Lenovo Group Limited 聯想集團有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 992)

FY2015/16 THIRD 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 and nine months ended December 31, 2015 together with comparative figures for the corresponding period of last year, as follows:

THIRD QUARTER FINANCIAL HIGHLIGHTS

- **Group revenue of US$12.9B, down 8% YTY, down 2% YTY excluding currency impact**
- **Group profit before taxation of US$320M and Group profit attributable to equity holders of the Company of US$300M**
- **Group PTI before non-cash M&A-related accounting charges was US$397M, up 139% QTQ and 14% YTY (non-cash M&A-related accounting charges of US$77M comprise mainly intangible asset amortization and imputed interest expense of promissory notes)**
- **Achieved planned savings target from business realignment plan in this quarter. On track to achieve total savings of US$650M in the second half of this fiscal year, and about US$1.35B on an annual basis**

	3 months ended December 31, 2015 (unaudited) *US$'million*	9 months ended December 31, 2015 (unaudited) *US$'million*	3 months ended December 31, 2014 (unaudited) *US$'million*	9 months ended December 31, 2014 (unaudited) *US$'million*	Year-on-year change 3 months ended December 31	Year-on-year change 9 months ended December 31
Revenue	12,913	35,779	14,092	34,962	(8)%	2%
Gross profit	1,885	5,107	2,097	4,903	(10)%	4%
Gross profit margin	14.6%	14.3%	14.9%	14.0%	(0.3) pts	0.3 pts
Operating expenses	(1,506)	(5,416)	(1,772)	(3,922)	(15)%	38%
Operating profit/(loss)	379	(309)	325	981	17%	N/A
Other non-operating expenses - net	(59)	(161)	(51)	(114)	16%	41%
Profit/(loss) before taxation	320	(470)	274	867	17%	N/A
Profit/(loss) for the period	294	(321)	257	740	14%	N/A
Profit/(loss) attributable to equity holders of the Company	300	(308)	253	729	19%	N/A
Earnings/(loss) per share attributable to equity holders of the Company						
Basic	US 2.71 cents	US (2.78) cents	US 2.32 cents	US 6.90 cents	US 0.39 cents	N/A
Diluted	US 2.70 cents	US (2.78) cents	US 2.30 cents	US 6.82 cents	US 0.40 cents	N/A

BUSINESS REVIEW AND OUTLOOK

Business Review

During the three months ended December 31, 2015, the macro-economy and global markets remained challenging along with currency fluctuations in emerging markets. These factors affected overall consumer demand which led to a continued decline in the PC and tablet markets and slower growth of the worldwide smartphone market.

Amidst these market challenges, Lenovo managed to deliver solid profit growth from its businesses driven by well executed strategies and decisive actions for business realignment. For the three months ended December 31, 2015, the Group's consolidated revenue decreased by 8 percent year-on-year to US$12,913 million due to currency fluctuation and the slower PC demand. Excluding currency impacts, the revenue decrease would be 2 percent compared to the same quarter last year. Revenue of the Group's PC business was US$8,033 million, representing a year-on-year decline of 12 percent, and its revenue of the Mobile business decreased 4 percent year-on-year to US$3,245 million. Revenue of Enterprise business increased 8 percent year-on-year to US$1,314 million. Meanwhile, revenue of other goods and services was US$321 million.

The Group's gross profit for the three months ended December 31, 2015 was US$1,885 million, a decrease of 10 percent year-on-year, while gross margin decreased 0.3 percentage point year-on-year to 14.6 percent largely due to the revenue decline. Operating expenses reduced by 15 percent year-on-year to US$1,506 million, and the expenses-to-revenue ratio was 11.7 percent. The decline of expense-to-revenue ratio was mainly attributable to the business realignment actions that led to better expense control. The Group's profit before taxation before non-cash M&A related accounting charges was US$397 million, a record high level with an increase of 14 percent year-on-year. The Group's net income before non-cash M&A related accounting charges was US$377 million, an increase of 15 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 to acquire Motorola, and others. The Group's profit before taxation was US$320 million, up 17 percent year-on-year. The Group's net income was US$300 million, up 19 percent year-on-year.

Performance of Product Business Groups

During the three months ended December 31, 2015, Lenovo continued to build a more balanced product portfolio to drive growth.

PC Business Group (PCG)

During the period under review, the global PC industry continued to decline due to macro-economic issues and currency fluctuations. 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 and further solidified its number one position. The Group's global PC unit shipments declined 4 percent year-on-year to 15.4 million, against market decline of 11 percent. Lenovo's market share continued to increase, and its worldwide PC market share reached another record-high level of 21.6 percent for fiscal quarter three, an increase of 1.5 percentage points year-on-year, according to the preliminary industry estimates.

The Group's commercial PC unit shipments decreased 1 percent year-on-year, compared to the 7 percent year-on-year decline by the market for the period under review. Lenovo's market share in the worldwide commercial PC market increased by 1.6 percentage points year-on-year to record-high level of 23.4 percent. The Group's consumer PC unit shipments decreased by 8 percent year-on-year, against the market decline of 14 percent year-on-year during the period under review. Its latest market share for fiscal quarter three reached 19.7 percent by increasing 1.3 percentage points year-on-year, according to the preliminary industry estimates.

For the three months ended December 31, 2015, revenue of the Group's PC business was US$8,033 million, representing approximately 62 percent of the Group's total revenue, and a year-on-year decline of 12 percent, mainly due to currency fluctuations and slower PC market demand. Excluding currency impacts, the revenue decrease would be 6 percent compared to the same quarter last year. The business group also recorded a pre-tax income of US$405 million, down 18 percent year-on-year. The pre-tax margin was 5.0 percent against 5.4 percent last year.

Mobile Business Group (MBG)

During the period under review, the Group's mobile business regained momentum from the previous quarter and achieved its first time operational breakeven helped by the improved efficiency and lower cost structure resulting from its recent business realignment actions. The Group's worldwide smartphone shipments declined 18 percent year-on-year but increased 7 percent quarter-by-quarter to 20.2 million. Lenovo's market share in the worldwide smartphone market decreased by 1.5 percentage points year-on-year to 5.1 percent, however the Group maintained its number four position worldwide in fiscal quarter three, according to the preliminary industry estimates.

To address the softer demand amid fierce competition in the China smartphone market, the Group has refined its strategy and focused on expansion into markets outside of China in the past several quarters. This strategy has resulted in smartphone shipments outside of China growing about 15 percent year-on-year to 16.7 million units during the period under review. And as a result, the Group has built a more diverse geographical mix, in which the proportion of shipments from markets outside of China further increased to 83 percent from 59 percent in the same period of last year. Meanwhile, the Group has launched a wide range of new products, including Moto X Force that has an innovative shatterproof screen, and smart watch products Moto 360 sport. These new products have received good market reviews and strong early momentum. During fiscal quarter three, the Group has continued its efforts in clearing the smartphone inventory in the market which brought the Group a healthier channel inventory position, poised to drive future shipments growth.

The Group's tablet shipments decreased 14 percent year-on-year to 3.2 million during the period under review, and its worldwide tablet market share was 4.8 percent, according to the preliminary industry estimates.

For the three months ended December 31, 2015, the total revenue from Mobile business decreased 4 percent year-on-year to US$3,245 million, representing approximately 25 percent of the Group's total revenue. Excluding currency impact, revenue of the Mobile business grew at 5 percent year-on-year. For the period under review, the Mobile Business Group recorded its first time operational breakeven before the non-cash M&A related accounting charges after its acquisition of Motorola Mobile. If these charges were included, the Group's mobile business would record a loss before taxation of US$30 million and a negative 0.9 percent pre-tax margin. The profitability of its Mobile business improved in fiscal quarter three by 7.2 percentage points quarter-on-quarter driven by its improving business momentum.

Enterprise Business Group (EBG)

Enterprise business revenue represented approximately 10 percent of the Group's total revenue. As the number three worldwide server player, Lenovo's enterprise business continued to demonstrate healthy revenue growth and remained operationally profitable. The Group has demonstrated good momentum in new accounts acquisitions, especially in China, in which it was successful in acquiring new hyperscale clients.

For the three months ended December 31, 2015, revenue of the Enterprise business was US$1,314 million, an increase of 8 percent year-on-year, the second consecutive quarter recording revenue growth, while its strong performance in China continued with revenue up 30% year-on-year. Excluding currency impact, revenue of the enterprise business grew at 14 percent year-on-year. The enterprise business recorded operational profit before the non-cash M&A related accounting charges, the fifth consecutive quarter in which it showed operational profit with margin improvement year-on-year and quarter-on quarter. When these charges are included, the enterprise business incurred a loss before taxation of US$14 million, and its pre-tax margin was negative 1 percent.

Ecosystem and Cloud Services Business Group (ECS) and Others

The Group continued to build a solid foundation for its ecosystem business during the period under review, with an objective to create a better user experience for Lenovo's product users. The ECS team continued to demonstrate strong achievements during the period and its monthly active user base number has exceeded 150 million.

Revenue from ECS and other products such as consumer electronic businesses from previous acquisitions was US$321 million, representing approximately 3 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. Performance for each geography includes a combination of PC, enterprise and mobility businesses. The profitability figures of geographies disclosed in the following paragraphs have excluded the impact of non-cash M&A related accounting charges for the period under review.

China

China accounted for 27 percent of the Group's total revenue. The Group maintained its strong number one position in China PC market with record market share of 40.0 percent, according to preliminary industry estimates, and continued to uphold its profitability by leveraging its leadership position despite the market challenges.

Consolidation in the China smartphone market has set in amidst keen competition. The Group has taken actions in strengthening its open channel partnership and brand strategy and will focus more on improving the product mix and average selling price in order to turnaround its China business over time.

During the period under review, the Group's enterprise business continued to grow rapidly with strong revenue performance driven by sales to the hyperscale customers.

Profit before taxation was US$167 million and pre-tax margin was 4.7 percent, a decline of 1.0 percentage point year-on-year.

Americas (AG)

Americas accounted for 31 percent of the Group's total revenue. The Group's PC unit shipments in AG increased by 7 percent year-on-year, outperforming the market by a 14-point premium. The Group's AG market share increased by 1.9 percentage points from a year ago to 13.1 percent, according to preliminary industry estimates. The solid performance was driven by the strong growth of its PC unit shipments in the U.S., which grew by 21 percent year-on-year against a market decline of 4 percent. This brought its U.S. market share to 12.5 percent in fiscal quarter three, up 2.6 percentage points year-on-year.

The Group's smartphone shipments have regained momentum quarter-on-quarter in the region during the period under review driven by the launch of new products. The Group has continued to build a solid foundation for its enterprise business, and through its recent partnership with key industry leaders, it is well positioned to deliver more enterprise solutions for its customers to improve its revenue momentum in the future.

The Group recorded a profit before taxation of US$76 million in the region, versus a loss before taxation of US$22 million recorded in same period last year, and its pre-tax margin was 1.9 percent. The improved performance was enhanced by its recent business realignment actions in Brazil/Latin America.

Asia Pacific (AP)

Asia Pacific accounted for 15 percent of the Group's total revenue. The Group's PC shipments grew at a 16-point premium to the market during the period and its market share in AP increased by 2.8 percentage points year-on-year, to 18.9 percent for fiscal quarter three, according to preliminary industry estimates. The Group has made significant progress in India, including securing a major contract, achieving growth of 55 percent year-on-year against market growth of 6 percent.

The Group also achieved strong shipments growth in smartphones during the period under review, and momentum has been particular strong in India, Indonesia and ASEAN. The Group's enterprise business also accelerated its business with market share gain and improved profitability.

Profit before taxation was US$19 million and pre-tax margin was 1.0 percent, against 5.4 percent in the same period last year mainly due to the contraction in Japan PC market and impacts from currency fluctuation.

Europe-Middle East-Africa (EMEA)

EMEA accounted for 27 percent of the Group's total revenue. Lenovo's PC unit shipments in EMEA declined by 20 percent year-on-year, against a market decline of 18 percent year-on-year, impacted by macro-economic issues and currency fluctuations. The Group's market share declined by 0.4 percentage point year-on-year to 19.4 percent in EMEA, according to preliminary industry estimates.

The Group continued to expand its smartphone business in EMEA and achieved strong growth during the period under review, with particularly strong performance in Eastern Europe and MEA. The Group continued its efforts in enhancing its competitiveness and further stabilizing its enterprise business performance during the quarter under review.

Profit before taxation in EMEA was US$57 million during the period under review against US$122 million in the same period last year, with pre-tax margin declining by 1.3 percentage points year-on-year to 1.7 percent, affected by the decline in PC shipments and the impact of currency fluctuations.

Business Realignment Plan Update

The Group announced a plan to execute a series of business realignment actions in fiscal quarter two to enable the Group to focus resources, sharpen its business model and efficiently capitalize on the most attractive market opportunities in mobile, PC and enterprise. Executions of these actions by the Group have been on track and as a result a total savings $346 million were realized by the Group in fiscal quarter three. The Group is on track to delivering its saving targets, which are, $650 million in second half of this fiscal year, and full year run rate savings of $1.35 billion.

Outlook

Looking forward, the Group is seeing the benefits of its strategic actions. The efficient organization structure, coupled with the competitive cost structure across all of its businesses, together with its solid execution, positions the Group well to sustain its growth even in the current challenging market environment.

In PCs, the Group will continue to leverage the consolidation trend to gain more share and drive profitable growth. Even more, Lenovo will leverage its innovation leadership in the expanded PC market, such as detachables, convertibles, and 2-and-1. The PC market, if these new form factors are included, is expected to grow year-on-year starting in the second quarter of this calendar year according to industry forecast. The Group has the leading product offerings to win in this growing segment. The commercial replacement cycle is expected to pick up as Windows 10 becomes more attractive. As a result, the Group remains confident it will continue to deliver profitable growth in PCs over time.

In Mobile, the Group will continue to accelerate growth in emerging markets outside of China where market growth is anticipated and where Lenovo has built strong capabilities in the key markets. The Group will break through into mature markets with its new innovative products. And in China the Group has cleared significant inventory and is now attacking the open market with a stronger product mix to return to growth.

In Enterprise, Lenovo already has strength in China and emerging markets and it will continue to attack and accelerate growth. The Group will fuel that growth and strengthen its business worldwide through strategic partnerships with industry leaders. The Group announced in fiscal quarter two our partnership with Nutanix and since then the Group has already launched new offerings with them. The Group has also announced recently its partnership with SAP to develop cloud solutions in China and joint go-to-market programs globally. Lenovo will be moving fast to build the right alliances to differentiate its offerings and strengthen its competitiveness.

Lenovo will continue to leverage its innovation leadership to create new and exciting choices for its customers and drive new growth. Some of its latest product launches including Yoga 900S notebook, Moto X Force smartphone, Moto 360 sport watch have gained great customer feedback. At the Consumer Electronic Show at Las Vegas in early January this year, Lenovo won a total of 66 awards, highlighted by its new X1 family, including new ThinkPad X1 Carbon, ThinkPad X1 Yoga notebook, and the ThinkPad X1 Tablet. At the same time, the Group announced Project Tango with Google, to develop the first smartphone with breakthrough augmented reality technology, which will be launched in summer this year.

These fundamental changes the Group has made will position the company as a faster and stronger global company. This in turn will 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 well proven execution capabilities, to lead the Group on its ongoing journey towards building a respected global tech leadership position in every business the Group enters and to drive profitable growth that, in turn, creates better value for shareholders.

FINANCIAL REVIEW

Results for the nine months ended December 31, 2015

	9 months ended December 31, 2015 (unaudited) ***US$'million***	9 months ended December 31, 2014 (unaudited) *US$'million*	Year-on-year change
Revenue	**35,779**	34,962	2%
Gross profit	**5,107**	4,903	4%
Gross profit margin	**14.3%**	14.0%	0.3 pts
Operating expenses	**(5,416)**	(3,922)	38%
Operating (loss)/profit	**(309)**	981	N/A
Other non-operating expenses – net	**(161)**	(114)	41%
(Loss)/profit before taxation	**(470)**	867	N/A
(Loss)/profit for the period	**(321)**	740	N/A
(Loss)/profit attributable to equity holders of the Company	**(308)**	729	N/A
(Loss)/earnings per share attributable to equity holders of the Company			
Basic	**US (2.78) cents**	US 6.90 cents	N/A
Diluted	**US (2.78) cents**	US 6.82 cents	N/A

For the nine months ended December 31, 2015, the Group achieved total sales of approximately US$35,779 million. Loss attributable to equity holders for the period was approximately US$308 million, as compared with profit attributable to equity holders of US$729 million reported in the corresponding period of last year. This is mainly attributable to the restructuring costs of US$599 million; and one-time charges of US$324 million comprising additional spending to clear smartphone inventories and inventories write off. Gross profit margin for the period was 0.3 points up from 14.0 percent reported in the corresponding period of last year. Basic loss per share and diluted loss per share were US2.78 cents, as compared with basic and diluted earnings per share of US6.90 cents and US6.82 cents reported in 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:

	9 months ended December 31, 2015 ***US$'000***	9 months ended December 31, 2014 *US$'000*
China	**10,007,462**	11,629,206
AP	**5,570,221**	4,857,654
EMEA	**9,316,481**	9,836,874
AG	**10,885,181**	8,638,122
	35,779,345	34,961,856

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

Operating expenses analyzed by function for the nine months ended December 31, 2015 and 2014 are as follows:

	9 months ended December 31, 2015 *US$'000*	9 months ended December 31, 2014 *US$'000*
Other income – net	**2,185**	1,490
Selling and distribution expenses	**(1,837,287)**	(1,644,377)
Administrative expenses	**(1,632,266)**	(1,337,274)
Research and development expenses	**(1,139,644)**	(796,566)
Other operating expenses – net	**(809,039)**	(144,960)
	(5,416,051)	(3,921,687)

Operating expenses increased by 38 percent as compared with the corresponding period of last year. This is principally attributable to the operating expenses of US$1,773 million recorded by System X and Motorola following the completion of the respective acquisitions on October 1 and October 30, 2014 (2014/15: US$708 million); and the restructuring and one-time charges in driving greater efficiency across organizations, primarily associated with severance costs of US$233 million, loss on impairment and disposal of assets of US$300 million, provision for lease obligations of US$61 million; and smartphone inventories write off of US$188 million in relation to realignment of key elements under Mobile Business Group. Key expenses by nature comprise:

	9 months ended December 31, 2015 *US$'000*	9 months ended December 31, 2014 *US$'000*
Depreciation of property, plant and equipment and amortization of prepaid lease payments	**(123,633)**	(81,198)
Amortization of intangible assets	**(328,526)**	(169,829)
Employee benefit costs, including	**(2,612,273)**	(2,108,353)
- *long-term incentive awards*	***(109,812)***	*(79,020)*
- *severance and related costs*	***(233,321)***	-
Rental expenses under operating leases	**(62,837)**	(63,816)
Net foreign exchange loss	**(98,172)**	(142,409)
Advertising and promotional expenses	**(587,270)**	(474,516)
Inventories write off	**(187,690)**	-
Loss on impairment and disposal of assets	**(300,395)**	-
Others	**(1,115,255)**	(881,566)
	(5,416,051)	(3,921,687)

Depreciation and amortization charges is increased by US$201 million 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$203 million (2014/15: US$58 million). The increase in employee benefit costs is in line with the increased headcount as a result of the two acquisitions, and severance and related costs incurred for restructuring during the period. A charge for one-time smartphone inventories write off of US$188 million has been made by the Group during the period. The impact of currency fluctuations during the period present a challenge, the Group recording a net exchange loss of US$98 million for the period.

Other non-operating expenses (net) for the nine months ended December 31, 2015 and 2014 comprise:

	9 months ended December 31, 2015 ***US$'000***	9 months ended December 31, 2014 *US$'000*
Finance income	**24,833**	24,181
Finance costs	**(178,714)**	(133,341)
Share of losses of associates and joint ventures	**(6,442)**	(4,886)
	(160,323)	(114,046)

Finance income mainly represents interest on bank deposits.

Finance costs increased by 34 percent as compared with the corresponding period of last year. This is mainly attributable to seven-month interest expense of US$19 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$22 million notional interest expense (2014/15: US$7 million) 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.

Third Quarter 2015/16 compared to Third Quarter 2014/15

	3 months ended December 31, 2015 (unaudited) ***US$'million***	3 months ended December 31, 2014 (unaudited) *US$'million*	Year-on-year change
Revenue	**12,913**	14,092	(8)%
Gross profit	**1,885**	2,097	(10)%
Gross profit margin	**14.6%**	14.9%	(0.3) pts
Operating expenses	**(1,506)**	(1,772)	(15)%
Operating profit	**379**	325	17%
Other non-operating expenses – net	**(59)**	(51)	16%
Profit before taxation	**320**	274	17%
Profit for the period	**294**	257	14%
Profit attributable to equity holders of the Company	**300**	253	19%
Earnings per share attributable to equity holders of the Company			
Basic	**US 2.71 cents**	US 2.32 cents	US 0.39 cents
Diluted	**US 2.70 cents**	US 2.30 cents	US 0.40 cents

For the three months ended December 31, 2015, the Group achieved total sales of approximately US$12,913 million. Profit attributable to equity holders for the period was approximately US$300 million, representing an increase of US$47 million as compared with the corresponding period of last year. Gross profit margin for the period was 0.3 points down from 14.9 percent reported in the corresponding period of last year. Basic earnings per share and diluted earnings per share were US2.71 cents and US2.70 cents, representing an increase of US0.39 cents and US0.40 cents respectively as compared with the corresponding period of last year.

Sales by geographical segment are as follows:

	3 months ended December 31, 2015	3 months ended December 31, 2014
	US$'000	*US$'000*
China	**3,517,690**	4,082,891
AP	**1,980,265**	1,719,162
EMEA	**3,452,511**	4,037,588
AG	**3,962,713**	4,251,917
	12,913,179	14,091,558

Operating expenses analyzed by function for the three months ended December 31, 2015 and 2014 are as follows:

	3 months ended December 31, 2015	3 months ended December 31, 2014
	US$'000	*US$'000*
Selling and distribution expenses	**(622,292)**	(686,761)
Administrative expenses	**(524,184)**	(576,907)
Research and development expenses	**(380,644)**	(413,609)
Other operating income/(expenses) – net	**20,907**	(94,945)
	(1,506,213)	(1,772,222)

Operating expenses decreased by 15 percent as compared to the corresponding period of last year. Employee benefit costs decreased as a result of reduced headcount subsequent to the business realignment actions. The impact of currency fluctuations during the period present a challenge, the Group recording a net exchange loss of US$32 million for the period. Key expenses by nature comprise:

	3 months ended December 31, 2015	3 months ended December 31, 2014
	US$'000	*US$'000*
Depreciation of property, plant and equipment and amortization of prepaid lease payments	**(42,300)**	(45,346)
Amortization of intangible assets	**(106,135)**	(96,576)
Employee benefit costs, including	**(769,509)**	(890,659)
- *long-term incentive awards*	***(47,248)***	*(31,657)*
Rental expenses under operating leases	**(18,347)**	(25,698)
Net foreign exchange loss	**(31,607)**	(89,542)
Advertising and promotional expenses	**(199,673)**	(210,875)
Others	**(338,642)**	(413,526)
	(1,506,213)	(1,772,222)

Other non-operating expenses (net) for the three months ended December 31, 2015 and 2014 comprise:

	3 months ended December 31, 2015 *US$'000*	3 months ended December 31, 2014 *US$'000*
Finance income	**7,575**	5,868
Finance costs	**(62,961)**	(54,691)
Share of losses of associates and joint ventures	**(3,097)**	(1,738)
	(58,483)	(50,561)

Other non-operating expenses (net) increased by 16 percent as compared with the corresponding period of last year. This is mainly attributable to interest expense of US$8 million in relation to the 5-Year RMB4 billion notes, issued in June 2015, bearing annual interest at 4.95% due in June 2020.

Capital Expenditure

The Group incurred capital expenditure of US$555 million (2014/15: US$705 million) during the nine months ended December 31, 2015, mainly for the acquisition of property, plant and equipment, additions in construction-in-progress and intangible assets.

Liquidity and Financial Resources

At December 31, 2015, total assets of the Group amounted to US$26,832 million (March 31, 2015: US$27,397 million), which were financed by equity attributable to owners of the Company of US$2,885 million (March 31, 2015: US$4,084 million), non-controlling interests (net of put option written on non-controlling interest) of US$30 million (March 31, 2015: US$23 million), and total liabilities of US$23,917 million (March 31, 2015: US$23,290 million). At December 31, 2015, the current ratio of the Group was 0.86 (March 31, 2015: 0.89).

The Group had a solid financial position. At December 31, 2015, bank deposits, cash and cash equivalents totaled US$2,701 million (March 31, 2015: US$3,026 million), of which 41.0 (March 31, 2015: 53.2) percent was denominated in US dollar, 38.1 (March 31, 2015: 35.6) percent in Renminbi, 6.4 (March 31, 2015: 2.8) percent in Euro, 1.0 (March 31, 2015: 0.7) percent in Japanese Yen, and 13.5 (March 31, 2015: 7.7) percent in other currencies.

The Group adopts a conservative policy to invest the surplus cash generated from operations. At December 31, 2015, 87.9 (March 31, 2015: 75.4) percent of cash are bank deposits, and 12.1 (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 loan borrowed under this facility was fully repaid on September 29, 2015 and the facility was cancelled with effect from October 9, 2015.

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 December 31, 2015, the facility was utilized to the extent of US$600 million (March 31, 2015: US$1,100 million), comprising US$200 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 December 31, 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 December 31, 2015, the Group's total available credit facilities amounted to US$10,588 million (March 31, 2015: US$12,223 million), of which US$1,257 million (March 31, 2015: US$1,353 million) was in trade lines, US$255 million (March 31, 2015: US$339 million) in short-term and revolving money market facilities and US$9,076 million (March 31, 2015: US$10,531 million) in forward foreign exchange contracts. At December 31, 2015, the amounts drawn down were US$542 million (March 31, 2015: US$316 million) in trade lines, US$7,946 million (March 31, 2015: US$9,822 million) being used for the forward foreign exchange contracts, and US$36 million (March 31, 2015: US$177 million) in short-term bank loans.

At December 31, 2015, the Group's outstanding borrowings represented by the term bank loans of US$409 million (March 31, 2015: US$395 million), short-term bank loans of US$236 million (March 31, 2015: US$1,168 million) and long term notes of US$2,105 million (March 31, 2015: US$1,491 million). When compared with total equity of US$2,915 million (March 31, 2015: US$4,106 million), the Group's gearing ratio was 0.94 (March 31, 2015: 0.74). The net debt position of the Group at December 31, 2015 is US$49 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 December 31, 2015, the Group had commitments in respect of outstanding forward foreign exchange contracts amounting to US$7,946 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 December 31, 2015 (unaudited) *US$'000***	**9 months ended December 31, 2015 (unaudited) *US$'000***	3 months ended December 31, 2014 (unaudited) *US$'000*	9 months ended December 31, 2014 (unaudited) *US$'000*
Revenue	*2*	**12,913,179**	**35,779,345**	14,091,558	34,961,856
Cost of sales		**(11,028,363)**	**(30,673,045)**	(11,994,580)	(30,058,987)
Gross profit		**1,884,816**	**5,106,300**	2,096,978	4,902,869
Other income - net	*3*	**-**	**2,185**	-	1,490
Selling and distribution expenses		**(622,292)**	**(1,837,287)**	(686,761)	(1,644,377)
Administrative expenses		**(524,184)**	**(1,632,266)**	(576,907)	(1,337,274)
Research and development expenses		**(380,644)**	**(1,139,644)**	(413,609)	(796,566)
Other operating income/(expenses) - net		**20,907**	**(809,039)**	(94,945)	(144,960)
Operating profit/(loss)	*4*	**378,603**	**(309,751)**	324,756	981,182
Finance income	*5(a)*	**7,575**	**24,833**	5,868	24,181
Finance costs	*5(b)*	**(62,961)**	**(178,714)**	(54,691)	(133,341)
Share of losses of associates and joint ventures		**(3,097)**	**(6,442)**	(1,738)	(4,886)
Profit/(loss) before taxation		**320,120**	**(470,074)**	274,195	867,136
Taxation	*6*	**(26,100)**	**149,456**	(17,350)	(127,646)
Profit/(loss) for the period		**294,020**	**(320,618)**	256,845	739,490
Profit/(loss) attributable to:					
Equity holders of the Company		**300,393**	**(308,155)**	253,183	728,774
Non-controlling interests		**(6,373)**	**(12,463)**	3,662	10,716
		294,020	**(320,618)**	256,845	739,490
Earnings/(loss) per share attributable to equity holders of the Company					
Basic	*7(a)*	**US 2.71 cents**	**US (2.78) cents**	US 2.32 cents	US 6.90 cents
Diluted	*7(b)*	**US 2.70 cents**	**US (2.78) cents**	US 2.30 cents	US 6.82 cents
Dividend			**85,996**		85,978

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	3 months ended December 31, 2015 (unaudited) ***US$'000***	**9 months ended December 31, 2015 (unaudited)** ***US$'000***	3 months ended December 31, 2014 (unaudited) *US$'000*	9 months ended December 31, 2014 (unaudited) *US$'000*
Profit/(loss) for the period	**294,020**	**(320,618)**	256,845	739,490
Other comprehensive income/(loss):				
Item that will not be reclassified to profit or loss				
Remeasurements of defined benefit obligations, net of taxes	**19,788**	**19,788**	(21,535)	(21,535)
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	**3,442**	**(1,229)**	(1,713)	7,753
Investment revaluation reserve reclassified to consolidated income statement on disposal of available-for-sale financial assets	**-**	**154**	-	-
Fair value change on cash flow hedges from forward foreign exchange contracts, net of taxes				
- Fair value gain/(loss), net of taxes	**39,382**	**(2,239)**	(116,500)	7,772
- Reclassified to consolidated income statement	**(11,393)**	**(91,003)**	128,454	93,687
Currency translation differences	**(395,458)**	**(430,341)**	(149,377)	(386,607)
Other comprehensive loss for the period	**(344,239)**	**(504,870)**	(160,671)	(298,930)
Total comprehensive (loss)/income for the period	**(50,219)**	**(825,488)**	96,174	440,560
Total comprehensive (loss)/income attributable to:				
Equity holders of the Company	**(43,846)**	**(813,025)**	92,512	429,844
Non-controlling interests	**(6,373)**	**(12,463)**	3,662	10,716
	(50,219)	**(825,488)**	96,174	440,560

CONSOLIDATED BALANCE SHEET

	Note	**December 31, 2015 (unaudited)** ***US$'000***	March 31, 2015 (audited) *US$'000*
Non-current assets			
Property, plant and equipment		**1,376,527**	1,443,313
Prepaid lease payments		**120,901**	225,111
Construction-in-progress		**335,231**	311,590
Intangible assets		**8,531,493**	9,225,743
Interests in associates and joint ventures		**44,327**	45,719
Deferred income tax assets		**939,549**	526,801
Available-for-sale financial assets		**123,972**	73,400
Other non-current assets		**142,666**	37,675
		11,614,666	11,889,352
Current assets			
Inventories		**2,694,727**	2,954,425
Trade receivables	*8(a)*	**5,428,410**	5,217,740
Notes receivable		**246,940**	334,738
Derivative financial assets		**63,027**	184,534
Deposits, prepayments and other receivables	*9*	**3,978,367**	3,652,502
Income tax recoverable		**105,344**	136,857
Bank deposits		**149,438**	171,139
Cash and cash equivalents		**2,551,342**	2,855,223
		15,217,595	15,507,158
Total assets		**26,832,261**	27,396,510

CONSOLIDATED BALANCE SHEET (CONTINUED)

	Note	**December 31, 2015 (unaudited) US$'000**	March 31, 2015 (audited) US$'000
Share capital	*13*	**2,689,882**	2,689,882
Reserves		**195,214**	1,393,761
Equity attributable to owners of the Company		**2,885,096**	4,083,643
Non-controlling interests		**242,915**	235,378
Put option written on non-controlling interest	*11(c)*	**(212,900)**	(212,900)
Total equity		**2,915,111**	4,106,121
Non-current liabilities			
Borrowings	*12*	**2,514,389**	1,885,848
Warranty provision	*10(b)*	**317,913**	338,700
Deferred revenue		**568,891**	550,205
Retirement benefit obligations		**384,298**	410,118
Deferred income tax liabilities		**216,839**	249,823
Other non-current liabilities	*11*	**2,161,868**	2,407,303
		6,164,198	5,841,997
Current liabilities			
Trade payables	*8(b)*	**6,121,345**	4,664,065
Notes payable		**251,479**	171,049
Derivative financial liabilities		**32,881**	80,897
Other payables and accruals	*10(a)*	**8,983,817**	9,278,052
Provisions	*10(b)*	**1,322,375**	1,223,488
Deferred revenue		**586,905**	693,406
Income tax payable		**218,683**	169,161
Borrowings	*12*	**235,467**	1,168,274
		17,752,952	17,448,392
Total liabilities		**23,917,150**	23,290,389
Total equity and liabilities		**26,832,261**	27,396,510
Net current liabilities		**(2,535,357)**	(1,941,234)
Total assets less current liabilities		**9,079,309**	9,948,118

CONSOLIDATED CASH FLOW STATEMENT

	Note	**9 months ended December 31, 2015 (unaudited) US$'000**	9 months ended December 31, 2014 (unaudited) US$'000
Cash flows from operating activities			
Net cash generated from operations	*14*	**1,373,841**	1,682,164
Interest paid		**(159,159)**	(109,936)
Tax paid		**(222,466)**	(230,581)
Net cash generated from operating activities		**992,216**	1,341,647
Cash flows from investing activities			
Purchase of property, plant and equipment		**(162,706)**	(187,792)
Sale of property, plant and equipment and prepaid lease payments		**86,764**	9,728
Acquisition of businesses, net of cash acquired		**-**	(2,322,221)
Interests acquired in associates		**(5,050)**	(7,911)
Payment for construction-in-progress		**(306,042)**	(257,450)
Payment for intangible assets		**(86,100)**	(260,470)
Purchase of available-for-sale financial assets		**(56,101)**	(29,005)
Net proceeds from disposal of available-for-sale financial assets		**4,702**	-
Decrease/(increase) in bank deposits		**21,701**	(14,459)
Dividend received		**532**	305
Interest received		**24,833**	24,181
Net cash used in investing activities		**(477,467)**	(3,045,094)
Cash flows from financing activities			
Exercise of share options		**-**	385
Capital contribution from non-controlling interests		**20,000**	-
Contribution to employee share trusts		**(101,136)**	(127,178)
Dividends paid		**(379,367)**	(328,037)
Proceeds from bank borrowings		**300,665**	1,212,256
Repayment of bank borrowings		**(1,212,756)**	(438,038)
Issue of long term notes		**640,895**	1,489,422
Net cash (used in)/generated from financing activities		**(731,699)**	1,808,810
(Decrease)/increase in cash and cash equivalents		**(216,950)**	105,363
Effect of foreign exchange rate changes		**(86,931)**	(82,256)
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		**2,551,342**	3,881,251

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**
Loss for the period	–	–	–	–	–	–	–	(308,155)	(12,463)	–	(320,618)
Other comprehensive (loss)/income	–	(1,075)	–	–	(93,242)	(430,341)	–	19,788	–	–	(504,870)
Total comprehensive loss for the period	–	(1,075)	–	–	(93,242)	(430,341)	–	(288,367)	(12,463)	–	(825,488)
Transfer to statutory reserve	–	–	–	–	–	–	7,651	(7,651)	–	–	–
Vesting of shares under long-term incentive program	–	–	96,170	(134,276)	–	–	–	–	–	–	(38,106)
Deferred tax charge in relation to long-term incentive program	–	–	–	(4,847)	–	–	–	–	–	–	(4,847)
Share-based compensation	–	–	–	137,934	–	–	–	–	–	–	137,934
Contribution to employee share trusts	–	–	(101,136)	–	–	–	–	–	–	–	(101,136)
Dividends paid	–	–	–	–	–	–	–	(379,367)	–	–	(379,367)
Capital contribution from non-controlling interests	–	–	–	–	–	–	–	–	20,000	–	20,000
At December 31, 2015	**2,689,882**	**(483)**	**(16,407)**	**8,663**	**24,840**	**(1,264,455)**	**83,363**	**1,359,693**	**242,915**	**(212,900)**	**2,915,111**
At April 1, 2014	1,650,101	(6,734)	(49,003)	(23,622)	(3,209)	(235,381)	71,880	1,606,098	227,490	(212,900)	3,024,720
Profit for the period	–	–	–	–	–	–	–	728,774	10,716	–	739,490
Other comprehensive income/(loss)	–	7,753	–	–	101,459	(386,607)	–	(21,535)	–	–	(298,930)
Total comprehensive income/(loss) for the period	–	7,753	–	–	101,459	(386,607)	–	707,239	10,716	–	440,560
Acquisition of businesses	–	–	–	121,253	–	–	–	–	–	–	121,253
Transfer to statutory reserve	–	–	–	–	–	–	3,832	(3,832)	–	–	–
Issue of ordinary shares	1,039,396	–	–	–	–	–	–	–	–	–	1,039,396
Exercise of share options	385	–	–	–	–	–	–	–	–	–	385
Vesting of shares under long-term incentive program	–	–	71,888	(98,858)	–	–	–	–	–	–	(26,970)
Share-based compensation	–	–	–	79,020	–	–	–	–	–	–	79,020
Contribution to employee share trusts	–	–	(127,178)	–	–	–	–	–	–	–	(127,178)
Dividends paid	–	–	–	–	–	–	–	(328,037)	–	–	(328,037)
At December 31, 2014	2,689,882	1,019	(104,293)	77,793	98,250	(621,988)	75,712	1,981,468	238,206	(212,900)	4,223,149

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 third 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 has delivered 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.

During the period, the Group has finalized the fair value assessments for the net assets acquired from the business combination activities in respect of Motorola Mobility Group ("Motorola") and X86 server hardware and related maintenance services business of IBM ("System X"). On completion of the fair value assessments, adjustments made to the provisional calculation of identifiable assets and liabilities (as at March 31, 2015) amounted to US$296 million. The comparative consolidated balance sheet as at March 31, 2015 has been retrospectively reclassified to reflect the final allocation of fair values of the net assets acquired in FY2014/15.

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, 2018
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 38, Intangible assets	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

	9 months ended December 31, 2015		9 months ended December 31, 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	**10,007,462**	**456,274**	11,629,206	661,026
AP	**5,570,221**	**75,960**	4,857,654	224,600
EMEA	**9,316,481**	**120,240**	9,836,874	331,154
AG	**10,885,181**	**(128,472)**	8,638,122	16,553
Segment total	**35,779,345**	**524,002**	34,961,856	1,233,333
Unallocated:				
Headquarters and corporate expenses		**(271,099)**		(288,742)
Restructuring costs		**(599,170)**		-
Finance income		**21,456**		13,055
Finance costs		**(141,006)**		(87,114)
Net gain on disposal of available-for-sale financial assets		**1,653**		1,185
Dividend income from an available-for-sale financial asset		**532**		305
Share of losses of associates and joint ventures		**(6,442)**		(4,886)
Consolidated (loss)/profit before taxation		**(470,074)**		867,136

(b) Segment assets for reportable segments

	December 31, 2015 *US$'000*	March 31, 2015 *US$'000*
China	**8,009,316**	7,629,620
AP	**3,270,565**	3,264,259
EMEA	**3,887,981**	4,057,023
AG	**6,671,008**	7,278,764
Segment assets for reportable segments	**21,838,870**	22,229,666
Unallocated:		
Deferred income tax assets	**939,549**	526,801
Derivative financial assets	**63,027**	184,534
Available-for-sale financial assets	**123,972**	73,400
Interests in associates and joint ventures	**44,327**	45,719
Unallocated bank deposits and cash and cash equivalents	**1,089,034**	1,259,658
Unallocated inventories	**762,590**	1,131,779
Unallocated deposits, prepayments and other receivables	**1,563,742**	1,508,524
Income tax recoverable	**105,344**	136,857
Other unallocated assets	**301,806**	299,572
Total assets per consolidated balance sheet	**26,832,261**	27,396,510

(c) Segment liabilities for reportable segments

	December 31, 2015 *US$'000*	March 31, 2015 *US$'000*
China	**5,508,188**	4,346,489
AP	**1,694,266**	1,707,546
EMEA	**1,833,638**	1,592,540
AG	**3,916,973**	5,161,715
Segment liabilities for reportable segments	**12,953,065**	12,808,290
Unallocated:		
Income tax payable	**218,683**	169,161
Deferred income tax liabilities	**216,839**	249,823
Derivative financial liabilities	**32,881**	80,897
Unallocated borrowings	**2,694,429**	2,924,352
Unallocated trade payables	**3,095,466**	2,631,917
Unallocated other payables and accruals	**2,931,543**	2,499,007
Unallocated provisions	**223,485**	11,655
Unallocated other non-current liabilities	**1,427,336**	1,806,831
Other unallocated liabilities	**123,423**	108,456
Total liabilities per consolidated balance sheet	**23,917,150**	23,290,389

(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:

	9 months ended December 31, 2015	9 months ended December 31, 2014
	US$'000	*US$'000*
PC Business Group	**23,457,806**	26,185,668
Mobile Business Group	**8,041,862**	6,296,698
Enterprise Business Group	**3,568,419**	1,561,668
Others	**711,258**	917,822
	35,779,345	34,961,856

(e) Other segment information

	China		**AP**		**EMEA**		**AG**		**Total**	
	2015	2014	**2015**	2014	**2015**	2014	**2015**	2014	**2015**	2014
	US$'000	*US$'000*	***US$'000***	*US$'000*	***US$'000***	*US$'000*	***US$'000***	*US$'000*	***US$'000***	*US$'000*
For the nine months ended December 31										
Depreciation and amortization	**133,141**	96,813	**104,742**	55,049	**154,897**	72,440	**164,613**	91,422	**557,393**	315,724
Finance income	**1,766**	3,395	**225**	2,750	**333**	394	**1,053**	4,587	**3,377**	11,126
Finance costs	**2,920**	2,997	**7,968**	6,306	**15,487**	21,454	**11,333**	15,470	**37,708**	46,227
Additions to non-current assets (Note)	**76,441**	131,545	**12,812**	39,020	**12,448**	23,370	**117,459**	25,931	**219,160**	219,866

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$6,047 million (March 31, 2015: US$6,486 million). The carrying amounts of goodwill and trademarks and trade names with indefinite useful lives are presented below:

At December 31, 2015

	China US$ million	**AP US$ million**	**EMEA US$ million**	**AG US$ million**	**Total US$ million**
Goodwill	**1,697**	**1,003**	**794**	**1,290**	**4,784**
Trademarks and trade names	**409**	**209**	**276**	**369**	**1,263**

At March 31, 2015

	China US$ million	AP US$ million	EMEA US$ million	AG US$ million	Total US$ million
Goodwill	1,811	1,078	879	1,451	5,219
Trademarks and trade names	284	233	357	393	1,267

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

3 Other income – net

	3 months ended December 31, 2015 ***US$'000***	**9 months ended December 31, 2015** ***US$'000***	3 months ended December 31, 2014 *US$'000*	9 months ended December 31, 2014 *US$'000*
Net gain on disposal of available-for-sale financial assets	**-**	**1,653**	-	1,185
Dividend income from an available-for-sale financial asset	**-**	**532**	-	305
	-	**2,185**	-	1,490

4 Operating profit/(loss)

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

	3 months ended December 31, 2015 ***US$'000***	**9 months ended December 31, 2015** ***US$'000***	3 months ended December 31, 2014 *US$'000*	9 months ended December 31, 2014 *US$'000*
Depreciation of property, plant and equipment and amortization of prepaid lease payments	**65,292**	**197,339**	65,228	135,464
Amortization of intangible assets	**118,269**	**360,054**	99,345	180,260
Employee benefit costs, including	**877,722**	**2,950,987**	1,030,532	2,502,007
- long-term incentive awards	***47,248***	***109,812***	*31,657*	*79,020*
- severance and related costs	**-**	***233,321***	-	-
Rental expenses under operating leases	**23,129**	**77,459**	31,497	82,402
Inventories write off	**-**	**187,690**	-	-
Loss on impairment and disposal of assets	**-**	**300,395**	-	-

During the nine months ended December 31, 2015, the Group announced a series of restructuring actions to reduce costs and enhance operational efficiency. Exceptional charges amounting to approximately US$599 million, comprising mainly severance costs, loss on impairment and disposal of assets and provision for lease obligations, have been recognized in "other operating income/(expenses) – net".

5 Finance income and costs

(a) Finance income

	3 months ended December 31, 2015 ***US$'000***	**9 months ended December 31, 2015** ***US$'000***	3 months ended December 31, 2014 *US$'000*	9 months ended December 31, 2014 *US$'000*
Interest on bank deposits	**7,122**	**23,895**	5,676	22,276
Interest on money market funds	**453**	**928**	187	1,888
Others	**-**	**10**	5	17
	7,575	**24,833**	5,868	24,181

(b) Finance costs

	3 months ended December 31, 2015 ***US$'000***	**9 months ended December 31, 2015** ***US$'000***	3 months ended December 31, 2014 *US$'000*	9 months ended December 31, 2014 *US$'000*
Interest on bank loans and overdrafts	**7,518**	**23,853**	10,849	25,263
Interest on long term notes	**27,102**	**74,168**	15,752	44,351
Interest on promissory note	**9,432**	**28,739**	6,600	6,600
Factoring costs	**14,769**	**39,866**	16,488	39,945
Commitment fee	**1,360**	**3,837**	2,541	9,208
Interest on contingent considerations and put option liability	**1,789**	**5,360**	1,670	5,293
Others	**991**	**2,891**	791	2,681
	62,961	**178,714**	54,691	133,341

6 Taxation

The amount of taxation in the consolidated income statement represents:

	3 months ended December 31, 2015 ***US$'000***	**9 months ended December 31, 2015** ***US$'000***	3 months ended December 31, 2014 *US$'000*	9 months ended December 31, 2014 *US$'000*
Current tax				
Hong Kong profits tax	**(20,603)**	**(8,172)**	8,886	26,841
Taxation outside Hong Kong	**169,332**	**310,174**	89,903	161,356
Deferred tax	**(122,629)**	**(451,458)**	(81,439)	(60,551)
	26,100	**(149,456)**	17,350	127,646

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/(loss) per share

(a) Basic

Basic earnings/(loss) per share is calculated by dividing the profit/(loss) 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 December 31, 2015	**9 months ended December 31, 2015**	3 months ended December 31, 2014	9 months ended December 31, 2014
Weighted average number of ordinary shares in issue	**11,108,654,724**	**11,108,654,724**	10,943,224,952	10,585,382,565
Adjustment for shares held by employee share trusts	**(21,511,869)**	**(18,472,137)**	(35,697,148)	(39,373,309)
Weighted average number of ordinary shares in issue for calculation of basic earnings/(loss) per share	**11,087,142,855**	**11,090,182,587**	10,907,527,804	10,546,009,256
	US$'000	***US$'000***	*US$'000*	*US$'000*
Profit/(loss) attributable to equity holders of the Company	**300,393**	**(308,155)**	253,183	728,774

(b) Diluted

Diluted earnings/(loss) 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 potential ordinary shares, namely share options and long-term incentive awards. They were anti-dilutive for the nine months ended December 31, 2015, and dilutive for the three months ended December 31, 2015, and the three months and nine months ended December 31, 2014.

	3 months ended December 31, 2015	**9 months ended December 31, 2015**	3 months ended December 31, 2014	9 months ended December 31, 2014
Weighted average number of ordinary shares in issue for calculation of basic earnings/(loss) per share	**11,087,142,855**	**11,090,182,587**	10,907,527,804	10,546,009,256
Adjustments for share options and long-term incentive awards	**38,582,820**	**-**	117,773,921	109,828,243
Weighted average number of ordinary shares in issue for calculation of diluted earnings/(loss) per share	**11,125,725,675**	**11,090,182,587**	11,025,301,725	10,655,837,499
	US$'000	***US$'000***	*US$'000*	*US$'000*
Profit/(loss) attributable to equity holders of the Company used to determine diluted earnings/(loss) per share	**300,393**	**(308,155)**	253,183	728,774

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/(loss) attributable to equity holders of the Company used for the calculation of diluted earnings/(loss) 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:

	December 31, 2015	March 31, 2015
	US$'000	*US$'000*
0 – 30 days	**3,676,176**	3,669,635
31 – 60 days	**1,127,967**	881,449
61 – 90 days	**284,666**	320,591
Over 90 days	**433,771**	426,770
	5,522,580	5,298,445
Less: provision for impairment	**(94,170)**	(80,705)
Trade receivables – net	**5,428,410**	5,217,740

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

	December 31, 2015	March 31, 2015
	US$'000	*US$'000*
0 – 30 days	**3,447,995**	3,764,605
31 – 60 days	**1,859,528**	358,296
61 – 90 days	**564,812**	218,299
Over 90 days	**249,010**	322,865
	6,121,345	4,664,065

9 Deposits, prepayments and other receivables

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

	December 31, 2015	March 31, 2015
	US$'000	*US$'000*
Deposits	**3,028**	3,481
Other receivables	**3,283,114**	2,403,138
Prepayments	**692,225**	1,245,883
	3,978,367	3,652,502

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

10 Provisions, other payables and accruals

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

	December 31, 2015	March 31, 2015
	US$'000	*US$'000*
Accruals	**2,152,003**	2,294,969
Allowance for billing adjustments (i)	**2,067,067**	2,191,707
Other payables (ii)	**4,764,747**	4,791,376
	8,983,817	9,278,052

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	Restructuring 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	416,504	-	-	416,504
	1,559,795	16,475	-	1,576,270
Long-term portion classified as non-current liabilities	(338,700)	(14,082)	-	(352,782)
At the end of the year	1,221,095	2,393	-	1,223,488
Period ended December 31, 2015				
At the beginning of the period	**1,559,795**	**16,475**	**-**	**1,576,270**
Exchange adjustment	**(32,578)**	**(48)**	**(530)**	**(33,156)**
Provisions made	**776,863**	**6,391**	**352,294**	**1,135,548**
Amounts utilized	**(852,027)**	**(5,728)**	**(166,233)**	**(1,023,988)**
Unused amounts reversed	**-**	**(8,623)**	**-**	**(8,623)**
	1,452,053	**8,467**	**185,531**	**1,646,051**
Long-term portion classified as non-current liabilities	**(317,913)**	**(5,763)**	**-**	**(323,676)**
At the end of the period	**1,134,140**	**2,704**	**185,531**	**1,322,375**

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.

Restructuring costs provision mainly comprises lease termination obligations and employee termination payments, arising from a series of restructuring actions to reduce costs and enhance operational efficiency. The Group records its restructuring costs provision when it has a present legal or constructive obligation as a result of restructuring actions.

11 Other non-current liabilities

Details of other non-current liabilities are as follows:

	December 31, 2015	March 31, 2015
	US$'000	*US$'000*
Contingent considerations (a)	-	270,196
Deferred considerations (a)	**1,373,662**	1,361,800
Guaranteed dividend to non-controlling shareholders of a subsidiary (b)	**9,857**	9,605
Environmental restoration (Note 10 (b))	**5,763**	14,082
Written put option liability (c)	**220,951**	219,317
Government incentives and grants received in advance (d)	**149,048**	118,371
Deferred rent liabilities	**125,500**	127,954
Others	**277,087**	285,978
	2,161,868	2,407,303

(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 December 31, 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
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

	December 31, 2015	March 31, 2015
	US$'000	*US$'000*
Current liabilities		
Short-term loans (i)	**235,467**	1,168,274
	235,467	1,168,274
Non-current liabilities		
Term loans (ii)	**409,034**	395,043
Long term notes (iii)	**2,105,355**	1,490,805
	2,514,389	1,885,848
	2,749,856	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$200 million as at December 31, 2015 (March 31, 2015: US$700 million). The majority of the short-term bank loans are denominated in United States dollar.

(ii) 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 drawn down to the extent of US$400 million as at December 31, 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 December 31, 2015 and March 31, 2015 are as follows:

	December 31, 2015 *US$'000*	March 31, 2015 *US$'000*
Within 1 year	**235,467**	1,168,274
Over 1 to 3 years	**13,000**	-
Over 3 to 5 years	**2,501,389**	1,885,848
	2,749,856	3,054,122

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

13 Share capital

	December 31, 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 (loss)/profit before taxation to net cash generated from operations

	9 months ended December 31, 2015	9 months ended December 31, 2014
	US$'000	*US$'000*
(Loss)/profit before taxation	**(470,074)**	867,136
Share of losses of associates and joint ventures	**6,442**	4,886
Finance income	**(24,833)**	(24,181)
Finance costs	**178,714**	133,341
Depreciation of property, plant and equipment and amortization of prepaid lease payments	**197,339**	135,464
Amortization of intangible assets and share-based compensation	**469,866**	259,280
Impairment of property, plant and equipment	**134,454**	-
Gain on disposal of property, plant and equipment and prepaid lease payments	**(6,516)**	(1,837)
Net gain on disposal of available-for-sale financial assets	**(1,653)**	(1,185)
Loss on disposal of construction in progress	**157**	942
Loss on disposal of intangible assets	**441**	1,743
Dividend income	**(532)**	(305)
Fair value change on financial instruments	**(19,751)**	(14,196)
Decrease/(increase) in inventories	**259,698**	(28,202)
Increase in trade receivables, notes receivable, deposits, prepayments and other receivables	**(464,285)**	(1,791,478)
Increase in trade payables, notes payable, provisions, other payables and accruals	**929,907**	2,254,655
Effect of foreign exchange rate changes	**184,467**	(113,899)
Net cash generated from operations	**1,373,841**	1,682,164

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

During the nine months ended December 31, 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 71,735,601 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 nine months ended December 31, 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 nine months ended December 31, 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

February 3, 2016

As at the date of this announcement, the executive director is Mr. Yang Yuanqing; the non-executive directors are Mr. Zhu Linan, Mr. Zhao John Huan and Mr. Gordon Robert Halyburton Orr; 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.