lenovo联想

Lenovo Group Limited 聯想集團有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 0992)

FY2013/14 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 six months ended September 30, 2013 together with comparative figures for the corresponding period of last year, as follows:

CONSOLIDATED INCOME STATEMENT

	Note	**3 months ended September 30, 2013 (unaudited)** ***US$'000***	**6 months ended September 30, 2013 (unaudited)** ***US$'000***	3 months ended September 30, 2012 (unaudited) *US$'000*	6 months ended September 30, 2012 (unaudited) *US$'000*
Revenue	*2*	**9,773,733**	**18,560,831**	8,672,601	16,682,297
Cost of sales		**(8,509,109)**	**(16,104,816)**	(7,533,154)	(14,496,550)
Gross profit		**1,264,624**	**2,456,015**	1,139,447	2,185,747
Other income/(loss) - net	*3*	**547**	**653**	269	(47)
Selling and distribution expenses		**(475,509)**	**(913,812)**	(489,285)	(935,186)
Administrative expenses		**(316,952)**	**(663,427)**	(287,644)	(568,745)
Research and development expenses		**(189,445)**	**(359,764)**	(152,824)	(288,265)
Other operating income/(expenses) - net		**683**	**(33,844)**	(4,332)	(6,049)
Operating profit	*4*	**283,948**	**485,821**	205,631	387,455
Finance income	*5(a)*	**6,700**	**19,195**	10,365	21,995
Finance costs	*5(b)*	**(20,130)**	**(34,877)**	(11,517)	(19,641)
Share of (loss)/profit of associates and joint ventures		**(5,286)**	**10,522**	(654)	(736)
Profit before taxation		**265,232**	**480,661**	203,825	389,073
Taxation	*6*	**(51,188)**	**(96,724)**	(40,938)	(81,750)
Profit for the period		**214,044**	**383,937**	162,887	307,323
Profit/(loss) attributable to:					
Equity holders of the Company		**219,682**	**393,614**	162,047	303,414
Non-controlling interests		**(5,638)**	**(9,677)**	840	3,909
		214,044	**383,937**	162,887	307,323
Earnings per share attributable to equity holders of the Company					
Basic	*7(a)*	**US 2.12 cents**	**US 3.79 cents**	US 1.58 cents	US 2.95 cents
Diluted	*7(b)*	**US 2.10 cents**	**US 3.75 cents**	US 1.55 cents	US 2.89 cents
Dividend	*8*		**80,426**		59,930

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	3 months ended September 30, 2013 (unaudited) ***US$'000***	**6 months ended September 30, 2013 (unaudited)** ***US$'000***	3 months ended September 30, 2012 (unaudited) *US$'000*	6 months ended September 30, 2012 (unaudited) *US$'000*
Profit for the period	**214,044**	**383,937**	162,887	307,323
Other comprehensive income/(loss):				
Item that will not be reclassified to profit or loss				
Remeasurements of defined benefit obligations, net of taxes	**-**	**355**	-	(324)
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	**(2,181)**	**(3,559)**	(1,507)	(7,317)
Fair value change on cash flow hedges				
- Forward foreign exchange contracts				
Fair value loss, net of taxes	**(53,610)**	**(31,644)**	(53,409)	(36,017)
Reclassified to consolidated income statement	**(4,748)**	**(31,430)**	1,467	(16,515)
Exchange reserve reclassified to consolidated income statement on disposal of a subsidiary	**1,250**	**1,250**	-	-
Currency translation differences	**(995)**	**(12,716)**	24,229	(24,397)
Total items that have been reclassified or may be subsequently reclassified to profit or loss	**(60,284)**	**(78,099)**	(29,220)	(84,246)
Other comprehensive loss for the period	**(60,284)**	**(77,744)**	(29,220)	(84,570)
Total comprehensive income for the period	**153,760**	**306,193**	133,667	222,753
Total comprehensive income/(loss) attributable to:				
Equity holders of the Company	**159,398**	**315,870**	132,827	218,844
Non-controlling interests	**(5,638)**	**(9,677)**	840	3,909
	153,760	**306,193**	133,667	222,753

CONSOLIDATED BALANCE SHEET

	Note	**September 30, 2013 (unaudited)** *US$'000*	March 31, 2013 (audited) *US$'000*
Non-current assets			
Property, plant and equipment		**568,200**	479,777
Prepaid lease payments		**36,376**	36,522
Construction-in-progress		**231,004**	184,051
Intangible assets		**3,337,372**	3,326,418
Interests in associates and joint ventures		**13,748**	2,763
Deferred income tax assets		**400,134**	349,389
Available-for-sale financial assets		**66,075**	69,962
Other non-current assets		**42,920**	43,378
		4,695,829	4,492,260
Current assets			
Inventories		**2,595,482**	1,964,791
Trade receivables	*9(a)*	**3,316,006**	2,885,039
Notes receivable		**768,121**	572,992
Derivative financial assets		**41,431**	99,491
Deposits, prepayments and other receivables	*10*	**3,529,975**	3,235,465
Income tax recoverable		**71,048**	58,822
Bank deposits		**144,591**	119,055
Cash and cash equivalents		**2,870,460**	3,454,082
		13,337,114	12,389,737
Total assets		**18,032,943**	16,881,997

CONSOLIDATED BALANCE SHEET (CONTINUED)

	Note	**September 30, 2013 (unaudited)** *US$'000*	March 31, 2013 (audited) *US$'000*
Share capital	*13*	**33,319**	33,465
Reserves		**2,701,579**	2,633,178
Equity attributable to owners of the Company		**2,734,898**	2,666,643
Non-controlling interests	*14*	**216,761**	226,438
Put option written on non-controlling interest	*12(c)*	**(212,900)**	(212,900)
Total equity		**2,738,759**	2,680,181
Non-current liabilities			
Bank borrowings		**15,695**	303,133
Warranty provision	*11(b)*	**266,441**	279,255
Deferred revenue		**410,749**	403,540
Retirement benefit obligations		**165,690**	163,883
Deferred income tax liabilities		**139,811**	113,992
Other non-current liabilities	*12*	**814,204**	846,539
		1,812,590	2,110,342
Current liabilities			
Trade payables	*9(b)*	**4,341,395**	3,624,500
Notes payable		**149,296**	99,503
Derivative financial liabilities		**93,920**	69,053
Other payables and accruals	*11(a)*	**7,106,538**	6,852,344
Provisions	*11(b)*	**797,271**	776,640
Deferred revenue		**406,202**	393,417
Income tax payable		**150,704**	100,179
Bank borrowings		**436,268**	175,838
		13,481,594	12,091,474
Total liabilities		**15,294,184**	14,201,816
Total equity and liabilities		**18,032,943**	16,881,997
Net current (liabilities)/assets		**(144,480)**	298,263
Total assets less current liabilities		**4,551,349**	4,790,523

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	6 months ended September 30, 2013 (unaudited) ***US$'000***	6 months ended September 30, 2012 (unaudited) *US$'000*
Net cash used in operating activities	**(47,641)**	(190,476)
Net cash used in investing activities	**(241,185)**	(175,523)
Net cash (used in)/generated from financing activities	**(307,327)**	68,953
Decrease in cash and cash equivalents	**(596,153)**	(297,046)
Effect of foreign exchange rate changes	**12,531**	(7,201)
Cash and cash equivalents at the beginning of the period	**3,454,082**	3,757,652
Cash and cash equivalents at the end of the period	**2,870,460**	3,453,405

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, 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**
At April 1, 2012	33,131	1,584,522	20,137	1,003	(27,858)	53,078	15,307	(48,248)	100,848	629,315	86,734	-	2,447,969
Profit for the period	-	-	-	-	-	-	-	-	-	303,414	3,909	-	307,323
Other comprehensive (loss)	-	-	(7,317)	-	-	-	(52,532)	(24,397)	-	(324)	-	-	(84,570)
Total comprehensive (loss)/income for the period	-	-	(7,317)	-	-	-	(52,532)	(24,397)	-	303,090	3,909	-	222,753
Contribution from non-controlling interest	-	-	-	-	-	-	-	-	-	-	147,000	-	147,000
Put option written on non-controlling interest	-	-	-	-	-	-	-	-	-	-	-	(212,900)	(212,900)
Transfer to statutory reserve	-	-	-	-	-	-	-	-	164	(164)	-	-	-
Exercise of share options	23	2,154	-	-	-	-	-	-	-	-	-	-	2,177
Dividend paid	-	-	-	-	-	-	-	-	-	(139,478)	-	-	(139,478)
Repurchase of shares	(185)	(44,122)	-	185	-	-	-	-	-	-	-	-	(44,122)
Vesting of shares under long-term incentive program	-	-	-	-	16,463	(25,036)	-	-	-	-	-	-	(8,573)
Share-based compensation	-	-	-	-	-	38,579	-	-	-	-	-	-	38,579
Contribution to employee share trust	-	-	-	-	(60,035)	-	-	-	-	-	-	-	(60,035)
At September 30, 2012	32,969	1,542,554	12,820	1,188	(71,430)	66,621	(37,225)	(72,645)	101,012	792,763	237,643	(212,900)	2,393,370

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 and revised standards and amendments to existing standards that are mandatory for the year ending March 31, 2014 and considered appropriate and relevant to its operations:

- HKAS 19 (2011), Employee benefits
- HKAS 27 (2011), Separate financial statements
- HKAS 28 (2011), Investments in associates and joint ventures
- HKFRS 10, Consolidated financial statements
- HKFRS 11, Joint arrangements
- HKFRS 12, Disclosure of interest in other entities
- HKFRS 13, Fair value measurement
- Amendments to HKAS 1 (Revised), Presentation of items of other comprehensive income
- Amendments to HKFRS 1, Government loans
- Amendments to HKFRS 7, Financial instruments: Disclosures – Offsetting financial assets and financial liabilities
- Amendments to HKFRS 10, HKFRS 11 and HKFRS 12, Consolidated financial statements, Joint arrangements and Disclosure of interest in other entities: transition guidance

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

The following new standard, interpretation, and amendments to existing standards have been issued but are not effective for the year ending March 31, 2014 and have not been early adopted:

	Effective for annual periods beginning on or after
HKFRS 9, Financial instruments	January 1, 2015
HK(IFRIC) – Int 21, Levies	January 1, 2014
Amendments to HKAS 32, Financial instruments: Presentation – Offsetting financial assets and financial liabilities	January 1, 2014
Amendments to HKAS 36, Impairment of assets: Recoverable amount disclosures for non-financial assets	January 1, 2014
Amendments to HKAS 39, Financial instruments: Recognition and measurement – Novation of derivatives and continuation of hedge accounting	January 1, 2014
Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011), Investment entities	January 1, 2014
Amendments to HKFRS 7 and HKFRS 9, Mandatory effective date and transition disclosures	January 1, 2015

The adoption of these new standard, interpretation, and amendments to existing standards is not expected to have material impact on the Group.

Effective April 1, 2013, the Group has re-organized its structure into two end-to-end business groups (Lenovo Business Group and Think Business Group), which enhances the Group's capabilities in both efficiency and innovation. As part of the Group re-organization, the Group redistributes certain global operation functions to directly align with the respective business groups. The re-organization of the global operation functions enables each of the geographical segments to directly control their businesses through closely aligned supply chain, services, marketing and other functions that directly report into the geographies. These expenses will be borne by the individual geography instead of part of the corporate expenses.

Certain overhead costs that were included as part of the cost of sales in the previous years have now been reclassified to administrative expenses. Management considers the current reclassification is more appropriate and consistent with industry practice.

The Group has also re-aligned its geographical segments whereby Latin America that was previously part of Asia Pacific/Latin America ("APLA") has been spun off and combined with North America, transforming into a new Americas region. The Group's original geographic structure had achieved rapid business growth through the alignment of its strategic direction and business acquisitions. The new geographical structure is in recognition that the Group's stronger infrastructure in the Latin America and aligns the Group's strategy to expand across the entire Americas region.

The comparative information has been reclassified to conform to the presentation of current organizational structure and allocation basis.

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, Asia Pacific ("AP"), Europe-Middle East-Africa ("EMEA") and Americas ("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, 2013		6 months ended September 30, 2012	
	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	**7,578,684**	**400,328**	7,342,287	313,925
AP	**2,818,795**	**36,927**	2,930,208	29,546
EMEA	**4,125,955**	**61,061**	3,377,731	44,976
AG	**4,037,397**	**55,483**	3,032,071	54,342
Segment total	**18,560,831**	**553,799**	16,682,297	442,789
Unallocated:				
Headquarters and corporate expenses		**(80,920)**		(60,253)
Restructuring costs		**-**		(22)
Finance income		**10,557**		18,680
Finance costs		**(13,950)**		(11,338)
Net gain/(loss) on disposal of available-for-sale financial assets		**106**		(316)
Dividend income from an available-for-sale financial asset		**547**		269
Share of profits/(losses) of associates and joint ventures		**10,522**		(736)
Consolidated profit before taxation		**480,661**		389,073

(b) Segment assets for reportable segments

	September 30, 2013	March 31, 2013
	US$'000	*US$'000*
China	**5,714,387**	4,943,934
AP	**2,081,241**	2,055,413
EMEA	**2,332,462**	1,933,011
AG	**2,741,401**	2,288,215
Segment assets for reportable segments	**12,869,491**	11,220,573
Unallocated:		
Deferred income tax assets	**400,134**	349,389
Derivative financial assets	**41,431**	99,491
Available-for-sale financial assets	**66,075**	69,962
Interests in associates and joint ventures	**13,748**	2,763
Unallocated bank deposits and cash and cash equivalents	**1,325,741**	2,093,983
Unallocated inventories	**644,422**	597,239
Unallocated deposits, prepayments and other receivables	**2,407,207**	2,253,370
Income tax recoverable	**71,048**	58,822
Other unallocated assets	**193,646**	136,405
Total assets per consolidated balance sheet	**18,032,943**	16,881,997

(c) Segment liabilities for reportable segments

	September 30, 2013 *US$'000*	March 31, 2013 *US$'000*
China	**4,465,301**	4,324,261
AP	**1,505,450**	1,548,694
EMEA	**1,208,735**	1,115,554
AG	**1,647,736**	1,495,433
Segment liabilities for reportable segments	**8,827,222**	8,483,942
Unallocated:		
Income tax payable	**150,704**	100,179
Deferred income tax liabilities	**139,811**	113,992
Derivative financial liabilities	**93,920**	69,053
Unallocated bank borrowings	**300,000**	300,000
Unallocated trade payables	**2,301,420**	1,979,026
Unallocated other payables and accruals	**3,081,802**	2,750,353
Unallocated provisions	**16,639**	35,045
Unallocated other non-current liabilities	**296,200**	284,982
Other unallocated liabilities	**86,466**	85,244
Total liabilities per consolidated balance sheet	**15,294,184**	14,201,816

(d) Analysis of revenue by significant category

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

	6 months ended September 30, 2013 ***US$'000***	6 months ended September 30, 2012 *US$'000*
Sale of personal technology products and services		
– desktop computer	**5,176,683**	5,334,265
– notebook computer	**9,529,231**	8,944,971
– mobile internet and digital home	**2,679,208**	1,305,011
– others	**575,875**	552,701
Sale of other goods and services	**599,834**	545,349
	18,560,831	16,682,297

(e) Other segment information

	China		AP		EMEA		AG		Total	
For the six months ended September 30	**2013** ***US$'000***	2012 *US$'000*	**2013** ***US$'000***	2012 *US$'000*	**2013** ***US$'000***	2012 *US$'000*	**2013** ***US$'000***	2012 *US$'000*	**2013** ***US$'000***	2012 *US$'000*
Depreciation and amortization	**47,220**	44,596	**20,094**	17,963	**22,190**	17,233	**27,787**	18,282	**117,291**	98,074
Finance income	**1,639**	1,512	**506**	292	**461**	437	**6,032**	1,074	**8,638**	3,315
Finance costs	**4**	292	**2,157**	2,037	**2,981**	3,244	**15,785**	2,730	**20,927**	8,303
Additions to non-current assets (Note)	**29,676**	36,558	**5,520**	14,572	**3,209**	3,915	**31,731**	8,596	**70,136**	63,641

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$2,891 million (March 31, 2013: US$2,865 million). As explained in Note 2, the Group underwent an organizational structure change under which these intangible assets have been reallocated to the cash-generating units affected using a relative value approach in accordance with HKAS 36 "Impairment of Assets". The carrying amounts of goodwill and trademarks and trade names with indefinite useful lives are presented below:

At September 30, 2013

	China ***US$ million***	**AP** ***US$ million***	**EMEA** ***US$ million***	**AG** ***US$ million***	**Total** ***US$ million***
Goodwill	**1,138**	**625**	**278**	**388**	**2,429**
Trademarks and trade names	**209**	**59**	**116**	**78**	**462**

At March 31, 2013

	China *US$ million*	APLA *US$ million*	EMEA *US$ million*	North America *US$ million*	Total *US$ million*
Goodwill	1,123	789	261	231	2,404
Trademarks and trade names	209	79	113	60	461

The directors are of the view that there was no indication of impairment of goodwill and trademarks and trade names as at September 30, 2013 (March 31, 2013: Nil).

At September 30, 2013, the Group has not finalized the fair value assessments for the net assets acquired (including intangible assets) from the business combination activities in respect of Stoneware, Inc. ("Stoneware") and Digibrás Indústria do Brasil S.A., Digiboard Eletrônica da Amazônia Ltda., and Dual Mix Comércio de Eletrônicos Ltda., (collectively "CCE"). The goodwill calculations for Stoneware and CCE, amounting to approximately US$169 million (March 31, 2013: US$150 million) are preliminary and subject to finalization. The movement mainly represents additional indirect tax provisions recognized following the relevant tax reviews that were substantially completed during the period.

3 Other income/(loss) – net

	3 months ended September 30, 2013 ***US$'000***	**6 months ended September 30, 2013** ***US$'000***	3 months ended September 30, 2012 *US$'000*	6 months ended September 30, 2012 *US$'000*
Net gain/(loss) on disposal of available-for-sale financial assets	**-**	**106**	-	(316)
Dividend income from an available-for-sale financial asset	**547**	**547**	269	269
	547	**653**	269	(47)

4 Operating profit

Operating profit is stated after charging the following:

	3 months ended September 30, 2013 ***US$'000***	**6 months ended September 30, 2013** ***US$'000***	3 months ended September 30, 2012 *US$'000*	6 months ended September 30, 2012 *US$'000*
Depreciation of property, plant and equipment and amortization of prepaid lease payments	**26,068**	**51,704**	21,316	41,402
Amortization of intangible assets	**33,205**	**65,587**	29,226	56,672
Employee benefit costs, including	**672,777**	**1,323,334**	575,705	1,116,206
- long-term incentive awards	***21,682***	***42,911***	*18,153*	*38,579*
Rental expenses under operating leases	**26,065**	**49,277**	18,771	35,905

5 Finance income and costs

(a) Finance income

	3 months ended September 30, 2013 ***US$'000***	**6 months ended September 30, 2013** ***US$'000***	3 months ended September 30, 2012 *US$'000*	6 months ended September 30, 2012 *US$'000*
Interest on bank deposits	**5,982**	**13,363**	8,224	17,767
Interest on money market funds	**629**	**1,357**	770	1,400
Others	**89**	**4,475**	1,371	2,828
	6,700	**19,195**	10,365	21,995

(b) Finance costs

	3 months ended September 30, 2013 ***US$'000***	**6 months ended September 30, 2013** ***US$'000***	3 months ended September 30, 2012 *US$'000*	6 months ended September 30, 2012 *US$'000*
Interest on bank loans and overdrafts	**9,875**	**17,738**	1,803	1,903
Factoring cost	**4,611**	**8,220**	4,451	8,436
Commitment fee	**832**	**1,641**	2,587	4,296
Interest on contingent considerations and put option liability	**2,368**	**4,702**	2,590	4,701
Others	**2,444**	**2,576**	86	305
	20,130	**34,877**	11,517	19,641

6 Taxation

The amount of taxation in the consolidated income statement represents:

	3 months ended September 30, 2013	**6 months ended September 30, 2013**	3 months ended September 30, 2012	6 months ended September 30, 2012
	US$'000	***US$'000***	*US$'000*	*US$'000*
Current taxation				
Hong Kong profits tax	**3,245**	**4,221**	66	92
Taxation outside Hong Kong	**8,502**	**112,534**	59,181	82,692
Deferred taxation	**39,441**	**(20,031)**	(18,309)	(1,034)
	51,188	**96,724**	40,938	81,750

Hong Kong profits tax has been provided for at the rate of 16.5% (2012/13: 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 and consideration shares in respect of business combination activities.

	3 months ended September 30, 2013	**6 months ended September 30, 2013**	3 months ended September 30, 2012	6 months ended September 30, 2012
Weighted average number of ordinary shares in issue	**10,393,113,342**	**10,416,153,326**	10,286,234,161	10,311,432,585
Adjustment for shares held by employee share trusts	**(51,079,568)**	**(36,448,654)**	(105,524,295)	(82,420,466)
Adjustment for consideration shares in respect of business combination activities	-	-	57,560,317	57,560,317
Weighted average number of ordinary shares in issue for calculation of basic earnings per share	**10,342,033,774**	**10,379,704,672**	10,238,270,183	10,286,572,436
	US$'000	***US$'000***	*US$'000*	*US$'000*
Profit attributable to equity holders of the Company	**219,682**	**393,614**	162,047	303,414

Adjustments for the weighted average number of ordinary shares in issue are as follows:

- The shares of the Company held by the employee share trusts for the purposes of awarding shares to eligible employees under the long-term incentive program.

- 57,560,317 shares of the Company, representing the consideration shares in respect of the acquisition of Medion AG ("Medion") which were issued to the seller on February 15, 2013.

(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, 2013	**6 months ended September 30, 2013**	3 months ended September 30, 2012	6 months ended September 30, 2012
Weighted average number of ordinary shares in issue for calculation of basic earnings per share	**10,342,033,774**	**10,379,704,672**	10,238,270,183	10,286,572,436
Adjustments for share options and long-term incentive awards	**126,062,906**	**123,489,497**	208,514,695	222,895,063
Weighted average number of ordinary shares in issue for calculation of diluted earnings per share	**10,468,096,680**	**10,503,194,169**	10,446,784,878	10,509,467,499
	US$'000	***US$'000***	*US$'000*	*US$'000*
Profit attributable to equity holders of the Company used to determine diluted earnings per share	**219,682**	**393,614**	162,047	303,414

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, 2013 ***US$'000***	6 months ended September 30, 2012 *US$'000*
Interim dividend, declared after period end – HK6.0 cents (2012/13: HK4.5 cents) per ordinary share	**80,426**	59,930

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, 2013	March 31, 2013
	US$'000	*US$'000*
0 – 30 days	**2,047,160**	1,967,312
31 – 60 days	**867,589**	560,180
61 – 90 days	**217,071**	136,543
Over 90 days	**219,487**	257,924
	3,351,307	2,921,959
Less: provision for impairment	**(35,301)**	(36,920)
Trade receivables – net	**3,316,006**	2,885,039

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

	September 30, 2013	March 31, 2013
	US$'000	*US$'000*
0 – 30 days	**2,558,354**	2,526,465
31 – 60 days	**917,640**	566,747
61 – 90 days	**647,227**	332,223
Over 90 days	**218,174**	199,065
	4,341,395	3,624,500

10 Deposits, prepayments and other receivables

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

	September 30, 2013	March 31, 2013
	US$'000	*US$'000*
Deposits	**1,080**	2,923
Other receivables (a)	**2,408,517**	2,127,671
Prepayments (b)	**1,120,378**	1,104,871
	3,529,975	3,235,465

(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$275 million as at September 30, 2013 (March 31, 2013: US$180 million) are included in prepayments.

11 Provisions, other payables and accruals

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

	September 30, 2013 *US$'000*	March 31, 2013 *US$'000*
Accruals	**1,192,154**	1,327,327
Allowance for billing adjustments (i)	**1,850,795**	1,817,782
Other payables (ii)	**4,063,589**	3,707,235
	7,106,538	6,852,344

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$'000*	**Restructuring** *US$'000*	**Environmental restoration** *US$'000*	**Total** *US$'000*
Year ended March 31, 2013				
At the beginning of the year	1,013,864	233	85,952	1,100,049
Exchange adjustment	(16,851)	(11)	(6,992)	(23,854)
Provisions made	858,165	31	12,294	870,490
Amounts utilized	(814,748)	(91)	(3,493)	(818,332)
Unused amounts reversed	(7,390)	(162)	(31,719)	(39,271)
Acquisition of subsidiaries	21,141	-	-	21,141
	1,054,181	-	56,042	1,110,223
Long-term portion classified as non-current liabilities	(279,255)	-	(54,328)	(333,583)
At the end of the year	774,926	-	1,714	776,640
Six months ended September 30, 2013				
At the beginning of the period	**1,054,181**	**-**	**56,042**	**1,110,223**
Exchange adjustment	**7,917**	**-**	**(1,940)**	**5,977**
Provisions made	**413,689**	**-**	**4,786**	**418,475**
Amounts utilized	**(398,292)**	**-**	**(2,574)**	**(400,866)**
Unused amounts reversed	**(15,637)**	**-**	**(36,531)**	**(52,168)**
	1,061,858	**-**	**19,783**	**1,081,641**
Long-term portion classified as non-current liabilities	**(266,441)**	**-**	**(17,929)**	**(284,370)**
At the end of the period	**795,417**	**-**	**1,854**	**797,271**

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 equipments upon return from end-customers and with reference to the historical or projected future return rate. 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, 2013	March 31, 2013
	US$'000	*US$'000*
Contingent considerations (a)	**304,764**	302,367
Deferred consideration (a)	**2,151**	2,151
Guaranteed dividend to non-controlling shareholders of a subsidiary (b)	**18,421**	23,699
Environmental restoration (Note 11 (b))	**17,929**	54,328
Written put option liability (c)	**216,085**	215,018
Government incentives and grants received in advance (d)	**128,145**	122,841
Others	**126,709**	126,135
	814,204	846,539

(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, 2013, 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 then 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 Share capital

	September 30, 2013		March 31, 2013	
	Number of shares	***HK$'000***	*Number of shares*	*HK$'000*
Authorized:				
At the beginning and the end of the period/year				
Ordinary shares	**20,000,000,000**	**500,000**	20,000,000,000	500,000
	Number of shares	***US$'000***	*Number of shares*	*US$'000*
Issued and fully paid:				
Voting ordinary shares:				
At the beginning of the period/year	**10,439,152,059**	**33,465**	10,335,612,596	33,131
Issue of ordinary shares	**-**	**-**	140,299,463	452
Exercise of share options	**5,886,000**	**18**	20,486,000	67
Repurchase of shares	**(51,054,000)**	**(164)**	(57,246,000)	(185)
At the end of the period/year	**10,393,984,059**	**33,319**	10,439,152,059	33,465

14 Non-controlling interests

Included in non-controlling interests are US$147,000,000 (March 31, 2013: US$147,000,000) in respect of the capital contributions injected into the JV Co by Compal pursuant to the joint venture agreement as disclosed in Note 12(c).

INTERIM DIVIDEND

The Board has declared an interim dividend of HK6.0 cents (2012/13: HK4.5 cents) per ordinary share for the six months ended September 30, 2013, absorbing an aggregate amount of approximately HK$623.6 million (approximately US$80.4 million) (2012/13: approximately HK$464.5 million (approximately US$59.9 million)), to shareholders whose names appear on the Register of Members of ordinary shares of the Company on Friday, November 22, 2013. The interim dividend will be paid on Monday, December 2, 2013.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of ordinary shares of the Company will be closed on Friday, November 22, 2013, during which no transfer of ordinary shares will be effected. In order to qualify for the interim dividend, all completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's share registrar, Tricor Abacus Limited of 26/F., Tesbury Centre, 28 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Thursday, November 21, 2013. Shares of the Company will be traded ex-dividend as from Wednesday, November 20, 2013.

INTERIM RESULTS

Results
For the six months ended September 30, 2013, the Group achieved total sales of approximately US$18,561 million. Profit attributable to equity holders for the period was approximately US$394 million, representing an increase of US$91 million as compared with the corresponding period of last year. Gross profit margin for the period was 0.1 percentage point up from 13.1 percent reported in the corresponding period of last year. Basic earnings per share and diluted earnings per share were US3.79 cents and US3.75 cents, representing an increase of US0.84 cent and US0.86 cent 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. Analyses of sales by segment are set out in Business Review and Outlook below.

For the six months ended September 30, 2013, overall operating expenses across the board increased when compared to the corresponding period of last year as the current period includes CCE, Stoneware and EMC JV. Employee benefit costs increased by 30 percent as compared to the corresponding period of last year due to increased headcount and performance-driven incentive payments. In addition, US$32 million severance costs were incurred for the period as we rebalance our skills to position us to focus on our PC+ strategy to increase productivity and efficiency of the global operations.

Further analyses of income and expense by function for the six months ended September 30, 2013 are set out below:

Other income/(loss) – net
Other income represents dividend income from an available-for-sale financial asset.

Selling and distribution expenses
Selling and distribution expenses for the period decreased by 2 percent as compared to the corresponding period of last year. This is principally attributable to a US$19 million decrease in advertising and promotional expenses.

Administrative expenses
Administrative expenses for the period increased by 17 percent as compared to the corresponding period of last year. This is mainly attributable to the increase in employee benefit costs and a US$12 million increase in depreciation and amortization expenses.

Research and development expenses
Research and development spending for the period increased by 25 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$7 million.

Other operating expense – net
The net other operating expenses for the period comprises mainly US$57 million net exchange loss and other miscellaneous expenses; netted with incentives received in recognition of the Group's research and development related spending of US$38 million.

The net other operating expenses in the corresponding period of last year represented mainly US$23 million net exchange loss and other miscellaneous expenses, netted with incentives received in recognition of the Group's research and development related spending of US$30 million.

Capital Expenditure

The Group incurred capital expenditure of US$239 million (2012/13: US$185 million) during the six months ended September 30, 2013, 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 September 30, 2013, total assets of the Group amounted to US$18,033 million (March 31, 2013: US$16,882 million), which were financed by equity attributable to owners of the Company of US$2,735 million (March 31, 2013: US$2,667 million), non-controlling interests (net of put option written on non-controlling interest) of US$4 million (March 31, 2013: US$13 million), and total liabilities of US$15,294 million (March 31, 2013: US$14,202 million). At September 30, 2013, the current ratio of the Group was 0.99 (March 31, 2013: 1.02).

The Group had a solid financial position. At September 30, 2013, bank deposits, cash and cash equivalents totaled US$3,015 million (March 31, 2013: US$3,573 million), of which 45.0 (March 31, 2013: 56.5) percent was denominated in US dollars, 41.8 (March 31, 2013: 32.4) percent in Renminbi, 3.8 (March 31, 2013: 3.4) percent in Euros, 3.3 (March 31, 2013: 3.4) percent in Japanese Yen, and 6.1 (March 31, 2013: 4.3) percent in other currencies.

The Group adopts a conservative policy to invest the surplus cash generated from operations. At September 30, 2013, 86.2 (March 31, 2013: 76.3) percent of cash are bank deposits, and 13.8 (March 31, 2013: 23.7) 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 a 5-Year loan facility agreement with a bank of US$300 million on July 17, 2009. At September 30, 2013 and March 31, 2013, the facility was fully utilized, and the loan is repayable in July 2014.

In addition, the Group entered into another 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, 2013 (March 31, 2013: Nil).

The Group has also arranged other short-term credit facilities. At September 30, 2013, the Group's total available credit facilities amounted to US$8,111 million (March 31, 2013: US$6,993 million), of which US$495 million (March 31, 2013: US$391 million) was in trade lines, US$348 million (March 31, 2013: US$668 million) in short-term and revolving money market facilities and US$7,268 million (March 31, 2013: US$5,934 million) in forward foreign exchange contracts. At September 30, 2013, the amounts drawn down were US$221 million (March 31, 2013: US$242 million) in trade lines, US$136 million (March 31, 2013: US$176 million) in short-term bank loans and US$7,216 million (March 31, 2013: US$4,945 million) being used for the forward foreign exchange contracts.

At September 30, 2013, the Group's outstanding bank loans represented the term loan of US$316 million, including US$300 million reclassified as current as it will be due for repayment in July 2014 (March 31, 2013: US$303 million); and short-term bank loans of US$136 million (March 31, 2013: US$176 million). When compared with total equity of US$2,739 million (March 31, 2013: US$2,680 million), the Group's gearing ratio was 0.17 (March 31, 2013: 0.18). The net cash position of the Group at September 30, 2013 is US$2,563 million (March 31, 2013: US$3,094 million).

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

The Group adopts a consistent hedging policy for business transactions to reduce the risk of currency fluctuation arising from daily operations. At September 30, 2013, the Group had commitments in respect of outstanding forward foreign exchange contracts amounting to US$7,216 million (March 31, 2013: US$4,945 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 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.

BUSINESS REVIEW AND FUTURE PROSPECTS

Business Review

During the six months ended September 30, 2013, Lenovo continued to outperform the worldwide PC, smartphone and tablet markets and deliver strong growth in group sales and operating profits with margin expansion. This strong performance was driven by the solid execution of its strategy and balanced growth across all geographies and customer and product segments, despite the challenging environment during the period under review. The Group's PC+ transformation has been working well, fueled by solid growth across its PC+ businesses. As the worldwide number three player in the smart connected devices market - which covers PC, smartphones and tablet products - Lenovo continued to outperform the market with year-on-year growth of 36 percent and delivered record shipments across PC, smartphone and tablet in fiscal quarter two.

The Group recorded 2 percent year-on-year unit shipments growth in the fiscal quarter two against the global PC market decline at 10 percent, outperforming the worldwide PC market by a 12-point premium. Lenovo's worldwide PC market share continued to increase in the past two quarters and reached a historic high of 17.7 percent in fiscal quarter two. For the second consecutive quarter, Lenovo achieved the number one position in the worldwide PC market according to preliminary industry estimates. The Group recorded share gain across geography, product and customer segments, and reached record-high market share in EMEA, Americas and Asia Pacific.

During the period under review, the Group's PC+ business continued to deliver strong growth with improving profitability, and helped bolster overall performance. The Group's worldwide smartphone shipments grew more than 78 percent year-on-year to a record-high level of 12.3 million during the fiscal quarter two, driven by continuous strong profitable growth of its smartphone business in China and business expansion into more emerging markets outside of China, including Asia Pacific, Latin America, and Middle East and Africa. For fiscal quarter two, Lenovo maintained its position as the number four smartphone vendor in the world, according to preliminary industry estimates, driven by solid strategic execution. The Group's tablet business also showed breakthrough development and its worldwide tablet shipments grew more than 4 times year-on-year to record high shipments of 2.3 million in fiscal quarter two. Lenovo became the number four worldwide tablet player in fiscal quarter two according to preliminary industry estimates.

For the six months ended September 30, 2013, the Group's sales increased by 11 percent year-on-year to US$18,561 million. Sales of the Group's PC business were US$15,282 million, representing a year-on-year increase of 3 percent, while the sales of Mobile Internet and Digital Home (MIDH) business, increased by 105 percent year-on-year to US$2,679 million. Revenue of other goods and services was US$600 million, representing a year-on-year increase of 10 percent. Gross profit increased by 12 percent year-on-year to US$2,456 million. Gross margin for the interim period increased slightly by 0.1 percentage point from the same period last year to 13.2 percent, benefiting from margin improvement in its PC business from better average selling price and profitability improvement in its MIDH business. The Group continued to invest in product innovation, branding, and faster growing businesses including smartphones and tablets to drive long-term sustainable growth and better profitability in the future. The Group's operating expenses also increased when compared to the same period last year as the current period has included new businesses such as CCE, Stoneware and EMC JV. It also recorded a US$32 million severance expense incurred as the Group rebalanced its personnel to focus on its PC+ strategy to increase productivity and efficiency of its global operations. As a result, operating expenses increased by 10 percent year-on-year to US$1,971 million but the expense-to-revenue ratio improved by 0.2 percentage point from the same period last year to 10.6 percent. The Group recorded profit before taxation at US$480 million and profit attributable to shareholders of US$394 million, representing an increase of 24 percent and 30 percent year-on-year respectively.

Performance of Geographies

During the six months ended September 30, 2013, 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 41 percent of the Group's total revenue. Driven by solid execution of the Group's strategy to become a leading PC+ company, Lenovo recorded balanced growth in both its PC and MIDH businesses during the fiscal first half year.

Lenovo continued to outperform in the China PC market despite the softness in the market due to macroeconomic issues, through its solid execution and strong brand and distribution channel network. The Group maintained its strong number one position with market share gain of 0.2 percentage point year-on-year to 33.9 percent in the fiscal quarter two, and continued to improve its profitability by leveraging its leadership position.

The Group's PC+ strategy continued to work well during the period under review, and the Group's smartphone and tablet businesses in China continued to post strong unit shipments growth. This strong growth from the smartphone and tablet businesses fueled the Group's China revenue growth by 3 percent year-on-year to US$7,579 million during the period under review. Operating profit increased by 28 percent to US$400 million and operating margin was 5.3 percent, an increase of 1 percentage point year-on-year due to margin improvement of both PC and MIDH businesses. Operating margin for the China PC business was 6.8 percent, up 0.7 percentage point year-on-year, benefiting from its better product mix with improved average selling price and stringent expense control.

Americas (AG)

AG accounted for 22 percent of the Group's total revenue. Lenovo's unit shipments in AG grew by 39 percent year-on-year, a 43-point premium to the market driven by strong growth in both consumer and commercial businesses in the fiscal quarter two. The Group's market share increased by 3.5 percentage point from a year ago to a record-high 11.4 percent, achieving double-digit market share in Americas for the first time, and helping the Group sustain its number three position in the AG PC market in the fiscal quarter two, according to preliminary industry estimates. Strong commercial and consumer business growth has led Lenovo to reach double-digit market share in U.S. market for the first time. Lenovo continued to build its foundation in Brazil, achieving record-high market share at 17.8 percent, up 14.6 percentage point from same quarter last year according to preliminary industry estimates.

Operating profit in AG increased to US$56 million during the period under review and operating margin was 1.4 percent, a decrease of 0.4 percentage point year-on-year. The decrease was mainly attributable to the continued investments in Brazil and consumer business during the period.

Asia Pacific (AP)

AP accounted for 15 percent of the Group's total revenue. The Group strategically balanced between growth and profitability and gave up certain non-profitable education deals in the region. Nevertheless, Lenovo continued to gain market share in AP in fiscal quarter two. During the period under review, Lenovo continued to solidify its number one position in Japan, while in ASEAN, the Group demonstrated strong growth by outperforming market by a 16-point premium, and its market share in the region increased by 1.6 percentage point from a year ago to a record-high level of 11.0 percent. Lenovo also achieved its strong growth in its smartphone business in key region like ASEAN, and has reached more than 10 percent market share in Indonesia during the fiscal quarter two according to preliminary industry estimates.

Operating profit in AP further improved to US$37 million during the interim period and operating margin was 1.3 percent, an increase of 0.3 percentage point year-on-year.

Europe-Middle East-Africa (EMEA)

EMEA accounted for 22 percent of the Group's total revenue. Lenovo's PC unit shipments in EMEA grew by 17 percent year-on-year, which was a 33-point premium to the market in fiscal quarter two. Thus the Group's market share increased by 4.2 percentage point from a year ago to a record high 15.0 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 twelve countries in EMEA, including Germany and Russia, and also continued its number one position in Eastern Europe, further solidifying its number two position in the EMEA PC market.

Lenovo has continued to expand its smartphone and tablet business and entered into more countries in EMEA during the period under review, and achieved initial success. Lenovo's tablet shipments in EMEA already represent a significant portion of total Group tablet shipments during the period under review.

Operating profit in EMEA regions further improved to US$61 million during the interim period and operating margin was 1.5 percent, an increase of 0.2 percentage point year-on-year.

Performance of Product Group

During the period under review, Lenovo outperformed the commercial PC market and recorded strong unit shipments growth in consumer PCs. Lenovo's commercial PC unit shipments grew 1 percent year-on-year, which was a 4-point premium to the market, and its market share in the worldwide commercial PC market share increased by 0.7 percentage point year-on-year to 19.1 percent during the fiscal quarter two, according to preliminary industry estimates. During the interim period under review, the Think Business Group, which mainly targets premium PCs and tablets, and enterprise solutions, continued to launch innovative models in desktop and laptop PCs. These include premium products like ThinkPad® Yoga, which provides customers with a flip-and–fold design to perform a 360 degree rotation with its unique dual-hinge. Customers can have a unique 4-in-1 user experience from one optimized, hybrid/convertible, leading business-class device.

The Lenovo Business Group, which primarily focuses on the mainstream/entry PC, smartphones and tablet products, was propelled by continued strong growth of the consumer PC segment in EMEA and AG markets to gain share in consumer business. According to industry estimates, Lenovo further solidified its number one position in the worldwide consumer PC market, growing at a 19-point premium to the market in the fiscal quarter two. Its market share increased by 3.0 percentage point year-on-year to a historical high of 16.4 percent in the fiscal quarter two. During the period under review, Lenovo launched its next-generation Yoga and flex dual-mode devices, including the Yoga 2 Pro, and Flex 14 and 15 laptops. With the ability to flip, fold, and turn to adapt to multiple usage scenarios, these new multi-mode devices are changing the future of personal computing by redefining the way people use PCs. Lenovo's smartphone business posted strong unit shipments growth during the period under review. This was driven by strong smartphone demand in China and expansion into more countries outside of China. The Group's worldwide smartphone shipments grew 78 percent year-on-year to a record-high level of 12.3 million in fiscal quarter two and sustained its position as the number four smartphone vendor in the world, according to preliminary industry estimates. Lenovo updated its premium smartphone portfolio by unveiling the Vibe X series smartphone during the period under review, an ultra-sleek and lightweight smartphone featuring 20/20 Vision Display and two advanced cameras to capture high-quality photos and videos. In tablets, the Group continued its strong momentum and became the number four vendor globally with unit shipments growing more than 4 times year-on-year in the fiscal quarter two, helped by the momentum of ThinkPad Tablet 2, popular with our commercial customers, and Lenovo's seven-inch tablets, the A1000 and A3000, as well as the ten-inch S5000 and S6000.

Future Prospects

The PC industry still represents a $200 billion opportunity and offers Lenovo substantial room for profitable growth. The Group is optimistic that the worldwide PC market will benefit from corporate refreshment demand and gradual recovery in the China market. Lenovo has delivered historic success in the PC era through the right strategy, innovative products, efficient business model and strong execution from its diverse global team, and is confident that it is in the best position to capture these opportunities.

In the meantime, the PC+ era has continued to see rapid growth in smartphone and tablet sales. The Group has transformed itself into a PC+ leader and already achieved strong initial success. The Group is confident that through its investments in new markets, innovation, and branding, Lenovo is well positioned to become even more competitive in the changing PC+ market. It is also seen that as these products become more mature, there is a growing shift from premium to mainstream and to entry level as well as from mature markets to emerging markets. The Group believes these industry trends will favor Lenovo and make Lenovo an even stronger competitor. The Group will continue to invest in high growth areas, including consumer PC, smartphone, tablets and enterprise products, to maintain a healthy top-line growth, and leveraging its balance sheet to support the growth.

The Group believes its business model is more efficient than its competitors. It starts with product portfolio, which includes leading products from premium to mainstream to entry level segments, providing the right products to customers in every market. In addition, its end-to-end model includes in-house manufacturing that allows it to produce products more efficiently. The Group also has a proven track record in understanding how to grow profitably in mainstream products and emerging markets.

The Group believes innovation is the key to success in the transition to PC+ era. The Group will launch more new multimode devices as well as new innovations in its product pipeline to capture market opportunities. Lenovo will also continue to invest in building a global brand that will become a strength that makes the Group more competitive in the PC+ business, and improves its profitability over time. Coupled with stringent expense control in our PC business to enhance operating efficiency, the Group is confident that these investments made over the last several years have built a solid foundation to support further improvement in its margins over time.

Looking forward, the Group is confident the margin improvement it has shown in the past several years will continue under the solid execution of its clear strategy despite the continued challenges in the worldwide PC market. Given its strong financial position, the Group will continue to actively look for inorganic growth opportunities that would supplement its organic growth strategy and accelerate future expansion. Lenovo will build on its success by continuing to focus on scaling its growth and controlling costs, thereby enhancing its competitiveness to ensure future sustainable profit growth.

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

During the six months ended September 30, 2013, the Company repurchased a total of 51,054,000 ordinary shares of HK$0.025 each in the capital of the Company at prices ranging from HK$6.64 to HK$7.00 per share on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Details of the repurchases of such ordinary shares were as follows:

Month of the repurchases	**Number of ordinary shares repurchased**	**Highest price paid per share** *HK$*	**Lowest price paid per share** *HK$*	**Aggregate consideration paid (excluding expenses)** *HK$*
June 2013	18,376,000	7.00	6.66	126,399,560
July 2013	32,678,000	7.00	6.64	224,064,240
	51,054,000			350,463,800

All 51,054,000 ordinary shares repurchased were cancelled on delivery of the share certificates during the period and the issued share capital of the Company was accordingly diminished by the nominal value of the repurchased ordinary shares so cancelled. The premium paid on repurchase of such ordinary shares was charged against the share premium account of the Company.

During the six months ended September 30, 2013, the trustee of the long-term incentive program of the Company purchased 55,998,000 ordinary shares from the market for award to employees upon vesting. Details of the program are set out in the 2012/13 Annual Report 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 six months ended September 30, 2013.

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 three members including Mr. Allen and the other two independent non-executive directors, Mr. Ting Lee Sen and Ms. Ma Xuezheng.

The Audit Committee of the Company has reviewed the unaudited interim results of the Group for the six months ended September 30, 2013. 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, 2013, 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 the 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 (a) the combined roles of Chairman and CEO; and (b) assessment of the performance of Chairman and/or CEO. The Lead Independent Director will also call and chair meeting(s) with all 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 7, 2013

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 and Ms. Ma Xuezheng.