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Lenovo Group Limited 聯想集團有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 0992)

FY2012/13 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 nine months ended December 31, 2012 together with comparative figures for the corresponding period of last year, as follows:

CONSOLIDATED INCOME STATEMENT

	Note	**3 months ended December 31, 2012 (unaudited)** ***US$'000***	**9 months ended December 31, 2012 (unaudited)** ***US$'000***	3 months ended December 31, 2011 (unaudited) *US$'000*	9 months ended December 31, 2011 (unaudited) *US$'000*
Revenue	*2*	**9,358,746**	**26,041,043**	8,371,858	22,078,160
Cost of sales		**(8,257,471)**	**(22,930,605)**	(7,417,698)	(19,437,671)
Gross profit		**1,101,275**	**3,110,438**	954,160	2,640,489
Other income - net	*3*	**19,954**	**19,907**	1,199	1,199
Selling and distribution expenses		**(535,584)**	**(1,470,770)**	(458,411)	(1,266,446)
Administrative expenses		**(227,138)**	**(619,299)**	(169,908)	(540,975)
Research and development expenses		**(162,432)**	**(450,697)**	(117,722)	(314,038)
Other operating income /(expenses) - net		**47,448**	**41,399**	(15,853)	(37,611)
Operating profit	*4*	**243,523**	**630,978**	193,465	482,618
Finance income	*5(a)*	**11,128**	**33,123**	12,568	31,706
Finance costs	*5(b)*	**(8,051)**	**(27,692)**	(13,580)	(33,119)
Share of losses of associates and jointly controlled entities		**(144)**	**(880)**	(103)	(500)
Profit before taxation		**246,456**	**635,529**	192,350	480,705
Taxation	*6*	**(46,386)**	**(128,136)**	(37,975)	(72,864)
Profit for the period		**200,070**	**507,393**	154,375	407,841
Profit/(loss) attributable to:					
Equity holders of the Company		**204,870**	**508,284**	153,459	406,174
Non-controlling interests		**(4,800)**	**(891)**	916	1,667
		200,070	**507,393**	154,375	407,841
Earnings per share attributable to equity holders of the Company					
Basic	*7(a)*	**US 1.99 cents**	**US 4.94 cents**	US 1.50 cents	US 4.03 cents
Diluted	*7(b)*	**US 1.96 cents**	**US 4.85 cents**	US 1.46 cents	US 3.94 cents
Dividend	*8*		**59,930**		50,473

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	3 months ended December 31, 2012 (unaudited) ***US$'000***	**9 months ended December 31, 2012 (unaudited)** ***US$'000***	3 months ended December 31, 2011 (unaudited) *US$'000*	9 months ended December 31, 2011 (unaudited) *US$'000*
Profit for the period	**200,070**	**507,393**	154,375	407,841
Other comprehensive income/(loss)				
Fair value change on available-for-sale financial assets, net of taxes	**(2,913)**	**(10,230)**	962	(51,184)
Fair value change on cash flow hedges				
- Interest rate swap contracts				
Fair value loss, net of taxes	**-**	**-**	(60)	(759)
Reclassified to consolidated income statement	**-**	**-**	451	1,435
- Forward foreign exchange contracts				
Fair value gain/(loss), net of taxes	**50,197**	**14,180**	(38,291)	26,286
Reclassified to consolidated income statement	**14,351**	**(2,164)**	29,210	11,604
Actuarial loss from defined benefit pension plans, net of taxes	**-**	**(324)**	-	(318)
Currency translation differences	**(36,427)**	**(60,824)**	(19,132)	(41,201)
	25,208	**(59,362)**	(26,860)	(54,137)
Total comprehensive income for the period	**225,278**	**448,031**	127,515	353,704
Total comprehensive income/(loss) attributable to:				
Equity holders of the Company	**230,078**	**448,922**	129,748	358,779
Non-controlling interests	**(4,800)**	**(891)**	(2,233)	(5,075)
	225,278	**448,031**	127,515	353,704

CONSOLIDATED BALANCE SHEET

	Note	**December 31, 2012 (unaudited)** ***US$'000***	March 31, 2012 (audited) *US$'000*
Non-current assets			
Property, plant and equipment		**401,357**	392,474
Prepaid lease payments		**36,670**	13,552
Construction-in-progress		**254,152**	103,986
Intangible assets		**3,177,208**	3,091,205
Interests in associates and jointly controlled entities		**2,584**	3,410
Deferred income tax assets		**351,660**	332,493
Available-for-sale financial assets		**64,784**	71,946
Other non-current assets		**35,858**	31,282
		4,324,273	4,040,348
Current assets			
Inventories		**1,802,339**	1,218,494
Trade receivables	*9(a)*	**3,237,526**	2,354,909
Notes receivable		**826,764**	639,331
Derivative financial assets		**102,145**	62,883
Deposits, prepayments and other receivables	*10*	**3,187,680**	3,303,053
Income tax recoverable		**54,964**	70,406
Bank deposits		**420,740**	413,672
Cash and cash equivalents		**4,059,505**	3,757,652
		13,691,663	11,820,400
Total assets		**18,015,936**	15,860,748

CONSOLIDATED BALANCE SHEET (CONTINUED)

	Note	**December 31, 2012 (unaudited)** *US$'000*	March 31, 2012 (audited) *US$'000*
Share capital	*13*	**33,100**	33,131
Reserves		**2,547,922**	2,328,104
Equity attributable to owners of the Company		**2,581,022**	2,361,235
Non-controlling interests	*14*	**233,543**	86,734
Put option written on non-controlling interest	*12(c)*	**(212,900)**	-
Total equity		**2,601,665**	2,447,969
Non-current liabilities			
Bank borrowings		**300,000**	-
Warranty provision	*11(a)*	**296,530**	291,111
Deferred revenue		**413,294**	381,593
Retirement benefit obligations		**148,478**	204,818
Deferred income tax liabilities		**94,950**	83,594
Other non-current liabilities	*12*	**817,580**	641,986
		2,070,832	1,603,102
Current liabilities			
Trade payables	*9(b)*	**4,719,744**	4,050,272
Notes payable		**101,528**	127,315
Derivative financial liabilities		**64,528**	49,253
Provisions, accruals and other payables	*11*	**7,934,909**	7,074,196
Deferred revenue		**396,345**	310,159
Income tax payable		**104,859**	135,530
Bank borrowings		**21,526**	62,952
		13,343,439	11,809,677
Total liabilities		**15,414,271**	13,412,779
Total equity and liabilities		**18,015,936**	15,860,748
Net current assets		**348,224**	10,723
Total assets less current liabilities		**4,672,497**	4,051,071

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	9 months ended December 31, 2012 (unaudited) ***US$'000***	9 months ended December 31, 2011 (unaudited) *US$'000*
Net cash generated from operating activities	**698,050**	1,586,930
Net cash used in investing activities	**(382,610)**	(372,460)
Net cash used in financing activities	**(13,135)**	(110,011)
Increase in cash and cash equivalents	**302,305**	1,104,459
Effect of foreign exchange rate changes	**(452)**	14,700
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	**4,059,505**	4,073,657

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/(loss) for the period	-	-	-	-	-	-	-	-	-	508,284	(891)	-	507,393
Other comprehensive (loss)/income	-	-	(10,230)	-	-	-	12,016	(60,824)	-	(324)	-	-	(59,362)
Total comprehensive (loss)/income for the period	-	-	(10,230)	-	-	-	12,016	(60,824)	-	507,960	(891)	-	448,031
Contribution from non-controlling interest (Note 14)	-	-	-	-	-	-	-	-	-	-	147,700	-	147,700
Put option written on non-controlling interest (Note 12(c))	-	-	-	-	-	-	-	-	-	-	-	(212,900)	(212,900)
Transfer to statutory reserve	-	-	-	-	-	-	-	-	164	(164)	-	-	-
Issue of ordinary shares	116	28,519	-	-	-	-	-	-	-	-	-	-	28,635
Exercise of share options	38	3,566	-	-	-	-	-	-	-	-	-	-	3,604
Dividend paid	-	-	-	-	-	-	-	-	-	(198,865)	-	-	(198,865)
Repurchase of shares	(185)	(44,122)	-	185	-	-	-	-	-	-	-	-	(44,122)
Vesting of shares under long-term incentive program	-	-	-	-	53,069	(68,836)	-	-	-	-	-	-	(15,767)
Share-based compensation	-	-	-	-	-	57,415	-	-	-	-	-	-	57,415
Contribution to employee share trust	-	-	-	-	(60,035)	-	-	-	-	-	-	-	(60,035)
At December 31, 2012	33,100	1,572,485	9,907	1,188	(34,824)	41,657	27,323	(109,072)	101,012	938,246	233,543	(212,900)	2,601,665
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	-	-	-	-	-	-	-	-	-	406,174	1,667	-	407,841
Other comprehensive (loss)/income	-	-	(51,184)	-	-	-	38,563	(34,456)	-	(318)	(6,742)	-	(54,137)
Total comprehensive (loss)/income for the period	-	-	(51,184)	-	-	-	38,563	(34,456)	-	405,856	(5,075)	-	353,704
Consideration for acquisition	-	-	-	-	-	-	-	-	36,555	-	-	-	36,555
Acquisition of subsidiaries	-	-	-	-	-	-	-	-	-	-	81,926	-	81,926
Transfer to statutory reserve	-	-	-	-	-	-	-	-	5,274	(5,274)	-	-	-
Issue of ordinary shares	1,088	196,206	-	-	-	-	-	-	-	-	-	-	197,294
Dividend paid	-	-	-	-	-	-	-	-	-	(114,687)	-	-	(114,687)
Exercise of share options	76	8,282	-	-	-	-	-	-	-	-	-	-	8,358
Vesting of shares under long-term incentive program	-	-	-	-	23,395	(32,705)	-	-	-	-	-	-	(9,310)
Share-based compensation	-	-	-	-	-	51,033	-	-	-	-	-	-	51,033
At December 31, 2011	33,105	1,582,017	5,290	1,003	(52,715)	81,608	19,980	(35,979)	100,065	628,369	77,030	-	2,439,773

Notes

1 Basis of preparation

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

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

The Group has adopted the 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
Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011), Investment entities	January 1, 2014

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 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, 2012		9 months ended December 31, 2011	
	Revenue from external customers	**Adjusted pre-tax income**	Revenue from external customers	Adjusted pre-tax income/(loss)
	US$'000	***US$'000***	*US$'000*	*US$'000*
China	**11,409,713**	**525,450**	9,494,168	468,499
APLA	**5,209,597**	**20,934**	4,556,628	(204)
EMEA	**5,685,976**	**104,239**	4,550,874	66,320
North America	**3,735,757**	**124,281**	3,476,490	128,032
Segment total	**26,041,043**	**774,904**	22,078,160	662,647
Unallocated:				
Headquarters and corporate expenses		**(170,328)**		(192,712)
Restructuring costs		**(29)**		781
Finance income		**27,718**		22,785
Finance costs		**(15,763)**		(13,495)
De-recognition of contingent consideration		**19,861**		-
Net loss on disposal of an available-for-sale financial asset		**(316)**		1,104
Dividend income from an available-for-sale financial asset		**362**		95
Share of losses of associates and jointly controlled entities		**(880)**		(500)
		635,529		480,705

(b) Segment assets for reportable segments

	December 31, 2012	March 31, 2012
	US$'000	*US$'000*
China	**5,744,723**	4,580,746
APLA	**3,039,960**	3,036,960
EMEA	**2,309,882**	2,096,253
North America	**917,320**	786,670
Segment assets for reportable segments	**12,011,885**	10,500,629
Unallocated:		
Deferred income tax assets	**351,660**	332,493
Derivative financial assets	**102,145**	62,883
Available-for-sale financial assets	**64,784**	71,946
Interests in associates and jointly controlled entities	**2,584**	3,410
Unallocated bank deposits and cash and cash equivalents	**2,248,144**	2,291,250
Unallocated inventories	**548,379**	356,677
Unallocated deposits, prepayments and other receivables	**2,351,156**	2,130,468
Income tax recoverable	**54,964**	70,406
Other unallocated assets	**280,235**	40,586
Total assets per consolidated balance sheet	**18,015,936**	15,860,748

(c) Segment liabilities for reportable segments

	December 31, 2012 *US$'000*	March 31, 2012 *US$'000*
China	**5,155,387**	4,063,257
APLA	**1,805,629**	2,092,914
EMEA	**1,204,693**	1,284,035
North America	**1,025,791**	888,180
Segment liabilities for reportable segments	**9,191,500**	8,328,386
Unallocated:		
Income tax payable	**104,859**	135,530
Deferred income tax liabilities	**94,950**	83,594
Derivative financial liabilities	**64,528**	49,253
Bank borrowings	**300,000**	-
Unallocated trade payables	**2,501,347**	2,588,493
Unallocated provisions, accruals and other payables	**2,794,252**	2,184,659
Unallocated other non-current liabilities	**275,430**	1,032
Other unallocated liabilities	**87,405**	41,832
Total liabilities per consolidated balance sheet	**15,414,271**	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:

	9 months ended December 31, 2012 *US$'000*	9 months ended December 31, 2011 *US$'000*
Sale of personal technology products and services		
– desktop computer	**8,152,351**	7,467,853
– notebook computer	**13,785,660**	12,479,978
– mobile internet and digital home	**2,303,126**	1,061,831
– others	**861,656**	471,907
Sale of other goods and services	**938,250**	596,591
	26,041,043	22,078,160

(e) Other segment information

	China		APLA		EMEA		North America		Total	
For the nine months ended December 31	**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	**65,214**	55,290	**33,753**	29,443	**27,714**	24,249	**21,325**	21,616	**148,006**	130,598
Finance income	**2,570**	2,138	**2,292**	3,972	**534**	2,642	**9**	169	**5,405**	8,921
Finance costs	**314**	-	**4,183**	4,777	**4,862**	11,962	**2,570**	2,885	**11,929**	19,624
Additions to non-current assets *	**42,931**	52,357	**31,154**	15,389	**6,569**	3,785	**9,032**	5,388	**89,686**	76,919

* 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$2,711 million (excluding US$99 million of goodwill pending allocation) (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 December 31, 2012

	China	**APLA**	**EMEA**	**North America**	**Amounts pending allocation**	**Total**
	US$ million	*US$ million*	*US$ million*	*US$ million*	*US$ million*	*US$ million*
Goodwill	**1,111**	**724**	**266**	**160**	**99**	**2,360**
Trademarks and trade names	**209**	**68**	**115**	**58**	**-**	**450**

At March 31, 2012

	China	REM *	North America	West Europe	Japan, Australia, New Zealand	Total
	US$ million	*US$ million*	*US$ million*	*US$ million*	*US$ million*	*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.

Goodwill pending allocation represents the amount attributable to the acquisition of Stoneware, Inc. and the formation of a strategic partnership with EMC Corporation, details of which are set out in Note 15. The goodwill is primarily attributable to the significant synergies expected to arise in connection with the development of Cloud Computing related softwares, server products and with a suite of complementary storage products. Management is in the process of determining the allocation of goodwill to the appropriate cash generating units of the Group.

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

3 Other income – net

	3 months ended December 31, 2012 *US$'000*	**9 months ended December 31, 2012** *US$'000*	3 months ended December 31, 2011 *US$'000*	9 months ended December 31, 2011 *US$'000*
De-recognition of contingent consideration	**19,861**	**19,861**	-	-
Net (loss)/gain on disposal of an available-for-sale financial asset	**-**	**(316)**	1,104	1,104
Dividend income from an available-for-sale financial asset	**93**	**362**	95	95
	19,954	**19,907**	1,199	1,199

4 Operating profit

Operating profit is stated after charging the following:

	3 months ended December 31, 2012 *US$'000*	**9 months ended December 31, 2012** *US$'000*	3 months ended December 31, 2011 *US$'000*	9 months ended December 31, 2011 *US$'000*
Depreciation of property, plant and equipment and amortization of prepaid lease payments	**22,313**	**63,715**	20,347	57,666
Amortization of intangible assets	**27,619**	**84,291**	29,831	72,932
Employee benefit costs, including	**613,861**	**1,730,067**	503,040	1,396,747
- long-term incentive awards	***18,836***	***57,415***	*16,521*	*51,033*
Rental expenses under operating leases	**19,882**	**55,787**	17,055	46,418

5 Finance income and costs

(a) Finance income

	3 months ended December 31, 2012 *US$'000*	**9 months ended December 31, 2012** *US$'000*	3 months ended December 31, 2011 *US$'000*	9 months ended December 31, 2011 *US$'000*
Interest on bank deposits	**9,690**	**27,457**	9,350	25,826
Interest on money market funds	**763**	**2,163**	1,016	2,165
Others	**675**	**3,503**	2,202	3,715
	11,128	**33,123**	12,568	31,706

(b) Finance costs

	3 months ended December 31, 2012	**9 months ended December 31, 2012**	3 months ended December 31, 2011	9 months ended December 31, 2011
	US$'000	***US$'000***	*US$'000*	*US$'000*
Interest on bank loans and overdrafts	**1,913**	**3,816**	2,153	6,026
Factoring cost	**2,472**	**10,908**	7,344	18,117
Commitment fee	**806**	**5,102**	1,412	4,713
Interest on contingent considerations and put option liability	**2,686**	**7,387**	1,584	3,042
Others	**174**	**479**	1,087	1,221
	8,051	**27,692**	13,580	33,119

6 Taxation

The amount of taxation in the consolidated income statement represents:

	3 months ended December 31, 2012	**9 months ended December 31, 2012**	3 months ended December 31, 2011	9 months ended December 31, 2011
	US$'000	***US$'000***	*US$'000*	*US$'000*
Current taxation				
Hong Kong profits tax	**753**	**845**	41	171
Taxation outside Hong Kong	**54,907**	**137,599**	36,283	124,811
Deferred taxation	**(9,274)**	**(10,308)**	1,651	(52,118)
	46,386	**128,136**	37,975	72,864

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 December 31, 2012	**9 months ended December 31, 2012**	3 months ended December 31, 2011	9 months ended December 31, 2011
Weighted average number of ordinary shares in issue	**10,320,052,791**	**10,314,316,436**	10,380,763,543	10,229,205,530
Adjustment for shares held by employee share trusts	**(101,297,898)**	**(88,735,825)**	(132,354,050)	(148,220,050)
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	**10,276,315,210**	**10,283,140,928**	10,248,409,493	10,080,985,480
	US$'000	***US$'000***	*US$'000*	*US$'000*
Profit attributable to equity holders of the Company	**204,870**	**508,284**	153,459	406,174

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 December 31, 2012	**9 months ended December 31, 2012**	3 months ended December 31, 2011	9 months ended December 31, 2011
Weighted average number of ordinary shares in issue for calculation of basic earnings per share	**10,276,315,210**	**10,283,140,928**	10,248,409,493	10,080,985,480
Adjustments for share options and long-term incentive awards	**194,085,735**	**189,605,073**	266,942,553	234,728,315
Weighted average number of ordinary shares in issue for calculation of diluted earnings per share	**10,470,400,945**	**10,472,746,001**	10,515,352,046	10,315,713,795
	US$'000	***US$'000***	*US$'000*	*US$'000*
Profit attributable to equity holders of the Company	**204,870**	**508,284**	153,459	406,174

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

	9 months ended December 31, 2012	9 months ended December 31, 2011
	US$'000	*US$'000*
Interim dividend, for the six months ended September 30, 2012, of HK4.5 cents (2011/12: HK3.8 cents) per ordinary share, paid on December 3, 2012	**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:

	December 31, 2012	March 31, 2012
	US$'000	*US$'000*
0 – 30 days	**2,164,491**	1,504,488
31 – 60 days	**727,641**	642,754
61 – 90 days	**200,909**	112,871
Over 90 days	**169,543**	124,193
	3,262,584	2,384,306
Less: provision for impairment	**(25,058)**	(29,397)
Trade receivables – net	**3,237,526**	2,354,909

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

	December 31, 2012	March 31, 2012
	US$'000	*US$'000*
0 – 30 days	**2,823,514**	2,543,626
31 – 60 days	**1,298,551**	1,025,131
61 – 90 days	**434,572**	307,223
Over 90 days	**163,107**	174,292
	4,719,744	4,050,272

10 Deposits, prepayments and other receivables

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

	December 31, 2012	March 31, 2012
	US$'000	*US$'000*
Deposits	**1,409**	884
Other receivables (a)	**2,470,611**	2,442,656
Prepayments (b)	**715,660**	859,513
	3,187,680	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$155 million as at December 31, 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:

	December 31, 2012 *US$'000*	March 31, 2012 *US$'000*
Provisions (a)	**791,702**	725,062
Accruals	**1,381,627**	1,146,665
Allowance for billing adjustments (b)	**1,902,008**	1,753,910
Other payables (c)	**3,859,572**	3,448,559
	7,934,909	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
Nine months ended December 31, 2012				
At the beginning of the period	**1,013,864**	**233**	**85,952**	**1,100,049**
Exchange adjustment	**(3,294)**	**(5)**	**(2,844)**	**(6,143)**
Provisions made	**678,999**	**31**	**8,226**	**687,256**
Amounts utilized	**(596,264)**	**(60)**	**(2,524)**	**(598,848)**
Unused amounts reversed	**(7,390)**	**(46)**	**(29,226)**	**(36,662)**
	1,085,915	**153**	**59,584**	**1,145,652**
Long-term portion classified as non-current liabilities	**(296,530)**	**-**	**(57,420)**	**(353,950)**
At the end of the period	**789,385**	**153**	**2,164**	**791,702**

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:

	December 31, 2012	March 31, 2012
	US$'000	*US$'000*
Contingent considerations (a)	**322,996**	428,915
Guaranteed dividend to non-controlling shareholders of a subsidiary (b)	**30,412**	31,015
Environmental restoration (Note 11 (a))	**57,420**	83,876
Written put option liability (c)	**214,487**	-
Others	**192,265**	98,180
	817,580	641,986

(a) Pursuant to the business combinations completed during the quarter as further detailed in Note 15 and those completed in previous year, the Group is required to pay in cash to the then respective shareholders contingent considerations with reference to certain performance indicators. Accordingly, non-current liabilities in respect of the present values of contingent consideration 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.

On October 11, 2012, the Group entered into an agreement with Mr. Gerd Brachmann, the former major 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$169 million was de-recognized at a gain of approximately US$20 million credited to 'other income' in the consolidated income statement for the period.

The potential undiscounted amounts of all future payments that the Group could be required to make to the then respective shareholders under the arrangements are as follows:

	US$'000
Joint venture with NEC Corporation	Nil – 325,000
Joint venture with EMC Corporation ("EMC")	39,000 – 59,000
Stoneware, Inc.	Nil – 47,828

(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 of EUR0.82 per share for each fiscal year. The Domination Agreement became effective on January 3, 2012 and is terminable by either Lenovo Germany or Medion after March 31, 2017. Accordingly, a non-current liability in respect of future guaranteed dividend has been recognized.

(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.

13 Share capital

	December 31, 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	**35,864,146**	**116**	338,689,699	1,088
Exercise of share options	**11,568,000**	**38**	31,761,000	102
Repurchase of shares	**(57,246,000)**	**(185)**	-	-
At the end of the period/year	**10,325,798,742**	**33,100**	10,335,612,596	33,131

14 Non-controlling interests

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

15 Business combinations

During the period, the Group completed two business combination activities aiming at expanding the Group's existing scale of operations and to enlarge the Group's market share.

On December 26, 2012, the Group acquired 100% of the issued share capital of Stoneware, Inc. ("Stoneware"), a company incorporated in the United States. Stoneware is a company in the business of development and sale of Cloud Computing related softwares.

On December 29, 2012, the Group completed the formation of a strategic partnership with EMC. The strategic partnership consists of three business components, namely server alliance, storage OEM/reseller relationship and formation of a joint venture company ("EMC JV Co") with EMC to develop Network-Attached Storage products. Immediately following completion, the Group and EMC respectively owns 51% and 49% of the issued share capital of EMC JV Co.

The Group's business combination activities involve post-acquisition performance-based contingent considerations. HKFRS 3 (Revised) "Business Combinations" requires the recognition of the fair value of those contingent considerations as of their respective dates of business combination as part of the consideration transferred in exchange for the acquired subsidiaries/businesses. These fair value measurements require, among other things, significant estimation of post-acquisition performance of the acquired subsidiaries/businesses and significant judgment on the time value of money. Contingent considerations shall be re-measured at their fair value resulting from events or factors which emerge after the date of business combination, with any resulting gain or loss recognized in the consolidated income statement in accordance with HKFRS 3 (Revised).

HKAS 27 "Consolidated and Separate Financial Statements" (as amended in 2008) requires that the proportions allocated to the parent and non-controlling interests are determined on the basis of present ownership interests. The joint venture agreement with EMC involves an arrangement on the transfer of ownership interest with EMC under call and put options granted to the Company and EMC respectively, and has been accounted for in accordance with HKAS 27.

The estimated total consideration for the two business combination activities is approximately US$165 million, including contingent consideration.

Set forth below is the preliminary calculation of goodwill:

	Stoneware	**EMC**	**Total**
	US$'000	*US$'000*	*US$'000*
Purchase consideration:			
- Cash paid (a)	**43,756**	**58,813**	**102,569**
- Present value of contingent and deferred considerations (b)	**21,023**	**41,550**	**62,573**
Total purchase consideration	**64,779**	**100,363**	**165,142**
Less: Fair value of net assets acquired	**10,810**	**55,680**	**66,490**
Goodwill (Note 2(f))	**53,969**	**44,683**	**98,652**

(a) Included in the cash paid is a settlement of notes payable on behalf of the former Stoneware shareholders on the closing date, which amounted to US$13,886,000.

(b) Deferred consideration will be paid to certain former shareholders of Stoneware in 2016.

The contingent consideration arrangement requires the Group to pay in cash to the former shareholders of Stoneware and EMC with reference to certain performance indicators. The potential undiscounted amounts of future payment that the Group could be required to make under the arrangement with Stoneware and EMC are between US$0 and US$47,828,000 and between $39,000,000 and US$59,000,000 respectively.

The major components of assets and liabilities arising from the business combination activities are as follows:

	Stoneware	**EMC**	**Total**
	US$'000	*US$'000*	*US$'000*
Cash and cash equivalents	**2,896**	**10,000**	**12,896**
Property, plant and equipment	**42**	**167**	**209**
Other non-current assets	**5,644**	**-**	**5,644**
Intangible assets	**11,700**	**37,700**	**49,400**
Net working capital except cash and cash equivalents	**(3,902)**	**7,813**	**3,911**
Non-current liabilities	**(5,570)**	**-**	**(5,570)**
Fair value of net assets acquired	**10,810**	**55,680**	**66,490**

Intangible assets arising from the business combination activities mainly represent customer relationships, trademarks and brand licenses. The Group has engaged external valuers to perform fair value assessments on these intangible assets in accordance with HKAS 38 "Intangible Assets" and HKFRS 3 (Revised) "Business Combination".

At December 31, 2012, the Group has not finalized the fair value assessments for net assets acquired (including intangible assets) from these business combination activities. The relevant fair values of net assets stated above are on a provisional basis. The costs incurred in connection with these business combination activities have been recognized as administrative expenses in the consolidated income statement.

16 Event after balance sheet date

On January 2, 2012, the Group completed the transaction to acquire the entire equity interests in Digibrás Indústria do Brasil S.A., Digiboard Eletrônica da Amazônia Ltda., and Dual Mix Comércio de Eletrônicos Ltda., (collectively "CCE"), pursuant to the share purchase agreement dated September 5, 2012, entered into between a subsidiary of the Group (the "Subsidiary") and shareholders of CCE, at an initial consideration of BRL300 million which includes cash amounting to BRL210 million and the Company's shares as consideration shares amounting to BRL90 million. The initial consideration is subject to an upward or downward adjustment, up to a maximum of BRL400 million and BRL300 million respectively, which are determined in accordance with certain future performance indicators of CCE.

FINANCIAL REVIEW

Results
For the nine months ended December 31, 2012, the Group achieved total sales of approximately US$26,041 million. Profit attributable to equity holders for the period was approximately US$508 million, representing an increase of US$102 million as compared with the corresponding period of last year. Gross profit margin for the period was 0.1 percentage point down from 12.0 percent reported in the corresponding period of last year. Basic earnings per share and diluted earnings per share were US4.94 cents and US4.85 cents, representing an increase of US0.91 cent and US0.91 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 nine months ended December 31, 2012, overall operating expenses across the board increased when compared to the corresponding period of last year as the current period includes a full nine months results of NEC JV and Medion. Employee benefit costs increased by 24 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 16 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 nine months ended December 31, 2012 are set out below:

Other income – net
This mainly represents the de-recognition of contingent consideration during the period.

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$74 million increase in promotional, branding and marketing activities and the increase in employee benefit costs.

Administrative expenses
Administrative expenses for the period increased by 14 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 44 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$32 million.

Other operating income /(expenses) - net
The net other operating income for the period comprises subsidy income of US$77 million, netted with US$30 million net exchange loss; and other miscellaneous expenses.

The net other operating expenses in the corresponding period of last year represented mainly a one-off license fee of US$35 million, netted with a net exchange gain of US$2 million.

Capital Expenditure

The Group incurred capital expenditure of US$312 million (2011/12: US$237 million) during the nine months ended December 31, 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 December 31, 2012, total assets of the Group amounted to US$18,016 million (March 31, 2012: US$15,861 million), which were financed by equity attributable to owners of the Company of US$2,581 million (March 31, 2012: US$2,361 million), non-controlling interests (net of put option written on non-controlling interest) of US$21 million (March 31, 2012: US$87 million), and total liabilities of US$15,414 million (March 31, 2012: US$13,413 million). At December 31, 2012, the current ratio of the Group was 1.03 (March 31, 2012: 1.00).

The Group had a solid financial position. At December 31, 2012, bank deposits, cash and cash equivalents totaled US$4,480 million (March 31, 2012: US$4,171 million), of which 48.9 (March 31, 2012: 56.9) percent was denominated in US dollars, 39.0 (March 31, 2012: 27.6) percent in Renminbi, 2.3 (March 31, 2012: 7.7) percent in Euros, 2.5 (March 31, 2012: 3.5) percent in Japanese Yen, and 7.3 (March 31, 2012: 4.3) percent in other currencies.

The Group adopts a conservative policy to invest the surplus cash generated from operations. At December 31, 2012, 77.2 (March 31, 2012: 74.2) percent of cash are bank deposits, and 22.8 (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 December 31, 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 December 31, 2012 (March 31, 2012: Nil).

The Group has also arranged other short-term credit facilities. At December 31, 2012, the Group's total available credit facilities amounted to US$7,244 million (March 31, 2012: US$6,642 million), of which US$357 million (March 31, 2012: US$362 million) was in trade lines, US$584 million (March 31, 2012: US$521 million) in short-term and revolving money market facilities and US$6,303 million (March 31, 2012: US$5,759 million) in forward foreign exchange contracts. At December 31, 2012, the amounts drawn down were US$232 million (March 31, 2012: US$220 million) in trade lines, US$5,094 million (March 31, 2012: US$4,720 million) being used for the forward foreign exchange contracts; and US$22 million (March 31, 2012: US$63 million) in short-term bank loans.

At December 31, 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$22 million (March 31, 2012: US$63 million). When compared with total equity of US$2,602 million (March 31, 2012: US$2,448 million), the Group's gearing ratio was 0.12 (March 31, 2012: 0.03). The net cash position of the Group at December 31, 2012 is US$4,159 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 December 31, 2012, the Group had commitments in respect of outstanding forward foreign exchange contracts amounting to US$5,094 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 three months ended December 31, 2012, Lenovo continued to outgrow the worldwide PC market and show strong premium growth across the board while profit was also strong. Lenovo grew in spite of challenges in the worldwide PC market impacted by the weakening macro environment and product transition. The Group recorded 8 percent year-on-year unit shipments growth to record-high shipments of 14.1 million units during the period under review against the global PC market decline of 8 percent, according to preliminary industry estimates. Lenovo's worldwide PC market share continued to increase during the quarter, reaching a historic high level of 15.9 percent in fiscal quarter three, maintaining our position as one of the top two worldwide PC vendors in fiscal quarter three. Lenovo also maintained its worldwide number one position in commercial notebooks and consumer desktop markets in fiscal quarter three.

Further to its strong performance in PC market, Lenovo demonstrated its solid execution of its PC+ strategy which helped the company to transit into a leading PC+ company and fuel strong growth in group sales and profit with margin expansion. The Mobile Internet and Digital Home (MIDH) Group has become another key fast growing engine and continued to deliver strong growth with improving profitability. 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 business recorded unit shipments with growth of more than 2 times higher year-on-year during the period under review, maintaining in the number two ranking in China, according to preliminary industry estimates. The Group's China smartphone business reached critical scale and turned profitable for the first time. In addition, Lenovo launched its smartphones in several new important markets outside China, including India, Indonesia, Philippines, Russia and Vietnam and the initial market responses have been encouraging. The Group's media tablet business also continued to show encouraging development and its worldwide media tablets shipments grew 77 percent year-on-year whilst at the same time remaining as the number two player in China.

For the three months ended December 31, 2012, the Group's revenue increased by 12 percent year-on-year to US$9,359 million. Revenue of the Group's PC business was US$7,968 million, representing a year-on-year increase of 7 percent, while the revenue of MIDH business, which was largely from smartphone sales in China, increased by 77 percent year-on-year to US$998 million. Meanwhile revenue of other goods and services was US$393 million, representing a year-on-year increase of 2 percent. Gross profit increased by 15 percent year-on-year to US$1,101 million. Gross margin for the period improved by 0.4 percentage point from the same period last year to 11.8 percent, benefiting from better scaling. 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 13 percent year-on-year to US$858 million and the expense-to-revenue ratio increased slightly by 0.1 percentage point from the same period last year to 9.2 percent. The Group recorded profit before taxation at US$246 million and profit attributed to shareholders amounting to US$205 million, representing an increase of 28 percent and 34 percent year-on-year respectively.

Performance of Geographies

During the three months ended December 31, 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 products and customer segments.

China

China accounted for 43 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 period under review.

Through solid execution of the strategy in China to protect mature cities and attack the high-growth emerging smaller cities and rural areas, the Group's PC business continued to outperform in China and further extended its leadership through share gain. Lenovo's PC unit shipments in China grew by 2 percent year-on-year, against a market decline of 2 percent, according to preliminary industry estimates, a roughly 4-point premium to the market. As a result, the Group further extended its leadership in the China PC market by adding 1.4 percentage point in market share year-on-year to record-high 36.7 percent, and the market share gap between Lenovo and its major competitors further widened during the period under review. The Group's MIDH business in China posted strong unit shipments growth. The Group's smartphone unit shipments grew more than 2 times from the same period last year. The Group continued to record strong revenue growth in China, up 17 percent, supported by the stellar MIDH performance of revenue growth at 83 percent year-on-year.

Operating profit increased by 16 percent to US$193 million and operating margin was 4.7 percent, decreasing by 0.1 percentage point year-on-year due to the increasing mix from MIDH business which has been demonstrating continuous profitability improvement. Operating margin for the China PC business was 6.3 percent, up 0.3 percentage point year-on-year, which demonstrated the Group's solid position in the China PC business.

Asia Pacific/ Latin America (APLA)

APLA accounted for 18 percent of the Group's total revenue. Lenovo's unit shipments in APLA grew 4 percent year-on-year against a 9 percent decline for the overall market, according to preliminary industry estimates. Lenovo continued to solidify its number one position in Japan. In particular, unit shipments in ASEAN increased by 42 percent from a year ago. As a result, Lenovo achieved a market share in APLA of 11.3 percent, up 1.4 percentage point year-on-year in fiscal quarter three.

Operating profit in APLA further improved to US$6 million during the period under review and operating margin was 0.3 percent, an increase of 0.5 percentage point year-on-year.

Europe-Middle East-Africa (EMEA)

EMEA accounted for 25 percent of the Group's total revenue. Lenovo's unit shipments in EMEA grew by 26 percent year-on-year, which was a 36-point premium to the market. Thus the Group's market share increased by 3.2 percentage point from a year ago to 11.1 percent for the period under review, according to preliminary industry estimates. Strong unit shipments growth and share gains were recorded across all key regions year-on-year in fiscal quarter three. Lenovo became the number two PC company in EMEA regions and maintained its number one PC position in Germany, Russia and Demark in fiscal quarter three.

Operating profit in EMEA regions further improved to US$45 million during the period under review and maintained its operating margin at 2.0 percent as a year ago.

North America

North America accounted for 14 percent of the Group's total revenue. Lenovo's unit shipments in North America grew by 11 percent year-on-year, which was about an 18-point premium to the market driven by the strong growth in consumer business and leadership in commercial segment. Thus the Group's market share increased by 1.5 percentage point from a year ago to a record-high 9.0 percent, according to preliminary industry estimates. Lenovo has also maintained its position as the number four PC company in North America and the U.S. markets in fiscal quarter three.

Operating profit in North America declined to US$34 million during the period under review and operating margin was 2.6 percent, a decrease of 0.5 percentage point year-on-year. The decrease was mainly attributable to an increased mix of consumer business during the Christmas sales during the

quarter.

Performance of Product Groups

During the three months ended December 31, 2012, Lenovo's commercial PC unit shipments decreased by 1 percent against a 7 percent decline for the overall market year-on-year and its market share in the worldwide commercial PC market share increased by 1.2 percentage point from a year ago to a record high 19.3 percent, according to preliminary industry estimates. Lenovo maintained the number one position in the worldwide commercial notebook PC segment in fiscal quarter three. During the period under review, the Think Product Group, which mainly targets commercial customers, announced a wide range of new products including desktop, Ultrabook and tablet. Besides the premium products like ThinkPad® X1 Carbon Touch which adds touch experience to the industry's leading business-class Ultrabook, Lenovo also launched the ThinkPad® Twist, a business-ready device that puts a new spin on the traditional convertible tablet, and the ThinkPad® Tablet2, which provides all-day battery life, responsive touch, precision pen, and an efficient keyboard to address flexible work styles of commercial customers.

Meanwhile, the Group's consumer PC business recorded strong shipment growth of 22 percent year-on-year and its market share in the worldwide consumer PC market was up by 3.2 percentage point to 13.1 percent from the corresponding period in the last fiscal year. Lenovo maintained its number one position in the global consumer desktop segment in fiscal quarter three. The Idea Product Group, which has a primary focus on consumer and entry SMB products, announced a series of new and stylish PC products – such as its new IdeaCentre Q190, the world's smallest full-function desktop PC that measures just 22mm (0.86 inches) wide, and the IdeaPad® Yoga 11, which provides a flip-and–fold design to perform a 360 degree rotation with its unique dual-hinge. Customers can have a unique 4-in-1 user experience from one optimized hybrid/convertible device.

Lenovo achieved strong, balanced growth and market share gains for both notebook and desktop PCs during the period under review. Unit shipments for the Group's notebook and desktop PCs grew by 9 percent and 6 percent year-on-year, respectively. Lenovo's market share in the worldwide notebook PC market increased 2.6 percentage points from a year ago to 15.8 percent, while its worldwide desktop PC market share increased by 1.9 percentage points to 16.1 percent from the corresponding period last fiscal year, according to preliminary industry estimates. Lenovo maintained its position as the second largest desktop PC player in fiscal quarter three.

MIDH worldwide business accounted for 11 percent of the Group's total sales and, as stated, Lenovo's mobile handset business posted strong unit shipments growth during the period under review. This was driven by continued strong smartphone demand in China. Lenovo's market share in China's smartphone market increased 4.7 percentage points from a year ago to 12.3 percent. The new models launched during the fiscal quarter three, including the S720, the A288t and the A298t, received good market response and provided strong drive in unit shipments. Overall unit shipments of smartphone thus grew more than 2 times year-on-year for the period. The Group continued its strong momentum in the media tablet business, with worldwide unit shipments growing 77 percent year-on-year during the period under review.

Leading innovation capability to create new leading products

At the recent Consumer Electronics Show in Las Vegas, USA, Lenovo launched several award-winning products such as the IdeaCentre Horizon, the Thinkpad® Helix convertible notebook, IdeaPad® Yoga 11s, and a wide range of innovative products in PCs and mobile internet, including the new Intel phone IdeaPhone K900, helping Lenovo receive 50 awards and honors, a record for the Group. The success at CES demonstrated the value and return on Lenovo's strategy to invest in innovation. The Group will leverage its innovation capability to drive the convergence of technologies and sustain its leading position in the industry.

Prospects

Although worldwide PC demand largely remains challenging due to weakening economic conditions, Lenovo remains 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 four screens of devices (PC, tablet, smartphone, Smart TV) and into the ecosystem of cloud, services and other applications to transform into a leading PC+ company.

In China, the world's largest PC market, Lenovo will continue to expand its market leading position, leveraging its strong leadership in the high growth emerging cities and enhancing its premium PC/server business through its alliance with EMC, 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 share 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 closed the transactions of CCE, EMC and Stoneware, which will help to enhance Lenovo's products and services to its global customers and fully deliver on its PC+ strategy.

The Group has announced a new organizational structure effective from April 1 of 2013. The new organization will create two new end-to-end business groups: Think business Group (TBG) and Lenovo Business Group (LBG). TBG will focus on premium products in both commercial and consumer segments, and enterprise solutions. LBG will focus on mainstream consumer and commercial desktop, notebook and MIDH products. The organizational change will continue to fuel growth and anticipate shifts in our business and the market. Lenovo will enhance its end-to-end efficiency across the value-chain and sharpen its branding, innovation and response to market changes.

Looking forward, Lenovo will continue to invest in building its core competencies, product innovation and branding to help the Group capture more market opportunities. The Group 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 nine months ended December 31, 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 nine months ended December 31, 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 nine months ended December 31, 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 financial results of the Group for the nine months ended December 31, 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 nine months ended December 31, 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

January 30, 2013

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, Mr. William O. Grabe and Mr. William Tudor Brown.