lenovo 联想

Lenovo Group Limited 聯想集團有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 0992)

FY2012/13 INTERIM RESULTS ANNOUNCEMENT

INTERIM RESULTS

The board of directors (the "Board") of Lenovo Group Limited (the "Company") announces the unaudited results of the Company and its subsidiaries (the "Group") for the six months ended September 30, 2012 together with comparative figures for the corresponding period of last year, as follows:

CONSOLIDATED INCOME STATEMENT

	Note	**3 months ended September 30, 2012 (unaudited)** *US$'000*	**6 months ended September 30, 2012 (unaudited)** *US$'000*	3 months ended September 30, 2011 (unaudited) *US$'000*	6 months ended September 30, 2011 (unaudited) *US$'000*
Revenue	*2*	**8,672,601**	**16,682,297**	7,786,386	13,706,302
Cost of sales		**(7,622,321)**	**(14,673,134)**	(6,838,554)	(12,019,973)
Gross profit		**1,050,280**	**2,009,163**	947,832	1,686,329
Other income/(loss) - net	*3*	**269**	**(47)**	-	-
Selling and distribution expenses		**(489,285)**	**(935,186)**	(458,489)	(808,035)
Administrative expenses		**(198,477)**	**(392,161)**	(197,351)	(371,067)
Research and development expenses		**(152,824)**	**(288,265)**	(118,795)	(196,316)
Other operating expense - net		**(4,332)**	**(6,049)**	(7,108)	(21,758)
Operating profit	*4*	**205,631**	**387,455**	166,089	289,153
Finance income	*5(a)*	**10,365**	**21,995**	10,206	19,138
Finance costs	*5(b)*	**(11,517)**	**(19,641)**	(11,343)	(19,539)
Share of losses of associates and jointly controlled entities		**(654)**	**(736)**	(90)	(397)
Profit before taxation		**203,825**	**389,073**	164,862	288,355
Taxation	*6*	**(40,938)**	**(81,750)**	(20,191)	(34,889)
Profit for the period		**162,887**	**307,323**	144,671	253,466
Profit attributable to:					
Equity holders of the Company		**162,047**	**303,414**	143,919	252,715
Non-controlling interests		**840**	**3,909**	752	751
		162,887	**307,323**	144,671	253,466
Earnings per share attributable to equity holders of the Company					
Basic	*7(a)*	**US 1.58 cents**	**US 2.95 cents**	US 1.41 cents	US 2.53 cents
Diluted	*7(b)*	**US 1.55 cents**	**US 2.89 cents**	US 1.38 cents	US 2.46 cents
Dividend	*8*		**59,930**		50,473

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	3 months ended September 30, 2012 (unaudited) ***US$'000***	**6 months ended September 30, 2012 (unaudited)** ***US$'000***	3 months ended September 30, 2011 (unaudited) *US$'000*	6 months ended September 30, 2011 (unaudited) *US$'000*
Profit for the period	**162,887**	**307,323**	144,671	253,466
Other comprehensive (loss)/income				
Fair value change on available-for-sale financial assets, net of taxes	**(1,507)**	**(7,317)**	(35,000)	(52,146)
Fair value change on cash flow hedges				
- Interest rate swap contracts				
Fair value loss, net of taxes	**-**	**-**	(154)	(699)
Reclassified to consolidated income statement	**-**	**-**	508	984
- Forward foreign exchange contracts				
Fair value (loss)/gain, net of taxes	**(53,409)**	**(36,017)**	32,414	64,577
Reclassified to consolidated income statement	**1,467**	**(16,515)**	6,114	(17,606)
Actuarial loss from defined benefit pension plans, net of taxes	**-**	**(324)**	(318)	(318)
Currency translation differences	**24,229**	**(24,397)**	(31,224)	(22,069)
	(29,220)	**(84,570)**	(27,660)	(27,277)
Total comprehensive income for the period	**133,667**	**222,753**	117,011	226,189
Total comprehensive income attributable to:				
Equity holders of the Company	**132,827**	**218,844**	119,852	229,031
Non-controlling interests	**840**	**3,909**	(2,841)	(2,842)
	133,667	**222,753**	117,011	226,189

CONSOLIDATED BALANCE SHEET

	Note	**September 30, 2012 (unaudited)**	March 31, 2012 (audited)
		US$'000	*US$'000*
Non-current assets			
Property, plant and equipment		**398,562**	392,474
Prepaid lease payments		**32,456**	13,552
Construction-in-progress		**178,949**	103,986
Intangible assets		**3,085,554**	3,091,205
Interests in associates and jointly controlled entities		**3,080**	3,410
Deferred income tax assets		**349,265**	332,493
Available-for-sale financial assets		**68,748**	71,946
Other non-current assets		**37,070**	31,282
		4,153,684	4,040,348
Current assets			
Inventories		**1,539,765**	1,218,494
Trade receivables	*9(a)*	**2,880,241**	2,354,909
Notes receivable		**771,198**	639,331
Derivative financial assets		**39,932**	62,883
Deposits, prepayments and other receivables	*10*	**3,382,149**	3,303,053
Income tax recoverable		**70,004**	70,406
Bank deposits		**421,899**	413,672
Cash and cash equivalents		**3,453,405**	3,757,652
		12,558,593	11,820,400
Total assets		**16,712,277**	15,860,748

CONSOLIDATED BALANCE SHEET (CONTINUED)

	Note	**September 30, 2012 (unaudited)** ***US$'000***	March 31, 2012 (audited) *US$'000*
Share capital	*13*	**32,969**	33,131
Reserves		**2,335,658**	2,328,104
Equity attributable to owners of the Company		**2,368,627**	2,361,235
Non-controlling interests	*14*	**237,643**	86,734
Put option written on non-controlling interest	*12(c)*	**(212,900)**	-
Total equity		**2,393,370**	2,447,969
Non-current liabilities			
Bank borrowings		**300,000**	-
Warranty provision	*11(a)*	**288,801**	291,111
Deferred revenue		**415,431**	381,593
Retirement benefit obligations		**211,481**	204,818
Deferred income tax liabilities		**88,917**	83,594
Other non-current liabilities	*12*	**936,975**	641,986
		2,241,605	1,603,102
Current liabilities			
Trade payables	*9(b)*	**4,103,311**	4,050,272
Notes payable		**91,237**	127,315
Derivative financial liabilities		**98,765**	49,253
Provisions, accruals and other payables	*11*	**7,312,076**	7,074,196
Deferred revenue		**363,318**	310,159
Income tax payable		**84,232**	135,530
Bank borrowings		**24,363**	62,952
		12,077,302	11,809,677
Total liabilities		**14,318,907**	13,412,779
Total equity and liabilities		**16,712,277**	15,860,748
Net current assets		**481,291**	10,723
Total assets less current liabilities		**4,634,975**	4,051,071

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	6 months ended September 30, 2012 (unaudited) *US$'000*	6 months ended September 30, 2011 (unaudited) *US$'000*
Net cash (used in)/generated from operating activities	**(190,476)**	1,546,374
Net cash used in investing activities	**(175,523)**	(270,721)
Net cash generated from/(used in) financing activities	**68,953**	(74,319)
(Decrease)/increase in cash and cash equivalents	**(297,046)**	1,201,334
Effect of foreign exchange rate changes	**(7,201)**	13,367
Cash and cash equivalents at the beginning of the period	**3,757,652**	2,954,498
Cash and cash equivalents at the end of the period	**3,453,405**	4,169,199

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holders of the Company												
	Share capital (unaudited) *US$'000*	Share premium (unaudited) *US$'000*	Investment revaluation reserve (unaudited) *US$'000*	Share redemption reserve (unaudited) *US$'000*	Employee share trusts (unaudited) *US$'000*	Share-based compensation reserve (unaudited) *US$'000*	Hedging reserve (unaudited) *US$'000*	Exchange reserve (unaudited) *US$'000*	Other reserve (unaudited) *US$'000*	Retained earnings (unaudited) *US$'000*	Non-controlling interests (unaudited) *US$'000*	Put option written on non-controlling interest (unaudited) *US$'000*	Total (unaudited) *US$'000*
At April 1, 2012	**33,131**	**1,584,522**	**20,137**	**1,003**	**(27,858)**	**53,078**	**15,307**	**(48,248)**	**100,848**	**629,315**	**86,734**	**-**	**2,447,969**
Profit for the period	-	-	-	-	-	-	-	-	-	**303,414**	**3,909**	-	**307,323**
Other comprehensive loss	-	-	**(7,317)**	-	-	-	**(52,532)**	**(24,397)**	-	**(324)**	-	-	**(84,570)**
Total comprehensive (loss)/income for the period	-	-	**(7,317)**	-	-	-	**(52,532)**	**(24,397)**	-	**303,090**	**3,909**	-	**222,753**
Contribution from non-controlling interest (Note 14)	-	-	-	-	-	-	-	-	-	-	**147,000**	-	**147,000**
Put option written on non-controlling interest (Note 12(c))	-	-	-	-	-	-	-	-	-	-	-	**(212,900)**	**(212,900)**
Transfer to statutory reserve	-	-	-	-	-	-	-	-	**164**	**(164)**	-	-	-
Exercise of share options	**23**	**2,154**	-	-	-	-	-	-	-	-	-	-	**2,177**
Dividend paid	-	-	-	-	-	-	-	-	-	**(139,478)**	-	-	**(139,478)**
Repurchase of shares	**(185)**	**(44,122)**	-	**185**	-	-	-	-	-	-	-	-	**(44,122)**
Vesting of shares under long-term incentive program	-	-	-	-	**16,463**	**(25,036)**	-	-	-	-	-	-	**(8,573)**
Share-based compensation	-	-	-	-	-	**38,579**	-	-	-	-	-	-	**38,579**
Contribution to employee share trust	-	-	-	-	**(60,035)**	-	-	-	-	-	-	-	**(60,035)**
At September 30, 2012	**32,969**	**1,542,554**	**12,820**	**1,188**	**(71,430)**	**66,621**	**(37,225)**	**(72,645)**	**101,012**	**792,763**	**237,643**	**(212,900)**	**2,393,370**
At April 1, 2011	31,941	1,377,529	56,474	1,003	(76,110)	63,280	(18,583)	(1,523)	58,236	342,474	179	-	1,834,900
Profit for the period	-	--	-	-	-	-	-	-	-	252,715	751	-	253,466
Other comprehensive (loss)/income	-	-	(52,146)	-	-	-	47,053	(18,273)	-	(318)	(3,593)	-	(27,277)
Total comprehensive (loss)/income for the period	-	-	(52,146)	-	-	-	47,053	(18,273)	-	252,397	(2,842)	-	226,189
Consideration for acquisition	-	-	-	-	-	-	-	-	36,555	-	-	-	36,555
Acquisition of subsidiaries	-	-	-	-	-	-	-	-	-	-	73,881	-	73,881
Transfer to statutory reserve	-	-	-	-	-	-	-	-	5,274	(5,274)	-	-	-
Issue of ordinary shares	1,088	196,206	-	-	-	-	-	-	-	-	-	-	197,294
Dividend paid	-	-	-	-	-	-	-	-	-	(65,021)	-	-	(65,021)
Exercise of share options	54	6,098	-	-	-	-	-	-	-	-	-	-	6,152
Vesting of shares under long-term incentive program	-	-	-	-	11,364	(15,545)	-	-	-	-	-	-	(4,181)
Share-based compensation	-	-	-	-	-	34,512	-	-	-	-	-	-	34,512
At September 30, 2011	33,083	1,579,833	4,328	1,003	(64,746)	82,247	28,470	(19,796)	100,065	524,576	71,218	-	2,340,281

Notes

1 Basis of preparation

The Board is responsible for the preparation of the Group's condensed interim financial statements. The condensed interim financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants and Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. The condensed interim financial statements have been prepared under the historical cost convention except that certain financial assets and financial liabilities are stated at fair values. The condensed interim financial statements should be read in conjunction with the 2011/12 annual financial statements.

The Group has adopted the Amendments to HKFRS 7 "Financial instruments: Disclosures – Transfers to financial assets" that are mandatory for the year ending March 31, 2013 and considered appropriate and relevant to its operations. The adoption of this newly effective amendment does not result in substantial changes to the Group's accounting policies or financial results.

The following new and revised standards and amendments to existing standards have been issued but are not effective for the year ending March 31, 2013 and have not been early adopted:

	Effective for annual periods beginning on or after
HKAS 19 (2011), Employee benefits	January 1, 2013
HKAS 27 (2011), Separate financial statements	January 1, 2013
HKAS 28 (2011), Investments in associates and joint ventures	January 1, 2013
HKFRS 9, Financial instruments	January 1, 2015
HKFRS 10, Consolidated financial statements	January 1, 2013
HKFRS 11, Joint arrangements	January 1, 2013
HKFRS 12, Disclosure of interests in other entities	January 1, 2013
HKFRS 13, Fair value measurement	January 1, 2013
Amendments to HKAS 1 (Revised), Presentation of items of other comprehensive income	July 1, 2012
Amendments to HKAS 32, Financial instruments: Presentation – Offsetting financial assets and financial liabilities	January 1, 2014
Amendments to HKFRS 7, Financial instruments: Disclosures – Offsetting financial assets and financial liabilities	January 1, 2013

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

2 Segment information

The Group announced a new organizational structure that became effective in April 2012 with the creation of new reporting business units based upon geographic efficiencies, cost savings and customer value, namely China, Asia-Pacific/Latin America ("APLA"), Europe-Middle East-Africa ("EMEA") and North America. The Group's original market structure had achieved rapid business growth through the alignment of its strategic direction and business acquisition. The new geographical structure is created in recognition that the Group's continued success depends on staying as close to its customers as possible, and will help ensuring the Group remains in the strongest position to execute its worldwide strategy going forward.

In addition to the adoption of the new structure, the Group reviewed the shared segment expenses and identified those costs that are more geographic oriented, and with effect from the current fiscal year, the cost allocation was changed from a flat rate basis with reference to revenue contribution to a combination of actual usage and revenue contribution basis. The new basis provides a better reflection of the segment operating results for management's assessment of the business. The comparative segment information has been reclassified to conform to the presentation of the current organizational structure and allocation basis.

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, APLA, EMEA and North America, which are also the Group's reportable operating segments.

The LEC assesses the performance of the operating segments based on a measure of adjusted pre-tax income/(loss). This measurement basis excludes the effects of non-recurring expenditure such as restructuring costs from the operating segments. The measurement basis also excludes the effects of unrealized gains/(losses) on financial instruments. Certain interest income and expenditure are not allocated to segments, as this type of activity is driven by the central treasury function, which manages the cash position of the Group.

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

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

	6 months ended September 30, 2012		6 months ended September 30, 2011	
	Revenue from external customers	**Adjusted pre-tax income**	Revenue from external customers	Adjusted pre-tax income
	US$'000	***US$'000***	*US$'000*	*US$'000*
China	**7,342,287**	**332,929**	6,011,091	302,602
APLA	**3,549,739**	**15,424**	2,866,805	3,695
EMEA	**3,377,731**	**58,805**	2,576,402	26,009
North America	**2,412,540**	**90,458**	2,252,004	90,445
Segment total	**16,682,297**	**497,616**	13,706,302	422,751
Unallocated:				
Headquarters and corporate expenses		**(115,080)**		(139,828)
Restructuring costs		**(22)**		800
Finance income		**18,680**		13,378
Finance costs		**(11,338)**		(8,349)
Net loss on disposal of an available-for-sale financial asset		**(316)**		-
Dividend income from an available-for-sale financial asset		**269**		-
Share of losses of associates and jointly controlled entities		**(736)**		(397)
Consolidated profit before taxation		**389,073**		288,355

(b) Segment assets for reportable segments

	September 30, 2012	March 31, 2012
	US$'000	*US$'000*
China	**5,103,186**	4,580,746
APLA	**3,045,146**	3,036,960
EMEA	**2,149,064**	2,096,253
North America	**798,918**	786,670
Segment assets for reportable segments	**11,096,314**	10,500,629
Unallocated:		
Deferred income tax assets	**349,265**	332,493
Derivative financial assets	**39,932**	62,883
Available-for-sale financial assets	**68,748**	71,946
Interests in associates and jointly controlled entities	**3,080**	3,410
Unallocated bank deposits and cash and cash equivalents	**2,079,289**	2,291,250
Unallocated inventories	**419,728**	356,677
Unallocated deposits, prepayments and other receivables	**2,474,322**	2,130,468
Income tax recoverable	**70,004**	70,406
Other unallocated assets	**111,595**	40,586
Total assets per consolidated balance sheet	**16,712,277**	15,860,748

(c) Segment liabilities for reportable segments

	September 30, 2012	March 31, 2012
	US$'000	*US$'000*
China	**4,656,750**	4,063,257
APLA	**1,984,732**	2,092,914
EMEA	**1,229,079**	1,284,035
North America	**905,131**	888,180
Segment liabilities for reportable segments	**8,775,692**	8,328,386
Unallocated:		
Income tax payable	**84,232**	135,530
Deferred income tax liabilities	**88,917**	83,594
Derivative financial liabilities	**98,765**	49,253
Bank borrowings	**300,000**	-
Unallocated trade payables	**2,465,464**	2,588,493
Unallocated provisions, accruals and other payables	**2,169,639**	2,184,659
Unallocated other non-current liabilities	**263,764**	1,032
Other unallocated liabilities	**72,434**	41,832
Total liabilities per consolidated balance sheet	**14,318,907**	13,412,779

(d) Analysis of revenue by significant category

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

	6 months ended September 30, 2012	6 months ended September 30, 2011
	US$'000	*US$'000*
Sale of personal technology products and services		
– desktop computer	**5,334,265**	4,679,412
– notebook computer	**8,944,971**	8,015,234
– mobile internet and digital home	**1,305,011**	496,742
– others	**552,701**	302,864
Sale of other goods and services	**545,349**	212,050
	16,682,297	13,706,302

(e) Other segment information

	China		APLA		EMEA		North America		Total	
For the six months ended September 30	**2012** ***US$'000***	2011 *US$'000*	**2012** ***US$'000***	2011 *US$'000*	**2012** ***US$'000***	2011 *US$'000*	**2012** ***US$'000***	2011 *US$'000*	**2012** ***US$'000***	2011 *US$'000*
Depreciation and amortization	**42,829**	34,696	**22,509**	17,144	**18,415**	14,388	**14,321**	14,192	**98,074**	80,420
Finance income	**1,512**	1,366	**1,357**	3,045	**437**	1,180	**9**	169	**3,315**	5,760
Finance costs	**292**	-	**2,909**	2,181	**3,244**	7,277	**1,858**	1,732	**8,303**	11,190
Additions to non-current assets *	**35,069**	25,383	**17,531**	7,029	**4,163**	2,418	**6,878**	3,317	**63,641**	38,147

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

(f) Included in segment assets for reportable segments are goodwill and trademarks and trade names with indefinite useful lives with an aggregate amount of US$2,759 million (March 31, 2012: US$2,736 million). As explained in Note 2, the Group underwent an organizational structure change under which these intangible assets have been reallocated to the cash-generating units affected using a relative value approach in accordance with HKAS 36 "Impairment of Assets". The carrying amounts of goodwill and trademarks and trade names with indefinite useful lives are presented below:

At September 30, 2012

	China *US$ million*	APLA *US$ million*	EMEA *US$ million*	North America *US$ million*	Total *US$ million*
Goodwill	1,102	787	261	161	2,311
Trademarks and trade names	209	68	113	58	448

At March 31, 2012

	China *US$ million*	REM * *US$ million*	North America *US$ million*	West Europe *US$ million*	Japan, Australia, New Zealand *US$ million*	Total *US$ million*
Goodwill	1,101	167	160	242	611	2,281
Trademarks and trade names	209	64	58	110	14	455

* Includes Africa, Asia Pacific, Central/Eastern Europe, Hong Kong, India, Korea, Middle East, Pakistan, Russia, Taiwan, Turkey and Latin America.

The directors are of the view that there was no evidence of impairment of goodwill and trademarks and trade names as at September 30, 2012 (March 31, 2012: Nil).

3 Other income/(loss) – net

	3 months ended September 30, 2012 ***US$'000***	**6 months ended September 30, 2012** ***US$'000***	3 months ended September 30, 2011 *US$'000*	6 months ended September 30, 2011 *US$'000*
Net loss on disposal of an available-for-sale financial asset	**-**	**(316)**	-	-
Dividend from an available-for-sale financial asset	**269**	**269**	-	-
	269	**(47)**	-	-

4 Operating profit

Operating profit is stated after charging the following:

	3 months ended September 30, 2012 ***US$'000***	**6 months ended September 30, 2012** ***US$'000***	3 months ended September 30, 2011 *US$'000*	6 months ended September 30, 2011 *US$'000*
Depreciation of property, plant and equipment and amortization of prepaid lease payments	**21,316**	**41,402**	19,987	37,319
Amortization of intangible assets	**29,226**	**56,672**	22,871	43,101
Employee benefit costs, including	**575,705**	**1,116,206**	482,329	893,707
- long-term incentive awards	***18,153***	***38,579***	*17,336*	*34,512*
Rental expenses under operating leases	**18,771**	**35,905**	16,713	29,363

5 Finance income and costs

(a) Finance income

	3 months ended September 30, 2012	**6 months ended September 30, 2012**	3 months ended September 30, 2011	6 months ended September 30, 2011
	US$'000	***US$'000***	*US$'000*	*US$'000*
Interest on bank deposits	**8,224**	**17,767**	8,317	16,476
Interest on money market funds	**770**	**1,400**	514	1,149
Others	**1,371**	**2,828**	1,375	1,513
	10,365	**21,995**	10,206	19,138

(b) Finance costs

	3 months ended September 30, 2012	**6 months ended September 30, 2012**	3 months ended September 30, 2011	6 months ended September 30, 2011
	US$'000	***US$'000***	*US$'000*	*US$'000*
Interest on bank loans and overdrafts	**1,803**	**1,903**	1,958	3,873
Factoring cost	**4,451**	**8,436**	6,083	10,773
Commitment fee	**2,587**	**4,296**	1,710	3,301
Interest on contingent considerations and put option liability	**2,590**	**4,701**	1,458	1,458
Others	**86**	**305**	134	134
	11,517	**19,641**	11,343	19,539

6 Taxation

The amount of taxation in the consolidated income statement represents:

	3 months ended September 30, 2012	**6 months ended September 30, 2012**	3 months ended September 30, 2011	6 months ended September 30, 2011
	US$'000	***US$'000***	*US$'000*	*US$'000*
Current taxation				
Hong Kong profits tax	**66**	**92**	73	130
Taxation outside Hong Kong	**59,181**	**82,692**	59,863	88,528
Deferred taxation	**(18,309)**	**(1,034)**	(39,745)	(53,769)
	40,938	**81,750**	20,191	34,889

Hong Kong profits tax has been provided for at the rate of 16.5% (2011/12: 16.5%) on the estimated assessable profits for the period. Taxation outside Hong Kong has been provided for at the applicable rates on the estimated assessable profits less estimated available tax losses.

7 Earnings per share

(a) Basic

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the period after adjusting shares held by employee share trusts and consideration shares in respect of business combination activities.

	3 months ended September 30, 2012	**6 months ended September 30, 2012**	3 months ended September 30, 2011	6 months ended September 30, 2011
Weighted average number of ordinary shares in issue	**10,286,234,161**	**10,311,432,585**	10,337,054,046	10,153,012,430
Adjustment for shares held by employee share trusts	**(105,524,295)**	**(82,420,466)**	(146,737,685)	(156,148,232)
Adjustment for consideration shares in respect of business combination activities	**57,560,317**	**57,560,317**	-	-
Weighted average number of ordinary shares in issue for calculation of basic earnings per share	**10,238,270,183**	**10,286,572,436**	10,190,316,361	9,996,864,198
	US$'000	***US$'000***	*US$'000*	*US$'000*
Profit attributable to equity holders of the Company	**162,047**	**303,414**	143,919	252,715

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

- The shares of the Company held by the employee share trusts are for the purposes of awarding shares to eligible employees under the long term incentive program.
- 57,560,317 shares of the Company, representing the consideration shares in respect of the acquisition of Medion AG ("Medion") which serve as security for any potential damages and are to be issued to the seller as deferred consideration within an 18-month period after completion.

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding due to the effect of all dilutive potential ordinary shares. The Company has two categories of dilutive potential ordinary shares, namely share options and long-term incentive awards.

	3 months ended September 30, 2012	**6 months ended September 30, 2012**	3 months ended September 30, 2011	6 months ended September 30, 2011
Weighted average number of ordinary shares in issue for calculation of basic earnings per share	**10,238,270,183**	**10,286,572,436**	10,190,316,361	9,996,864,198
Adjustments for share options and long-term incentive awards	**208,514,695**	**222,895,063**	270,300,589	255,605,076
Weighted average number of ordinary shares in issue for calculation of diluted earnings per share	**10,446,784,878**	**10,509,467,499**	10,460,616,950	10,252,469,274
	US$'000	***US$'000***	*US$'000*	*US$'000*
Profit attributable to equity holders of the Company	**162,047**	**303,414**	143,919	252,715

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.

8 Dividend

	6 months ended September 30, 2012 ***US$'000***	6 months ended September 30, 2011 *US$'000*
Interim dividend, declared after period end – HK4.5 cents (2011/12: HK3.8 cents) per ordinary share	**59,930**	50,473

9 Ageing analysis

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

	September 30, 2012	March 31, 2012
	US$'000	*US$'000*
0 – 30 days	**1,852,379**	1,504,488
31 – 60 days	**707,028**	642,754
61 – 90 days	**194,008**	112,871
Over 90 days	**150,659**	124,193
	2,904,074	2,384,306
Less: provision for impairment	**(23,833)**	(29,397)
Trade receivables – net	**2,880,241**	2,354,909

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

	September 30, 2012	March 31, 2012
	US$'000	*US$'000*
0 – 30 days	**2,776,170**	2,543,626
31 – 60 days	**1,003,961**	1,025,131
61 – 90 days	**164,343**	307,223
Over 90 days	**158,837**	174,292
	4,103,311	4,050,272

10 Deposits, prepayments and other receivables

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

	September 30, 2012	March 31, 2012
	US$'000	*US$'000*
Deposits	**1,225**	884
Other receivables (a)	**2,698,647**	2,442,656
Prepayments (b)	**682,277**	859,513
	3,382,149	3,303,053

(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$194 million as at September 30, 2012 (March 31, 2012: US$392 million) are included in prepayments.

11 Provisions, accruals and other payables

Details of provisions, accruals and other payables are as follows:

	September 30, 2012 *US$'000*	March 31, 2012 *US$'000*
Provisions (a)	**765,179**	725,062
Accruals	**1,213,660**	1,146,665
Allowance for billing adjustments (b)	**1,703,544**	1,753,910
Other payables (c)	**3,629,693**	3,448,559
	7,312,076	7,074,196

(a) The components of provisions are as follows:

	Warranty *US$'000*	**Restructuring** *US$'000*	**Environmental restoration** *US$'000*	**Total** *US$'000*
Year ended March 31, 2012				
At the beginning of the year	694,723	8,419	14,994	718,136
Exchange adjustment	8,835	(564)	(1,699)	6,572
Provisions made	771,391	-	10,573	781,964
Amounts utilized	(615,684)	(4,761)	(5,085)	(625,530)
Unused amounts reversed	(1,286)	(2,861)	(870)	(5,017)
Acquisition of subsidiaries	155,885	-	68,039	223,924
	1,013,864	233	85,952	1,100,049
Long-term portion classified as non-current liabilities	(291,111)	-	(83,876)	(374,987)
At the end of the year	722,753	233	2,076	725,062
Six months ended September 30, 2012				
At the beginning of the period	**1,013,864**	**233**	**85,952**	**1,100,049**
Exchange adjustment	**1,158**	**(8)**	**3,611**	**4,761**
Provisions made	**414,034**	**31**	**17,210**	**431,275**
Amounts utilized	**(373,497)**	**(60)**	**(9,825)**	**(383,382)**
Unused amounts reversed	**(7,390)**	**(46)**	**(1,276)**	**(8,712)**
	1,048,169	**150**	**95,672**	**1,143,991**
Long-term portion classified as non-current liabilities	**(288,801)**	**-**	**(90,011)**	**(378,812)**
At the end of the period	**759,368**	**150**	**5,661**	**765,179**

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.

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

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

12 Other non-current liabilities

Details of other non-current liabilities are as follows:

	September 30, 2012	March 31, 2012
	US$'000	*US$'000*
Contingent considerations (a)	**427,715**	428,915
Guaranteed dividend to non-controlling shareholders of a subsidiary (b)	**29,794**	31,015
Environmental restoration (Note 11 (a))	**90,011**	83,876
Written put option liability (c)	**213,957**	-
Others	**175,498**	98,180
	936,975	641,986

(a) Pursuant to the business combinations of the joint venture with NEC ("NEC JV") and Medion, the Group is required to pay in cash to the respective shareholders of NEC JV and Medion contingent consideration with reference to certain performance indicators. Accordingly, a non-current liability in respect of the present value of contingent considerations has been recognized. The contingent considerations shall be re-measured at their fair values resulting from the change in the expected performance at each balance sheet date, with any resulting gain or loss recognized in the consolidated income statement. The potential undiscounted amounts of all future payments that the Group could be required to make under the arrangements are between US$0 and US$325 million for NEC JV; and between EUR89 million and EUR372 million for Medion.

Subsequent to the balance sheet date, the Group entered into an agreement with Mr. Gerd Brachmann, the former shareholder of Medion, to complete the transfer of ownership interest under the business combination agreement between the Company and Medion. Accordingly, the contingent consideration of approximately US$149 million was de-recognized in October, 2012.

(b) Following the acquisition of Medion, 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. Pursuant to the Domination Agreement, Lenovo Germany has guaranteed to the non-controlling shareholders of Medion an annual guaranteed pre-tax dividend for each fiscal year amounting to EUR0.82 per share. 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.

(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 expires unexercised, the liability will be derecognized with a corresponding adjustment to equity.

13 Share capital

	September 30, 2012		March 31, 2012	
	Number of shares	***HK$'000***	*Number of shares*	*HK$'000*
Authorized:				
At the beginning and the end of the period/year				
Ordinary shares	**20,000,000,000**	**500,000**	20,000,000,000	500,000
	Number of shares	***US$'000***	*Number of shares*	*US$'000*
Issued and fully paid:				
Ordinary shares:				
At the beginning of the period/year	**10,335,612,596**	**33,131**	9,965,161,897	31,941
Issue of shares	**-**	**-**	338,689,699	1,088
Exercise of share options	**6,972,000**	**23**	31,761,000	102
Repurchase of shares	**(57,246,000)**	**(185)**	-	-
At the end of the period/year	**10,285,338,596**	**32,969**	10,335,612,596	33,131

14 Non-controlling interests

Pursuant to the joint venture agreement as disclosed in Note 12(c), US$100 million in respect of the first phase capital contribution has been injected into the JV Co by the Company and Compal in accordance with their equity interests of 51% and 49% respectively. As of September 30, 2012, a receivable in relation to Compal's pending second phase capital contribution of US$98 million was recognized within other receivables with a corresponding credit to non-controlling interests in equity. The second phase capital contribution was subsequently injected into the JV Co in October, 2012.

INTERIM DIVIDEND

The Board has declared an interim dividend of HK4.5 cents (2011/12: HK3.8 cents) per ordinary share for the six months ended September 30, 2012, absorbing an aggregate amount of approximately HK$464.5 million (approximately US$59.9 million) (2011/12: approximately HK$392.2 million (approximately US$50.5 million)), to shareholders whose names appear on the Register of Members of ordinary shares of the Company on Friday, November 23, 2012. The interim dividend will be paid on Monday, December 3, 2012.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of ordinary shares of the Company will be closed on Friday, November 23, 2012, during which no transfer of ordinary shares will be effected. In order to qualify for the interim dividend, all completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's share registrar, Tricor Abacus Limited of 26/F., Tesbury Centre, 28 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Thursday, November 22, 2012. Shares of the Company will be traded ex-dividend as from Wednesday, November 21, 2012.

INTERIM RESULTS

Results

For the six months ended September 30, 2012, the Group achieved total sales of approximately US$16,682 million. Profit attributable to equity holders for the period was approximately US$303 million, representing an increase of US$51 million as compared with the corresponding period of last year. Gross profit margin for the period was 0.3 percentage point down from 12.3 percent reported in the corresponding period of last year. Basic earnings per share and diluted earnings per share were US2.95 cents and US2.89 cents, representing an increase of US0.42 cent and US0.43 cent respectively as compared with the corresponding period of last year.

The Group adopts geographical segments as the reporting format. Geographical segments comprise China, APLA, EMEA and North America. Analyses of sales by segment are set out in Business Review and Outlook below.

For the six months ended September 30, 2012, overall operating expenses across the board increased when compared to the corresponding period of last year as the current period includes a full half-year results of NEC JV and Medion. Employee benefit costs increased by 25 percent as compared to the corresponding period of last year due to increased headcount and performance-driven incentive payments. Branding and promotional expenses increased by 8 percent as compared to the corresponding period of last year as a result of the new product launches.

Further analyses of income and expense by function for the six months ended September 30, 2012 are set out below:

Other income/(loss) – net

This represents the dividend income received from an available-for-sale financial asset and is offset by the net loss on disposal of an available-for-sale financial asset.

Selling and distribution expenses

Selling and distribution expenses for the period increased by 16 percent as compared to the corresponding period of last year. This is principally attributable to a US$26 million increase in promotional, branding and marketing activities and the increase in employee benefit costs.

Administrative expenses
Administrative expenses for the period increased by 6 percent as compared to the corresponding period of last year. This is mainly attributable to the increase in employee benefit costs and a US$13 million increase in depreciation and amortization expenses.

Research and development expenses
Research and development spending for the period increased by 47 percent as compared to the corresponding period of last year. The major part of the increase is attributable to the increase in employee benefit costs, and an increase in R&D supplies & laboratory expenses of US$28 million.

Other operating expense - net
Net other operating expense for the period decreased by US$16 million as compared to the corresponding period of last year. The net other operating expense for the period comprises a US$23 million net exchange loss, netted with subsidy income of US$43 million; and other miscellaneous expenses.

The net other operating expense in the corresponding period of last year represented mainly a one-off license fee of US$27 million, netted with a net exchange gain of US$7 million.

Capital Expenditure

The Group incurred capital expenditure of US$185 million (2011/12: US$94 million) during the six months ended September 30, 2012, mainly for the acquisition of office equipment, completion of construction-in-progress and investments in the Group's information technology systems.

Liquidity and Financial Resources

At September 30, 2012, total assets of the Group amounted to US$16,712 million (March 31, 2012: US$15,861 million), which were financed by equity attributable to owners of the Company of US$2,369 million (March 31, 2012: US$2,361 million), non-controlling interests (net of put option written on non-controlling interest) of US$24 million (March 31, 2012: US$87 million), and total liabilities of US$14,319 million (March 31, 2012: US$13,413 million). At September 30, 2012, the current ratio of the Group was 1.04 (March 31, 2012: 1.00).

The Group had a solid financial position. At September 30, 2012, bank deposits, cash and cash equivalents totaled US$3,875 million (March 31, 2012: US$4,171 million), of which 51.4 (March 31, 2012: 56.9) percent was denominated in US dollars, 38.5 (March 31, 2012: 27.6) percent in Renminbi, 3.1 (March 31, 2012: 7.7) percent in Euros, 2.7 (March 31, 2012: 3.5) percent in Japanese Yen, and 4.3 (March 31, 2012: 4.3) percent in other currencies.

The Group adopts a conservative policy to invest the surplus cash generated from operations. At September 30, 2012, 74.1 (March 31, 2012: 74.2) percent of cash are bank deposits, and 25.9 (March 31, 2012: 25.8) 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 has a 5-Year loan facility agreement with a bank of US$300 million entered into on July 17, 2009. During the period, the Group drew down the loan of US$300 million. At September 30, 2012, the facility was fully utilized (March 31, 2012: Nil).

In addition, the Group has another 5-Year loan facility agreement with syndicated banks for US$500 million entered into on February 2, 2011. The facility has not been utilized as at September 30, 2012 (March 31, 2012: Nil).

The Group has also arranged other short-term credit facilities. At September 30, 2012, the Group's total available credit facilities amounted to US$7,035 million (March 31, 2012: US$6,642 million), of which US$372 million (March 31, 2012: US$362 million) was in trade lines, US$484 million (March 31, 2012: US$521 million) in short-term and revolving money market facilities and US$6,179 million (March 31, 2012: US$5,759 million) in forward foreign exchange contracts. At September 30, 2012, the amounts drawn down were US$177 million (March 31, 2012: US$220 million) in trade lines, US$5,580 million (March 31, 2012: US$4,720 million) being used for the forward foreign exchange contracts; and US$24 million (March 31, 2012: US$63 million) in short-term bank loans.

At September 30, 2012, the Group's outstanding bank loans represented the term loan of US$300 million (March 31, 2012: Nil) and short-term bank loans of US$24 million (March 31, 2012: US$63 million). When compared with total equity of US$2,393 million (March 31, 2012: US$2,448 million), the Group's gearing ratio was 0.14 (March 31, 2012: 0.03). The net cash position of the Group at September 30, 2012 is US$3,551 million (March 31, 2012: US$4,108 million).

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

The Group adopts a consistent hedging policy for business transactions to reduce the risk of currency fluctuation arising from daily operations. At September 30, 2012, the Group had commitments in respect of outstanding forward foreign exchange contracts amounting to US$5,580 million (March 31, 2012: US$4,720 million).

The Group's forward foreign exchange contracts are either used to hedge a percentage of future transactions which are highly probable, or used as fair value hedges for identified assets and liabilities.

Contingent Liabilities

The Group, in the ordinary course of its business, is involved in various claims, suits, investigations, and legal proceedings that arise from time to time. Although the Group does not expect that the outcome in any of these other legal proceedings, individually or collectively, will have a material adverse effect on its financial position or results of operations, litigation is inherently unpredictable. Therefore, the Group could incur judgments or enter into settlements of claims that could adversely affect its operating results or cash flows in a particular period.

BUSINESS REVIEW AND FUTURE PROSPECTS

Business Review

During the six months ended September 30, 2012, Lenovo continued to outgrow the worldwide PC market through the solid execution of its "Protect and Attack" strategy, by protecting its leadership in China and its worldwide enterprise business while expanding its footprint in the consumer business and emerging markets outside China. Lenovo grew in spite of challenges in the worldwide PC market impacted by the weakening macro environment and product transition. The Group recorded a balanced and strong growth in all geographic, product and customer segments, in unit shipments, revenue and profit for the Group's PC business. The Group recorded 17 percent year-on-year unit shipments growth during the interim period against the global PC market decline at 5 percent, according to preliminary industry estimates. Lenovo's worldwide PC market share continued to increase in the past two quarters, reaching a historic high level of 15.6 percent in fiscal quarter two, maintaining as one of the top two worldwide PC vendors over the last two quarters, and narrowing the gap with the number one player to only 0.2 percentage point. Lenovo became worldwide number one consumer and notebook PC company in fiscal quarter two and remained as the largest PC company in emerging markets including China.

During the period under review, the Group had announced several corporate transactions to further drive future growth. The partnership with EMC announced in July is a solid first step in Lenovo's aspiration to be a leading provider of servers with a suite of complementary storage products. These products are the backend enterprise IT Infrastructure that power the PC+ era and build on our leading position as a provider of PC to enterprise customers. The Group also announced its plan to expand into the high-growth Brazilian market by building a manufacturing plant as well as acquiring the fifth largest PC player, CCE. CCE is widely known as a leader in PC and consumer electronics in Brazil and represents a bold move into the PC+ market in Brazil and the global expansion of Lenovo's PC+ strategy. Similarly, the acquisition of software firm Stoneware further enhances the Group's cloud computing strategy, accelerating Lenovo's capabilities for both commercial and consumer cloud offerings and further strengthening the Group's PC+ strategy over time.

The Mobile Internet and Digital Home (MIDH) Group also showed good progress and growth momentum driven by the smartphone business. The strong performance in MIDH has bolstered the Group's overall performance, providing balanced growth with the Group's PC business. The Group's smartphone recorded unit shipments more than 20 times higher year-on-year during the fiscal first half year, resulting in the number two ranking in China, according to preliminary industry estimates. The Group's media tablet business also showed encouraging development by growing 166 percent year-on-year in unit shipments and remained as the number two player in China. In addition, Lenovo has also launched its Smart TV business in China, part of its "Four screens, One cloud" strategy, with an objective to offer a complete product portfolio to customers. The initial market response has been encouraging.

For the six months ended September 30, 2012, the Group's sales increased by 22 percent year-on-year to US$16,682 million. Sales of the Group's PC business were US$14,832 million, representing a year-on-year increase of 14 percent, while the sales of MIDH business, which was largely from smartphone sales in China, increased by 163 percent year-on-year to US$1,305 million. Gross profit increased by 19 percent year-on-year to US$2,009 million. Gross margin for the interim period declined slightly by 0.3 percentage point from the same period last year to 12.0 percent, due to the higher mix of consumer products. The Group has continued to invest in product innovation, branding, MIDH business and consumer business outside China, with an objective to drive long-term sustainable growth and better profitability in the future. As a result, operating expenses increased by 16 percent year-on-year to US$1,621 million but the expense-to-revenue ratio improved from 10.2 percent to 9.7 percent, as sales revenue has grown faster than expenses. The Group recorded profit before taxation at US$389 million and profit attributed to shareholders amounted to US$303 million, representing an increase of 35 percent and 20 percent year-on-year respectively.

Performance of Geographies

During the six months ended September 30, 2012, Lenovo achieved solid and balanced performance in all geographies where it has operations, mainly driven by the Group's leading market position in China, rapid market share expansion in all geographies and balanced performance across product and customer segments.

China

China accounted for 44 percent of the Group's total revenue. Driven by the solid execution of the Group's strategy to become a leading PC+ company, it recorded balanced and strong growth for both its PC and MIDH businesses during the fiscal first half year.

Lenovo's strategy in protecting mature cities and attacking the high-growth emerging smaller cities and rural areas continued to perform well, enabling the Group's PC business to continue to outperform in China and further extend its leadership through share gain. Lenovo's PC unit shipments in China grew by 8 percent year-on-year, against market decline of 2 percent, according to preliminary industry estimates, maintaining a roughly 10-point premium to the market. As a result, the Group further extended its leadership in the China PC market by adding 3.1 percentage point in market share year-on-year to 34.4 percent, and the market share gap between Lenovo and its major competitors further widened during the interim period. The Group's MIDH business in China posted strong unit shipments growth. The Group's smartphone unit shipment grew more than 20 times from the same period last year, while its media tablets business also showed strong shipment growth at 1.4 times year-on-year. The Group continued to record strong revenue growth, up 22 percent, supported by the stellar MIDH performance that was up 163 percent year-on-year.

Operating profit increased by 10 percent to US$333 million and operating margin was 4.5 percent, decreasing by 0.5 percentage point year-on-year due to the increased investments in MIDH business.

Operating margin for the China PC business was 6.2 percent, up 0.1 percentage point year-on-year, which demonstrated the Group's solid position in China PC business.

Asia Pacific/ Latin America (APLA)

APLA accounted for 21 percent of the Group's total revenue. The Group has grown and outperformed in this region in the past two quarters. Lenovo's unit shipments in APLA grew 26 percent year-on-year against a 7 percent decline for the overall market, according to preliminary industry estimates. In particular, unit shipments in India and ASEAN increased by 54 and 12 percent, respectively, from a year ago.

As a result, Lenovo achieved a record high market share in APLA of 11.5 percent, up 1.6 percentage point year-on-year with historical high market shares in Japan (27.2 percent) and ASEAN (9.4 percent) in fiscal quarter two.

Operating profit in APLA further improved to US$15 million during the interim period and operating margin was 0.4 percent, an increase of 0.3 percentage point year-on-year.

Europe-Middle East-Africa (EMEA)

EMEA accounted for 20 percent of the Group's total revenue. Lenovo's unit shipments in EMEA grew by 40 percent year-on-year, which was a 41-point premium to the market. Thus the Group's market share increased by 2.8 percentage point from a year ago to 9.8 percent for the interim period, according to preliminary industry estimates. Strong unit shipments growth and share gains were recorded across all key regions such as RUCIS (+34.7 percent), EET (+64.2 percent) and MEA (+46.6 percent) year-on-year in fiscal quarter two. Lenovo became the number three PC company in EMEA regions with market share for the first time above 10 percent at 10.8 percent and the number one PC player in Germany, Russia and Demark in fiscal quarter two.

Operating profit in EMEA regions further improved to US$59 million during the interim period and operating margin was 1.7 percent, an increase of 0.7 percentage point year-on-year.

North America

North America accounted for 15 percent of the Group's total revenue. Lenovo's unit shipments in North America grew by 8 percent year-on-year, which was about 20-point premium to the market. Thus the Group's market share increased by 1.5 percentage point from a year ago to 8.4 percent, according to preliminary industry estimates. Lenovo has also maintained as the number four PC Company in North America and the U.S. markets in fiscal quarter two.

Operating profit in North America remained stable at about US$90 million during the interim period and operating margin was 3.7 percent, a decrease of 0.3 percentage point year-on-year. The decrease was mainly attributable to an increased mix of small- and medium-sized enterprise and consumer business.

Performance of Product Group

During the six months ended September 30, 2012, Lenovo recorded strong and balanced unit shipments growth in both commercial and consumer PCs. Lenovo's commercial PC unit shipments grew 6 percent year-on-year and its market share in the worldwide commercial PC market share increased by 2.2 percentage point from a year ago to a record high 18.3 percent, according to preliminary industry estimates. Lenovo maintained the number one position in the worldwide commercial notebook PC segment in fiscal quarter two. During the interim period under review, the Think Product Group, which mainly targets commercial customers, announced the ThinkPad® X1 Carbon, the World's First True Business Ultrabook. The X1 Carbon exemplifies 20 years of ThinkPad® innovation and is for commercial customers that demand an extremely thin and light computing device with uncompromising performance.

Meanwhile, the Group's consumer PC business also recorded strong shipment growth of 33 percent year-on-year and its market share in the worldwide consumer PC market was up by 3.5 percentage point to 12.7 percent from the corresponding period in the last fiscal year. Lenovo became number one in the global consumer PC segment in fiscal quarter two. The Idea Product Group, which primarily focuses on consumer and entry SMB products, announced a series of new and stylish notebooks – such as the IdeaPad® U310/U410 ultrabook designed for fashion-minded customers, who want a product that is lighter, yet powerful and productive. The Group also launched IdeaCentre® A720 AIO desktop PC, which provides customers with a unique experience of a 95-degree adjustable viewing angle and a 10-point touch screen in an optimized AIO.

Lenovo also achieved strong, balanced growth and market share gains for both notebook and desktop PCs during the interim period. Unit shipments for the Group's notebook and desktop PCs grew by 18 percent and 15 percent year-on-year, respectively. Lenovo's market share in the worldwide notebook PC market increased 2.9 percentage point from a year ago to 15.6 percent, while its worldwide desktop PC market share increased by 2.7 percentage point to 14.9 percent from the corresponding period last fiscal year, according to preliminary industry estimates. Lenovo became the largest company in the global notebook PC market and maintained its second largest desktop PC player in fiscal quarter two.

MIDH worldwide business accounted for 8 percent of the Group's total sales and, as stated, Lenovo's mobile handset business posted strong unit shipments growth during the interim period. This was driven by continued strong smartphone demand in China. Lenovo's market share in China's smartphone market increased 11.6 percentage point from a year ago to 13.0 percent. The new models launched during the interim period, including the 5-inch S880, the A520 and the entry level phone A366t, received good market response and provided strong drive in unit shipments. Overall unit shipments of smartphone thus grew more than 20 times year-on-year for the interim period. The Group continued its strong momentum in the media tablet business, with unit shipments growing 1.7 times year-on-year during the interim period. In addition, the Group has also launched its smart TV products and the initial market response for these new TV products was encouraging.

Future Prospects

Although worldwide PC demand largely remain challenging due to weakening economic conditions, Lenovo stays both optimistic about the future of the PC market and committed to innovation. The Group is confident it will continue to outgrow the worldwide PC market with balanced growth across the board and continued profitability improvement. The Group is fully committed to the PC industry and is on course to become the worldwide leader. The Group will continue its successful "Protect and Attack" strategy to drive strong and balanced growth, business scale expansion and profitability enhancement in PCs while also expanding its business across the four screens (PC, tablet, smartphone, Smart TV) of devices and into the ecosystem of cloud, services and other applications that make up the PC+ market.

In China, the world's largest PC market, Lenovo will continue to expand its market leading position in the PC market, leveraging its strong leadership in the high growth emerging cities and its strong presence across different customer and product segments, while solidly executing its Protect and Attack strategy to evolve from a winning PC company to a winning PC+ company.

Outside China, the Group will continue to drive its strong growth momentum under its attack strategy with the aim of capturing market share and improving profitability as the Group expands its market share to double-digit shares in key regions. The Group will continue to focus on improving profitability by protecting its relationship business and attacking the growth opportunity in both consumer and SMB PC segments. The Group announced in September 2012 the acquisition of CCE in Brazil with an objective of accelerating its expansion into the high growth Brazilian market ahead of major events such as the World Cup and Olympics that likely will drive higher domestic PC demand. The Group also announced its partnership with EMC Corporation (EMC) in server and storage businesses. The global alliance with EMC is set to enhance Lenovo's position in industry standard servers and networked storage solutions, thus broadening its product portfolio to enhance its service to its global commercial customers. This partnership, coupled with the acquisition of Stoneware, a cloud solution software company, will help Lenovo fully deliver on its PC+ strategy by giving the Group strong back-end capabilities in addition to the already strong position in devices.

The Group will continue its investment in building its core competencies, product innovation, branding and new PC+ segments, including mobile internet and digital home (MIDH), balancing expenses and revenues to drive long-term sustainable profit growth.

The Group will launch more new tablet/hybrid devices as well as new innovations in its product pipeline to capture market opportunities. Lenovo will also continue to invest in building a global brand that will become a strength that makes the Group more competitive in the consumer business, and improves its profitability over time.

Looking forward, given its strong financial position, the Group will continue to actively look for inorganic growth opportunities that would supplement its organic growth strategy and accelerate future expansion. Lenovo will build on its success by continuing to focus on scaling its growth and controlling costs, thereby enhancing its competitiveness to ensure future sustainable profit growth.

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

During the six months ended September 30, 2012, the Company repurchased a total of 57,246,000 ordinary shares of HK$0.025 each in the capital of the Company at prices ranging from HK$5.54 to HK$6.49 per share on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Details of the repurchases of such ordinary shares were as follows:

Month of repurchases	**Number of ordinary shares repurchased**	**Highest price paid per share**	**Lowest price paid per share**	**Aggregate consideration paid (excluding expenses)**
		HK$	HK$	HK$
June 2012	8,010,000	6.49	6.24	51,131,740
July 2012	49,236,000	6.48	5.54	291,171,260
	57,246,000			342,303,000

All 57,246,000 ordinary shares repurchased were cancelled on delivery of the share certificates during the period and the issued share capital of the Company was accordingly diminished by the nominal value of the repurchased ordinary shares so cancelled. The premium paid on repurchase of such ordinary shares was charged against the share premium account of the Company.

During the six months ended September 30, 2012, the trustee of the long term incentive program of the Company purchased 77,062,000 ordinary shares from the market for award to employees upon vesting. Details of the program are set out in the 2011/12 Annual Report of the Company.

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's securities during the six months ended September 30, 2012.

REVIEW BY AUDIT COMMITTEE

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

The Audit Committee of the Company has reviewed the unaudited interim results of the Group for the six months ended September 30, 2012. It meets regularly with the management, the external auditor and the internal audit personnel to discuss the accounting principles and practices adopted by the Group and internal control and financial reporting matters.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

None of the directors of the Company is aware of any information that would reasonably indicate that the Company is not, or was not during the six months ended September 30, 2012, in compliance with the code provisions of the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange save for the deviation under code provision A.2.1 as disclosed in the Corporate Governance Report of the 2011/12 Annual Report of the Company.

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

November 8, 2012

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