million). At September 30, 2014, the current ratio of the Group was 1.11 (March 31, 2014: 1.00).

The Group had a solid financial position. At September 30, 2014, bank deposits, cash and cash equivalents totaled US$5,323 million (March 31, 2014: US$3,953 million), of which 79.4 (March 31, 2014: 66.9) percent was denominated in US dollar, 13.2 (March 31, 2014: 23.8) percent in Renminbi, 1.8 (March 31, 2014: 4.1) percent in Euros, 1.3 (March 31, 2014: 2.2) percent in Japanese Yen, and 4.3 (March 31, 2014: 3.0) percent in other currencies.

The Group adopts a conservative policy to invest the surplus cash generated from operations. At September 30, 2014, 89.6 (March 31, 2014: 81.8) percent of cash are bank deposits, and 10.4 (March 31, 2014: 18.2) 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 entered into 5-Year loan facility agreement with syndicated banks for US$500 million on February 2, 2011. The facility has not been utilized as at September 30, 2014 (March 31, 2014: Nil).

In addition, on December 18, 2013, the Group entered into another 5-Year loan facility agreement with syndicated banks for US$1,200 million. The facility was utilized to the extent of US$400 million as at September 30, 2014 (March 31, 2014: Nil).

On May 8, 2014, the Group completed the issuance of 5-Year US$1.5 billion notes bearing annual interest at 4.7% due in May 2019. The proceeds would be used for general corporate purposes including working capital, and to fund any acquisition activities.

The Group has also arranged other short-term credit facilities. At September 30, 2014, the Group's total available credit facilities amounted to US$8,438 million (March 31, 2014: US$7,890 million), of which US$494 million (March 31, 2014: US$489 million) was in trade lines, US$286 million (March 31, 2014: US$325 million) in short-term and revolving money market facilities and US$7,658 million (March 31, 2014: US$7,076 million) in forward foreign exchange contracts. At September 30, 2014, the amounts drawn down were US$217 million (March 31, 2014: US$214 million) in trade lines, US$7,522 million (March 31, 2014: US$6,513 million) being used for the forward foreign exchange contracts; and US$195 million (March 31, 2014: US$145 million) in short-term bank loans.

At September 30, 2014, the Group's outstanding borrowings represented the term bank loan of US$404 million (March 31, 2014: US$310 million), short-term bank loans of US$195 million (March 31, 2014: US$145 million) and long term notes of US$1,490 million (March 31, 2014: Nil). When compared with total equity of US3,086 million (March 31, 2014: US$3,025 million), the Group's gearing ratio was 0.68 (March 31, 2014: 0.15). The net cash position of the Group at September 30, 2014 is US$3,234 million (March 31, 2014: US$3,498 million).

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

The Group adopts a consistent hedging policy for business transactions to reduce the risk of currency fluctuation arising from daily operations. At September 30, 2014, the Group had commitments in respect of outstanding forward foreign exchange contracts amounting to US$7,522 million (March 31, 2014: US$6,513 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 identified assets and liabilities.

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 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.

CONSOLIDATED INCOME STATEMENT

	Note	**3 months ended September 30, 2014 (unaudited)** *US$'000*	**6 months ended September 30, 2014 (unaudited)** *US$'000*	3 months ended September 30, 2013 (unaudited) *US$'000*	6 months ended September 30, 2013 (unaudited) *US$'000*
Revenue	*2*	**10,475,662**	**20,870,298**	9,773,733	18,560,831
Cost of sales		**(9,018,480)**	**(18,064,407)**	(8,509,109)	(16,104,816)
Gross profit		**1,457,182**	**2,805,891**	1,264,624	2,456,015
Other income - net	*3*	**1,185**	**1,490**	547	653
Selling and distribution expenses		**(490,946)**	**(957,616)**	(475,509)	(913,812)
Administrative expenses		**(391,083)**	**(760,367)**	(316,952)	(663,427)
Research and development expenses		**(202,786)**	**(382,957)**	(189,445)	(359,764)
Other operating (expenses)/income - net		**(7,955)**	**(50,015)**	683	(33,844)
Operating profit	*4*	**365,597**	**656,426**	283,948	485,821
Finance income	*5(a)*	**7,869**	**18,313**	6,700	19,195
Finance costs	*5(b)*	**(43,315)**	**(78,650)**	(20,130)	(34,877)
Share of (loss)/profit of associates and joint ventures		**(1,041)**	**(3,148)**	(5,286)	10,522
Profit before taxation		**329,110**	**592,941**	265,232	480,661
Taxation	*6*	**(57,024)**	**(110,296)**	(51,188)	(96,724)
Profit for the period		**272,086**	**482,645**	214,044	383,937
Profit/(loss) attributable to:					
Equity holders of the Company		**262,088**	**475,591**	219,682	393,614
Non-controlling interests		**9,998**	**7,054**	(5,638)	(9,677)
		272,086	**482,645**	214,044	383,937
Earnings per share attributable to equity holders of the Company					
Basic	*7(a)*	**US 2.52 cents**	**US 4.58 cents**	US 2.12 cents	US 3.79 cents
Diluted	*7(b)*	**US 2.49 cents**	**US 4.52 cents**	US 2.10 cents	US 3.75 cents
Dividend	*8*		**85,978**		80,426

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	3 months ended September 30, 2014 (unaudited) ***US$'000***	**6 months ended September 30, 2014 (unaudited)** ***US$'000***	3 months ended September 30, 2013 (unaudited) *US$'000*	6 months ended September 30, 2013 (unaudited) *US$'000*
Profit for the period	**272,086**	**482,645**	214,044	383,937
Other comprehensive income/(loss):				
Item that will not be reclassified to profit or loss				
Remeasurements of defined benefit obligations, net of taxes	**-**	**-**	-	355
Items that have been reclassified or may be subsequently reclassified to profit or loss				
Fair value change on available-for-sale financial assets, net of taxes	**9,075**	**9,466**	(2,181)	(3,559)
Fair value change on cash flow hedges				
- Forward foreign exchange contracts				
Fair value gain/(loss), net of taxes	**136,061**	**124,272**	(53,610)	(31,644)
Reclassified to consolidated income statement	**(49,836)**	**(34,767)**	(4,748)	(31,430)
Exchange reserve reclassified to consolidated income statement on disposal of a subsidiary	**-**	**-**	1,250	1,250
Currency translation differences	**(247,926)**	**(237,230)**	(995)	(12,716)
Total items that have been reclassified or may be subsequently reclassified to profit or loss	**(152,626)**	**(138,259)**	(60,284)	(78,099)
Other comprehensive loss for the period	**(152,626)**	**(138,259)**	(60,284)	(77,744)
Total comprehensive income for the period	**119,460**	**344,386**	153,760	306,193
Total comprehensive income/(loss) attributable to:				
Equity holders of the Company	**109,462**	**337,332**	159,398	315,870
Non-controlling interests	**9,998**	**7,054**	(5,638)	(9,677)
	119,460	**344,386**	153,760	306,193

CONSOLIDATED BALANCE SHEET

	Note	**September 30, 2014 (unaudited)** *US$'000*	March 31, 2014 (audited) *US$'000*
Non-current assets			
Property, plant and equipment		**723,507**	667,413
Prepaid lease payments		**49,155**	40,884
Construction-in-progress		**455,519**	351,934
Intangible assets		**3,434,213**	3,339,516
Interests in associates and joint ventures		**23,227**	20,753
Deferred income tax assets		**357,694**	389,330
Available-for-sale financial assets		**70,624**	35,157
Other non-current assets		**129,359**	111,558
		5,243,298	4,956,545
Current assets			
Inventories		**2,963,701**	2,701,015
Trade receivables	*9(a)*	**3,638,698**	3,171,354
Notes receivable		**634,212**	447,325
Derivative financial assets		**148,626**	61,184
Deposits, prepayments and other receivables	*10*	**3,581,441**	3,000,826
Income tax recoverable		**70,645**	65,715
Bank deposits		**93,403**	94,985
Cash and cash equivalents		**5,229,114**	3,858,144
		16,359,840	13,400,548
Total assets		**21,603,138**	18,357,093

CONSOLIDATED BALANCE SHEET (CONTINUED)

	Note	**September 30, 2014 (unaudited)** ***US$'000***	March 31, 2014 (audited) *US$'000*
Share capital	*14*	**1,650,486**	1,650,101
Reserves		**1,414,303**	1,360,029
Equity attributable to owners of the Company		**3,064,789**	3,010,130
Non-controlling interests		**234,544**	227,490
Put option written on non-controlling interest	*12(c)*	**(212,900)**	(212,900)
Total equity		**3,086,433**	3,024,720
Non-current liabilities			
Borrowings	*13*	**1,894,057**	10,125
Warranty provision	*11(b)*	**274,236**	277,231
Deferred revenue		**459,215**	438,385
Retirement benefit obligations		**152,850**	156,515
Deferred income tax liabilities		**137,388**	142,881
Other non-current liabilities	*12*	**834,627**	844,914
		3,752,373	1,870,051
Current liabilities			
Trade payables	*9(b)*	**5,510,086**	4,751,345
Notes payable		**151,955**	108,559
Derivative financial liabilities		**63,853**	58,462
Other payables and accruals	*11(a)*	**7,415,036**	6,658,254
Provisions	*11(b)*	**893,406**	852,154
Deferred revenue		**404,322**	410,330
Income tax payable		**130,282**	177,741
Borrowings	*13*	**195,392**	445,477
		14,764,332	13,462,322
Total liabilities		**18,516,705**	15,332,373
Total equity and liabilities		**21,603,138**	18,357,093
Net current assets/(liabilities)		**1,595,508**	(61,774)
Total assets less current liabilities		**6,838,806**	4,894,771

CONSOLIDATED CASH FLOW STATEMENT

	Note	**6 month ended September 30, 2014 US$'000**	6 months ended September 30, 2013 US$'000
Cash flows from operating activities			
Net cash generated from operations	15	**795,671**	56,130
Interest paid		**(44,711)**	(30,046)
Tax paid		**(146,999)**	(73,725)
Net cash generated from/(used in) operating activities		**603,961**	(47,641)
Cash flows from investing activities			
Purchase of property, plant and equipment		**(98,563)**	(95,898)
Sale of property, plant and equipment		**8,484**	3,270
Interests acquired in associates		**(5,621)**	-
Payment for construction-in-progress		**(176,963)**	(105,445)
Payment for intangible assets		**(234,140)**	(37,268)
Purchase of available-for-sale financial assets		**(26,657)**	(50)
Decrease/(increase) in bank deposits		**1,582**	(25,536)
Dividend received		**305**	547
Interest received		**18,313**	19,195
Net cash used in investing activities		**(513,260)**	(241,185)
Cash flows from financing activities			
Exercise of share options		**385**	1,880
Repurchase of shares		**-**	(45,304)
Contributions to employee share trusts		**(54,512)**	(50,357)
Dividends paid		**(242,328)**	(186,538)
Proceeds from bank borrowings		**552,694**	73,628
Repayment of bank borrowings		**(408,269)**	(100,636)
Issuance of long term notes		**1,489,422**	-
Net cash generated from/(used in) financing activities		**1,337,392**	(307,327)
Increase/(decrease) in cash and cash equivalents		**1,428,093**	(596,153)
Effect of foreign exchange rate changes		**(57,123)**	12,531
Cash and cash equivalents at the beginning of the period		**3,858,144**	3,454,082
Cash and cash equivalents at the end of the period		**5,229,114**	2,870,460

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holders of the Company												
	Share capital (unaudited) *US$'000*	Share premium (unaudited) *US$'000*	Investment revaluation reserve (unaudited) *US$'000*	Share redemption reserve (unaudited) *US$'000*	Employee share trusts (unaudited) *US$'000*	Share-based compensation reserve (unaudited) *US$'000*	Hedging reserve (unaudited) *US$'000*	Exchange reserve (unaudited) *US$'000*	Other reserve (unaudited) *US$'000*	Retained earnings (unaudited) *US$'000*	Non-controlling interests (unaudited) *US$'000*	Put option written on non-controlling interest (unaudited) *US$'000*	Total (unaudited) *US$'000*
At April 1, 2014	**1,650,101**	**-**	**(6,734)**	**-**	**(49,003)**	**(23,622)**	**(3,209)**	**(235,381)**	**71,880**	**1,606,098**	**227,490**	**(212,900)**	**3,024,720**
Profit for the period	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**475,591**	**7,054**	**-**	**482,645**
Other comprehensive income	**-**	**-**	**9,466**	**-**	**-**	**-**	**89,505**	**(237,230)**	**-**	**-**	**-**	**-**	**(138,259)**
Total comprehensive (loss)/income for the period	**-**	**-**	**9,466**	**-**	**-**	**-**	**89,505**	**(237,230)**	**-**	**475,591**	**7,054**	**-**	**344,386**
Transfer to statutory reserve	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**3,832**	**(3,832)**	**-**	**-**	**-**
Exercise of share options	**385**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**385**
Vesting of shares under long-term incentive program	**-**	**-**	**-**	**-**	**60,142**	**(93,723)**	**-**	**-**	**-**	**-**	**-**	**-**	**(33,581)**
Share-based compensation	**-**	**-**	**-**	**-**	**-**	**47,363**	**-**	**-**	**-**	**-**	**-**	**-**	**47,363**
Contribution to employee share trusts	**-**	**-**	**-**	**-**	**(54,512)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(54,512)**
Dividend paid	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(242,328)**	**-**	**-**	**(242,328)**
At September 30, 2014	**1,650,486**	**-**	**2,732**	**-**	**(43,373)**	**(69,982)**	**86,296**	**(472,611)**	**75,712**	**1,835,529**	**234,544**	**(212,900)**	**3,086,433**
At April 1, 2013	33,465	1,654,806	16,080	1,188	(22,197)	(3,149)	35,079	(166,850)	64,457	1,053,764	226,438	(212,900)	2,680,181
Profit for the period	-	-	-	-	-	-	-	-	-	393,614	(9,677)	-	383,937
Other comprehensive (loss)/income	-	-	(3,559)	-	-	-	(63,074)	(11,466)	-	355	-	-	(77,744)
Total comprehensive (loss)/income for the period	-	-	(3,559)	-	-	-	(63,074)	(11,466)	-	393,969	(9,677)	-	306,193
Transfer to statutory reserve	-	-	-	-	-	-	-	-	2,379	(2,379)	-	-	-
Exercise of share options	18	1,862	-	-	-	-	-	-	-	-	-	-	1,880
Repurchase of shares	(164)	(45,304)	-	164	-	-	-	-	-	-	-	-	(45,304)
Vesting of shares under long-term incentive program	-	-	-	-	29,317	(39,524)	-	-	-	-	-	-	(10,207)
Share-based compensation	-	-	-	-	-	42,911	-	-	-	-	-	-	42,911
Contribution to employee share trusts	-	-	-	-	(50,357)	-	-	-	-	-	-	-	(50,357)
Dividend paid	-	-	-	-	-	-	-	-	-	(186,538)	-	-	(186,538)
At September 30, 2013	33,319	1,611,364	12,521	1,352	(43,237)	238	(27,995)	(178,316)	66,836	1,258,816	216,761	(212,900)	2,738,759

Notes

1 Basis of preparation

The financial information presented above and notes thereto are extracted from the Group's consolidated financial statements and presented in accordance with Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The Board is responsible for the preparation of the Group's financial statements. The financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards. The financial statements have been prepared under the historical cost convention except that certain financial assets and financial liabilities are stated at fair values.

The Group has adopted the following new interpretation and amendments to existing standards that are mandatory for the year ending March 31, 2015 which the Group considers are appropriate and relevant to its operations:

- HK(IFRIC) – Int 21, Levies
- Amendments to HKAS 32, Financial instruments: Presentation - Offsetting financial assets and financial liabilities
- Amendments to HKAS 36, Impairment of assets: Recoverable amount disclosures for non-financial assets
- Amendments to HKAS 39, Financial instruments: Recognition and measurement – Novation of derivatives and continuation of hedge accounting
- Amendments to HKFRS 10, HKFRS 12, HKAS 27 (2011), Investment entities

The adoption of these newly effective interpretation and amendments to existing standards does not result in substantial changes to the Group's accounting policies or financial results.

The following new standards and amendments to existing standards, which are considered appropriate and relevant to the Group's operations, have been issued but are not effective for the year ending March 31, 2015 and have not been early adopted:

	Effective for annual periods beginning on or after
HKFRS 15, Revenue from contracts with customers	January 1, 2017
HKFRS 9 (2014), Financial instruments	January 1, 2018
Amendments to HKAS 19 (2011), Employee benefits	July 1, 2014
Amendments to HKAS 16, Property, plant and equipment	January 1, 2016
Amendments to HKAS 27 (2011), Separate financial statements	January 1, 2016
Amendments to HKAS 28, Investments in associates and joint ventures	January 1, 2016
Amendments to HKAS 38, Intangible assets	January 1, 2016
Amendments to HKFRS 10, Consolidated financial statements	January 1, 2016
Amendments to HKFRS 11, Joint arrangements	January 1, 2016

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

2 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 geographical perspective. The Group has four geographical segments, China, AP, EMEA and AG, 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. Certain 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.

Supplementary information on segment assets and liabilities presented below is primarily based on the geographical location of the entities or operations which carry the assets and liabilities, except for entities performing centralized functions for the Group the assets and liabilities of which are not allocated to any segment.

(a) Segment revenue and adjusted pre-tax income for reportable segments

	6 months ended September 30, 2014		6 months ended September 30, 2013	
	Revenue from external customers	**Adjusted pre-tax income**	Revenue from external customers	Adjusted pre-tax income
	US$'000	***US$'000***	*US$'000*	*US$'000*
China	**7,546,315**	**427,634**	7,578,684	400,328
AP	**3,138,492**	**132,473**	2,818,795	36,927
EMEA	**5,799,286**	**209,550**	4,125,955	61,061
AG	**4,386,205**	**38,784**	4,037,397	55,483
Segment total	**20,870,298**	**808,441**	18,560,831	553,799
Unallocated:				
Headquarters and corporate expenses		**(173,942)**		(80,920)
Finance income		**10,966**		10,557
Finance costs		**(50,866)**		(13,950)
Net gain on disposal of available-for-sale financial assets		**1,185**		106
Dividend income from an available-for-sale financial asset		**305**		547
Share of (loss)/profit of associates and joint ventures		**(3,148)**		10,522
Consolidated profit before taxation		**592,941**		480,661

(b) Segment assets for reportable segments

	September 30, 2014	March 31, 2014
	US$'000	*US$'000*
China	**6,367,164**	5,157,241
AP	**1,952,377**	1,993,624
EMEA	**2,603,504**	2,341,114
AG	**2,694,893**	2,559,869
Segment assets for reportable segments	**13,617,938**	12,051,848
Unallocated:		
Deferred income tax assets	**357,694**	389,330
Derivative financial assets	**148,626**	61,184
Available-for-sale financial assets	**70,624**	35,157
Interests in associates and joint ventures	**23,227**	20,753
Unallocated bank deposits and cash and cash equivalents	**4,143,572**	2,521,366
Unallocated inventories	**928,187**	757,648
Unallocated deposits, prepayments and other receivables	**1,969,587**	2,214,124
Income tax recoverable	**70,645**	65,715
Other unallocated assets	**273,038**	239,968
Total assets per consolidated balance sheet	**21,603,138**	18,357,093

(c) Segment liabilities for reportable segments

	September 30, 2014	March 31, 2014
	US$'000	*US$'000*
China	**4,676,515**	3,965,295
AP	**1,602,267**	1,671,669
EMEA	**1,458,097**	1,407,530
AG	**1,572,506**	1,636,349
Segment liabilities for reportable segments	**9,309,385**	8,680,843
Unallocated:		
Income tax payable	**130,282**	177,741
Deferred income tax liabilities	**137,388**	142,881
Derivative financial liabilities	**63,853**	58,462
Unallocated bank borrowings	**400,000**	300,000
Unallocated trade payables	**3,543,118**	2,862,851
Unallocated other payables and accruals	**3,039,159**	2,687,703
Unallocated provisions	**9,004**	16,522
Unallocated other non-current liabilities	**1,802,630**	308,889
Other unallocated liabilities	**81,886**	96,481
Total liabilities per consolidated balance sheet	**18,516,705**	15,332,373

(d) Analysis of revenue by significant category

Revenue from external customers is mainly derived from the sale of personal technology products and services. Breakdown of revenue is as follows:

	6 months ended September 30, 2014	6 months ended September 30, 2013
	US$'000	*US$'000*
Sale of personal technology products and services		
– desktop computer	**6,043,621**	5,176,683
– notebook computer	**10,551,794**	9,529,231
– mobile devices	**2,979,587**	2,679,208
– others	**708,768**	575,875
Sale of other goods and services	**586,528**	599,834
	20,870,298	18,560,831

(e) Other segment information

	China		AP		EMEA		AG		Total	
For the six months ended September 30	**2014**	2013	**2014**	2013	**2014**	2013	**2014**	2013	**2014**	2013
	US$'000	*US$'000*	***US$'000***	*US$'000*	***US$'000***	*US$'000*	***US$'000***	*US$'000*	***US$'000***	*US$'000*
Depreciation and amortization	**50,439**	47,220	**29,682**	20,094	**31,560**	22,190	**39,470**	27,787	**151,151**	117,291
Finance income	**2,543**	1,639	**2,196**	506	**299**	461	**2,309**	6,032	**7,347**	8,638
Finance costs	**66**	4	**4,412**	2,157	**10,906**	2,981	**12,400**	15,785	**27,784**	20,927
Additions to non-current assets (Note)	**49,627**	29,676	**3,477**	5,520	**1,915**	3,209	**11,708**	31,731	**66,727**	70,136

Note: Other than financial instruments and deferred income tax assets; and excluding construction-in-progress pending allocation to segments

(f) Included in segment assets for reportable segments are goodwill and trademarks and trade names with indefinite useful lives with an aggregate amount of US$2,778 million (March 31, 2014: US$2,843 million). The carrying amounts of goodwill and trademarks and trade names with indefinite useful lives are presented below:

At September 30, 2014

	China	**AP**	**EMEA**	**AG**	**Total**
	US$ million	***US$ million***	***US$ million***	***US$ million***	***US$ million***
Goodwill	**1,135**	**566**	**259**	**372**	**2,332**
Trademarks and trade names	**209**	**59**	**111**	**67**	**446**

At March 31, 2014

	China	AP	EMEA	AG	Total
	US$ million	*US$ million*	*US$ million*	*US$ million*	*US$ million*
Goodwill	1,123	597	287	383	2,390
Trademarks and trade names	209	59	118	67	453

The directors are of the view that there was no indication of impairment of goodwill and trademarks and trade names as at September 30, 2014 (March 31, 2014: Nil).

3 Other income – net

	3 months ended September 30, 2014	**6 months ended September 30, 2014**	3 months ended September 30, 2013	6 months ended September 30, 2013
	US$'000	***US$'000***	*US$'000*	*US$'000*
Net gain on disposal of available-for-sale financial assets	**1,185**	**1,185**	-	106
Dividend income from an available-for-sale financial asset	**-**	**305**	547	547
	1,185	**1,490**	547	653

4 Operating profit

Operating profit is stated after charging the following:

	3 months ended September 30, 2014	**6 months ended September 30, 2014**	3 months ended September 30, 2013	6 months ended September 30, 2013
	US$'000	***US$'000***	*US$'000*	*US$'000*
Depreciation of property, plant and equipment and amortization of prepaid lease payments	**34,940**	**70,236**	26,068	51,704
Amortization of intangible assets	**40,196**	**80,915**	33,205	65,587
Employee benefit costs, including	**767,893**	**1,471,475**	672,777	1,323,334
- long-term incentive awards	***27,645***	***47,363***	*21,682*	*42,911*
Rental expenses under operating leases	**27,032**	**50,905**	26,065	49,277

5 Finance income and costs

(a) Finance income

	3 months ended September 30, 2014 ***US$'000***	**6 months ended September 30, 2014** ***US$'000***	3 months ended September 30, 2013 *US$'000*	6 months ended September 30, 2013 *US$'000*
Interest on bank deposits	**6,541**	**16,600**	5,982	13,363
Interest on money market funds	**1,323**	**1,701**	629	1,357
Others	**5**	**12**	89	4,475
	7,869	**18,313**	6,700	19,195

(b) Finance costs

	3 months ended September 30, 2014 ***US$'000***	**6 months ended September 30, 2014** ***US$'000***	3 months ended September 30, 2013 *US$'000*	6 months ended September 30, 2013 *US$'000*
Interest on bank loans and overdrafts	**5,378**	**14,414**	9,875	17,738
Interest on long term notes	**18,119**	**28,599**	-	-
Factoring costs	**13,830**	**23,457**	4,611	8,220
Commitment fee	**3,382**	**6,667**	832	1,641
Interest on contingent considerations and put option liability	**1,811**	**3,623**	2,368	4,702
Others	**795**	**1,890**	2,444	2,576
	43,315	**78,650**	20,130	34,877

6 Taxation

The amount of taxation in the consolidated income statement represents:

	3 months ended September 30, 2014 ***US$'000***	**6 months ended September 30, 2014** ***US$'000***	3 months ended September 30, 2013 *US$'000*	6 months ended September 30, 2013 *US$'000*
Current taxation				
Hong Kong profits tax	**10,022**	**17,955**	3,245	4,221
Taxation outside Hong Kong	**37,046**	**71,453**	8,502	112,534
Deferred taxation	**9,956**	**20,888**	39,441	(20,031)
	57,024	**110,296**	51,188	96,724

Hong Kong profits tax has been provided for at the rate of 16.5% (2013/14: 16.5%) on the estimated assessable profits for the period. Taxation outside Hong Kong has been provided for at the applicable rates on the estimated assessable profits less estimated available tax losses.

7 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 period after adjusting shares held by employee share trusts for the purposes of awarding shares to eligible employees under the long-term incentive program.

	3 months ended September 30, 2014	**6 months ended September 30, 2014**	3 months ended September 30, 2013	6 months ended September 30, 2013
Weighted average number of ordinary shares in issue	**10,407,547,509**	**10,407,438,487**	10,393,113,342	10,416,153,326
Adjustment for shares held by employee share trusts	**(23,736,839)**	**(34,666,011)**	(51,079,568)	(36,448,654)
Weighted average number of ordinary shares in issue for calculation of basic earnings per share	**10,383,810,670**	**10,372,772,476**	10,342,033,774	10,379,704,672
	US$'000	***US$'000***	*US$'000*	*US$'000*
Profit attributable to equity holders of the Company	**262,088**	**475,591**	219,682	393,614

(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 two categories of dilutive potential ordinary shares, namely share options and long-term incentive awards.

	3 months ended September 30, 2014	**6 months ended September 30, 2014**	3 months ended September 30, 2013	6 months ended September 30, 2013
Weighted average number of ordinary shares in issue for calculation of basic earnings per share	**10,383,810,670**	**10,372,772,476**	10,342,033,774	10,379,704,672
Adjustments for share options and long-term incentive awards	**155,707,225**	**123,764,920**	126,062,906	123,489,497
Weighted average number of ordinary shares in issue for calculation of diluted earnings per share	**10,539,517,895**	**10,496,537,396**	10,468,096,680	10,503,194,169
	US$'000	***US$'000***	*US$'000*	*US$'000*
Profit attributable to equity holders of the Company used to determine diluted earnings per share	**262,088**	**475,591**	219,682	393,614

Adjustments for the dilutive potential ordinary shares are as follows:

– For the share options, a calculation is performed 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 performed to determine whether the long-term incentive awards are dilutive, and the number of shares that are deemed to be issued.

There is no adjustment to profit attributable to equity holders of the Company used for the calculation of diluted earnings per share.

8 Dividend

	6 months ended September 30, 2014 ***US$'000***	6 months ended September 30, 2013 *US$'000*
Interim dividend, declared after period end – HK6.0 cents (2013/14: HK6.0 cents) per ordinary share	**85,978**	80,426

9 Ageing analysis

(a) Customers are generally granted credit terms ranging from 0 to 120 days. Ageing analysis of trade receivables of the Group at the balance sheet date, based on invoice date, is as follows:

	September 30, 2014 ***US$'000***	March 31, 2014 *US$'000*
0 – 30 days	**2,505,530**	2,206,799
31 – 60 days	**745,581**	601,499
61 – 90 days	**233,391**	181,916
Over 90 days	**194,174**	220,754
	3,678,676	3,210,968
Less: provision for impairment	**(39,978)**	(39,614)
Trade receivables – net	**3,638,698**	3,171,354

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

	September 30, 2014	March 31, 2014
	US$'000	*US$'000*
0 – 30 days	**4,493,984**	2,761,170
31 – 60 days	**877,840**	1,217,547
61 – 90 days	**99,093**	586,145
Over 90 days	**39,169**	186,483
	5,510,086	4,751,345

10 Deposits, prepayments and other receivables

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

	September 30, 2014	March 31, 2014
	US$'000	*US$'000*
Deposits	**1,522**	1,635
Other receivables (a)	**2,422,698**	1,937,679
Prepayments (b)	**1,157,221**	1,061,512
	3,581,441	3,000,826

(a) Majority of other receivables are amounts due from subcontractors for part components sold in the ordinary course of business.

(b) 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$581 million as at September 30, 2014 (March 31, 2014: US$413 million) are included in prepayments.

11 Provisions, other payables and accruals

(a) Details of other payables and accruals are as follows:

	September 30, 2014	March 31, 2014
	US$'000	*US$'000*
Accruals	**1,419,177**	1,359,002
Allowance for billing adjustments (i)	**1,794,792**	1,785,022
Other payables (ii)	**4,201,067**	3,514,230
	7,415,036	6,658,254

Notes:

(i) Allowance for billing adjustments relates primarily to allowances for future volume discounts, price protection, rebates, and customer sales returns.

(ii) Majority of other payables are obligations to pay for finished goods that have been acquired in the ordinary course of business from subcontractors.

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

(b) The components of provisions are as follows:

	Warranty *US$'000*	**Environmental restoration** *US$'000*	**Total** *US$'000*
Year ended March 31, 2014			
At the beginning of the year	1,054,181	56,042	1,110,223
Exchange adjustment	3,997	(2,837)	1,160
Provisions made	898,264	8,610	906,874
Amounts utilized	(812,936)	(5,179)	(818,115)
Unused amounts reversed	(16,246)	(36,952)	(53,198)
	1,127,260	19,684	1,146,944
Long-term portion classified as non-current liabilities	(277,231)	(17,559)	(294,790)
At the end of the year	850,029	2,125	852,154
Six months ended September 30, 2014			
At the beginning of the period	**1,127,260**	**19,684**	**1,146,944**
Exchange adjustment	**(19,272)**	**(792)**	**(20,064)**
Provisions made	**513,578**	**4,009**	**517,587**
Amounts utilized	**(448,573)**	**(3,028)**	**(451,601)**
Unused amounts reversed	**(8,243)**	**(16)**	**(8,259)**
	1,164,750	**19,857**	**1,184,607**
Long-term portion classified as non-current liabilities	**(274,236)**	**(16,965)**	**(291,201)**
At the end of the period	**890,514**	**2,892**	**893,406**

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 arrangements with them.

The Group records its environmental restoration provision at the time of sales based on estimated costs of environmentally-sound disposal of waste electrical and electronic equipment upon return from end-customers and with reference to the historical or projected future return rate. The environmental restoration provision is reviewed at least annually to assess its adequacy to meet the Group's obligation.

12 Other non-current liabilities

Details of other non-current liabilities are as follows:

	September 30, 2014 *US$'000*	March 31, 2014 *US$'000*
Contingent considerations (a)	**309,622**	307,183
Deferred consideration (a)	**2,151**	2,151
Guaranteed dividend to non-controlling shareholders of a subsidiary (b)	**11,294**	18,922
Environmental restoration (Note 11 (b))	**16,965**	17,559
Written put option liability (c)	**218,234**	217,157
Government incentives and grants received in advance (d)	**132,113**	143,778
Others	**144,248**	138,164
	834,627	844,914

(a) Pursuant to the completion of business combinations, the Group is required to pay in cash to the then respective shareholders/sellers contingent considerations with reference to certain performance indicators as written in the respective agreements with those then shareholders/sellers; and deferred consideration. Accordingly, non-current liabilities in respect of the present values of contingent and deferred considerations have been recognized. The contingent considerations are subsequently re-measured at their fair values as a result of change in the expected performance at each balance sheet date, with any resulting gain or loss recognized in the consolidated income statement. Deferred consideration is subsequently measured at amortized cost.

As at September 30, 2014, the potential undiscounted amounts of future payments in respect of the contingent and deferred considerations that the Group could be required to make to the respective shareholders under the arrangements are as follows:

Joint venture with NEC Corporation	Nil – US$325 million
Joint venture with EMC Corporation ("EMC JV")	US$39 – US$59 million
Stoneware	Nil – US$48 million
CCE	Nil – BRL400 million

(b) Following the acquisition of Medion on July 29, 2011, Lenovo Germany Holding GmbH ("Lenovo Germany"), an indirect wholly-owned subsidiary of the Company and the immediate holding company of Medion entered into a domination and profit and loss transfer agreement (the "Domination Agreement") with Medion on October 25, 2011. Pursuant to the Domination Agreement, Lenovo Germany has guaranteed to the non-controlling shareholders of Medion an annual guaranteed pre-tax dividend of EUR0.82 per share for each fiscal year. The Domination Agreement became effective on January 3, 2012 and is terminable by either Lenovo Germany or Medion after March 31, 2017. Accordingly, a non-current liability in respect of future guaranteed dividend has been recognized. The corresponding amount stated at its discounted value on the date of acquisition of Medion was charged to retained earnings in equity.

(c) Pursuant to the joint venture agreement entered into between the Company and Compal Electronics, Inc. ("Compal") to establish a joint venture company ("JV Co") to manufacture notebook computer products and related parts, the Company and Compal are respectively granted call and put options which entitle the Company to purchase from Compal and Compal to sell to the Company the 49% Compal's interests in the JV Co. The call and put options will be exercisable at any time after October 1, 2019 and October 1, 2017 respectively. The exercise price for the call and put options will be determined in accordance with the joint venture agreement, and up to a maximum of US$750 million.

The financial liability that may become payable under the put option is initially recognized at fair value within other non-current liabilities with a corresponding charge directly to equity, as a put option written on non-controlling interest.

The put option liability shall be re-measured at its fair value resulting from the change in the expected performance of the JV Co at each balance sheet date, with any resulting gain or loss recognized in the consolidated income statement. In the event that the put option lapses unexercised, the liability will be derecognized with a corresponding adjustment to equity.

(d) Government incentives and grants received in advance by certain group companies included in other non-current liabilities mainly relate to research and development projects and construction of property, plant and equipment. These group companies are obliged to fulfill certain conditions under the terms of the government incentives and grants. The government incentives and grants are credited to the income statement upon fulfillment of those conditions.

13 Borrowings

	September 30, 2014	March 31, 2014
	US$'000	*US$'000*
Term bank loans (i)	**404,257**	310,125
Short-term bank loans (ii)	**195,392**	145,477
Long term notes (iii)	**1,489,800**	-
	2,089,449	455,602

(i) Term bank loans comprised a US$1,200 million 5-year term loan facility entered into in December 2013. It has been withdrawn to the extent of US$400 million in September 2014 (March 2014: Nil).

(ii) The majority of the short-term bank loans are denominated in USD.

(iii) On May 8, 2014, the Group completed the issuance of 5-Year US$1.5 billion notes bearing annual interest at 4.7% due in May 2019. The proceeds would be used for general corporate purposes including working capital, and to fund any acquisition activities.

The exposure of all the borrowings of the Group to interest rate changes and the contractual repricing dates as at September 30, 2014 and March 31, 2014 are as follows:

	September 30, 2014	March 31, 2014
	US$'000	*US$'000*
Within 1 year	**195,392**	445,477
Over 1 to 3 years	**4,257**	10,125
Over 3 to 5 years	**1,889,800**	-
	2,089,449	455,602

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

14 Share capital

	September 30, 2014		March 31, 2014	
	Number of shares	***US$'000***	*Number of shares*	*US$'000*
Issued and fully paid:				
Voting ordinary shares:				
At the beginning of the period/year	**10,406,375,509**	**1,650,101**	10,439,152,059	33,465
Exercise of share options	**1,172,000**	**385**	18,277,450	816
Repurchase of shares	**-**	**-**	(51,054,000)	(164)
Transfer from share premium and share redemption reserve	**-**	**-**	-	1,615,984
At the end of the period/year	**10,407,547,509**	**1,650,486**	10,406,375,509	1,650,101

15 Reconciliation of profit before taxation to net cash generated from operations

	6 months ended September 30, 2014	6 months ended September 30, 2013
	US$'000	US$'000
Profit before taxation	**592,941**	480,661
Share of loss/(profit) of associates and joint ventures	**3,148**	(10,522)
Finance income	**(18,313)**	(19,195)
Finance costs	**78,650**	34,877
Depreciation of property, plant and equipment and amortization of prepaid lease payments	**70,236**	51,704
Amortization of intangible assets and share-based compensation	**128,278**	108,498
(Gain)/loss on disposal of property, plant and equipment	**(1,681)**	312
Gain on disposal of available-for-sale assets	**(1,185)**	(106)
Loss on disposal of construction-in-progress	**942**	-
Loss on disposal of intangible assets	**365**	1,275
Dividend income	**(305)**	(547)
Fair value change on financial instruments	**7,454**	19,853
Increase in inventories	**(262,686)**	(634,431)
Increase in trade receivables, notes receivable, deposits, prepayments and other receivables	**(1,251,224)**	(936,336)
Increase in trade payables, notes payable, provisions, accruals and other payables	**1,532,398**	988,368
Effect of foreign exchange rate changes	**(83,347)**	(28,281)
Net cash generated from operations	**795,671**	56,130

16 Events after balance sheet date

Acquisition of IBM X86 server business

Pursuant to the acquisition agreement dated January 23, 2014 entered into between the Company and International Business Machines Corporation ("IBM"), on October 1, 2014, the Company completed the acquisition of X86 server hardware and related maintenance services business of IBM with a total consideration of approximately US$2,118,000,000 consisting of:

(i) the cash consideration of approximately US$1,847,000,000, subject to adjustments; and

(ii) the share consideration of 182,000,000 ordinary shares of the Company, equivalent to a value of approximately US$271,000,000, issued to IBM on October 1, 2014.

Acquisition of Motorola Mobility Group

Pursuant to the acquisition agreement entered into between the Company and Google Inc. dated January 29, 2014, on October 30, 2014, the Company completed the acquisition of the entire issued and outstanding equity interests in Motorola Mobility Holdings LLC with a total consideration of approximately US$3,138,000,000 consisting of:

(i) the cash consideration of approximately US$888,000,000, subject to adjustments;

(ii) the share consideration of 519,107,215 ordinary shares of the Company, equivalent to a value of approximately US$750,000,000, issued to Google Inc. on October 30, 2014; and

(iii) the deferred consideration of US$1,500,000,000 in the form of a promissory note, issued to Google Inc., payable in cash on the third anniversary of the completion date.

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

During the six months ended September 30, 2014, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities, except that the trustee of the long-term incentive program of the Company purchased 35,300,000 shares from the market for award to employees upon vesting. Details of the program are set out in the 2013/14 annual report of the Company.

REVIEW BY AUDIT COMMITTEE

The Audit Committee of the Company has been established since 1999 with the responsibility to assist the Board in providing an independent review of the financial statements, internal control and risk management systems. It acts in accordance with its terms of reference which clearly deal with its membership, authority, duties and frequency of meetings. Currently, the Audit Committee is chaired by an independent non-executive director, Mr. Nicholas C. Allen and comprises four members including Mr. Allen and the other three independent non-executive directors, Mr. Ting Lee Sen, Ms. Ma Xuezheng and Mr. William Tudor Brown.

The Audit Committee of the Company has reviewed the unaudited interim results of the Group for the six months ended September 30, 2014. It meets regularly with the management, the external auditor and the internal audit personnel to discuss the accounting principles and practices adopted by the Group and internal control and financial reporting matters.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

None of the directors of the Company is aware of any information that would reasonably indicate that the Company is not, or was not during the six months ended September 30, 2014, in compliance with the code provisions of the Corporate Governance Code and Corporate Governance Report (the "**CG Code**") as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange, with the exception that the roles of the chairman of the Board (the "**Chairman**") and the chief executive officer of the Company (the "**CEO**") have not been segregated as required by code provision A.2.1 of the CG Code.

The Board is of the opinion that it is appropriate and in the best interests of the Company at the present stage for Mr. Yang Yuanqing ("**Mr. Yang**") to continue to hold both the positions as it would help to maintain the continuity of the strategy execution and stability of the operations of the Company. The Board comprising a vast majority of independent non-executive directors meets regularly on a quarterly basis to review the operations of the Company led by Mr. Yang.

The Board also appointed Mr. William O. Grabe as the lead independent director ("**Lead Independent Director**") with broad authority and responsibility. Among other responsibilities, the Lead Independent Director will chair the Nomination and Governance Committee meeting and/or the Board meeting when considering (i) the combined roles of Chairman and CEO; and (ii) assessment of the performance of Chairman and/or CEO. The Lead Independent Director will also call and chair meeting(s) with all independent non-executive directors without management and executive director present at least once a year on such matters as are deemed appropriate. Accordingly, the Board believes that the current Board structure with combined roles of Chairman and CEO, the appointment of Lead Independent Director and a vast majority of independent non-executive directors will provide an effective balance on power and authorizations between the Board and the management of the Company.

By Order of the Board
Yang Yuanqing
Chairman and
Chief Executive Officer

November 6, 2014

As at the date of this announcement, the executive director is Mr. Yang Yuanqing; the non-executive directors are Mr. Zhu Linan and Mr. Zhao John Huan; and the independent non-executive directors are Mr. Ting Lee Sen, Dr. Tian Suning, Mr. Nicholas C. Allen, Mr. Nobuyuki Idei, Mr. William O. Grabe, Mr. William Tudor Brown, Ms. Ma Xuezheng, and Mr. Yang Chih-Yuan Jerry.