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lenovo联想

Lenovo Group Limited 聯想集團有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 0992)

FY2013/14 FIRST QUARTER RESULTS ANNOUNCEMENT

QUARTERLY RESULTS

The board of directors (the "Board") of Lenovo Group Limited (the "Company") announces the unaudited results of the Company and its subsidiaries (the "Group") for the three months ended June 30, 2013 together with comparative figures for the corresponding period of last year, as follows:

CONSOLIDATED INCOME STATEMENT

	Note	**3 months ended June 30, 2013 (unaudited)** *US$'000*	3 months ended June 30, 2012 (unaudited) *US$'000*
Revenue	*2*	**8,787,098**	8,009,696
Cost of sales		**(7,595,707)**	(6,963,396)
Gross profit		**1,191,391**	1,046,300
Other income/(loss) - net	*3*	**106**	(316)
Selling and distribution expenses		**(438,303)**	(445,901)
Administrative expenses		**(346,475)**	(281,101)
Research and development expenses		**(170,319)**	(135,441)
Other operating expenses - net		**(34,527)**	(1,717)
Operating profit	*4*	**201,873**	181,824
Finance income	*5(a)*	**12,495**	11,630
Finance costs	*5(b)*	**(14,747)**	(8,124)
Share of profit/(losses) of associates and joint ventures		**15,808**	(82)
Profit before taxation		**215,429**	185,248
Taxation	*6*	**(45,536)**	(40,812)
Profit for the period		**169,893**	144,436
Profit/(loss) attributable to:			
Equity holders of the Company		**173,932**	141,367
Non-controlling interests		**(4,039)**	3,069
		169,893	144,436
Earnings per share attributable to equity holders of the Company			
Basic	*7(a)*	**US 1.67 cents**	US 1.37 cents
Diluted	*7(b)*	**US 1.65 cents**	US 1.33 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	3 months ended June 30, 2013 (unaudited) ***US$'000***	3 months ended June 30, 2012 (unaudited) *US$'000*
Profit for the period	**169,893**	144,436
Other comprehensive income/(loss):		
Item that will not be reclassified subsequently to profit or loss		
Remeasurements of defined benefit obligations, net of taxes	**355**	(324)
Items that may be reclassified to profit or loss		
Fair value change on available-for-sale financial assets, net of taxes	**(1,378)**	(5,810)
Fair value change on cash flow hedges, net of taxes		
- Forward foreign exchange contracts		
Fair value gain, net of taxes	**21,966**	17,392
Reclassified to consolidated income statement	**(26,682)**	(17,982)
Currency translation differences	**(11,721)**	(48,626)
Total items that may be reclassified subsequently to profit or loss	**(17,815)**	(55,026)
Other comprehensive loss for the period	**(17,460)**	(55,350)
Total comprehensive income for the period	**152,433**	89,086
Total comprehensive income/(loss) attributable to:		
Equity holders of the Company	**156,472**	86,017
Non-controlling interests	**(4,039)**	3,069
	152,433	89,086

CONSOLIDATED BALANCE SHEET

	Note	**June 30, 2013 (unaudited) *US$'000***	March 31, 2013 (audited) *US$'000*
Non-current assets			
Property, plant and equipment		**510,264**	479,777
Prepaid lease payments		**36,534**	36,522
Construction-in-progress		**222,695**	184,051
Intangible assets		**3,335,863**	3,326,418
Interests in associates and joint ventures		**18,669**	2,763
Deferred income tax assets		**411,089**	349,389
Available-for-sale financial assets		**68,042**	69,962
Other non-current assets		**45,815**	43,378
		4,648,971	4,492,260
Current assets			
Inventories		**2,532,046**	1,964,791
Trade receivables	*8(a)*	**3,078,523**	2,885,039
Notes receivable		**817,149**	572,992
Derivative financial assets		**99,491**	99,491
Deposits, prepayments and other receivables	*9*	**3,153,266**	3,235,465
Income tax recoverable		**59,597**	58,822
Bank deposits		**149,681**	119,055
Cash and cash equivalents		**3,413,085**	3,454,082
		13,302,838	12,389,737
Total assets		**17,951,809**	16,881,997

CONSOLIDATED BALANCE SHEET (CONTINUED)

	Note	**June 30, 2013 (unaudited) *US$'000***	March 31, 2013 (audited) *US$'000*
Share capital	*12*	**33,413**	33,465
Reserves		**2,765,399**	2,633,178
Equity attributable to owners of the Company		**2,798,812**	2,666,643
Non-controlling interests	*13*	**222,399**	226,438
Put option written on non-controlling interest	*11(c)*	**(212,900)**	(212,900)
Total equity		**2,808,311**	2,680,181
Non-current liabilities			
Bank borrowings		**355,492**	303,133
Warranty provision	*10(b)*	**269,728**	279,255
Deferred revenue		**398,036**	403,540
Retirement benefit obligations		**158,402**	163,883
Deferred income tax liabilities		**116,254**	113,992
Other non-current liabilities	*11*	**876,599**	846,539
		2,174,511	2,110,342
Current liabilities			
Trade payables	*8(b)*	**4,320,739**	3,624,500
Notes payable		**124,747**	99,503
Derivative financial liabilities		**67,112**	69,053
Other payables and accruals	*10(a)*	**6,986,046**	6,852,344
Provisions	*10(b)*	**789,973**	776,640
Deferred revenue		**416,601**	393,417
Income tax payable		**151,967**	100,179
Bank borrowings		**111,802**	175,838
		12,968,987	12,091,474
Total liabilities		**15,143,498**	14,201,816
Total equity and liabilities		**17,951,809**	16,881,997
Net current assets		**333,851**	298,263
Total assets less current liabilities		**4,982,822**	4,790,523

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	3 months ended June 30, 2013 (unaudited) ***US$'000***	3 months ended June 30, 2012 (unaudited) *US$'000*
Net cash generated from/(used in) operating activities	**140,041**	(333,687)
Net cash (used in)/generated from investing activities	**(138,978)**	152,712
Net cash (used in)/generated from financing activities	**(48,996)**	11,168
Decrease in cash and cash equivalents	**(47,933)**	(169,807)
Effect of foreign exchange rate changes	**6,936**	(25,133)
Cash and cash equivalents at the beginning of the period	**3,454,082**	3,757,652
Cash and cash equivalents at the end of the period	**3,413,085**	3,562,712

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, 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
Profit for the period	-	-	-	-	-	-	-	-	-	173,932	(4,039)	-	169,893
Other comprehensive (loss)/income	-	-	(1,378)	-	-	-	(4,716)	(11,721)	-	355	-	-	(17,460)
Total comprehensive (loss)/income for the period	-	-	(1,378)	-	-	-	(4,716)	(11,721)	-	174,287	(4,039)	-	152,433
Transfer to statutory reserve	-	-	-	-	-	-	-	-	2,379	(2,379)	-	-	-
Exercise of share options	7	667	-	-	-	-	-	-	-	-	-	-	674
Repurchase of shares	(59)	(16,336)	-	59	-	-	-	-	-	-	-	-	(16,336)
Vesting of shares under long-term incentive program	-	-	-	-	22,845	(31,058)	-	-	-	-	-	-	(8,213)
Share-based compensation	-	-	-	-	-	21,229	-	-	-	-	-	-	21,229
Contribution to employee share trusts	-	-	-	-	(21,657)	-	-	-	-	-	-	-	(21,657)
At June 30, 2013	33,413	1,639,137	14,702	1,247	(21,009)	(12,978)	30,363	(178,571)	66,836	1,225,672	222,399	(212,900)	2,808,311
At April 1, 2012	33,131	1,584,522	20,137	1,003	(27,858)	53,078	15,307	(48,248)	100,848	629,315	86,734	-	2,447,969
Profit for the period	-	-	-	-	-	-	-	-	-	141,367	3,069	-	144,436
Other comprehensive (loss)/income	-	-	(5,810)	-	-	-	(590)	(48,626)	-	(324)	-	-	(55,350)
Total comprehensive (loss)/income for the period	-	-	(5,810)	-	-	-	(590)	(48,626)	-	141,043	3,069	-	89,086
Contribution from non-controlling interest	-	-	-	-	-	-	-	-	-	-	147,000	-	147,000
Put option written on non-controlling interest	-	-	-	-	-	-	-	-	-	-	-	(212,900)	(212,900)
Transfer to statutory reserve	-	-	-	-	-	-	-	-	164	(164)	-	-	-
Exercise of share options	11	1,043	-	-	-	-	-	-	-	-	-	-	1,054
Repurchase of shares	(26)	(6,607)	-	26	-	-	-	-	-	-	-	-	(6,607)
Vesting of shares under long-term incentive program	-	-	-	-	12,081	(19,761)	-	-	-	-	-	-	(7,680)
Share-based compensation	-	-	-	-	-	20,426	-	-	-	-	-	-	20,426
Contribution to employee share trust	-	-	-	-	(10,635)	-	-	-	-	-	-	-	(10,635)
At June 30, 2012	33,116	1,578,958	14,327	1,029	(26,412)	53,743	14,717	(96,874)	101,012	770,194	236,803	(212,900)	2,467,713

Notes

1 Basis of preparation

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

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

The Group has adopted the following new and revised standards and amendments to existing standards that are mandatory for the year ending March 31, 2014 and considered appropriate and relevant to its operations:

- HKAS 19 (2011), Employee benefits
- HKAS 27 (2011), Separate financial statements
- HKAS 28 (2011), Investments in associates and joint ventures
- HKFRS 10, Consolidated financial statements
- HKFRS 11, Joint arrangements
- HKFRS 12, Disclosure of interest in other entities
- HKFRS 13, Fair value measurement
- Amendments to HKAS 1 (Revised), Presentation of items of other comprehensive income
- Amendments to HKAS 39, Financial instruments: Recognition and measurement – Novation of derivatives and continuation of hedge accounting
- Amendments to HKFRS 1, Government loans
- Amendments to HKFRS 7, Financial instruments: Disclosures – Offsetting financial assets and financial liabilities
- Amendments to HKFRS 10, HKFRS 11 and HKFRS 12, Consolidated financial statements, Joint arrangements and Disclosure of interest in other entities: transition guidance

The adoption of these newly effective standards and amendments does not result in substantial changes to the Group's accounting policies or financial results.

The following new standard, interpretation, and amendments to existing standards have been issued but are not effective for the year ending March 31, 2014 and have not been early adopted:

	Effective for annual periods beginning on or after
HKFRS 9, Financial instruments	January 1, 2015
HK(IFRIC) – Int 21, Levies	January 1, 2014
Amendments to HKAS 32, Financial instruments: Presentation – Offsetting financial assets and financial liabilities	January 1, 2014
Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011), Investment entities	January 1, 2014
Amendments to HKFRS 36, Impairment of Assets: Recoverable amount disclosures for non-financial assets	January 1, 2014
Amendments to HKFRS 7 and HKFRS 9, Mandatory effective date and transition disclosures	January 1, 2015

The adoption of these new standard, interpretation, and amendments to existing standards is not expected to have material impact on the Group.

Effective April 1, 2013, the Group has re-organized its structure into two end-to-end business groups (Lenovo Business Group and Think Business Group), which enhances the Group's capabilities in both efficiency and innovation. In preparation of the Group re-organization, the Group redistributes certain global operation functions to directly align with the respective business groups. The re-organization of the global operation functions enables each of the geographical segments to directly control their businesses through closely aligned supply chain, services, marketing and other functions that directly report into the geographies. These expenses will be borne by the individual geography instead of part of the corporate expenses.

Certain overhead costs that were included as part of the cost of sales in the previous years have now been reclassified to administrative expenses. Management considered the current reclassification is more appropriate and consistent with industry practice.

The Group has also re-aligned its geographical segments whereby Latin America that was previously part of Asia Pacific/Latin America ("APLA") has been spun off and combined with North America, transforming into a new Americas region. The Group's original geographic structure had achieved rapid business growth through the alignment of its strategic direction and business acquisitions. The new geographical structure is in recognition that the Group's stronger infrastructure in the Latin America and aligns the Group's strategy to expand across the entire Americas region.

The comparative information has been reclassified to conform to the presentation of current organizational structure and allocation basis.

2 Segment information

Management has determined the operating segments based on the reports reviewed by the Lenovo Executive Committee (the "LEC"), the chief operating decision-maker, that are used to make strategic decisions.

The LEC considers business from a geographical perspective. The Group has four geographical segments, China, Asia Pacific ("AP"), Europe-Middle East-Africa ("EMEA") and Americas ("AG"), which are also the Group's reportable operating segments.

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

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

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

	3 months ended June 30, 2013		3 months ended June 30, 20112	
	Revenue from external customers	**Adjusted pre-tax income**	Revenue from external customers	Adjusted pre-tax income
	US$'000	***US$'000***	*US$'000*	*US$'000*
China	**3,718,898**	**194,015**	3,520,226	161,283
AP	**1,315,913**	**11,446**	1,440,386	11,092
EMEA	**1,867,602**	**27,619**	1,584,170	16,694
AG	**1,884,685**	**25,712**	1,464,914	25,250
Segment total	**8,787,098**	**258,792**	8,009,696	214,319
Unallocated:				
Headquarters and corporate expenses		**(60,057)**		(34,847)
Finance income		**6,246**		9,866
Finance costs		**(5,466)**		(3,692)
Net gain/(loss) on disposal of available-for-sale financial assets and investments		**106**		(316)
Share of profit/(losses) of associates and joint ventures		**15,808**		(82)
Consolidated profit before taxation		**215,429**		185,248

(b) Segment assets for reportable segments

	June 30, 2013	March 31, 2013
	US$'000	*US$'000*
China	**6,099,190**	4,943,934
AP	**1,983,360**	2,055,413
EMEA	**1,981,947**	1,933,011
AG	**2,610,326**	2,288,215
Segment assets for reportable segments	**12,674,823**	11,220,573
Unallocated:		
Deferred income tax assets	**411,089**	349,389
Derivative financial assets	**99,491**	99,491
Available-for-sale financial assets	**68,042**	69,962
Interests in associates and joint ventures	**18,669**	2,763
Unallocated bank deposits and cash and cash equivalents	**1,715,468**	2,093,983
Unallocated inventories	**632,483**	597,239
Unallocated deposits, prepayments and other receivables	**2,094,170**	2,253,370
Income tax recoverable	**59,597**	58,822
Other unallocated assets	**177,977**	136,405
Total assets per consolidated balance sheet	**17,951,809**	16,881,997

(c) Segment liabilities for reportable segments

	June 30, 2013	March 31, 2013
	US$'000	*US$'000*
China	**4,790,318**	4,324,261
AP	**1,465,003**	1,548,694
EMEA	**1,120,292**	1,115,554
AG	**1,665,129**	1,495,433
Segment liabilities for reportable segments	**9,040,742**	8,483,942
Unallocated:		
Income tax payable	**151,967**	100,179
Deferred income tax liabilities	**116,254**	113,992
Derivative financial liabilities	**67,112**	69,053
Unallocated bank borrowings	**300,000**	300,000
Unallocated trade payables	**2,088,147**	1,979,026
Unallocated other payables and accruals	**2,970,203**	2,750,353
Unallocated provisions	**27,708**	35,045
Unallocated other non-current liabilities	**294,429**	284,982
Other unallocated liabilities	**86,936**	85,244
Total liabilities per consolidated balance sheet	**15,143,498**	14,201,816

(d) Analysis of revenue by significant category

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

	3 months ended June 30, 2013	3 months ended June 30, 2012
	US$'000	*US$'000*
Sale of personal technology products and services		
– desktop computer	**2,474,170**	2,544,963
– notebook computer	**4,536,955**	4,333,495
– mobile internet and digital home	**1,203,381**	587,416
– others	**295,400**	261,409
Sale of other goods and services	**277,192**	282,413
	8,787,098	8,009,696

(e) Other segment information

	China		AP		EMEA		AG		Total	
For the three months ended June 30	**2013** ***US$'000***	2012 *US$'000*	**2013** ***US$'000***	2012 *US$'000*	**2013** ***US$'000***	2012 *US$'000*	**2013** ***US$'000***	2012 *US$'000*	**2013** ***US$'000***	2012 *US$'000*
Depreciation and amortization	**21,629**	21,722	**11,460**	8,537	**10,788**	8,474	**14,141**	8,799	**58,018**	47,532
Finance income	**450**	649	**281**	49	**299**	324	**5,219**	742	**6,249**	1,764
Finance costs	**2**	164	**1,083**	1,077	**1,503**	1,828	**6,693**	1,363	**9,281**	4,432
Additions to non-current assets (Note)	**10,695**	8,030	**1,876**	5,646	**1,133**	2,124	**16,243**	3,258	**29,947**	19,058

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$2,877 million (March 31, 2013: US$2,865 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 June 30, 2013

	China	**AP**	**EMEA**	**AG**	**Total**
	US$ million	***US$ million***	***US$ million***	***US$ million***	***US$ million***
Goodwill	**1,135**	**618**	**266**	**397**	**2,416**
Trademarks and trade names	**209**	**59**	**114**	**79**	**461**

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

The directors are of the view that there was no indication of impairment of goodwill and trademarks and trade names as at June 30, 2013 (March 31, 2013: Nil).

At June 30, 2013, the Group has not finalized the fair value assessments for the net assets acquired (including intangible assets) from the business combination activities in respect of Stoneware, Inc. ("Stoneware") and Digibrás Indústria do Brasil S.A., Digiboard Eletrônica da Amazônia Ltda., and Dual Mix Comércio de Eletrônicos Ltda., (collectively "CCE"). The goodwill for Stoneware and CCE, amounting to approximately US$186 million (March 31, 2013: US$150 million) are preliminary and subject to finalization. The movement mainly represents additional indirect tax provisions recognized following the relevant tax reviews, that were substantially completed during the quarter.

3 Other income/(loss) – net

	3 months ended June 30, 2013	3 months ended June 30, 2012
	US$'000	*US$'000*
Net gain/(loss) on disposal of available-for-sale financial assets	**106**	(316)

4 Operating profit

Operating profit is stated after charging the following:

	3 months ended June 30, 2013	3 months ended June 30, 2012
	US$'000	*US$'000*
Depreciation of property, plant and equipment and amortization of prepaid lease payments	**25,636**	20,086
Amortization of intangible assets	**32,382**	27,446
Employee benefit costs, including	**650,557**	540,501
- *long-term incentive awards*	***21,229***	*20,426*
Rental expenses under operating leases	**23,212**	17,134

5 Finance income and costs

(a) Finance income

	3 months ended June 30, 2013	3 months ended June 30, 2012
	US$'000	*US$'000*
Interest on bank deposits	**7,381**	9,543
Interest on money market funds	**728**	630
Others	**4,386**	1,457
	12,495	11,630

(b) Finance costs

	3 months ended June 30, 2013	3 months ended June 30, 2012
	US$'000	*US$'000*
Interest on bank loans and overdrafts	**7,863**	100
Factoring cost	**3,609**	3,985
Commitment fee	**809**	1,709
Interest on contingent considerations and put option liability	**2,334**	2,111
Others	**132**	219
	14,747	8,124

6 Taxation

The amount of taxation in the consolidated income statement represents:

	3 months ended June 30, 2013 *US$'000*	3 months ended June 30, 2012 *US$'000*
Current taxation		
Hong Kong profits tax	**976**	26
Taxation outside Hong Kong	**104,032**	23,511
Deferred taxation	**(59,472)**	17,275
	45,536	40,812

Hong Kong profits tax has been provided for at the rate of 16.5% (2012/13: 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 June 30, 2013	3 months ended June 30, 2012
Weighted average number of ordinary shares in issue	**10,439,446,498**	10,336,907,914
Adjustment for shares held by employee share trusts	**(21,656,961)**	(59,062,749)
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	**10,417,789,537**	10,335,405,482
	US$'000	*US$'000*
Profit attributable to equity holders of the Company	**173,932**	141,367

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.

	3 months ended June 30, 2013	3 months ended June 30, 2012
Weighted average number of ordinary shares in issue for calculation of basic earnings per share	**10,417,789,537**	10,335,405,482
Adjustments for share options and long-term incentive awards	**137,415,198**	270,399,284
Weighted average number of ordinary shares in issue for calculation of diluted earnings per share	**10,555,204,735**	10,605,804,766
	US$'000	*US$'000*
Profit attributable to equity holders of the Company used to determine diluted earnings per share	**173,932**	141,367

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 Ageing analysis

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

	June 30, 2013	March 31, 2013
	US$'000	*US$'000*
0 – 30 days	**2,106,875**	1,967,312
31 – 60 days	**652,251**	560,180
61 – 90 days	**198,094**	136,543
Over 90 days	**168,078**	257,924
	3,125,298	2,921,959
Less: provision for impairment	**(46,775)**	(36,920)
Trade receivables – net	**3,078,523**	2,885,039

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

	June 30, 2013	March 31, 2013
	US$'000	*US$'000*
0 – 30 days	**2,435,256**	2,526,465
31 – 60 days	**1,293,804**	566,747
61 – 90 days	**432,222**	332,223
Over 90 days	**159,457**	199,065
	4,320,739	3,624,500

9 Deposits, prepayments and other receivables

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

	June 30, 2013	March 31, 2013
	US$'000	*US$'000*
Deposits	**2,186**	2,923
Other receivables (a)	**2,154,043**	2,127,671
Prepayments (b)	**997,037**	1,104,871
	3,153,266	3,235,465

(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$196 million as at June 30, 2013 (March 31, 2013: US$180 million) are included in prepayments.

10 Provisions, other payables and accruals

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

	June 30, 2013	March 31, 2013
	US$'000	*US$'000*
Accruals	**1,160,691**	1,327,327
Allowance for billing adjustments (i)	**1,826,819**	1,817,782
Other payables (ii)	**3,998,536**	3,707,235
	6,986,046	6,852,344

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 are as follows:

	Warranty *US$'000*	Restructuring *US$'000*	Environmental restoration *US$'000*	Total *US$'000*
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 subsidiaries	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
Period ended June 30, 2013				
At the beginning of the period	**1,054,181**	**-**	**56,042**	**1,110,223**
Exchange adjustment	**(1,116)**	**-**	**(2,157)**	**(3,273)**
Provisions made	**195,345**	**-**	**1,683**	**197,028**
Amounts utilized	**(189,577)**	**-**	**(872)**	**(190,449)**
Unused amounts reversed	**-**	**-**	**(13,956)**	**(13,956)**
	1,058,833	**-**	**40,740**	**1,099,573**
Long-term portion classified as non-current liabilities	**(269,728)**	**-**	**(39,872)**	**(309,600)**
At the end of the period	**789,105**	**-**	**868**	**789,973**

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.

11 Other non-current liabilities

Details of other non-current liabilities are as follows:

	June 30, 2013	March 31, 2013
	US$'000	*US$'000*
Contingent considerations (a)	**303,563**	302,367
Deferred consideration (a)	**2,151**	2,151
Guaranteed dividend to non-controlling shareholders of a subsidiary (b)	**24,213**	23,699
Environmental restoration (Note 10 (b))	**39,872**	54,328
Written put option liability (c)	**215,551**	215,018
Government grants received in advance (d)	**165,907**	122,841
Others	**125,342**	126,135
	876,599	846,539

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

As at June 30, 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
Joint venture with EMC Corporation ("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 mainly relate to research and development projects and construction of property, plant and equipment. These group companies are obliged to fulfill certain conditions under the terms of the government grants. The government grants are credited to the income statement upon fulfillment of those conditions.

12 Share capital

	June 30, 2013		March 31, 2013	
	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:				
Voting ordinary shares:				
At the beginning of the period/year	**10,439,152,059**	**33,465**	10,335,612,596	33,131
Issue of ordinary shares	**-**	**-**	140,299,463	452
Exercise of share options	**2,210,000**	**7**	20,486,000	67
Repurchase of shares	**(18,376,000)**	**(59)**	(57,246,000)	(185)
At the end of the period/year	**10,422,986,059**	**33,413**	10,439,152,059	33,465

During the period ended June 30, 2013, the Company has repurchased a total of 18,376,000 of its shares with an aggregate cash payment of HK$126,757,831 (including transaction costs of HK$358,271) on the Hong Kong Stock Exchange. 5,700,000 shares were cancelled by June 30, 2013 and the remaining 12,676,000 shares were cancelled in July 2013.

13 Non-controlling interests

Included in non-controlling interests are US$147,000,000 (March 31, 2013: 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 11(c).

FINANCIAL REVIEW

Results
For the period ended June 30, 2013, the Group achieved total sales of approximately US$8,787 million. Profit attributable to equity holders for the period was approximately US$174 million, representing an increase of US$33 million as compared with the corresponding period of last year. Gross profit margin for the period was 0.5 percentage point up from 13.1 percent reported in the corresponding period of last year. Basic earnings per share and diluted earnings per share were US1.67 cents and US1.65 cents, representing an increase of US0.30 cent and US0.32 cent respectively as compared with the corresponding period of last year.

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

For the period ended June 30, 2013, overall operating expenses across the board increased when compared to the corresponding period of last year as the current period includes CCE, Stoneware and EMC JV. Employee benefit costs increased by 20 percent as compared to the corresponding period of last year due to increased headcount and performance-driven incentive payments.

Further analyses of income and expense by function for the period ended June 30, 2013 are set out below:

Other income – net
Other income represents the net gain on disposal of an available-for-sale financial asset.

Selling and distribution expenses
Selling and distribution expenses for the period decreased slightly by 2 percent as compared to the corresponding period of last year. This is principally attributable to a US$8 million decrease in travelling and transportation expenses.

Administrative expenses
Administrative expenses for the period increased by 23 percent as compared to the corresponding period of last year. This is mainly attributable to the increase in employee benefit costs and a US$6 million increase in depreciation and amortization expenses.

Research and development expenses
Research and development spending for the period increased by 26 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$10 million.

Other operating expenses - net
The net other operating expenses for the period comprises US$20 million net exchange loss, US$17 million severance costs incurred as we rebalance our skills to position us to focus on our PC+ strategy to increase productivity and efficiency of the global operations, and other miscellaneous expenses; netted with incentives and grants received of US$8 million.

The net other operating expenses in the corresponding period of last year represented mainly US$14 million net exchange loss, netted with incentives and grants received of US$22 million; and other miscellaneous expenses.

Capital Expenditure

The Group incurred capital expenditure of US$123 million (2012/13: US$67 million) during the period ended June 30, 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 June 30, 2013, total assets of the Group amounted to US$17,952 million (March 31, 2013: US$16,882 million), which were financed by equity attributable to owners of the Company of US$2,799 million (March 31, 2013: US$2,667 million), non-controlling interests (net of put option written on non-controlling interest) of US$9 million (March 31, 2013: US$13 million), and total liabilities of US$15,144 million (March 31, 2013: US$14,202 million). At June 30, 2013, the current ratio of the Group was 1.03 (March 31, 2013: 1.02).

The Group had a solid financial position. At June 30, 2013, bank deposits, cash and cash equivalents totaled US$3,563 million (March 31, 2013: US$3,573 million), of which 48.4 (March 31, 2013: 56.5) percent was denominated in US dollars, 41.8 (March 31, 2013: 32.4) percent in Renminbi, 2.5 (March 31, 2013: 3.4) percent in Euros, 3.2 (March 31, 2013: 3.4) percent in Japanese Yen, and 4.1 (March 31, 2013: 4.3) percent in other currencies.

The Group adopts a conservative policy to invest the surplus cash generated from operations. At June 30, 2013, 86.3 (March 31, 2013: 76.3) percent of cash are bank deposits, and 13.7 (March 31, 2013: 23.7) percent of cash are investments in liquid money market funds of investment grade.

Although the Group has consistently maintained a very liquid position, banking facilities have nevertheless been put in place for contingency purposes.

The Group entered into a 5-Year loan facility agreement with a bank of US$300 million on July 17, 2009. At June 30, 2013 and March 31,2013, the facility was fully utilized.

In addition, the Group entered into another 5-Year loan facility agreement with syndicated banks for US$500 million on February 2, 2011. The facility has not been utilized as at June 30, 2013 (March 31, 2013: Nil).

The Group has also arranged other short-term credit facilities. At June 30, 2013, the Group's total available credit facilities amounted to US$7,650 million (March 31, 2013: US$6,993 million), of which US$446 million (March 31, 2013: US$391 million) was in trade lines, US$506 million (March 31, 2013: US$668 million) in short-term and revolving money market facilities and US$6,698 million (March 31, 2013: US$5,934 million) in forward foreign exchange contracts. At June 30, 2013, the amounts drawn down were US$216 million (March 31, 2013: US$242 million) in trade lines, US$112 million (March 31, 2013: US$176 million) in short-term bank loans and US$6,309 million (March 31, 2013: US$4,945 million) being used for the forward foreign exchange contracts.

At June 30, 2013, the Group's outstanding bank loans represented the term loan of US$355 million (March 31, 2013: US$303 million) and short-term bank loans of US$112 million (March 31, 2013: US$176 million). When compared with total equity of US$2,808 million (March 31, 2013: US$2,680 million), the Group's gearing ratio was 0.17 (March 31, 2013: 0.18). The net cash position of the Group at June 30, 2013 is US$3,095 million (March 31, 2013: US$3,094 million).

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

The Group adopts a consistent hedging policy for business transactions to reduce the risk of currency fluctuation arising from daily operations. At June 30, 2013, the Group had commitments in respect of outstanding forward foreign exchange contracts amounting to US$6,309 million (March 31, 2013: US$4,945 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

Lenovo continued to outperform the worldwide PC, smartphone and tablet markets and deliver strong growth in group sales and profits with margin expansion, driven by its solid strategic execution and balanced growth across all geographies and customer and product segments, despite the challenging environment during the three months ended June 30, 2013. This is the 15th consecutive quarter that the Group has delivered such performance. The Group's PC+ transformation has been working well, fueled by solid growth from both PC and PC+ businesses. As the worldwide number three player in the smart connected devices market - which covers PC, smartphones and tablet products - Lenovo continued to outperform the market with year-on-year growth of 41 percent.

During the period under review, the Group outperformed the worldwide PC market by a 10-point premium. Lenovo became the clear number one in the worldwide PC market in fiscal quarter one and increased its market share by 1.7 point year-on-year to reach a historic high level of 16.7 percent according to preliminary industry estimates.

During the period under review, the Group's PC+ business continued to deliver strong growth with improving profitability, and helped bolster overall performance. The Group's worldwide smartphone shipments grew more than 130 percent higher year-on-year to record-high level of 11.4 million during the period under review driven by continuous strong profitable growth of its smartphone business in China, and business expansion into more emerging markets outside of China, including Middle East and Africa (MEA) and Latin America. For fiscal quarter one, Lenovo became the number four smartphone vendor in the world, according to preliminary industry estimates, driven by solid strategic execution. The Group's tablet business also continued to show breakthrough development and its worldwide tablets shipments grew more than 3 times year-on-year to record high shipments of 1.5 million. For fiscal quarter one, Lenovo became number five worldwide tablet player.

For the three months ended June 30, 2013, the Group's revenue increased by 10 percent year-on-year to US$8,787 million, fueled by a revenue increase in the Mobile Internet and Digital Home (MIDH) business of 105 percent year-on-year to US$1,203 million, while revenue of the Group's PC business increased by 2 percent year-on-year to US$7,307 million. Revenue of other goods and services was US$277 million, representing a year-on-year decrease of 2 percent. Gross profit increased by 14 percent year-on-year to US$1,191 million. Gross margin for the period improved by 0.5 percentage point from the same period last year to 13.6 percent, benefiting from margin improvement in PC from better average selling price and profitability improvement in MIDH business. The Group continued to invest in product innovation, branding, and faster growing businesses including smartphones, tablets and consumer PC business outside China, to drive long-term sustainable growth and better profitability in the future. The Group's operating expenses also increased when compared to the same quarter last year as the current period has included new businesses such as CCE, Stoneware and EMC JV. It also recorded US$17 million severance costs incurred as the Group rebalanced its personnel to focus on its PC+ strategy to increase productivity and efficiency of its global operations. As a result, operating expenses increased by 14 percent year-on-year to US$989 million and the expense-to-revenue ratio increased by 0.5 percentage point from the same period last year to 11.3 percent. The Group recorded profit before taxation at US$215 million and profit attributed to shareholders amounting to US$174 million, representing an increase of 16 percent and 23 percent year-on-year, respectively.

Performance of Geographies

Effective April 1, 2013, the Group has re-aligned its geographical segments whereby Latin America moved from being part of Asia Pacific/Latin America to now be combined with North America, creating a new Americas region ("AG"). The new geographical structure is in recognition that the Group's stronger infrastructure in Latin America aligns with the Group's strategy to expand across the entire Americas region.

During the three months ended June 30, 2013, Lenovo achieved solid and balanced performance in all geographies where it has operations - China, Asia Pacific ("AP"), AG and EMEA - as well as across product and customer segments.

China

China accounted for 42 percent of the Group's total revenue. Despite the softness in the PC market due to macroeconomic issues, Lenovo continued to outperform in the China PC market through its solid execution and strong brand and distribution channel network. The Group maintained its strong number one position with market share gain of 0.6 point year-on-year to 35.8 percent, and continued to improve its profitability by leveraging its leadership position.

The Group's PC+ strategy continued to work well during the period under review, and the Group's smartphone and tablet businesses in China continued to post strong unit shipments growth. Both unit shipments in smartphone and tablet grew more than one time over the same period last year.

This strong growth from the smartphone and tablet businesses fueled the Group's China revenue growth by 6 percent year-on-year to US$3,719 million during the period under review. Operating profit increased by 20 percent to US$194 million and operating margin was 5.2 percent, increasing by 0.6 percentage point year-on-year due to margin improvement of both PC and MIDH businesses. Operating margin for the China PC business was 6.8 percent, up 0.7 percentage point year-on-year, benefited from its strong product mix with improved average selling price and stringent expense control.

Americas (AG)

AG accounted for 22 percent of the Group's total revenue. Lenovo's unit shipments in AG grew by 22 percent year-on-year, a 26-point premium to the market driven by strong growth in both consumer and commercial businesses. The Group's market share increased by 2.1 percentage point from a year ago to a record-high 9.7 percent, helping the Group maintain its number three position in the AG PC market, according to preliminary industry estimates. In addition, Lenovo achieved double-digit market share in North America for the first time, benefiting by its strong growth in US commercial PC business, reporting a record-high share at 13.1 percent during the period under review. Lenovo continued to build its foundation in Brazil, achieving record-high market share at 9.5 percent, up 5.8 percentage point from same quarter last year.

Operating profit in AG increased to US$26 million during the period under review and operating margin was 1.4 percent, a decrease of 0.3 percentage point year-on-year. The decrease was mainly attributable to continued investments in Brazil and consumer business during the quarter.

Asia Pacific (AP)
AP accounted for 15 percent of the Group's total revenue. Lenovo's unit shipments in AP declined 8 percent year-on-year as the Group strategically balanced between growth and profitability and gave up certain non-profitable education deals in the region. During the period under review, Lenovo continued to gain share and solidify its number one position in Japan, while in ASEAN, the Group demonstrated strong growth by outperforming market by a 32-point premium, and its market share in the region increased by 3.0 percentage point from a year ago to a record-high level of 11.9 percent.

Operating profit in AP remained flat at US$11 million during the period under review and operating margin was 0.9 percent, increased by 0.1 percentage point year-on-year.

Europe-Middle East-Africa (EMEA)
EMEA accounted for 21 percent of the Group's total revenue. Lenovo's unit shipments in EMEA grew by 18 percent year-on-year, which was a 40-point premium to the market. Thus the Group's market share increased by 4.4 percentage point from a year ago to a record high 13.2 percent for the period under review, according to preliminary industry estimates. Strong year-on-year unit shipments growth and share gains were recorded across all regions in fiscal quarter one. In fiscal quarter one Lenovo achieved the number one PC position in ten countries in EMEA, including Germany, and also became number one in Eastern Europe for the first time, further solidifying its number two position in the EMEA PC market.

Operating profit in EMEA regions further improved to US$28 million during the period under review with improved operating margin by 0.4 percentage point from a year ago to 1.5 percent.

Performance of Business Groups

During the three months ended June 30, 2013, Lenovo's market share in the worldwide commercial PC increased by 0.7 percentage point from a year ago to 19.3 percent, according to preliminary industry estimates. Lenovo maintained the number one position in the worldwide commercial notebook PC segment in fiscal quarter one. During the period under review, the Think Business Group, which mainly targets premium PC and tablets, and enterprise solutions, continued to launch innovative models in desktop and laptop PC. Premium products like ThinkPad® X230s, which provides customers a leading business-class Ultrabook with lightweight carbon fiber casing and innovations, received good feedback from the market.

The Lenovo Business Group, which primarily focuses on the mainstream/entry PC, smartphones and tablet products, was propelled by continued strong growth of the consumer PC segment in EMEA and AG markets to gain share in consumer business. According to industry estimates, Lenovo further solidified its number one position in the worldwide consumer PC market, growing at a 15-point premium to the market. Its market share increased by 2.2 percentage point year-on-year to a historical high of 14.2 percent. During the fiscal quarter one, Lenovo began selling its new Horizon Table PC, an interpersonal computing device that brings people together in a totally new way, allowing up to four people to use it simultaneously, interacting with content and playing games with joysticks, strikers and dice. While Horizon has attracted all sorts of attention and industry buzz for its unique family time Table PC mode, it also doubles as a user's high-performance, all-in-one 27-inch desktop.

Lenovo's smartphone business posted strong unit shipments growth during the period under review. This was driven by strong smartphone demand in China and expansion into more countries outside of China. The Group's worldwide smartphone shipments more than doubled year-on-year to a record-high level of 11.4 million and Lenovo became number four smartphone vendor in the world, according to preliminary industry estimates. New models launched during the fiscal quarter one, including the K900, the S920 and the S820, enhanced the premium product portfolio and received good market response, while its entry/mid range products provided strong drive in unit shipments. In tablets, the Group continued its strong momentum and became the number five player globally with unit shipments growing more than 3 times year-on-year during the period under review, helped by the momentum of ThinkPad Tablet 2, popular with our commercial customers, and Lenovo's seven-inch tablets, the A1000 and A3000, as well as the ten-inch A6000.

Future Prospects

The PC+ era has seen rapid growth in smartphone and tablet sales, and as these products mature, there is a growing shift from premium to mainstream and to entry level as well as from mature markets to emerging markets. The Group believes these industry trends will favor Lenovo and make Lenovo an even stronger competitor.

The mobile markets have hitherto been defined by premium products in mature markets, but as these products are maturing, the fastest growth and biggest opportunity are expected to be in mainstream products, as even the premium space has become smaller and smaller in mature markets. The other big growth opportunity is in emerging markets, where all segments continue to grow rapidly. These industry shifts to mainstream products and emerging markets offer the Group a unique opportunity where Lenovo's strengths are align with where the market is moving.

The Group has been preparing for this transition. Through its investments in new markets, in innovation, and in its business model, Lenovo is well positioned to become even more competitive in the changing PC+ market.

The Group believes its business model is more efficient than its competitors. It starts with product portfolio, which includes leading products from premium to mainstream to entry level segments, providing the right products to customers in every market. In addition, its end-to-end model includes in-house manufacturing that allows it to produce products more efficiently. The Group also has a proven track record in understanding how to grow profitably in mainstream products and emerging markets.

Through the right strategy, innovative products, efficient business model and strong execution from its diverse global team, Lenovo has delivered historic success in the PC era. The Group is confident this same combination can also deliver success in the PC+ era.

Given its solid financial position, the Group 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 three months ended June 30, 2013, the Company repurchased a total of 18,376,000 ordinary shares of HK$0.025 each in the capital of the Company at prices ranging from HK$6.66 to HK$7.00 per share on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Details of 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 2013	18,376,000	7.00	6.66	126,399,560

Out of the 18,376,000 ordinary shares repurchased, 5,700,000 ordinary shares 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 remaining 12,676,000 ordinary shares repurchased were cancelled subsequent to the period end date. The premium paid on repurchase of such ordinary shares was charged against the share premium account of the Company.

During the three months ended June 30, 2013, the trustee of the long-term incentive program of the Company purchased 23,608,000 ordinary shares from the market for award to employees upon vesting. Details of the program are 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 three months ended June 30, 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 unaudited financial results of the Group for the three months ended June 30, 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

None of the directors of the Company is aware of any information that would reasonably indicate that the Company is not, or was not during the three months ended June 30, 2013, 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 2012/13 Annual Report of the Company.

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

August 14, 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 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.