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Lenovo Group Limited 聯想集團有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 992)

FY2015/16 FIRST QUARTER RESULTS ANNOUNCEMENT

QUARTERLY 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 months ended June 30, 2015 together with comparative figures for the corresponding period of last year, as follows:

FINANCIAL HIGHLIGHTS

- **Group revenue of US$10.7B, up 3% YTY, includes a full quarter of System X and Motorola performances**
- **Group PTI of US$52M and Group Net Income of US$105M**
- **Group PTI before non-cash M&A-related accounting charges was US$143M, down 46% YTY (non-cash M&A-related accounting charges, such as intangible asset amortization, imputed interest expense of promissory notes and others were US$91M)**
- **Group Net Income before non-cash M&A related accounting charges was US$196M, down 8% YTY**

	3 months ended June 30, 2015 (unaudited) *US$'million*	**3 months ended June 30, 2014 (unaudited)** *US$'million*	**Year-on-year change**
Revenue	10,716	10,395	3%
Gross profit	1,647	1,349	22%
Gross profit margin	15.4%	13.0%	2.4 pts
Operating expenses	(1,551)	(1,058)	47%
Operating profit	96	291	(67)%
Other non-operating expenses - net	(44)	(27)	61%
Profit before taxation	52	264	(80)%
Profit for the period	102	211	(52)%
Profit attributable to equity holders of the Company	105	214	(51)%
Earnings per share attributable to equity holders of the Company			
Basic	US 0.95 cents	US 2.06 cents	US (1.11) cents
Diluted	US 0.94 cents	US 2.03 cents	US (1.09) cents

BUSINESS REVIEW AND OUTLOOK

Business Review

During the three months ended June 30, 2015, Lenovo continued to deliver growth in group sales supported with solid PC performance.

For the three months ended June 30, 2015, the Group’s consolidated revenue increased by 3 percent year-on-year to US$10,716 million. Excluding currency impacts, the revenue increase would be 10 percent compared to the same quarter last year. Revenue of the Group’s PC business was US$7,282 million, representing a year-on-year decline of 13 percent. Excluding currency impacts, the revenue decline would be 5 percent compared to the same quarter last year. The revenue of Mobile business, combining Lenovo and Motorola businesses, increased 33 percent year-on-year to US$2,114 million. The revenue of Enterprise business, combining ThinkServer and System X businesses, increased 5.8 times year-on-year to US$1,077 million. Meanwhile, revenue of other goods and services were US$243 million.

The Group’s gross profit increased by 22 percent year-on-year to US$1,647 million and gross margin increased 2.4 percentage points year-on-year to 15.4 percent. Operating expenses increased by 47 percent year-on-year to US$1,551 million. The expenses-to-revenue ratio was 14.5 percent. Both gross margin and expense-to-revenue ratio have included the increase from adding System X and Motorola businesses. The Group’s profit before taxation before non-cash M&A related accounting charges was US$143 million, down 46 percent against last year. The Group’s net income before non-cash M&A related accounting charges was US$196 million, a decline of 8 percent year-on-year. The non-cash M&A related accounting charges included intangible asset amortization, imputed interest expense of the three-year promissory note issued as part of the transaction, and others. The Group’s profit before taxation was US$52 million, against US$264 million for the same period last year. The Group’s net income was US$105 million, against US$214 million for the same quarter last year.

Performance of Product Business Groups

During the three months ended June 30, 2015, Lenovo continued to build a more balanced product portfolio to drive balanced growth.

PC Business Group (PCG)

During the period under review, the global PC industry continued to decline due to macro-economic issues, currency fluctuation and softer demand ahead of the release of Windows 10. Despite the market challenges, the Group continued to outperform the PC market through solid execution of its strategy to reach record-high global market share. The Group’s global PC unit shipments declined 7 percent year-on-year to 13.5 million, against market decline of 13 percent year-on-year. Lenovo’s market share in the worldwide PC market increased by 1.3 percentage points year-on-year to a record high of 20.6 percent, further widening the gap with the number two player.

The Group’s commercial PC unit shipments decreased 7 percent year-on-year, compared to the 10 percent year-on-year decline by the market. Lenovo’s market share in the worldwide commercial PC market increased by 0.7 percentage points year-on-year to 21.7 percent during the period under review, according to preliminary industry estimates. The Group’s consumer PC unit shipments decreased by 8 percent year-on-year, an 8-point premium to the market, to drive its market share up by 1.8 percentage points year-on-year to a record high of 19.4 percent, according to the preliminary industry estimates.

Revenue of the Group's PC business was US$7,282 million, representing approximately 68 percent of the Group's total revenue, recorded a year-on-year decline of 13 percent. Excluding currency impact, the revenue decline would be approximately 5 percent compared to the same quarter last year. The business group also recorded a pre-tax income of US$368 million, down 8 percent year-on-year and pre-tax margin was 5.1 percent against 4.8 percent last year.

Mobile Business Group (MBG)

During the period under review, the Group's mobile business continued to deliver growth driven through aggressive expansion in markets outside of China and inorganic help from Motorola. The Group's worldwide smartphone shipments grew 2 percent year-on-year to 16.2 million. Together with Motorola, the Group's total smartphone shipments from markets outside of China represent 65 percent of worldwide shipments in the period under review. Lenovo's market share in the worldwide smartphone market declined by 0.5 percentage points year-on-year to 4.7 percent during the period under review, according to preliminary industry estimates, affected by softer demand and severe competition in the China smartphone market, as well as slower momentum of Motorola's business due to the challenging market environment in Brazil and Latin America, which account for a substantial part of its business, and transition before its new product launch.

The Group's tablet shipments increased 4 percent year-on-year, a 12-point premium to the market, to 2.5 million unit shipments during the period under review, according to preliminary industry estimates. The Group's tablet shipments outside of China continued to show strong growth, accounting for 87 percent of the Group's total shipments. The Group's worldwide tablet market share increased by 0.7 percentage points year-on-year to 5.6 percent.

The total revenue from Mobile business increased 33 percent year-on-year to US$2,114 million, representing approximately 20 percent of the Group's total revenue. Mobile Business Group recorded a loss before taxation of US$292 million and a negative 13.8 percent pre-tax margin, affected by the softness in China smartphone and Motorola businesses as well as the non-cash M&A related accounting impacts, despite the continuous strong performance from Lenovo's smartphone business outside of China.

Enterprise Business Group (EBG)

The Group's enterprise business that now includes System X business remained number three position worldwide, according to preliminary industry estimates. During the period under review, Lenovo ThinkServer business grew fast, with revenue up 41 percent year-on-year, especially in China, where ThinkServer revenue was up 56 percent year-on-year. Lenovo regained number one position in China's x86 server market.

Revenue of the Enterprise business was US$1,077 million, 5.8 times larger year-on-year, helped by inclusion of System X business, while it continued to record operating profit before the non-cash M&A related accounting impacts for the third straight quarter. The loss before taxation was US$40 million, and its pre-tax margin was negative 3.8 percent. Enterprise business revenue represented approximately 10 percent of the Group's total revenue.

Others

Apart from devices, the Group continued to build a foundation for its ecosystem business during the period under review, helping to create a better user experience for Lenovo's product users. The Group continued to acquire new users to the platform and its monthly active users currently hit 93 million, an increase of 161 percent year-on-year.

Revenue from ecosystem, cloud services and other products such as consumer electronic businesses from previous acquisitions was US$243 million, representing approximately 2 percent of the Group's total revenue.

Performance of Geographies

Lenovo achieved solid and balanced performance in all geographies where it has operations - China, Americas, Asia Pacific, and Europe-Middle East-Africa – as well as across product and customer segments.

China

China accounted for 30 percent of the Group's total revenue. The Group maintained its strong number one position in China PC market with share of 37.3 percent, and continued to improve its profitability by leveraging its leadership position despite the market challenges.

The Group's smartphone business in China was impacted by the carrier subsidy reduction as it used to account for a majority of the business, as well as the keen competition from the online market. The Group has refined its Lenovo brand smartphone strategy and focused on balancing growth and profitability. Meanwhile it has set up a new internet start-up, ShenQi, to expand its online business and broaden its routes to market. ShenQi started operation in the latter part of the quarter and it just launched its first ZUK brand internet phone Z1 in August. The customer feedback to ShenQi has so far been good though financial contributions remained small.

During the period under review, the ThinkServer business continued to grow fast with revenue up 56 percent year-on-year, and Lenovo regained number one position in China's x86 server market.

Profit before taxation was US$153 million and operating margin was 4.8 percent, a decline of 0.7 percentage points year-on-year largely due to the weak smartphone performance.

Americas (AG)

Americas accounted for 30 percent of the Group's total revenue. Lenovo's PC unit shipments in North America grew by 7 percent year-on-year, a 13-point premium to the market, driven by strong growth in consumer businesses, to hit record high market share at 13.2 percent. However this strong performance was offset by slow performance in the challenging Brazil market due to weak macro environment and currency fluctuations. The Group's PC unit shipments in AG declined by 3 percent year-on-year, which still outperformed the market by a 4-point premium. The Group's AG market share increased by 0.6 percentage points from a year ago to 13.1 percent, according to preliminary industry estimates.

The Group's smartphone shipments have achieved strong growth in the region during the period under review, with the inorganic help of Motorola. However, Motorola's growth momentum has been seeing challenges, particularly impacted by the weak macro environment and currency fluctuations in Brazil/Latin America. The Group's EBG business is preparing to attack and gain more enterprise customers in the future.

The Group recorded an operating loss of US$131 million in the region, and operating loss margin was 4.0 percent, against an operating profit margin of 1.1 percent the same period last year. The decrease was mainly attributable to the losses in Brazil and Motorola businesses.

Asia Pacific (AP)

Asia Pacific accounted for 15 percent of the Group's total revenue. The Group's PC shipments achieved a 5-point premium to the market and its market share in AP increased by 0.9 percentage points year-on-year, to 15.9 percent during the period under review, according to preliminary industry estimates.

The Group also achieved strong growth in smartphones driven by substantial growth of Lenovo brand phones and the inclusion of Motorola during the period under review. The Group's EBG business will leverage its existing PC channel expertise and product portfolio from System X to accelerate the business in the future.

Profit before taxation was US$35 million and operating margin was 2.2 percent, against 4.1 percent in the same period last year.

Europe-Middle East-Africa (EMEA)

EMEA accounted for 25 percent of the Group's total revenue. Lenovo's PC unit shipments in EMEA declined by 15 percent year-on-year, against a market decline of 23 percent year-on-year, impacted by macro-economic issues and currency fluctuations. The Group continued to gain market share in EMEA, increasing by 1.9 percentage points year-on-year to 19.9 percent, according to preliminary industry estimates.

The Group continued to expand its smartphone business in EMEA and achieved strong growth during the quarter. The Group's EBG business will attack aggressively to grow the enterprise business in the region with its fully integrated team.

Profit before taxation in EMEA regions was US$40 million during quarter against US$95 million in the same quarter last year, with operating margin declining by 1.9 percentage points year-on-year to 1.5 percent, affected by the decline in PC shipment.

Outlook

Over the past years, Lenovo has demonstrated a consistent and solid track record in delivering results through strong execution of its clear strategy to balance short-term results and long-term objectives. However, changes in the market and in the competition are coming very quickly, and the Group must accelerate the transformation across the company. Lenovo's goal is to deliver consistent growth in all of the businesses, and the Group is facing challenges:

- **Core PC business** was still strong and it expanded its lead globally, but in a declining market, the Group must continue to become more efficient and reduce expenses so as to make sure the business remains healthy and profitable.
- Meanwhile, in the **two new growth engines** – mobile and enterprise – the Group is still in the process of aligning elements of the acquired businesses, and building the right business model, cost structure and competitive foundation.

Lenovo is committed to delivering consistent growth in all of our business. Thus the Group will take actions to enhance the company's overall competitiveness and drive consistent, healthy revenue growth in all of its businesses. This will enable the Group to focus resources, sharpen its business model and efficiently capitalize on the most attractive market opportunities in mobile, PC and enterprise.

Specific actions the Group is undertaking to return to growth include:

- **Realign key elements of Motorola with Lenovo to leverage the complementary strengths.** Motorola will take the lead in product development, design and manufacturing. And the Group will leverage its global Lenovo sales force to drive growth.
- **Focus and reposition the Enterprise Business** to attack the most relevant and attractive market segments, while increasing speed and cost-competitiveness.
- **Accelerate the drive for market share expansion in PC** by taking advantage of consolidation, becoming even more efficient and reducing costs to ensure sustainable, profitable growth.
- **Drive for greater efficiency across Lenovo.** The Group will better leverage technology, the internet and innovative approaches across functions to drive the transformation, be faster and more customer-centric.

This effort will reduce expenses by about US$650 million in the second half of this fiscal year and about US$1.35 billion on an annual basis. These actions will include a reduction of 3,200 people in the Group's non-manufacturing workforce - about 10 percent of non-manufacturing headcount and about 5 percent of the total population of around 60,000 people around the world. The Group will incur restructuring costs of approximately US$600 million and approximately US$300 million additional spending to clear the smartphone inventory, which to be charged in quarter two of this fiscal year.

The Group is making these fundamental changes to position the company as a faster, stronger and well-integrated and aligned global company, to drive sustainable growth in revenue and profit amidst strong competition and market changes. Lenovo will continue to invest in areas it believes are important to its future success. Lenovo remains fully committed to its protect and attack strategy, supported by its long-years' well proven execution capabilities, aiming to lead the Group on its continuous journey towards building a respected global tech leader.

FINANCIAL REVIEW

Results for the three months ended June 30, 2015

	3 months ended June 30, 2015 (unaudited) ***US$'million***	3 months ended June 30, 2014 (unaudited) *US$'million*	Year-on-year change
Revenue	**10,716**	10,395	3%
Gross profit	**1,647**	1,349	22%
Gross profit margin	**15.4%**	13.0%	2.4 pts
Operating expenses	**(1,551)**	(1,058)	47%
Operating profit	**96**	291	(67)%
Other non-operating expenses - net	**(44)**	(27)	61%
Profit before taxation	**52**	264	(80)%
Profit for the period	**102**	211	(52)%
Profit attributable to equity holders of the Company	**105**	214	(51)%
Earnings per share attributable to equity holders of the Company			
Basic	**US 0.95 cents**	US 2.06 cents	US (1.11) cents
Diluted	**US 0.94 cents**	US 2.03 cents	US (1.09) cents

For the three months ended June 30, 2015, the Group achieved total sales of approximately US$10,716 million. Profit attributable to equity holders for the period was approximately US$105 million, representing a decrease of US$109 million as compared with the corresponding period of last year. Gross profit margin for the period was 2.4 points up from 13.0 percent reported in the corresponding period of last year. Basic earnings per share and diluted earnings per share were US0.95 cents and US0.94 cents, representing a decrease of US1.11 cents and US1.09 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 June 30, 2015 ***US$'000***	3 months ended June 30, 2014 *US$'000*
China	**3,165,253**	3,779,486
AP	**1,619,726**	1,585,429
EMEA	**2,661,878**	2,788,894
AG	**3,268,982**	2,240,827
	10,715,839	10,394,636

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

Operating expenses analyzed by function for the three months ended June 30, 2015 and 2014 are as follows:

	3 months ended June 30, 2015	3 months ended June 30, 2014
	US$'000	*US$'000*
Other income - net	**1,653**	305
Selling and distribution expenses	**(565,577)**	(466,670)
Administrative expenses	**(565,655)**	(369,284)
Research and development expenses	**(389,547)**	(180,171)
Other operating expenses - net	**(31,929)**	(42,060)
	(1,551,055)	(1,057,880)

Operating expenses increased by 47% as compared with the corresponding period of last year. This is principally attributable to the operating expenses of US$632 million recorded by System X and Motorola following the completion of the respective acquisitions on October 1 and October 30, 2014. Key expenses by nature comprise:

	3 months ended June 30, 2015	3 months ended June 30, 2014
	***US$*'000**	*US$'000*
Depreciation of property, plant and equipment and amortization of prepaid lease payments	**(39,179)**	(17,589)
Amortization of intangible assets	**(116,700)**	(36,569)
Employee benefit costs, including	**(820,367)**	(580,134)
- *long-term incentive awards*	***(28,430)***	*(19,718)*
Rental expenses under operating leases	**(20,746)**	(17,755)
Net foreign exchange loss	**(30,847)**	(14,929)
Advertising and promotional expenses	**(172,509)**	(134,557)
Others	**(350,707)**	(256,347)
	(1,551,055)	(1,057,880)

Depreciation and amortization charges increased by US$102 million which is attributable to the increase in the business activities of the Group as well as the amounts brought in by System X and Motorola. Additional amortization of intangible assets in connection with the acquisition of System X and Motorola for the period totaled US$71 million. The increase in employee benefit costs is in line with the increased headcount as a result of the two acquisitions and the continuous expanding business operations of the Group. The impact of currency fluctuations during the period present a challenge, the Group recording a net exchange loss of US$31 million (2014/15: US$15 million) for the period.

Other non-operating expenses (net) for the three months ended June 30, 2015 and 2014 comprise:

	3 months ended June 30, 2015	3 months ended June 30, 2014
	US$'000	US$'000
Finance income	**9,010**	10,444
Finance costs	**(51,041)**	(35,335)
Share of losses of associates and joint ventures	**(1,558)**	(2,107)
	(43,589)	(26,998)

Finance income mainly represents interest on bank deposits.

Finance costs increased by 44 percent as compared with the corresponding period of last year. This is mainly attributable to full quarter 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 interest expense of US$2 million in relation to the 5-Year RMB4 billion notes, issued in June 2015, bearing annual interest at 4.95% due in June 2020; and US$10 million interest expense in relation to promissory note issued to Google Inc.

Share of losses of associates and joint ventures represents operating losses arising from principal business activities of respective associates and joint ventures.

Capital Expenditure

The Group incurred capital expenditure of US$153 million (2014/15: US$313 million) during the period ended June 30, 2015, mainly for the acquisition of property, plant and equipment, additions in construction-in-progress and intangible assets.

Liquidity and Financial Resources

At June 30, 2015, total assets of the Group amounted to US$26,698 million (March 31, 2015: US$27,081 million), which were financed by equity attributable to owners of the Company of US$4,059 million (March 31, 2015: US$ 4,084 million), non-controlling interests (net of put option written on non-controlling interest) of US$19 million (March 31, 2015: US$22 million), and total liabilities of US$22,620 million (March 31, 2015: US$22,975 million). At June 30, 2015, the current ratio of the Group was 0.92 (March 31, 2015: 0.90).

The Group had a solid financial position. At June 30, 2015, bank deposits, cash and cash equivalents totaled US$2,893 million (March 31, 2015: US$3,026 million), of which 50.8 (March 31, 2015: 53.2) percent was denominated in US dollar, 30.7 (March 31, 2015: 35.6) percent in Renminbi, 2.3 (March 31, 2015: 2.8) percent in Euro, 3.6 (March 31, 2015: 0.7) percent in Japanese Yen, and 12.6 (March 31, 2015: 7.7) percent in other currencies.

The Group adopts a conservative policy to invest the surplus cash generated from operations. At June 30, 2015, 83.3 (March 31, 2015: 75.4) percent of cash are bank deposits, and 16.7 (March 31, 2015: 24.6) 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 revolving loan facility agreement with syndicated banks for US$500 million on February 2, 2011. The facility was utilized to the extent of US$305 million as at June 30, 2015 (March 31, 2015: US$300 million).

The Group entered into another 5-Year loan facility agreement with syndicated banks for US$1,200 million, comprising US$800 million as short term, on December 18, 2013. As at June 30, 2015, the facility was utilized to the extent of US$895 million (March 31, 2015: US$1,100 million), comprising US$495 million (March 31, 2015: US$700 million) short-term.

In addition, on May 26, 2015, the Group entered into a 5-Year loan facility agreement with a bank for US$300 million. The facility has not been utilized as at June 30, 2015.

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; and on June 10, 2015, the Group completed the issuance of 5-Year RMB4 billion notes bearing annual interest at 4.95% due in June 2020. 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 June 30, 2015, the Group's total available credit facilities amounted to US$11,212 million (March 31, 2015: US$12,223 million), of which US$1,216 million (March 31, 2015: US$1,353 million) was in trade lines, US$341 million (March 31, 2015: US$339 million) in short-term and revolving money market facilities and US$9,655 million (March 31, 2015: US$10,531 million) in forward foreign exchange contracts. At June 30, 2015, the amounts drawn down were US$336 million (March 31, 2015: US$316 million) in trade lines, US$8,965 million (March 31, 2015: US$9,822 million) being used for the forward foreign exchange contracts, and US$113 million (March 31, 2015: US$177 million) in short-term bank loans.

At June 30, 2015, the Group's outstanding borrowings represented by the term bank loan of US$395 million (March 31, 2015: US$395 million), short-term bank loans of US$913 million (March 31, 2015: US$1,168 million) and long term notes of US$2,133 million (March 31, 2015: US$1,491 million). When compared with total equity of US$4,078 million (March 31, 2015: US$4,106 million), the Group's gearing ratio was 0.84 (March 31, 2015: 0.74). The net debt position of the Group at June 30, 2015 is US$548 million (March 31, 2015: US$28 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 June 30, 2015, the Group had commitments in respect of outstanding forward foreign exchange contracts amounting to US$8,965 million (March 31, 2015: US$9,822 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 June 30, 2015 (unaudited)** *US$'000*	3 months ended June 30, 2014 (unaudited) *US$'000*
Revenue	*2*	**10,715,839**	10,394,636
Cost of sales		**(9,069,364)**	(9,045,927)
Gross profit		**1,646,475**	1,348,709
Other income – net	*3*	**1,653**	305
Selling and distribution expenses		**(565,577)**	(466,670)
Administrative expenses		**(565,655)**	(369,284)
Research and development expenses		**(389,547)**	(180,171)
Other operating expenses - net		**(31,929)**	(42,060)
Operating profit	*4*	**95,420**	290,829
Finance income	*5(a)*	**9,010**	10,444
Finance costs	*5(b)*	**(51,041)**	(35,335)
Share of losses of associates and joint ventures		**(1,558)**	(2,107)
Profit before taxation		**51,831**	263,831
Taxation	*6*	**50,045**	(53,272)
Profit for the period		**101,876**	210,559
Profit/(loss) attributable to:			
Equity holders of the Company		**105,152**	213,503
Non-controlling interests		**(3,276)**	(2,944)
		101,876	210,559
Earnings per share attributable to equity holders of the Company			
Basic	*7(a)*	**US 0.95 cents**	US 2.06 cents
Diluted	*7(b)*	**US 0.94 cents**	US 2.03 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	3 months ended June 30, 2015 (unaudited) ***US$'000***	3 months ended June 30, 2014 (unaudited) *US$'000*
Profit for the period	**101,876**	210,559
Other comprehensive income/(loss):		
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	**5,999**	391
Investment revaluation reserve reclassified to consolidated income statement on disposal of available-for-sale financial assets	**154**	-
Fair value change on cash flow hedges, net of taxes		
- Forward foreign exchange contracts		
Fair value loss, net of taxes	**(108,570)**	(11,789)
Reclassified to consolidated income statement	**(19,888)**	15,069
Currency translation differences	**31,944**	10,696
Other comprehensive (loss)/income for the period	**(90,361)**	14,367
Total comprehensive income for the period	**11,515**	224,926
Total comprehensive income/(loss) attributable to:		
Equity holders of the Company	**14,791**	227,870
Non-controlling interests	**(3,276)**	(2,944)
	11,515	224,926

CONSOLIDATED BALANCE SHEET

	Note	**June 30, 2015 (unaudited)** *US$'000*	March 31, 2015 (audited) *US$'000*
Non-current assets			
Property, plant and equipment		**1,482,112**	1,496,474
Prepaid lease payments		**214,205**	225,111
Construction-in-progress		**312,756**	311,888
Intangible assets		**8,942,422**	8,929,713
Interests in associates and joint ventures		**45,211**	45,719
Deferred income tax assets		**649,905**	530,047
Available-for-sale financial assets		**104,337**	73,400
Other non-current assets		**46,290**	41,191
		11,797,238	11,653,543
Current assets			
Inventories		**2,864,083**	2,995,389
Trade receivables	*8(a)*	**4,820,833**	5,177,840
Notes receivable		**399,364**	334,738
Derivative financial assets		**51,333**	184,534
Deposits, prepayments and other receivables	*9*	**3,726,381**	3,572,015
Income tax recoverable		**146,147**	136,857
Bank deposits		**173,177**	171,139
Cash and cash equivalents		**2,719,428**	2,855,223
		14,900,746	15,427,735
Total assets		**26,697,984**	27,081,278

CONSOLIDATED BALANCE SHEET (CONTINUED)

	Note	**June 30, 2015 (unaudited)** *US$'000*	March 31, 2015 (audited) *US$'000*
Share capital	*13*	**2,689,882**	2,689,882
Reserves		**1,369,094**	1,393,761
Equity attributable to owners of the Company		**4,058,976**	4,083,643
Non-controlling interests		**232,102**	235,378
Put option written on non-controlling interest	*11(c)*	**(212,900)**	(212,900)
Total equity		**4,078,178**	4,106,121
Non-current liabilities			
Borrowings	*12*	**2,527,586**	1,885,848
Warranty provision	*10(b)*	**317,099**	338,700
Deferred revenue		**551,327**	548,300
Retirement benefit obligations		**409,685**	399,782
Deferred income tax liabilities		**199,806**	200,730
Other non-current liabilities	*11*	**2,439,910**	2,440,435
		6,445,413	5,813,795
Current liabilities			
Trade payables	*8(b)*	**4,894,229**	4,662,411
Notes payable		**97,722**	171,049
Derivative financial liabilities		**66,644**	80,897
Other payables and accruals	*10(a)*	**8,236,157**	9,066,487
Provisions	*10(b)*	**1,153,364**	1,203,547
Deferred revenue		**681,133**	640,161
Income tax payable		**132,001**	168,536
Borrowings	*12*	**913,143**	1,168,274
		16,174,393	17,161,362
Total liabilities		**22,619,806**	22,975,157
Total equity and liabilities		**26,697,984**	27,081,278
Net current liabilities		**(1,273,647)**	(1,733,627)
Total assets less current liabilities		**10,523,591**	9,919,916

CONSOLIDATED CASH FLOW STATEMENT

	Note	**3 months ended June 30, 2015 (unaudited) *US$'000***	3 months ended June 30, 2014 (unaudited) *US$'000*
Cash flows from operating activities			
Net cash (used in)/generated from operations	*14*	**(147,107)**	507,119
Interest paid		**(55,855)**	(32,212)
Tax paid		**(107,038)**	(89,357)
Net cash (used in)/generated from operating activities		**(310,000)**	385,550
Cash flows from investing activities			
Purchase of property, plant and equipment		**(56,585)**	(38,142)
Sale of property, plant and equipment and prepaid lease payments		**23,258**	569
Interests acquired in associates		**(1,051)**	(5,621)
Payment for construction-in-progress		**(69,336)**	(70,135)
Payment for intangible assets		**(26,890)**	(205,189)
Purchase of available-for-sale financial assets		**(26,261)**	(2,781)
Net proceeds from disposal of available-for-sale financial assets		**2,835**	-
(Increase)/decrease in bank deposits		**(2,038)**	270
Dividends received		**-**	305
Interest received		**9,010**	10,444
Net cash used in investing activities		**(147,058)**	(310,280)
Cash flows from financing activities			
Exercise of share options		**-**	385
Contribution to employee share trusts		**(66,314)**	(295)
Proceeds from borrowings		**226,255**	51,897
Repayments of borrowings		**(483,950)**	(43,045)
Issue of long term notes		**640,895**	1,489,422
Net cash generated from financing activities		**316,886**	1,498,364
(Decrease)/increase in cash and cash equivalents		**(140,172)**	1,573,634
Effect of foreign exchange rate changes		**4,377**	5,264
Cash and cash equivalents at the beginning of the period		**2,855,223**	3,858,144
Cash and cash equivalents at the end of the period		**2,719,428**	5,437,042

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holders of the Company										
	Share capital (unaudited) *US$'000*	Investment revaluation reserve (unaudited) *US$'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, 2015	**2,689,882**	**592**	**(11,441)**	**9,852**	**118,082**	**(834,114)**	**75,712**	**2,035,078**	**235,378**	**(212,900)**	**4,106,121**
Profit/(loss) for the period	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**105,152**	**(3,276)**	**–**	**101,876**
Other comprehensive income/(loss)	**–**	**6,153**	**–**	**–**	**(128,458)**	**31,944**	**–**	**–**	**–**	**–**	**(90,361)**
Total comprehensive income/(loss) for the period	**–**	**6,153**	**–**	**–**	**(128,458)**	**31,944**	**–**	**105,152**	**(3,276)**	**–**	**11,515**
Transfer to statutory reserve	**–**	**–**	**–**	**–**	**–**	**–**	**7,651**	**(7,651)**	**–**	**–**	**–**
Vesting of shares under long-term incentive program	**–**	**–**	**68,101**	**(97,715)**	**–**	**–**	**–**	**–**	**–**	**–**	**(29,614)**
Deferred tax credit in relation to long-term incentive program	**–**	**–**	**–**	**17,363**	**–**	**–**	**–**	**–**	**–**	**–**	**17,363**
Share-based compensation	**–**	**–**	**–**	**39,107**	**–**	**–**	**–**	**–**	**–**	**–**	**39,107**
Contribution to employee share trusts	**–**	**–**	**(66,314)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(66,314)**
At June 30, 2015	**2,689,882**	**6,745**	**(9,654)**	**(31,393)**	**(10,376)**	**(802,170)**	**83,363**	**2,132,579**	**232,102**	**(212,900)**	**4,078,178**
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/(loss) for the period	–	–	–	–	–	–	–	213,503	(2,944)	–	210,559
Other comprehensive income	–	391	–	–	3,280	10,696	–	–	–	–	14,367
Total comprehensive income/(loss) for the period	–	391	–	–	3,280	10,696	–	213,503	(2,944)	–	224,926
Transfer to statutory reserve	–	–	–	–	–	–	2,990	(2,990)	–	–	–
Exercise of share options	385	–	–	–	–	–	–	–	–	–	385
Vesting of shares under long-term incentive program	–	–	27,648	(42,375)	–	–	–	–	–	–	(14,727)
Share-based compensation	–	–	–	19,718	–	–	–	–	–	–	19,718
Contribution to employee share trusts	–	–	(295)	–	–	–	–	–	–	–	(295)
At June 30, 2014	1,650,486	(6,343)	(21,650)	(46,279)	71	(224,685)	74,870	1,816,611	224,546	(212,900)	3,254,727

Notes

1 General information and basis of preparation

The financial information relating to the year ended March 31, 2015 that is included in the FY2015/16 first quarter results announcement as comparative information does not constitute the Company's statutory annual consolidated financial statements for that year but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Cap. 622) is as follows:

The Company will deliver the financial statements for the year ended March 31, 2015 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance (Cap. 622).

The Company's auditor has reported on those financial statements. The auditor's report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under sections 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance (Cap. 622).

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 amendment to existing standard that is mandatory for the year ending March 31, 2016 which the Group considers is appropriate and relevant to its operations:

- Amendments to HKAS 19 (2011), Employee benefits

The adoption of this newly effective amendment to existing standard 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, 2016 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, Financial instruments	January 1, 2018
Amendments to HKAS 1, Presentation of financial statements	January 1, 2016
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 (2011), 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
Amendments to HKFRS 12, Disclosure of interest in other entities	January 1, 2016

The adoption of these new standards and amendments to existing standards is not expected to 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/(loss) for reportable segments

	3 months ended June 30, 2015		3 months ended June 30, 2014	
	Revenue from external customers	**Adjusted pre-tax income/ (loss)**	Revenue from external customers	Adjusted pre-tax income
	US$'000	***US$'000***	*US$'000*	*US$'000*
China	**3,165,253**	**153,334**	3,779,486	209,144
AP	**1,619,726**	**34,885**	1,585,429	64,380
EMEA	**2,661,878**	**39,799**	2,788,894	94,624
AG	**3,268,982**	**(130,929)**	2,240,827	24,963
Segment total	**10,715,839**	**97,089**	10,394,636	393,111
Unallocated:				
Headquarters and corporate expenses		**(8,023)**		(112,145)
Finance income		**6,996**		6,498
Finance costs		**(44,326)**		(21,831)
Net gain on disposal of available-for-sale financial assets		**1,653**		-
Dividend income from an available-for-sale financial asset		**-**		305
Share of losses of associates and joint ventures		**(1,558)**		(2,107)
Consolidated profit before taxation		**51,831**		263,831

(b) Segment assets for reportable segments

	June 30, 2015	March 31, 2015
	US$'000	*US$'000*
China	**8,090,436**	6,157,774
AP	**2,962,135**	2,179,482
EMEA	**3,796,623**	2,808,546
AG	**6,755,625**	5,059,385
Segment assets for reportable segments	**21,604,819**	16,205,187
Unallocated:		
Deferred income tax assets	**649,905**	530,047
Derivative financial assets	**51,333**	184,534
Available-for-sale financial assets	**104,337**	73,400
Interests in associates and joint ventures	**45,211**	45,719
Unallocated bank deposits and cash and cash equivalents	**1,488,402**	1,259,658
Unallocated inventories	**716,907**	1,131,779
Unallocated deposits, prepayments and other receivables	**1,599,291**	1,508,524
Income tax recoverable	**146,147**	136,857
Intangible assets pending allocation	**-**	5,706,000
Other unallocated assets	**291,632**	299,573
Total assets per consolidated balance sheet	**26,697,984**	27,081,278

(c) Segment liabilities for reportable segments

	June 30, 2015	March 31, 2015
	US$'000	*US$'000*
China	**4,232,046**	4,250,546
AP	**1,552,967**	1,697,066
EMEA	**1,535,887**	1,589,515
AG	**4,298,829**	5,005,649
Segment liabilities for reportable segments	**11,619,729**	12,542,776
Unallocated:		
Income tax payable	**132,001**	168,536
Deferred income tax liabilities	**199,806**	200,730
Derivative financial liabilities	**66,644**	80,897
Unallocated borrowings	**3,319,347**	2,924,352
Unallocated trade payables	**2,899,800**	2,631,917
Unallocated other payables and accruals	**2,566,604**	2,499,007
Unallocated provisions	**25,114**	11,655
Unallocated other non-current liabilities	**1,694,701**	1,806,831
Other unallocated liabilities	**96,060**	108,456
Total liabilities per consolidated balance sheet	**22,619,806**	22,975,157

(d) Analysis of revenue by significant category

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

	3 months ended June 30, 2015 *US$'000*	3 months ended June 30, 2014 *US$'000*
PC Business Group	**7,281,977**	8,330,289
Mobile Business Group	**2,113,814**	1,594,012
Enterprise Business Group	**1,077,046**	159,092
Others	**243,002**	311,243
	10,715,839	10,394,636

(e) Other segment information

	China		AP		EMEA		AG		Total	
	2015 ***US$'000***	2014 *US$'000*	**2015** ***US$'000***	2014 *US$'000*	**2015** ***US$'000***	2014 *US$'000*	**2015** ***US$'000***	2014 *US$'000*	**2015** ***US$'000***	2014 *US$'000*
For the three months ended June 30										
Depreciation and amortization	**49,624**	25,222	**34,983**	15,109	**51,032**	15,663	**53,121**	20,021	**188,760**	76,015
Finance income	**631**	1,494	**276**	1,182	**64**	202	**1,043**	1,068	**2,014**	3,946
Finance costs	**955**	23	**1,831**	2,459	**2,494**	5,157	**1,435**	5,865	**6,715**	13,504
Additions to non-current assets (Note)	**19,543**	59,948	**2,024**	10,161	**6,284**	5,907	**17,036**	17,485	**44,887**	93,501

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$6,296 million (March 31, 2015: US$6,191 million). The carrying amounts of goodwill and trademarks and trade names with indefinite useful lives are presented below:

At June 30, 2015

	China US$ million	**AP US$ million**	**EMEA US$ million**	**AG US$ million**	**Total US$ million**
Goodwill	**2,083**	**972**	**701**	**1,270**	**5,026**
Trademarks and trade names	**497**	**193**	**239**	**341**	**1,270**

At March 31, 2015

	China US$ million	AP US$ million	EMEA US$ million	AG US$ million	Amounts pending allocation US$ million	Total US$ million
Goodwill	1,128	521	216	336	2,723	4,924
Trademarks and trade names	209	59	102	67	830	1,267

Management has completed the allocation of the intangibles attributable to the acquisition of Motorola Mobility Group ("Motorola") and x86 server hardware and related maintenance services business of IBM ("System X") under the Group's various cash generating units from which the intangibles are primarily in relation to the significant synergies expected to arise in connection with the Mobile Business Group and Enterprise Business Group. At June 30, 2015, the Group has not finalized the fair value assessments for the net assets acquired from the business combination activities in respect of Motorola and System X. The goodwill of Motorola and System X, amounting to approximately US$2,817 million (March 31, 2015: US$2,723 million) are preliminary and subject to finalization. The movement mainly represents additional future billing adjustments, inventory provision and recovery of impaired trade receivables during the period.

The directors are of the view that there was no indication of impairment of goodwill and trademarks and trade names as at June 30, 2015 (March 31, 2015: Nil).

3 Other income – net

	3 months ended June 30, 2015 ***US$'000***	3 months ended June 30, 2014 *US$'000*
Net gain on disposal of available-for-sale financial assets	**1,653**	-
Dividend income from an available-for-sale financial asset	**-**	305
	1,653	305

4 Operating profit

Operating profit is stated after charging the following:

	3 months ended June 30, 2015 ***US$'000***	3 months ended June 30, 2014 *US$'000*
Depreciation of property, plant and equipment and amortization of prepaid lease payments	**60,202**	35,296
Amortization of intangible assets	**128,558**	40,719
Employee benefit costs, including	**937,526**	703,582
- long-term incentive awards	***28,430***	*19,718*
Rental expenses under operating leases	**26,352**	23,873

5 Finance income and costs

(a) Finance income

	3 months ended June 30, 2015	3 months ended June 30, 2014
	US$'000	*US$'000*
Interest on bank deposits	**8,823**	10,059
Interest on money market funds	**183**	378
Others	**4**	7
	9,010	10,444

(b) Finance costs

	3 months ended June 30, 2015	3 months ended June 30, 2014
	US$'000	*US$'000*
Interest on bank loans and overdrafts	**7,896**	9,036
Interest on long term notes	**20,723**	10,480
Interest on promissory note	**9,447**	-
Factoring costs	**9,248**	9,627
Commitment fee	**1,069**	3,285
Interest on contingent considerations and put option liability	**1,782**	1,812
Others	**876**	1,095
	51,041	35,335

6 Taxation

The amount of taxation in the consolidated income statement represents:

	3 months ended June 30, 2015	3 months ended June 30, 2014
	US$'000	*US$'000*
Current tax		
Hong Kong profits tax	**9,217**	7,933
Taxation outside Hong Kong	**44,486**	34,407
Deferred tax	**(103,748)**	10,932
	(50,045)	53,272

Hong Kong profits tax has been provided for at the rate of 16.5% (2014/15: 16.5%) on the estimated assessable profit for the period. Taxation outside Hong Kong represents income and irrecoverable withholding taxes of subsidiaries operating in the Chinese Mainland and overseas, calculated at rates applicable in the respective jurisdictions.

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 June 30, 2015	3 months ended June 30, 2014
Weighted average number of ordinary shares in issue	**11,108,654,724**	10,407,329,465
Adjustment for shares held by employee share trusts	**(21,702,196)**	(45,625,700)
Weighted average number of ordinary shares in issue for calculation of basic earnings per share	**11,086,952,528**	10,361,703,765
	US$'000	*US$'000*
Profit attributable to equity holders of the Company	**105,152**	213,503

(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 June 30, 2015	3 months ended June 30, 2014
Weighted average number of ordinary shares in issue for calculation of basic earnings per share	**11,086,952,528**	10,361,703,765
Adjustments for share options and long-term incentive awards	**132,188,826**	131,865,724
Weighted average number of ordinary shares in issue for calculation of diluted earnings per share	**11,219,141,354**	10,493,569,489
	US$'000	*US$'000*
Profit attributable to equity holders of the Company used to determine diluted earnings per share	**105,152**	213,503

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 Ageing analysis

(a) Customers are generally granted credit term 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:

	June 30, 2015	March 31, 2015
	US$'000	*US$'000*
0 – 30 days	**2,658,371**	3,669,635
31 – 60 days	**1,150,187**	881,449
61 – 90 days	**371,953**	320,591
Over 90 days	**751,473**	426,267
	4,931,984	5,297,942
Less: provision for impairment	**(111,151)**	(120,102)
Trade receivables – net	**4,820,833**	5,177,840

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

	June 30, 2015	March 31, 2015
	US$'000	*US$'000*
0 – 30 days	**3,859,765**	3,764,369
31 – 60 days	**717,198**	358,296
61 – 90 days	**178,423**	218,299
Over 90 days	**138,843**	321,447
	4,894,229	4,662,411

9 Deposits, prepayments and other receivables

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

	June 30, 2015	March 31, 2015
	US$'000	*US$'000*
Deposits	**3,415**	3,481
Other receivables (a)	**2,506,191**	2,322,355
Prepayments (b)	**1,216,775**	1,246,179
	3,726,381	3,572,015

(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$524 million as at June 30, 2015 (March 31, 2015: US$581 million) are included in prepayments.

10 Provisions, other payables and accruals

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

	June 30, 2015 *US$'000*	March 31, 2015 *US$'000*
Accruals	**1,695,651**	2,120,381
Allowance for billing adjustments (i)	**1,996,663**	2,169,767
Other payables (ii)	**4,543,843**	4,776,339
	8,236,157	9,066,487

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 values.

(b) The components of provisions are as follows:

	Warranty *US$'000*	**Environmental restoration** *US$'000*	**Total** *US$'000*
Year ended March 31, 2015			
At the beginning of the year	1,127,260	19,684	1,146,944
Exchange adjustment	(69,142)	(2,919)	(72,061)
Provisions made	1,153,855	10,378	1,164,233
Amounts utilized	(1,049,291)	(6,919)	(1,056,210)
Unused amounts reversed	(19,391)	(3,749)	(23,140)
Acquisition of businesses	396,563	-	396,563
	1,539,854	16,475	1,556,329
Long-term portion classified as non-current liabilities	(338,700)	(14,082)	(352,782)
At the end of the year	1,201,154	2,393	1,203,547
Period ended June 30, 2015			
At the beginning of the period	**1,539,854**	**16,475**	**1,556,329**
Exchange adjustment	**7,681**	**(269)**	**7,412**
Provisions made	**199,966**	**2,160**	**202,126**
Amounts utilized	**(293,997)**	**(1,827)**	**(295,824)**
Acquisition of businesses	**14,392**	**-**	**14,392**
	1,467,896	**16,539**	**1,484,435**
Long-term portion classified as non-current liabilities	**(317,099)**	**(13,972)**	**(331,071)**
At the end of the period	**1,150,797**	**2,567**	**1,153,364**

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.

11 Other non-current liabilities

Details of other non-current liabilities are as follows:

	June 30, 2015	March 31, 2015
	US$'000	*US$'000*
Contingent considerations (a)	**270,143**	270,196
Deferred considerations (a)	**1,369,040**	1,394,941
Guaranteed dividend to non-controlling shareholders of a subsidiary (b)	**10,042**	9,605
Environmental restoration (Note 10 (b))	**13,972**	14,082
Written put option liability (c)	**219,860**	219,317
Government incentives and grants received in advance (d)	**139,166**	118,371
Deferred rent liabilities	**124,413**	127,954
Others	**293,274**	285,969
	2,439,910	2,440,435

(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 June 30, 2015, 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/sellers under the arrangements are as follows:

Joint venture with NEC Corporation	Nil – US$325 million
Joint venture with EMC Corporation	US$39 – US$59 million
Stoneware	Nil – US$48 million
CCE	Nil – BRL400 million
Google Inc.	US$1,464 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 amounting to 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.

12 Borrowings

	June 30, 2015	March 31, 2015
	US$'000	*US$'000*
Current liabilities		
Short-term loans (i)	**913,143**	1,168,274
	913,143	1,168,274
Non-current liabilities		
Term loans (ii)	**395,373**	395,043
Long term notes (iii)	**2,132,213**	1,490,805
	2,527,586	1,885,848
	3,440,729	3,054,122

(i) Short-term loans primarily comprised a US$1,200 million 5-year loan facility (comprising US$800 million short term) entered into in December 2013 and has been utilized to the extent of US$495 million as at June 30, 2015 (March 31, 2015: US$700 million); and a US$500 million revolving loan facility entered into on February 2, 2011 which has been utilized to the extent of US$305 million as at June 30, 2015 (March 31, 2015: US$300 million). The majority of the short-term bank loans are denominated in United States dollar.

(ii) Term loans comprised a US$1,200 million 5-year loan facility (comprising US$800 million short term) entered into in December 2013, and has been drawn down to the extent of US$400 million as at June 30, 2015 (March 31, 2015: US$400 million).

(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; and on June 10, 2015, the Group completed the issuance of 5-Year RMB4 billion notes bearing annual interest at 4.95% due in June 2020. 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 June 30, 2015 and March 31, 2015 are as follows:

	June 30, 2015	March 31, 2015
	US$'000	*US$'000*
Within 1 year	**913,143**	1,168,274
Over 3 to 5 years	**2,527,586**	1,885,848
	3,440,729	3,054,122

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

13 Share capital

	June 30, 2015		March 31, 2015	
	Number of shares	***US$'000***	*Number of shares*	*US$'000*
Issued and fully paid:				
Voting ordinary shares:				
At the beginning of the period/year	**11,108,654,724**	**2,689,882**	10,406,375,509	1,650,101
Issue of ordinary shares	**-**	**-**	701,107,215	1,039,396
Exercise of share options	**-**	**-**	1,172,000	385
At the end of the period/year	**11,108,654,724**	**2,689,882**	11,108,654,724	2,689,882

14 Reconciliation of profit before taxation to net cash (used in)/generated from operations

	3 months ended June 30, 2015 *US$'000*	3 months ended June 30, 2014 *US$'000*
Profit before taxation	**51,831**	263,831
Share of losses of associates and joint ventures	**1,558**	2,107
Finance income	**(9,010)**	(10,444)
Finance costs	**51,041**	35,335
Depreciation of property, plant and equipment and amortization of prepaid lease payments	**60,202**	35,296
Amortization of intangible assets and share-based compensation	**156,988**	60,437
(Gain)/loss on disposal of property, plant and equipment and prepaid lease payments	**(2,922)**	385
Net gain on disposal of available-for-sale financial assets	**(1,653)**	-
Loss on disposal of construction in progress	**-**	14
Loss on disposal of intangible assets	**-**	79
Dividend income	**-**	(305)
Fair value change on financial instruments	**(9,510)**	35,740
Decrease/(increase) in inventories	**128,242**	(58,266)
Decrease/(increase) in trade receivables, notes receivable, deposits, prepayments and other receivables	**142,574**	(529,980)
(Decrease)/increase in trade payables, notes payable, provisions, other payables and accruals	**(726,289)**	685,098
Effect of foreign exchange rate changes	**9,841**	(12,208)
Net cash (used in)/generated from operations	**(147,107)**	507,119

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

During the three months ended June 30, 2015, 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 45,379,165 shares from the market for award to employees upon vesting. Details of the program are set out in the 2014/15 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, risk management and internal control 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, Ms. Ma Xuezheng and Mr. William Tudor Brown.

The Audit Committee of the Company has reviewed the unaudited financial results of the Group for the three months ended June 30, 2015. 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 three months ended June 30, 2015, 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 of Hong Kong Limited, 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

August 12, 2015

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 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.