Lenovo Group Limited 聯想集團有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 0992)

FY2012/13 ANNUAL RESULTS ANNOUNCEMENT

ANNUAL RESULTS

The board of directors (the "Board") of Lenovo Group Limited (the "Company") announces the audited results of the Company and its subsidiaries (the "Group") for the year ended March 31, 2013 together with comparative figures of last year, as follows:

CONSOLIDATED INCOME STATEMENT

	Note	**2013** **US$'000**	2012 *US$'000*
Revenue	2	**33,873,401**	29,574,438
Cost of sales		**(29,799,511)**	(26,128,216)
Gross profit		**4,073,890**	3,446,222
Other income – net	3	**19,907**	1,199
Selling and distribution expenses		**(1,888,101)**	(1,690,778)
Administrative expenses		**(846,688)**	(730,294)
Research and development expenses		**(623,987)**	(453,334)
Other operating income - net		**64,984**	11,070
Operating profit	4	**800,005**	584,085
Finance income	5(a)	**44,881**	42,693
Finance costs	5(b)	**(42,869)**	(43,484)
Share of losses of associates and jointly controlled entities		**(718)**	(851)
Profit before taxation		**801,299**	582,443
Taxation	6	**(169,707)**	(107,027)
Profit for the year		**631,592**	475,416
Profit/(loss) attributable to:			
Equity holders of the Company		**635,148**	472,992
Non-controlling interests		**(3,556)**	2,424
		631,592	475,416
Earnings per share attributable to equity holders of the Company			
Basic	7(a)	**US 6.16 cents**	US 4.67 cents
Diluted	7(b)	**US 6.07 cents**	US 4.57 cents
Dividends	8	**247,674**	183,214

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	2013 *US$'000*	2012 *US$'000*
Profit for the year	**631,592**	475,416
Other comprehensive income/(loss):		
Fair value change on available-for-sale financial assets, net of taxes	**(4,057)**	(36,337)
Fair value change on cash flow hedges, net of taxes		
- interest rate swap contracts		
Fair value loss, net of taxes	**-**	(763)
Reclassified to consolidated income statement	**-**	1,778
- forward foreign exchange contracts		
Fair value gain, net of taxes	**40,725**	23,233
Reclassified to consolidated income statement	**(20,953)**	9,610
Actuarial loss from defined benefit pension plans, net of taxes	**(18,806)**	(34,703)
Currency translation differences	**(118,602)**	(51,055)
	(121,693)	(88,237)
Total comprehensive income for the year	**509,899**	387,179
Total comprehensive income/(loss) attributable to:		
Equity holders of the Company	**513,455**	389,366
Non-controlling interests	**(3,556)**	(2,187)
	509,899	387,179

CONSOLIDATED BALANCE SHEET

	Note	**2013** ***US$'000***	2012 *US$'000*
Non-current assets			
Property, plant and equipment		**479,777**	392,474
Prepaid lease payments		**36,522**	13,552
Construction-in-progress		**184,051**	103,986
Intangible assets		**3,326,418**	3,091,205
Interests in associates and jointly controlled entities		**2,763**	3,410
Deferred income tax assets		**349,389**	332,493
Available-for-sale financial assets		**69,962**	71,946
Other non-current assets		**43,378**	31,282
		4,492,260	4,040,348
Current assets			
Inventories		**1,964,791**	1,218,494
Trade receivables	*9(a)*	**2,885,039**	2,354,909
Notes receivable		**572,992**	639,331
Derivative financial assets		**99,491**	62,883
Deposits, prepayments and other receivables	*10*	**3,235,465**	3,303,053
Income tax recoverable		**58,822**	70,406
Bank deposits		**119,055**	413,672
Cash and cash equivalents		**3,454,082**	3,757,652
		12,389,737	11,820,400
Total assets		**16,881,997**	15,860,748

CONSOLIDATED BALANCE SHEET (CONTINUED)

	Note	2013 US$'000	2012 US$'000
Share capital	*13*	**33,465**	33,131
Reserves		**2,633,178**	2,328,104
Equity attributable to owners of the Company		**2,666,643**	2,361,235
Non-controlling interests	*14*	**226,438**	86,734
Put option written on non-controlling interest	*12(c)*	**(212,900)**	-
Total equity		**2,680,181**	2,447,969
Non-current liabilities			
Bank borrowings		**303,133**	-
Warranty provision	*11(b)*	**279,255**	291,111
Deferred revenue		**403,540**	381,593
Retirement benefit obligations		**163,883**	204,818
Deferred income tax liabilities		**113,992**	83,594
Other non-current liabilities	*12*	**846,539**	641,986
		2,110,342	1,603,102
Current liabilities			
Trade payables	*9(b)*	**3,624,500**	4,050,272
Notes payable		**99,503**	127,315
Derivative financial liabilities		**69,053**	49,253
Other payables and accruals	*11(a)*	**6,852,344**	6,349,134
Provisions	*11(b)*	**776,640**	725,062
Deferred revenue		**393,417**	310,159
Income tax payable		**100,179**	135,530
Bank borrowings		**175,838**	62,952
		12,091,474	11,809,677
Total liabilities		**14,201,816**	13,412,779
Total equity and liabilities		**16,881,997**	15,860,748
Net current assets		**298,263**	10,723
Total assets less current liabilities		**4,790,523**	4,051,071

CONSOLIDATED CASH FLOW STATEMENT

	Note	**2013**	2012
		US$'000	*US$'000*
Cash flows from operating activities			
Net cash generated from operations	*16*	**245,383**	2,126,765
Interest paid		**(33,452)**	(38,477)
Tax paid		**(192,401)**	(148,332)
Net cash generated from operating activities		**19,530**	1,939,956
Cash flows from investing activities			
Purchase of property, plant and equipment		**(106,331)**	(101,238)
Sale of property, plant and equipment		**2,266**	6,311
Acquisition of subsidiaries, net of cash acquired		**(137,052)**	(172,316)
Interests acquired in jointly controlled entities		**-**	(3,237)
Payment for construction-in-progress		**(277,003)**	(205,601)
Payment for intangible assets		**(57,978)**	(22,354)
Payment for prepaid lease payments		**(5,026)**	-
Purchase of available-for-sale financial assets		**(4,104)**	(10,055)
Proceeds from disposal of an associate		**-**	145
Decrease/(increase) in bank deposits		**294,617**	(371,514)
Dividend received		**362**	95
Interest received		**44,881**	42,693
Net cash used in investing activities		**(245,368)**	(837,071)
Cash flows from financing activities			
Exercise of share options		**6,403**	10,889
Repurchase of shares		**(44,122)**	-
Contributions to employee share trusts		**(91,280)**	-
Capital contribution from non-controlling interest		**147,700**	-
De-recognition of contingent consideration		**(119,991)**	-
Dividends paid		**(194,676)**	(114,687)
Exchange in ownership interest in subsidiary without change in control		**(1,493)**	-
Proceeds from bank borrowings		**360,230**	41,498
Repayments of bank borrowings		**(130,974)**	(253,224)
Net cash used in financing activities		**(68,203)**	(315,524)
(Decrease)/increase in cash and cash equivalents		**(294,041)**	787,361
Effect of foreign exchange rate changes		**(9,529)**	15,793
Cash and cash equivalents at the beginning of the year		**3,757,652**	2,954,498
Cash and cash equivalents at the end of the year		**3,454,082**	3,757,652

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holders of the Company												
	Share capital *US$'000*	Share premium *US$'000*	Investment revaluation reserve *US$'000*	Share redemption reserve *US$'000*	Employee share trusts *US$'000*	Share-based compensation reserve *US$'000*	Hedging reserve *US$'000*	Exchange reserve *US$'000*	Other reserve *US$'000*	Retained earnings *US$'000*	Non-controlling interests *US$'000*	Put option written on non-controlling interest *US$'000*	Total *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 year	-	-	-	-	-	-	-	-	-	635,148	(3,556)	-	631,592
Other comprehensive (loss)/income	-	-	(4,057)	-	-	-	19,772	(118,602)	-	(18,806)	-	-	(121,693)
Total comprehensive (loss)/income for the year	-	-	(4,057)	-	-	-	19,772	(118,602)	-	616,342	(3,556)	-	509,899
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	452	108,070	-	-	-	-	-	-	(36,555)	-	-	-	71,967
Exercise of share options	67	6,336	-	-	-	-	-	-	-	-	-	-	6,403
Repurchase of shares	(185)	(44,122)	-	185	-	-	-	-	-	-	-	-	(44,122)
Vesting of shares under long-term incentive program	-	-	-	-	96,941	(133,951)	-	-	-	-	-	-	(37,010)
Share-based compensation	-	-	-	-	-	77,724	-	-	-	-	-	-	77,724
Contribution to employee share trusts	-	-	-	-	(91,280)	-	-	-	-	-	-	-	(91,280)
Dividend paid	-	-	-	-	-	-	-	-	-	(191,729)	(2,947)	-	(194,676)
Exchange in ownership interest in subsidiary without change in control	-	-	-	-	-	-	-	-	-	-	(1,493)	-	(1,493)
At March 31, 2013	33,465	1,654,806	16,080	1,188	(22,197)	(3,149)	35,079	(166,850)	64,457	1,053,764	226,438	(212,900)	2,680,181
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 year	-	-	-	-	-	-	-	-	-	472,992	2,424	-	475,416
Other comprehensive (loss)/income	-	-	(36,337)	-	-	-	33,890	(46,725)	-	(34,454)	(4,611)	-	(88,237)
Total comprehensive (loss)/income for the year	-	-	(36,337)	-	-	-	33,890	(46,725)	-	438,538	(2,187)	-	387,179
Consideration for acquisition of a subsidiary	-	-	-	-	-	-	-	-	36,555	-	-	-	36,555
Acquisition of subsidiaries	-	-	-	-	-	-	-	-	-	-	88,742	-	88,742
Transfer to statutory reserve	-	-	-	-	-	-	-	-	6,057	(6,057)	-	-	-
Issue of ordinary shares	1,088	196,206	-	-	-	-	-	-	-	-	-	-	197,294
Exercise of share options	102	10,787	-	-	-	-	-	-	-	-	-	-	10,889
Vesting of shares under long-term incentive program	-	-	-	-	48,252	(76,620)	-	-	-	-	-	-	(28,368)
Share-based compensation	-	-	-	-	-	66,418	-	-	-	-	-	-	66,418
Dividend paid	-	-	-	-	-	-	-	-	-	(114,687)	-	-	(114,687)
Guaranteed dividend	-	-	-	-	-	-	-	-	-	(30,953)	-	-	(30,953)
At March 31, 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

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 ended 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 ended 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 11 and HKFRS 12, Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance	January 1, 2013
Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011), Investment entities	January 1, 2014

The adoption of these new and revised standards and amendments to existing standards is not expected to 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

	2013		2012	
	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	**14,538,534**	**677,938**	12,395,324	568,565
APLA	**6,860,380**	**23,591**	6,337,521	(455)
EMEA	**7,535,483**	**146,674**	6,295,860	82,729
North America	**4,939,004**	**167,558**	4,545,733	160,705
Segment total	**33,873,401**	**1,015,761**	29,574,438	811,544
Unallocated:				
Headquarters and corporate expenses		**(242,954)**		(246,028)
Restructuring costs		**87**		3,212
Finance income		**36,775**		31,625
Finance costs		**(27,559)**		(18,258)
De-recognition of contingent consideration		**19,861**		-
Net (loss)/gain on disposal of available-for-sale financial assets and investments		**(316)**		1,104
Dividend income from available-for-sale financial assets		**362**		95
Share of losses of associates and jointly controlled entities		**(718)**		(851)
Consolidated profit before taxation		**801,299**		582,443

(b) Segment assets for reportable segments

	2013	2012
	US$'000	*US$'000*
China	**4,919,934**	4,580,746
APLA	**3,298,909**	3,036,960
EMEA	**1,928,011**	2,096,253
North America	**1,073,719**	786,670
Segment assets for reportable segments	**11,220,573**	10,500,629
Unallocated:		
Deferred income tax assets	**349,389**	332,493
Derivative financial assets	**99,491**	62,883
Available-for-sale financial assets	**69,962**	71,946
Interests in associates and jointly controlled entities	**2,763**	3,410
Unallocated bank deposits and cash and cash equivalents	**2,093,983**	2,291,250
Unallocated inventories	**597,239**	356,677
Unallocated deposits, prepayments and other receivables	**2,253,370**	2,130,468
Income tax recoverable	**58,822**	70,406
Other unallocated assets	**136,405**	40,586
Total assets per consolidated balance sheet	**16,881,997**	15,860,748

(c) Segment liabilities for reportable segments

	2013	2012
	US$'000	*US$'000*
China	**4,324,261**	4,063,257
APLA	**2,043,017**	2,092,914
EMEA	**1,115,554**	1,284,035
North America	**1,001,110**	888,180
Segment liabilities for reportable segments	**8,483,942**	8,328,386
Unallocated:		
Income tax payable	**100,179**	135,530
Deferred income tax liabilities	**113,992**	83,594
Derivative financial liabilities	**69,053**	49,253
Unallocated bank borrowings	**300,000**	-
Unallocated trade payables	**1,979,026**	2,588,493
Unallocated other payables and accruals	**2,750,353**	2,154,218
Unallocated provisions	**35,045**	30,441
Unallocated other non-current liabilities	**284,982**	1,032
Other unallocated liabilities	**85,244**	41,832
Total liabilities per consolidated balance sheet	**14,201,816**	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:

	2013	2012
	US$'000	*US$'000*
Sale of personal technology products and services		
– desktop computer	**10,524,707**	9,883,538
– notebook computer	**17,935,693**	16,696,527
– mobile internet and digital home	**3,039,443**	1,484,395
– others	**1,288,666**	611,466
Sale of other goods and services	**1,084,892**	898,512
	33,873,401	29,574,438

(e) Other segment information

	China		APLA		EMEA		North America		Total	
	2013	2012	**2013**	2012	**2013**	2012	**2013**	2012	**2013**	2012
	US$'000	*US$'000*	***US$'000***	*US$'000*	***US$'000***	*US$'000*	***US$'000***	*US$'000*	***US$'000***	*US$'000*
Depreciation and amortization	**93,999**	73,575	**48,141**	41,508	**36,278**	32,164	**31,186**	28,158	**209,604**	175,405
Finance income	**2,738**	2,988	**4,623**	4,415	**709**	3,496	**36**	169	**8,106**	11,068
Finance costs	**344**	-	**4,944**	6,250	**6,476**	15,235	**3,546**	3,741	**15,310**	25,226
Additions to non-current assets (Note)	**63,131**	86,071	**39,579**	25,652	**9,181**	6,451	**15,107**	6,962	**126,998**	125,136

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

(f) Included in segment assets for reportable segments are goodwill and trademarks and trade names with indefinite useful lives with an aggregate amount of US$2,865 million (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 March 31, 2013

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

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.

(i) On December 26, 2012, the Group completed the acquisition of the entire issued share capital of Stoneware, Inc. ("Stoneware") (Note 15). The corresponding goodwill is calculated at US$36 million. The goodwill is attributable to the significant synergies expected to arise in connection with the Group's strategic objectives to extend the global reach of the existing cloud-computing offerings and to develop this technology beyond the current government-focused and education-focused offerings into more consumer-focused offerings over time. The goodwill has been allocated to the North America and EMEA market segments.

(ii) On December 29, 2012, the Group completed the formation of a strategic partnership with EMC Corporation ("EMC") (Note 15). The strategic partnership consists of three business components, namely server alliance, storage OEM/reseller relationship and formation of a joint venture company ("EMC JV") with EMC to develop network-attached storage products. The goodwill arising from this acquisition is calculated at US$52 million. The goodwill is primarily attributable to the significant synergies expected to arise in connection with the Group's commitment to provide a complete range of products for the commercial customers. The goodwill has been allocated to the North America and China market segments.

(iii) On January 2, 2013, the Group completed the acquisitions of the entire interests in Digibrás Indústria do Brazil S.A., Digiboard Eletrônica da Amazônia Ltda., and Dual Mix Comércio de Eletrônicos Ltda., (collectively "CCE"), companies incorporated in Brazil (Note 15). The goodwill arising from these acquisitions is calculated at US$114 million. The goodwill is primarily attributable to the significant synergies expected to arise in connection with the Group's commitment to its core personal computer business and CCE's strong market position in Brazil. The entire amount of goodwill has been allocated to the APLA market segment.

The directors are of the view that there was no evidence of impairment of goodwill and trademarks and trade names as at March 31, 2013 (2012: Nil).

3 Other income – net

	2013	2012
	US$'000	*US$'000*
De-recognition of contingent consideration	**19,861**	-
Net (loss)/gain on disposal of available-for-sale financial assets and investments	**(316)**	1,104
Dividend income from available-for-sale financial assets	**362**	95
	19,907	1,199

4 Operating profit

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

	2013	2012
	US$'000	*US$'000*
Depreciation of property, plant and equipment and amortization of prepaid lease payments	**92,097**	77,721
Amortization of intangible assets	**117,507**	97,684
Employee benefit costs, including	**2,359,593**	1,938,256
- long-term incentive awards	***77,724***	*66,418*
Gain on disposal of subsidiaries and an associate	**-**	(50)
Rental expenses under operating leases	**77,530**	63,252

5 Finance income and costs

(a) Finance income

	2013	2012
	US$'000	*US$'000*
Interest on bank deposits	**34,981**	34,731
Interest on money market funds	**3,004**	2,952
Others	**6,896**	5,010
	44,881	42,693

(b) Finance costs

	2013	2012
	US$'000	*US$'000*
Interest on bank loans and overdrafts	**12,592**	7,794
Factoring cost	**14,358**	21,955
Commitment fee	**5,907**	6,130
Interest on contingent considerations and put option liability	**9,103**	4,911
Others	**909**	2,694
	42,869	43,484

6 Taxation

The amount of taxation in the consolidated income statement represents:

	2013	2012
	US$'000	*US$'000*
Current tax		
Hong Kong profits tax	**1,328**	236
Taxation outside Hong Kong	**181,267**	174,548
Deferred tax	**(12,888)**	(67,757)
	169,707	107,027

Hong Kong profits tax has been provided for at the rate of 16.5% (2012: 16.5%) on the estimated assessable profits for the year. 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 year after adjusting shares held by employee share trusts and consideration shares in respect of business combination activities.

	2013	2012
Weighted average number of ordinary shares in issue	**10,386,943,985**	10,211,315,987
Adjustment for shares held by employee share trusts	**(76,705,750)**	(135,699,015)
Adjustment for consideration shares in respect of business combination activities	**-**	57,560,317
Weighted average number of ordinary shares in issue for calculation of basic earnings per share	**10,310,238,235**	10,133,177,289
	US$'000	*US$'000*
Profit attributable to equity holders of the Company	**635,148**	472,992

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 were issued to the seller on February 15, 2013.

(b) Diluted

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

	2013	2012
Weighted average number of ordinary shares in issue for calculation of basic earnings per share	**10,310,238,235**	10,133,177,289
Adjustments for share options and long-term incentive awards	**152,898,247**	208,243,718
Weighted average number of ordinary shares in issue for calculation of diluted earnings per share	**10,463,136,482**	10,341,421,007
	US$'000	*US$'000*
Profit attributable to equity holders of the Company used to determine diluted earnings per share	**635,148**	472,992

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 Dividends

	2013 ***US$'000***	2012 *US$'000*
Interim dividend of HK4.5 cents (2012: HK3.8 cents) per ordinary share, paid on December 3, 2012	**59,930**	50,473
Proposed final dividend – HK14.0 cents (2012: HK10.0 cents) per ordinary share	**187,744**	132,741
	247,674	183,214

9 Ageing analysis

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

	2013	2012
	US$'000	*US$'000*
0 – 30 days	**1,967,312**	1,504,488
31 – 60 days	**560,180**	642,754
61 – 90 days	**136,543**	112,871
Over 90 days	**257,924**	124,193
	2,921,959	2,384,306
Less: provision for impairment	**(36,920)**	(29,397)
Trade receivables – net	**2,885,039**	2,354,909

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

	2013	2012
	US$'000	*US$'000*
0 – 30 days	**2,526,465**	2,543,626
31 – 60 days	**566,747**	1,025,131
61 – 90 days	**332,223**	307,223
Over 90 days	**199,065**	174,292
	3,624,500	4,050,272

10 Deposits, prepayments and other receivables

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

	2013	2012
	US$'000	*US$'000*
Deposits	**2,923**	884
Other receivables (a)	**2,127,671**	2,442,656
Prepayments (b)	**1,104,871**	859,513
	3,235,465	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$180 million as at March 31, 2013 (2012: US$392 million) are included in prepayments.

11 Provisions, other payables and accruals

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

	2013	2012
	US$'000	*US$'000*
Accruals	**1,327,327**	1,146,665
Allowance for billing adjustments (i)	**1,817,782**	1,753,910
Other payables (ii)	**3,707,235**	3,448,559
	6,852,344	6,349,134

Notes:

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

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

(iii) The carrying amounts of other payables and accruals approximate their fair value.

(b) The components of provisions of the Group are as follows:

	Warranty	**Restructuring**	**Environmental restoration**	**Total**
	US$'000	***US$'000***	***US$'000***	***US$'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
Year ended March 31, 2013				
At the beginning of the year	**1,013,864**	**233**	**85,952**	**1,100,049**
Exchange adjustment	**(16,851)**	**(11)**	**(6,992)**	**(23,854)**
Provisions made	**858,165**	**31**	**12,294**	**870,490**
Amounts utilized	**(814,748)**	**(91)**	**(3,493)**	**(818,332)**
Unused amounts reversed	**(7,390)**	**(162)**	**(31,719)**	**(39,271)**
Acquisition of a subsidiary	**21,141**	-	-	**21,141**
	1,054,181	-	**56,042**	**1,110,223**
Long-term portion classified as non-current liabilities	**(279,255)**	-	**(54,328)**	**(333,583)**
At the end of the year	**774,926**	-	**1,714**	**776,640**

The Group records its warranty liability at the time of sales based on estimated costs. Warranty claims are reasonably predictable based on historical failure rate information. The warranty accrual is reviewed quarterly to verify it properly reflects the outstanding obligation over the warranty period. Certain of these costs are reimbursable from the suppliers in accordance with the terms of relevant arrangements with them.

The Group records its environmental restoration provision at the time of sales based on estimated costs of environmentally-sound disposal of waste electrical and electronic equipments upon returned from end-customers and with reference to the historical or projected future return rate. Environmental restoration provision is reviewed at least annually to assess its adequacy to meet the Group's obligation.

12 Other non-current liabilities

Details of other non-current liabilities are as follows:

	2013	2012
	US$'000	*US$'000*
Contingent considerations (a)	**302,367**	428,915
Deferred consideration (a)	**2,151**	-
Guaranteed dividend to non-controlling shareholders of a subsidiary (b)	**23,699**	31,015
Environmental restoration (Note 11 (b))	**54,328**	83,876
Written put option liability (c)	**215,018**	-
Government grants received in advance (d)	**122,841**	51,301
Others	**126,135**	46,879
	846,539	641,986

(a) Pursuant to the completion of business combinations, the Group is required to pay in cash to the then respective shareholders/sellers contingent considerations with reference to certain performance indicators as written in the respective agreements with those then shareholders/sellers; and deferred consideration. Accordingly, non-current liabilities in respect of the present values of contingent and deferred considerations have been recognized. The contingent considerations are subsequently re-measured at their fair values as a result of change in the expected performance at each balance sheet date, with any resulting gain or loss recognized in the consolidated income statement. Deferred consideration is subsequently measured at amortized cost.

On October 11, 2012, the Group entered into an agreement with 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 (including financial liabilities arisen from put option and guaranteed dividend) was de-recognized at a gain of approximately US$20 million credited to 'other income' in the consolidated income statement.

As at March 31, 2013, the potential undiscounted amounts of future payments in respect of the contingent and deferred considerations that the Group could be required to make to the then respective shareholders under the arrangements are as follows:

Joint venture with NEC Corporation	Nil – US$325 million
EMC JV	US$39 – US$59 million
Stoneware	Nil – US$48 million
CCE	Nil – BRL400 million

(b) Following the acquisition of Medion on July 29, 2011, Lenovo Germany Holding GmbH ("Lenovo Germany"), an indirect wholly-owned subsidiary of the Company and the immediate holding company of Medion entered into a domination and profit and loss transfer agreement (the "Domination Agreement") with Medion on October 25, 2011. Pursuant to the Domination Agreement, Lenovo Germany has guaranteed to the non-controlling shareholders of Medion an annual guaranteed pre-tax dividend of EUR0.82 per share for each fiscal year. The Domination Agreement became effective on January 3, 2012 and is terminable by either Lenovo Germany or Medion after March 31, 2017. Accordingly, a non-current liability in respect of future guaranteed dividend has been recognized. The corresponding amount stated at its discounted value on the date of acquisition of Medion was charged to retained earnings in equity.

(c) Pursuant to the joint venture agreement entered into between the Company and Compal Electronics, Inc. ("Compal") to establish a joint venture company ("JV Co") to manufacture notebook computer products and related parts, the Company and Compal are respectively granted call and put options which entitle the Company to purchase from Compal and Compal to sell to the Company the 49% Compal's interests in the JV Co. The call and put options will be exercisable at any time after October 1, 2019 and October 1, 2017 respectively. The exercise price for the call and put options will be determined in accordance with the joint venture agreement, and up to a maximum of US$750 million.

The financial liability that may become payable under the put option is initially recognized at fair value within other non-current liabilities with a corresponding charge directly to equity, as a put option written on non-controlling interest.

The put option liability shall be re-measured at its fair value resulting from the change in the expected performance of the JV Co at each balance sheet date, with any resulting gain or loss recognized in the consolidated income statement. In the event that the put option lapses unexercised, the liability will be derecognized with a corresponding adjustment to equity.

(d) Government grants received in advance by certain group companies included in other non-current liabilities are mainly related to research and development projects and construction of property, plant and equipment. These group companies are obliged to fulfill certain conditions under the terms of the government grants. The government grants are credited to the income statement upon fulfillment of those conditions.

13 Share capital

	2013		2012	
	Number of shares	***HK$'000***	*Number of shares*	*HK$'000*
Authorized:				
At the beginning and the end of the year				
Ordinary shares	**20,000,000,000**	**500,000**	20,000,000,000	500,000

	Number of shares	***US$'000***	*Number of shares*	*US$'000*
Issued and fully paid:				
Voting ordinary shares:				
At the beginning of the year	**10,335,612,596**	**33,131**	9,965,161,897	31,941
Issue of ordinary shares	**140,299,463**	**452**	338,689,699	1,088
Exercise of share options	**20,486,000**	**67**	31,761,000	102
Repurchase of shares	**(57,246,000)**	**(185)**	-	-
At the end of the year	**10,439,152,059**	**33,465**	10,335,612,596	33,131

Ordinary shares issued during the year comprise 57,560,317 consideration shares in respect of the acquisition of Medion with an aggregate fair value of approximately US$36,555,000 which serve as security for any potential damages.

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 year, the Group completed three 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, 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 which consists of three business components, namely server alliance, storage OEM/reseller relationship and formation of a joint venture company 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.

On January 2, 2013, the Group acquired the entire equity interests in CCE, companies incorporated in Brazil. CCE is principally engaged in the manufacturing and marketing of personal computers and consumer electronics.

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 business combination activities completed during the year is approximately US$219 million, including cash and the Company's shares as contingent consideration shares.

Set forth below is the calculation of goodwill*:

	Stoneware	**EMC**	**CCE**	**Total**
	US$'000	***US$'000***	***US$'000***	***US$'000***
Purchase consideration:				
- Cash paid (a)	**43,756**	**58,813**	**102,493**	**205,062**
- Fair value of consideration shares (b)	**-**	**-**	**43,331**	**43,331**
- Less: cash and consideration shares to be recovered	**-**	**-**	**(74,318)**	**(74,318)**
- Present value of contingent considerations (c)	**1,238**	**41,550**	**-**	**42,788**
- Present value of deferred consideration (c)	**2,148**	**-**	**-**	**2,148**
Total purchase consideration	**47,142**	**100,363**	**71,506**	**219,011**
Less: Fair value of net assets/(liabilities) acquired	**11,589**	**48,716**	**(42,563)**	**17,742**
Goodwill (d), (Note 2(f))	**35,553**	**51,647**	**114,069**	**201,269**

* The calculations of goodwill for Stoneware and CCE are preliminary.

(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. Cash paid for acquisition of CCE is net of an amount of US$30,987,000 to be recovered in 2013 according to the relevant sales and purchase agreement (the "SPA").

(b) The fair value of 46,875,000 ordinary shares of the Company issued as part of the purchase consideration for the business combinations of CCE were based on the published share price on January 2, 2013. Shares consideration paid is expected to be fully recovered by the Company according to the SPA and the relevant closing document.

(c) The contingent consideration arrangement requires the Group to pay in cash to the then respective shareholders with reference to certain performance indicators. The present value of deferred and contingent considerations is included in other non-current liabilities in the balance sheet (Note 12).

Deferred consideration will be paid to certain former Stoneware shareholders in 2016.

(d) The amounts of goodwill from the business combinations in respect of Stoneware and CCE that are expected to be deductible for tax purpose are US$25 million and US$97 million respectively.

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

	Stoneware *US$'000*	**EMC** *US$'000*	**CCE** *US$'000*	**Total** *US$'000*
Cash and cash equivalents	**2,896**	**10,000**	**24,127**	**37,023**
Property, plant and equipment	**42**	**425**	**7,178**	**7,645**
Deferred tax assets less liabilities	**592**	**(6,022)**	**(16,589)**	**(22,019)**
Intangible assets	**13,000**	**36,500**	**49,667**	**99,167**
Net working capital except cash and cash equivalents	**(2,926)**	**7,813**	**(91,473)**	**(86,586)**
Non-current liabilities	**(2,015)**	**-**	**(15,473)**	**(17,488)**
Fair value of net assets/(liabilities) acquired	**11,589**	**48,716**	**(42,563)**	**17,742**

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 March 31, 2013, the Group has not finalized the fair value assessments for net assets acquired (including intangible assets) from the business combination activities in respect of Stoneware and CCE. The relevant fair values of net assets stated above are on a provisional basis.

Acquisition-related costs incurred in connection with these business combination activities of approximately US$5.7 million have been recognized as administrative expenses in the consolidated income statement.

16 Reconciliation of profit before taxation to net cash generated from operations

	2013	2012
	US$'000	*US$'000*
Profit before taxation	**801,299**	582,443
Share of losses of associates and jointly controlled entities	**718**	851
Finance income	**(44,881)**	(42,693)
Finance costs	**42,869**	43,484
Depreciation of property, plant and equipment and amortization of prepaid lease payments	**92,097**	77,721
Amortization of intangible assets and share-based compensation	**195,231**	164,102
Loss on disposal of property, plant and equipment	**1,353**	1,505
Loss on disposal of available-for-sale assets	**959**	-
Loss on disposal of construction-in-progress	**732**	6
Loss on disposal of intangible assets	**3,124**	1,113
Gain on disposal of subsidiaries and an associate	**-**	(50)
Dividend income	**(362)**	(95)
De-recognition of contingent consideration	**(19,861)**	-
Gain on disposal of financial instruments	**725**	(7,274)
Increase in inventories	**(653,642)**	(13,587)
Increase in trade receivables, notes receivable, deposits, prepayments and other receivables	**(187,202)**	(1,322,485)
Increase in trade payables, notes payable, provisions, accruals and other payables	**17,842**	2,724,863
Effect of foreign exchange rate changes	**(5,618)**	(83,139)
Net cash generated from operations	**245,383**	2,126,765

PROPOSED DIVIDEND

The Board recommended the payment of a final dividend of HK14.0 cents per ordinary share for the year ended March 31, 2013 (2012: HK10.0 cents). Subject to shareholders' approval at the forthcoming annual general meeting ("AGM"), the proposed final dividend will be payable on Friday, July 26, 2013 to the shareholders whose names appear on the register of members of ordinary shares of the Company on Monday, July 22, 2013.

CLOSURE OF REGISTER OF MEMBERS

For the purposes of determining shareholders' eligibility to attend and vote at the AGM, and entitlement to the proposed final dividend, the register of members of ordinary shares of the Company will be closed. Details of such closures are set out below:

(i) For determining shareholders' eligibility to attend and vote at the AGM:

Latest time to lodge transfer documents for registration	4:30 p.m. on Monday, July 15, 2013
Closure of register of members of ordinary shares	Tuesday, July 16, 2013
Record date	Tuesday, July 16, 2013

(ii) For determining shareholders' entitlement to the proposed final dividend:

Latest time to lodge transfer documents for registration	4:30 p.m. on Friday, July 19, 2013
Closure of register of members of ordinary shares	Monday, July 22, 2013
Record date	Monday, July 22, 2013

During the above closure periods, no transfer of shares will be registered. To be eligible to attend and vote at the AGM, and to qualify for the proposed final dividend, all properly completed transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's share registrar, Tricor Abacus Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong no later than the aforementioned latest times.

FINANCIAL REVIEW

Results

For the year ended March 31, 2013, the Group achieved total sales of approximately US$33,873 million. Profit attributable to equity holders for the year was approximately US$635 million, representing an increase of US$162 million as compared with last year. Gross profit margin for the year was 0.3 percentage point up from 11.7 percent reported in last year. Basic earnings per share and diluted earnings per share were US6.16 cents and US6.07 cents, representing an increase of US1.49 cents and US1.50 cents respectively as compared with 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 year ended March 31, 2013, overall operating expenses across the board increased when compared to last year as the current year includes a full year results of NEC JV and Medion. Employee benefit costs increased by 22 percent as compared to last year due to increased headcount and performance-driven incentive payments. Branding and promotional expenses increased by 7 percent as compared to last year as a result of the new product launches.

Further analyses of income and expense by function for the year ended March 31, 2013 are set out below:

Other income – net
This mainly represents the gain arising from the de-recognition of contingent consideration during the year. In October 2012, the Group completed the transfer of ownership interest under the business combination agreement with Medion.

Selling and distribution expenses
Selling and distribution expenses for the year increased by 12 percent as compared to last year. This is principally attributable to a US$39 million increase in promotional, branding and marketing activities and the increase in employee benefit costs.

Administrative expenses
Administrative expenses for the year increased by 16 percent as compared to last year. This is mainly attributable to the increase in employee benefit costs and a US$23 million increase in depreciation and amortization expenses.

Research and development expenses
Research and development spending for the year increased by 38 percent as compared to 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 - net
The net other operating income for the year comprises subsidy income of US$115 million, netted with US$38 million net exchange loss; and other miscellaneous expenses.

The net other operating income in last year comprises subsidy income of US$30 million, net exchange gain of US$5 million and other miscellaneous income, and is offset by a one-off license fee of US$35 million.

Capital Expenditure

The Group incurred capital expenditure of US$441 million (2012: US$329 million) during the year ended March 31, 2013, mainly for the acquisition of office equipment, completion of construction-in-progress and investments in the Group's information technology systems.

Liquidity and Financial Resources

At March 31, 2013, total assets of the Group amounted to US$16,882 million (2012: US$15,861 million), which were financed by equity attributable to owners of the Company of US$2,667 million (2012: US$2,361 million), non-controlling interests (net of put option written on non-controlling interest) of US$13 million (2012: US$87 million), and total liabilities of US$14,202 million (2012: US$13,413 million). At March 31, 2013, the current ratio of the Group was 1.02 (2012: 1.00).

The Group had a solid financial position. At March 31, 2013, bank deposits, cash and cash equivalents totaled US$3,573 million (2012: US$4,171 million), of which 56.5 (2012: 56.9) percent was denominated in US dollars, 32.4 (2012: 27.6) percent in Renminbi, 3.4 (2012: 7.7) percent in Euros, 3.4 (2012: 3.5) percent in Japanese Yen, and 4.3 (2012: 4.3) percent in other currencies.

The Group adopts a conservative policy to invest the surplus cash generated from operations. At March 31, 2013, 76.3 (2012: 74.2) percent of cash are bank deposits, and 23.7 (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 year, the Group drew down the loan of US$300 million. At March 31, 2013, the facility was fully utilized (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 March 31, 2013 (2012: Nil).

The Group has also arranged other short-term credit facilities. At March 31, 2013, the Group's total available credit facilities amounted to US$6,993 million (2012: US$6,642 million), of which US$391 million (2012: US$362 million) was in trade lines, US$668 million (2012: US$521 million) in short-term and revolving money market facilities and US$5,934 million (2012: US$5,759 million) in forward foreign exchange contracts. At March 31, 2013, the amounts drawn down were US$242 million (2012: US$220 million) in trade lines, US$4,945 million (2012: US$4,720 million) being used for the forward foreign exchange contracts; and US$176 million (2012: US$63 million) in short-term bank loans.

At March 31, 2013, the Group's outstanding bank loans represented the term loan of US$303 million (2012: Nil) and short-term bank loans of US$176 million (2012: US$63 million). When compared with total equity of US$2,680 million (2012: US$2,448 million), the Group's gearing ratio was 0.18 (2012: 0.03). The net cash position of the Group at March 31, 2013 is US$3,094 million (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 March 31, 2013, the Group had commitments in respect of outstanding forward foreign exchange contracts amounting to US$4,945 million (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 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.

Human Resources

At March 31, 2013, the Group had approximately 35,026 employees.

The Group implements remuneration policy, bonus and long-term incentive schemes with reference to the performance of the Group and individual employees. The Group also provides benefits such as insurance, medical and retirement funds to employees to sustain competitiveness of the Group.

BUSINESS REVIEW AND FUTURE PROSPECTS

Business Review

Fiscal year 2012/13 was a year of success for Lenovo. Lenovo's solid execution of its PC+ strategy has led the Group to achieve initial success in transforming into a leading PC+ company. That fueled its strong profit growth and wide range of record achievements. During the year under review, Lenovo achieved the number three position for the first time in the global smart connected device category, riding on strong growth of its dual engines of PC and MIDH businesses.

The Group's PC business continued to achieve strong performance across the board, outperforming the markets in all geographic segments, as well as in all product and customer segments, and delivering profitable growth. Lenovo sustained its position as the world's number two PC maker in fiscal year 2012/13 and continued to close the gap with the industry leader. Lenovo has been the fastest growing PC company among top four for the past 14 consecutive quarters, and outperformed the global PC market for 16 consecutive quarters. Lenovo has sustained its position as the second largest commercial PC company and become the second largest consumer PC company in the world for the fiscal year, and continued to be the largest PC company in emerging markets including China. According to the preliminary industry estimate, the Group's global market share grew 2.6 percentage points year-on-year to record-high 15.5 percent, with strong PC shipments growth of 10 percent year-on-year to record-high 52.4 million units. During the year under review, the worldwide PC market declined 8 percent year-on-year due to slow economic conditions and product transition, but Lenovo grew in spite of these challenges in the worldwide PC market.

Further to its strong performance in the PC market, the Mobile Internet and Digital Home (MIDH) Group has become another key, fast growing business 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 growth more than 3 times higher year-on-year during the year under review, and achieved 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 the quarter ending in December as well as the subsequent quarter. In addition, Lenovo launched its smartphones in several new important markets outside China, including India, Indonesia, the Philippines, Russia and Vietnam and the initial market responses have been encouraging. The Group's media tablet business also continued to show encouraging development, with shipments growing 74 percent year-on-year and sustained its number two position in China.

During the year under review, the Group completed the business combination of EMC Joint Venture and the acquisition of CCE and Stoneware in the end of December, 2012 and January, 2013, respectively. Each of these successful transactions will help to enhance Lenovo's products and services to its global customers and contribute to our PC+ strategy.

For the fiscal year ended March 31, 2013, the Group's consolidated revenue increased by 15 percent year-on-year to record-high US$33,873 million. Under personal technology products and services, revenue of the Group's PC and related business were US$29,749 million, representing a year-on-year increase of 9 percent; whilst the revenue of MIDH business, which was largely from smartphone revenue in China, increased 105 percent year-on-year to US$3,039 million. Meanwhile, revenue of other goods and services were US$1,085 million.

The Group's gross profit increased by 18 percent year-on-year to US$4,073 million and gross margin increased from 11.7 percent in the previous fiscal year to 12.0 percent, driven by effective margin management, scaling benefits from growth in shipments and stringent cost controls.

Operating expenses increased by 14 percent year-on-year to US$3,273 million, with an expenses-to-revenue ratio of 9.7 percent. The Group continued to leverage scaling benefits from strong shipment growth, even while continuing to investment in product innovation, branding, MIDH business and emerging markets, to drive long-term sustainable growth and better profitability. This resulted in a flat expenses-to-revenue ratio compared to last year. The Group achieved a record-high profit before taxation of US$801 million and profit attributable to equity holders of the company amounted US$635 million, representing an increase of 38 percent and 34 percent, respectively, from the previous fiscal year.

Performance of Geographies

During the year ended March 31, 2013, Lenovo achieved strong performance in all geographies where it has operations, gaining PC market share across the board in China, EMEA, NA and Asia Pacific Latin America (APLA) markets. The Group achieved record high PC market share in China, EMEA, NA and APLA.

Lenovo ranked number one in two of the top three PC markets in the world, namely China and Japan, in the fiscal year 2012/13.

China

China accounted for 43 percent of the Group's total revenue. China's PC market was affected by the government leadership changes and budget control, and softer economic growth, leading to a decline by 5 percent year-on-year during the fiscal year according to preliminary industry estimates.

During the fiscal year, Lenovo continued to outperform the market and extend its leadership in China through its solid strategic execution to protect mature cities while at the same time attacking for growth in emerging smaller cities and rural areas, where demand is stronger due to low PC penetration. Lenovo's unit shipments growth in China was 3 percent year-on-year for the fiscal year and market share increased by 2.6 percentage point year-on-year to an all-time high of 34.6 percent, according to industry estimates. Leveraging its position as the country's PC market leader with a strong consumer presence, the Group's MIDH business in China posted strong unit shipments growth. The Group's smartphone unit shipments grew more than 3 times year-on-year. As a result, the Group continued to record strong revenue growth in China, up 17 percent, supported by the stellar MIDH performance of revenue growth at 108 percent year-on-year.

Operating profit in China grew to US$678 million during the fiscal year, and operating margin was up 0.1 percentage point year-on-year to 4.7 percent, even as the Group continued to invest in its mobile internet business during the year. Operating margin for China PC business was 6.2 percent, up from 5.8 percent in the previous fiscal year.

Asia Pacific/ Latin America (APLA)

APLA accounted for 20 percent of the Group's total revenue. Lenovo's unit shipments in APLA grew 13 percent year-on-year against a 8 percent decline for the overall market, according to preliminary industry estimates. Lenovo continued to solidify its number one position in Japan. CCE acquisition completed in January 2013 and it started to contribute in the fourth quarter of FY12/13. The integration of CCE is on track and it is expected to help accelerate the Group's expansion in the Brazil market. As a result, Lenovo achieved a market share in APLA of 11.4 percent, up 2.1 percentage point from previous fiscal year.

Operating profit in APLA regions further improved to US$24 million during the year under review and operating margin was 0.3 percent, an increase of 0.3 percentage point year-on-year.

Europe-Middle East-Africa (EMEA)

EMEA accounted for 22 percent of the Group's total revenue. Lenovo's unit shipments in EMEA grew by 28 percent year-on-year, which was a 37-point premium to the market. The strong shipment growth was attributable to the Group's strategy in driving its SMB and consumer business. Thus the Group's market share increased by 3.1 percentage point from a year ago to 10.7 percent for the year under review, according to preliminary industry estimates. Strong unit shipments growth and share gains were recorded across all key regions year-on-year in the year under review. Lenovo became the number three PC company in EMEA regions and became number one PC player in Germany and Demark and number two PC player in Russia in the fiscal year under review. Lenovo successfully expanded its business scale in the geography through continued improvement in distribution channels, product portfolio, and investments in branding and marketing.

Operating profit in EMEA regions further improved to US$147 million during the year under review and operating margin was 2.0 percent, an increase of 1.3 percentage point year-on-year.

North America (NA)

North America accounted for 15 percent of the Group's total revenue. Lenovo's unit shipments in North America grew by 9 percent year-on-year, which was about a 20-point premium to the market driven by the strong growth in consumer and SMB business through successful execution of its channel strategy, as well as its leadership in commercial segment. Thus the Group's market share increased by 1.6 percentage point from a year ago to a record-high 8.8 percent, according to preliminary industry estimates. Lenovo has become the number four PC company in North America and the U.S. markets in the year under review.

Operating profit in NA markets was US$168 million during the fiscal year, against US$161 million recorded in the previous fiscal year. NA Markets' operating margin was 3.4 percent for the fiscal year, a decrease of 0.1 percentage point year-on-year. The decrease was mainly attributable to an increased mix of consumer business during the year under review.

Performance of Product Groups

During the fiscal year 2012/13, Lenovo achieved strong and balanced unit shipments growth in both commercial and consumer PC products, as well as in both desktop and notebook PC products. The MIDH Group also shows strong growth during the year under review.

Lenovo is committed to and investing in innovation that differentiates its products. At the International Consumer Electronics Show (CES) in Las Vegas in January 2013, Lenovo won record 53 major awards, demonstrating the industry's recognition of the outstanding quality, design and functionality of the Group's products.

Think Product Group

The performance of the Think Product Group, which mainly targets commercial customers, continued to outgrow the market from its solid execution of its protect strategy. The Group leveraged its unique, dual-business model which serves global, large enterprise customers through its relationship model, as well as small-to-medium business through its transaction model. According to industry estimates, Lenovo's commercial PC unit shipments grew 2 percent year-on-year and its market share in the worldwide commercial PC market increased by 1.9 percentage point year-on-year to 18.7 percent during the fiscal year.

Lenovo offers a wide range of commercial desktops and notebooks to businesses of all sizes that feature cutting-edge technology, customer-centric innovation and powerful productivity features. During the fiscal year, Lenovo announced a wide range of new products including desktops, Ultrabooks and tablets. In addition to 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.

Idea Product Group

The Idea Product Group, which primarily focuses on the consumer products, was propelled by continued strong growth of the consumer PC segment in EMEA and NA markets under the Group's strategy to attack to gain share in consumer business in the region. According to industry estimates, Lenovo's consumer PC's unit shipments grew 22 percent year-on-year and its market share increased by 3.1 percentage point year-on-year to 12.8 percent. Lenovo became the number one PC company in the global consumer desktop segment during the year under review.

The Group announced a series of new and stylish PC products – such as the spectacular IdeaCentre Horizon 27, which offers multi-scenario solutions in one device that combines a tablet PC and a 27-inch desktop PC and provides "Phygital" gaming experience with E-Dice, Joysticker and Striker. Horizon also won 15 awards in the CES. 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 and 13, which provide a flip-and–fold design to perform a 360 degree rotation with their unique dual-hinge were also products received encouraging feedback.

Notebook and Desktop Products

Lenovo achieved strong, balanced growth and market share gains for both notebook and desktop PCs during the fiscal year. Unit shipments for the Group's notebook and desktop PCs grew by 11 percent and 8 percent year-on-year, respectively. Lenovo's market share in the worldwide notebook PC market increased 2.8 percentage points from a year ago to 15.8 percent, while its worldwide desktop PC market share increased by 2.3 percentage points to 15.1 percent in the fiscal year under review, according to preliminary industry estimates. Lenovo maintained its position as the second largest desktop PC player and became the second largest notebook PC player in the fiscal year.

Mobile Internet Products

Lenovo's MIDH business posted strong unit shipments growth during the year under review. MIDH revenue contribution were up from 5 percent of the Group's total revenue from previous year to 9 percent in this fiscal year. Lenovo's market share in China smartphone increased by 7.0 percentage point from previous year to record-high 12.8 percent in the fiscal year under review and become the number two smartphone company in China.

Lenovo continued to capture strong growth momentum from not only entry level smartphones but also received good initial feedback from its mid- to high-end smartphones portfolio. Those models with screen sizes larger than 5 inches -- such as K860, S920 and K900 -- all attracted lots of customers' attention from the market. Overall, unit shipments of smartphones grew more than 3 times year-on-year for the year under review. In media tablets, the Group continued to experience a robust shipment growth of 74 percent year-on-year and by rolling out a range of new tablet products of different screen sizes, targeting both consumer and commercial customers in China, as well as in certain countries outside of China. The Group has also planned for the launch of more new smartphones and tablets to fuel future growth. The Group has also launched smart TVs in China during the fiscal year and the initial market response was encouraging.

Future Prospects

Lenovo remains optimistic about the future of the PC+ market and is confident that it will continue to deliver above market performance and profit growth with margin expansion in the new fiscal year. Although worldwide PC demand remains challenging due to remain weak economic conditions, the Group is confident it will continue to outgrow the worldwide PC market with balanced growth across the board and continued profit improvement. Meanwhile, the Group is also on course in transforming into a leading PC+ company, and is committed in investment in innovation to drive PC+ product portfolio across PC, smartphone, tablets, and new form factors. The Group will continue to strive for strong growth in smartphones globally, by solidifying China leadership and expanding into Emerging Markets and Mature Markets over time. In the meantime, the Group will also invest in driving more new differentiated tablet products to expand its leadership in China and globally.

In China, where the growth momentum may be influenced in the short-term by the government budget control and more moderate economic growth, Lenovo will continue to expand its market leading position in PC market. Lenovo will enhance its server business through its alliance with EMC in the commercial market, leveraging its strong leadership in the consumer market and penetrate to more high growth emerging cities, while executing its Protect and Attack strategy to evolve from a winning PC company to a winning PC+ company in China.

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. Lenovo 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.

To become faster, more efficient, more innovative and to more deeply implement our strategy in every key market, Lenovo refined its front end structure. The new structure brings North America and Latin America together to improve efficiency and better leverage synergies between these regions, while maintaining the rest of our sales structure. The Group will also create two new end-to-end business groups: Think Business Group (TBG) and Lenovo Business Group (LBG). These new groups will further enhance Lenovo's end-to-end efficiency across the value-chain and sharpen branding, innovation and response to market changes, operational efficiency, new product development and time to market. 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 has achieved strong initial success in entering the PC+ era in the year under review. Lenovo believes it has established a solid foundation to let the Group embrace the new challenges of the PC+ era. Looking forward, the Group will continue its investment in building its core competencies, product innovation, and branding to help the Group capture more market opportunities. Lenovo will continue to pursue its leadership in the PC+ age and transforming itself to a global PC+ innovation leader. The Group, given its solid financial position, will continue to actively look for inorganic growth opportunities which will supplement its organic growth strategy to accelerate future expansion. 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 year, 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 the 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 year 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 year ended March 31, 2013, the trustee of the long-term incentive program of the Company purchased 106,968,000 ordinary shares from the market for award to employees upon vesting. Details of the program will be set out in the 2012/13 Annual Report of the Company.

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's securities during the year ended March 31, 2013.

REVIEW BY AUDIT COMMITTEE

The Audit Committee of the Company has been established since 1999 with the responsibility to assist the Board in providing an independent review of the financial statements, internal control and risk management systems. It acts in accordance with its terms of reference which clearly deal with its membership, authority, duties and frequency of meetings. Currently, the Audit Committee is chaired by an independent non-executive director, Mr. Nicholas C. Allen, and comprises three members including Mr. Allen, 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 annual results of the Group for the year ended March 31, 2013. It meets regularly with the management, the external auditor and the internal audit personnel to discuss the accounting principles and practices adopted by the Group and internal control and financial reporting matters.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

Throughout the year ended March 31, 2013, the Company has complied with the code provisions of the Corporate Governance Code and Corporate Governance Report (the "CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange, and where appropriate, met the recommended best practices in the CG Code, except that there was no separation of the roles of the chairman and the chief executive officer, both of the roles are currently undertaken by Mr. Yang Yuanqing, the chairman of the Board. The Board has recently reviewed the organization human resources planning of the Company and is of the opinion that it is appropriate and in the best interests of the Company at the present stage for Mr. Yang to continue to hold both the positions as it would help to maintain the continuity of the strategy execution and stability of the operations of the Company. The Board comprising a vast majority of non-executive directors meets regularly on a quarterly basis to review the operations of the Company led by Mr. Yang. Accordingly, the Board believes that this arrangement will not have negative influence on the balance of power and authorizations between the Board and the management of the Company.

Apart from the foregoing, the Company met the recommended best practices in the CG Code as to be disclosed in the respective sections of the 2012/13 Annual Report. Particularly, the Company published quarterly financial results and business reviews in addition to interim and annual results. Quarterly financial results enhanced the shareholders' ability to assess the performance, financial position and prospects of the Company. The quarterly financial results were prepared using the accounting standards consistent with the policies applied to the interim and annual accounts.

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

May 23, 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.