Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

Lenovo Group Limited 聯想集團有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 992)

FY2013/14 THIRD QUARTER RESULTS ANNOUNCEMENT

QUARTERLY RESULTS

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

CONSOLIDATED INCOME STATEMENT

	Note	**3 months ended December 31, 2013 (unaudited)** *US$'000*	**9 months ended December 31, 2013 (unaudited)** *US$'000*	3 months ended December 31, 2012 (unaudited) *US$'000*	9 months ended December 31, 2012 (unaudited) *US$'000*
Revenue	*2*	**10,788,605**	**29,349,436**	9,358,746	26,041,043
Cost of sales		**(9,425,485)**	**(25,530,301)**	(8,169,408)	(22,665,958)
Gross profit		**1,363,120**	**3,819,135**	1,189,338	3,375,085
Other income - net	*3*	**21,774**	**22,427**	19,954	19,907
Selling and distribution expenses		**(528,821)**	**(1,442,633)**	(535,584)	(1,470,770)
Administrative expenses		**(340,303)**	**(1,003,730)**	(315,201)	(883,946)
Research and development expenses		**(187,554)**	**(547,318)**	(162,432)	(450,697)
Other operating income/(expenses) - net		**6,006**	**(27,838)**	47,448	41,399
Operating profit	*4*	**334,222**	**820,043**	243,523	630,978
Finance income	*5(a)*	**5,876**	**25,071**	11,128	33,123
Finance costs	*5(b)*	**(18,800)**	**(53,677)**	(8,051)	(27,692)
Share of (loss)/profit of associates and joint ventures		**(133)**	**10,389**	(144)	(880)
Profit before taxation		**321,165**	**801,826**	246,456	635,529
Taxation	*6*	**(55,635)**	**(152,359)**	(46,386)	(128,136)
Profit for the period		**265,530**	**649,467**	200,070	507,393
Profit/(loss) attributable to:					
Equity holders of the Company		**265,310**	**658,924**	204,870	508,284
Non-controlling interests		**220**	**(9,457)**	(4,800)	(891)
		265,530	**649,467**	200,070	507,393
Earnings per share attributable to equity holders of the Company					
Basic	*7(a)*	**US 2.56 cents**	**US 6.35 cents**	US 1.99 cents	US 4.94 cents
Diluted	*7(b)*	**US 2.52 cents**	**US 6.27 cents**	US 1.96 cents	US 4.85 cents
Dividend	*8*		**80,426**		59,930

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	3 months ended December 31, 2013 (unaudited) ***US$'000***	**9 months ended December 31, 2013 (unaudited)** ***US$'000***	3 months ended December 31, 2012 (unaudited) *US$'000*	9 months ended December 31, 2012 (unaudited) *US$'000*
Profit for the period	**265,530**	**649,467**	200,070	507,393
Other comprehensive (loss)/income:				
Item that will not be reclassified to profit or loss				
Remeasurements of defined benefit obligations, net of taxes	**-**	**355**	-	(324)
Items that have been reclassified or may be subsequently reclassified to profit or loss				
Fair value change on available-for-sale financial assets, net of taxes	**1,379**	**(2,180)**	(2,913)	(10,230)
Investment revaluation reserve reclassified to consolidated income statement on disposal of an available-for-sale financial asset	**(20,526)**	**(20,526)**	-	-
Fair value change on cash flow hedges				
- Forward foreign exchange contracts				
Fair value gain/(loss), net of taxes	**24,637**	**(7,007)**	50,197	14,180
Reclassified to consolidated income statement	**28,657**	**(2,773)**	14,351	(2,164)
Exchange reserve reclassified to consolidated income statement on disposal of a subsidiary	**-**	**1,250**	-	-
Currency translation differences	**(49,444)**	**(62,160)**	(36,427)	(60,824)
Total items that have been reclassified or may be subsequently reclassified to profit or loss	**(15,297)**	**(93,396)**	25,208	(59,038)
Other comprehensive (loss)/income for the period	**(15,297)**	**(93,041)**	25,208	(59,362)
Total comprehensive income for the period	**250,233**	**556,426**	225,278	448,031
Total comprehensive income/(loss) attributable to:				
Equity holders of the Company	**250,013**	**565,883**	230,078	448,922
Non-controlling interests	**220**	**(9,457)**	(4,800)	(891)
	250,233	**556,426**	225,278	448,031

CONSOLIDATED BALANCE SHEET

	Note	**December 31, 2013 (unaudited)** *US$'000*	March 31, 2013 (audited) *US$'000*
Non-current assets			
Property, plant and equipment		**608,354**	479,777
Prepaid lease payments		**36,375**	36,522
Construction-in-progress		**277,947**	184,051
Intangible assets		**3,333,189**	3,326,418
Interests in associates and joint ventures		**18,084**	2,763
Deferred income tax assets		**383,963**	349,389
Available-for-sale financial assets		**26,883**	69,962
Other non-current assets		**41,270**	43,378
		4,726,065	4,492,260
Current assets			
Inventories		**2,662,628**	1,964,791
Trade receivables	*9(a)*	**3,871,199**	2,885,039
Notes receivable		**659,139**	572,992
Derivative financial assets		**91,302**	99,491
Deposits, prepayments and other receivables	*10*	**3,638,055**	3,235,465
Income tax recoverable		**55,005**	58,822
Bank deposits		**95,152**	119,055
Cash and cash equivalents		**3,724,569**	3,454,082
		14,797,049	12,389,737
Total assets		**19,523,114**	16,881,997

CONSOLIDATED BALANCE SHEET (CONTINUED)

	Note	**December 31, 2013 (unaudited)** *US$'000*	March 31, 2013 (audited) *US$'000*
Share capital	*13*	**33,345**	33,465
Reserves		**2,889,216**	2,633,178
Equity attributable to owners of the Company		**2,922,561**	2,666,643
Non-controlling interests	*14*	**217,311**	226,438
Put option written on non-controlling interest	*12(c)*	**(212,900)**	(212,900)
Total equity		**2,926,972**	2,680,181
Non-current liabilities			
Bank borrowings		**12,348**	303,133
Warranty provision	*11(b)*	**279,220**	279,255
Deferred revenue		**426,894**	403,540
Retirement benefit obligations		**163,453**	163,883
Deferred income tax liabilities		**136,654**	113,992
Other non-current liabilities	*12*	**841,594**	846,539
		1,860,163	2,110,342
Current liabilities			
Trade payables	*9(b)*	**5,264,055**	3,624,500
Notes payable		**141,293**	99,503
Derivative financial liabilities		**60,567**	69,053
Other payables and accruals	*11(a)*	**7,412,445**	6,852,344
Provisions	*11(b)*	**834,172**	776,640
Deferred revenue		**410,634**	393,417
Income tax payable		**169,148**	100,179
Bank borrowings		**443,665**	175,838
		14,735,979	12,091,474
Total liabilities		**16,596,142**	14,201,816
Total equity and liabilities		**19,523,114**	16,881,997
Net current assets		**61,070**	298,263
Total assets less current liabilities		**4,787,135**	4,790,523

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	9 months ended December 31, 2013 (unaudited)	9 months ended December 31, 2012 (unaudited)
	US$'000	*US$'000*
Net cash generated from operating activities	**962,693**	698,050
Net cash used in investing activities	**(331,410)**	(382,610)
Net cash used in financing activities	**(380,795)**	(13,135)
Increase in cash and cash equivalents	**250,488**	302,305
Effect of foreign exchange rate changes	**19,999**	(452)
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	**3,724,569**	4,059,505

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	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**658,924**	**(9,457)**	**-**	**649,467**
Other comprehensive (loss)/income	**-**	**-**	**(22,706)**	**-**	**-**	**-**	**(9,780)**	**(60,910)**	**-**	**355**	**-**	**-**	**(93,041)**
Total comprehensive (loss)/income for the period	**-**	**-**	**(22,706)**	**-**	**-**	**-**	**(9,780)**	**(60,910)**	**-**	**659,279**	**(9,457)**	**-**	**556,426**
Transfer to statutory reserve	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**2,379**	**(2,379)**	**-**	**-**	**-**
Exercise of share options	**44**	**4,472**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**4,516**
Repurchase of shares	**(164)**	**(45,304)**	**-**	**164**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(45,304)**
Vesting of shares under long-term incentive program	**-**	**-**	**-**	**-**	**37,798**	**(52,592)**	**-**	**-**	**-**	**-**	**-**	**-**	**(14,794)**
Share-based compensation	**-**	**-**	**-**	**-**	**-**	**62,666**	**-**	**-**	**-**	**-**	**-**	**-**	**62,666**
Contribution to employee share trusts	**-**	**-**	**-**	**-**	**(50,357)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(50,357)**
Dividend paid	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(266,692)**	**-**	**-**	**(266,692)**
Change in ownership interest in a subsidiary	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**330**	**-**	**330**
At December 31, 2013	**33,345**	**1,613,974**	**(6,626)**	**1,352**	**(34,756)**	**6,925**	**25,299**	**(227,760)**	**66,836**	**1,443,972**	**217,311**	**(212,900)**	**2,926,972**
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	-	-	-	-	-	-	-	-	-	508,284	(891)	-	507,393
Other comprehensive (loss)/income	-	-	(10,230)	-	-	-	12,016	(60,824)	-	(324)	-	-	(59,362)
Total comprehensive (loss)/income for the period	-	-	(10,230)	-	-	-	12,016	(60,824)	-	507,960	(891)	-	448,031
Contribution from non-controlling interest	-	-	-	-	-	-	-	-	-	-	147,700	-	147,700
Put option written on non-controlling interest	-	-	-	-	-	-	-	-	-	-	-	(212,900)	(212,900)
Transfer to statutory reserve	-	-	-	-	-	-	-	-	164	(164)	-	-	-
Issue of ordinary shares	116	28,519	-	-	-	-	-	-	-	-	-	-	28,635
Exercise of share options	38	3,566	-	-	-	-	-	-	-	-	-	-	3,604
Dividend paid	-	-	-	-	-	-	-	-	-	(198,865)	-	-	(198,865)
Repurchase of shares	(185)	(44,122)	-	185	-	-	-	-	-	-	-	-	(44,122)
Vesting of shares under long-term incentive program	-	-	-	-	53,069	(68,836)	-	-	-	-	-	-	(15,767)
Share-based compensation	-	-	-	-	-	57,415	-	-	-	-	-	-	57,415
Contribution to employee share trust	-	-	-	-	(60,035)	-	-	-	-	-	-	-	(60,035)
At December 31, 2012	33,100	1,572,485	9,907	1,188	(34,824)	41,657	27,323	(109,072)	101,012	938,246	233,543	(212,900)	2,601,665

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 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 19 (2011), Employee benefits	July 1, 2014
Amendments to HKAS 32, Financial instruments: Presentation – Offsetting financial assets and financial liabilities	January 1, 2014
Amendments to HKAS 36, Impairment of assets: Recoverable amount disclosures for non-financial assets	January 1, 2014
Amendments to HKAS 39, Financial instruments: Recognition and measurement – Novation of derivatives and continuation of hedge accounting	January 1, 2014
Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011), Investment entities	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. As part 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 considers 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

	9 months ended December 31, 2013		9 months ended December 31, 2012	
	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	**11,623,814**	**617,988**	11,409,713	500,910
AP	**4,426,297**	**61,776**	4,248,776	44,497
EMEA	**7,005,969**	**112,860**	5,685,976	81,815
AG	**6,293,356**	**55,547**	4,696,578	66,037
Segment total	**29,349,436**	**848,171**	26,041,043	693,259
Unallocated:				
Headquarters and corporate expenses		**(71,403)**		(88,874)
Restructuring costs		**(26)**		(29)
Finance income		**13,868**		27,796
Finance costs		**(21,600)**		(15,650)
De-recognition of contingent consideration		**-**		19,861
Net gain/(loss) on disposal of available-for-sale financial assets		**21,880**		(316)
Dividend income from an available-for-sale financial asset		**547**		362
Share of profits/(losses) of associates and joint ventures		**10,389**		(880)
Consolidated profit before taxation		**801,826**		635,529

(b) Segment assets for reportable segments

	December 31, 2013	March 31, 2013
	US$'000	*US$'000*
China	**6,238,531**	4,943,934
AP	**2,027,204**	2,055,413
EMEA	**2,561,038**	1,933,011
AG	**2,799,425**	2,288,215
Segment assets for reportable segments	**13,626,198**	11,220,573
Unallocated:		
Deferred income tax assets	**383,963**	349,389
Derivative financial assets	**91,302**	99,491
Available-for-sale financial assets	**26,883**	69,962
Interests in associates and joint ventures	**18,084**	2,763
Unallocated bank deposits and cash and cash equivalents	**1,946,174**	2,093,983
Unallocated inventories	**701,808**	597,239
Unallocated deposits, prepayments and other receivables	**2,451,403**	2,253,370
Income tax recoverable	**55,005**	58,822
Other unallocated assets	**222,294**	136,405
Total assets per consolidated balance sheet	**19,523,114**	16,881,997

(c) Segment liabilities for reportable segments

	December 31, 2013 *US$'000*	March 31, 2013 *US$'000*
China	**5,034,767**	4,324,261
AP	**1,530,486**	1,548,694
EMEA	**1,359,583**	1,115,554
AG	**1,560,847**	1,495,433
Segment liabilities for reportable segments	**9,485,683**	8,483,942
Unallocated:		
Income tax payable	**169,148**	100,179
Deferred income tax liabilities	**136,654**	113,992
Derivative financial liabilities	**60,567**	69,053
Unallocated bank borrowings	**300,000**	300,000
Unallocated trade payables	**2,945,553**	1,979,026
Unallocated other payables and accruals	**3,077,873**	2,750,353
Unallocated provisions	**8,902**	35,045
Unallocated other non-current liabilities	**305,202**	284,982
Other unallocated liabilities	**106,560**	85,244
Total liabilities per consolidated balance sheet	**16,596,142**	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:

	9 months ended December 31, 2013 *US$'000*	9 months ended December 31, 2012 *US$'000*
Sale of personal technology products and services		
– desktop computer	**8,337,175**	8,152,351
– notebook computer	**14,905,243**	13,785,660
– mobile internet and digital home	**4,401,772**	2,303,126
– others	**769,831**	861,656
Sale of other goods and services	**935,415**	938,250
	29,349,436	26,041,043

(e) Other segment information

	China		AP		EMEA		AG		Total	
For the nine months ended December 31	**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	**56,265**	65,214	**41,292**	33,753	**36,984**	27,714	**49,240**	21,325	**183,781**	148,006
Finance income	**2,261**	2,492	**906**	349	**531**	534	**7,505**	1,952	**11,203**	5,327
Finance costs	**817**	427	**4,095**	2,932	**5,656**	4,862	**21,509**	3,821	**32,077**	12,042
Additions to non-current assets (Note)	**62,722**	44,731	**10,831**	18,955	**6,337**	6,270	**44,338**	19,732	**124,228**	89,688

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$2,854 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 December 31, 2013

	China	**AP**	**EMEA**	**AG**	**Total**
	US$ million	***US$ million***	***US$ million***	***US$ million***	***US$ million***
Goodwill	**1,148**	**588**	**285**	**380**	**2,401**
Trademarks and trade names	**209**	**59**	**118**	**67**	**453**

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 December 31, 2013 (March 31, 2013: Nil).

At December 31, 2013, the Group has 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 of Stoneware and CCE, amounting to approximately US$163 million (March 31, 2013: US$150 million) has been allocated to the AG market segment. The movement mainly represents additional indirect tax provisions recognized following the relevant tax reviews that were completed during the period.

3 Other income – net

	3 months ended December 31, 2013	**9 months ended December 31, 2013**	3 months ended December 31, 2012	9 months ended December 31, 2012
	US$'000	***US$'000***	*US$'000*	*US$'000*
De-recognition of contingent consideration	**-**	**-**	19,861	19,861
Net gain/(loss) on disposal of available-for-sale financial assets	**21,774**	**21,880**	-	(316)
Dividend income from an available-for-sale financial asset	**-**	**547**	93	362
	21,774	**22,427**	19,954	19,907

4 Operating profit

Operating profit is stated after charging the following:

	3 months ended December 31, 2013	**9 months ended December 31, 2013**	3 months ended December 31, 2012	9 months ended December 31, 2012
	US$'000	***US$'000***	*US$'000*	*US$'000*
Depreciation of property, plant and equipment and amortization of prepaid lease payments	**27,925**	**79,629**	22,313	63,715
Amortization of intangible assets	**38,565**	**104,152**	27,619	84,291
Employee benefit costs, including	**695,352**	**2,018,686**	613,861	1,730,067
- long-term incentive awards	***19,755***	***62,666***	*18,836*	*57,415*
Rental expenses under operating leases	**24,740**	**74,017**	19,882	55,787

5 Finance income and costs

(a) Finance income

	3 months ended December 31, 2013	**9 months ended December 31, 2013**	3 months ended December 31, 2012	9 months ended December 31, 2012
	US$'000	***US$'000***	*US$'000*	*US$'000*
Interest on bank deposits	**5,228**	**18,591**	9,690	27,457
Interest on money market funds	**497**	**1,854**	763	2,163
Others	**151**	**4,626**	675	3,503
	5,876	**25,071**	11,128	33,123

(b) Finance costs

	3 months ended December 31, 2013	**9 months ended December 31, 2013**	3 months ended December 31, 2012	9 months ended December 31, 2012
	US$'000	***US$'000***	*US$'000*	*US$'000*
Interest on bank loans and overdrafts	**6,447**	**24,185**	1,913	3,816
Factoring cost	**5,943**	**14,163**	2,472	10,908
Commitment fee	**840**	**2,481**	806	5,102
Interest on contingent considerations and put option liability	**2,386**	**7,088**	2,686	7,387
Others	**3,184**	**5,760**	174	479
	18,800	**53,677**	8,051	27,692

6 Taxation

The amount of taxation in the consolidated income statement represents:

	3 months ended December 31, 2013	**9 months ended December 31, 2013**	3 months ended December 31, 2012	9 months ended December 31, 2012
	US$'000	***US$'000***	*US$'000*	*US$'000*
Current taxation				
Hong Kong profits tax	**1,315**	**5,536**	753	845
Taxation outside Hong Kong	**53,584**	**166,118**	54,907	137,599
Deferred taxation	**736**	**(19,295)**	(9,274)	(10,308)
	55,635	**152,359**	46,386	128,136

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 December 31, 2013	**9 months ended December 31, 2013**	3 months ended December 31, 2012	9 months ended December 31, 2012
Weighted average number of ordinary shares in issue	**10,398,726,124**	**10,410,323,135**	10,320,052,791	10,314,316,436
Adjustment for shares held by employee share trusts	**(46,079,441)**	**(39,673,373)**	(101,297,898)	(88,735,825)
Adjustment for consideration shares in respect of business combination activities	**-**	**-**	57,560,317	57,560,317
Weighted average number of ordinary shares in issue for calculation of basic earnings per share	**10,352,646,683**	**10,370,649,762**	10,276,315,210	10,283,140,928
	US$'000	***US$'000***	*US$'000*	*US$'000*
Profit attributable to equity holders of the Company	**265,310**	**658,924**	204,870	508,284

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 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 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 December 31, 2013	**9 months ended December 31, 2013**	3 months ended December 31, 2012	9 months ended December 31, 2012
Weighted average number of ordinary shares in issue for calculation of basic earnings per share	**10,352,646,683**	**10,370,649,762**	10,276,315,210	10,283,140,928
Adjustments for share options and long-term incentive awards	**159,332,514**	**133,652,882**	194,085,735	189,605,073
Weighted average number of ordinary shares in issue for calculation of diluted earnings per share	**10,511,979,197**	**10,504,302,644**	10,470,400,945	10,472,746,001
	US$'000	***US$'000***	*US$'000*	*US$'000*
Profit attributable to equity holders of the Company used to determine diluted earnings per share	**265,310**	**658,924**	204,870	508,284

Adjustments for the dilutive potential ordinary shares are as follows:

– For the share options, a calculation is performed to determine the number of shares that could have been acquired at fair value (determined as the average periodic market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise in full of the share options.

– For the long-term incentive awards, a calculation is performed to determine whether the long-term incentive awards are dilutive, and the number of shares that are deemed to be issued.

There is no adjustment to profit attributable to equity holders of the Company used for the calculation of diluted earnings per share.

8 Dividend

	9 months ended December 31, 2013 ***US$'000***	9 months ended December 31, 2012 *US$'000*
Interim dividend, for the six months ended September 30, 2013– HK6.0 cents (2012/13: HK4.5 cents) per ordinary share, paid on December 2, 2013	**80,426**	59,930

9 Ageing analysis

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

	December 31, 2013	March 31, 2013
	US$'000	*US$'000*
0 – 30 days	**2,341,871**	1,967,312
31 – 60 days	**1,025,515**	560,180
61 – 90 days	**241,948**	136,543
Over 90 days	**300,034**	257,924
	3,909,368	2,921,959
Less: provision for impairment	**(38,169)**	(36,920)
Trade receivables – net	**3,871,199**	2,885,039

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

	December 31, 2013	March 31, 2013
	US$'000	*US$'000*
0 – 30 days	**2,700,658**	2,526,465
31 – 60 days	**1,812,990**	566,747
61 – 90 days	**605,680**	332,223
Over 90 days	**144,727**	199,065
	5,264,055	3,624,500

10 Deposits, prepayments and other receivables

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

	December 31, 2013	March 31, 2013
	US$'000	*US$'000*
Deposits	**1,078**	2,923
Other receivables (a)	**2,455,918**	2,127,671
Prepayments (b)	**1,181,059**	1,104,871
	3,638,055	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$353 million as at December 31, 2013 (March 31, 2013: US$180 million) are included in prepayments.

11 Provisions, other payables and accruals

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

	December 31, 2013	March 31, 2013
	US$'000	*US$'000*
Accruals	**1,270,510**	1,327,327
Allowance for billing adjustments (i)	**1,841,557**	1,817,782
Other payables (ii)	**4,300,378**	3,707,235
	7,412,445	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	**Restructuring**	**Environmental restoration**	**Total**
	US$'000	***US$'000***	***US$'000***	***US$'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
Nine months ended December 31, 2013				
At the beginning of the period	**1,054,181**	**-**	**56,042**	**1,110,223**
Exchange adjustment	**7,805**	**-**	**(3,095)**	**4,710**
Provisions made	**668,454**	**-**	**6,389**	**674,843**
Amounts utilized	**(603,184)**	**-**	**(3,618)**	**(606,802)**
Unused amounts reversed	**(15,637)**	**-**	**(36,952)**	**(52,589)**
	1,111,619	**-**	**18,766**	**1,130,385**
Long-term portion classified as non-current liabilities	**(279,220)**	**-**	**(16,993)**	**(296,213)**
At the end of the period	**832,399**	**-**	**1,773**	**834,172**

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 return 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:

	December 31, 2013	March 31, 2013
	US$'000	*US$'000*
Contingent considerations (a)	**305,971**	302,367
Deferred consideration (a)	**2,151**	2,151
Guaranteed dividend to non-controlling shareholders of a subsidiary (b)	**18,828**	23,699
Environmental restoration (Note 11 (b))	**16,993**	54,328
Written put option liability (c)	**216,620**	215,018
Government incentives and grants received in advance (d)	**146,456**	122,841
Others	**134,575**	126,135
	841,594	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 December 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
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 incentives and grants included in other non-current liabilities are received from local municipalities to incentivize certain group companies to carry out research and development projects and the construction of property, plant and equipment. These group companies are obliged to fulfill certain conditions under the terms of the government incentives and grants. The government incentives and grants are credited to the income statement upon fulfillment of those conditions.

13 Share capital

	December 31, 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	**13,916,000**	**44**	20,486,000	67
Repurchase of shares	**(51,054,000)**	**(164)**	(57,246,000)	(185)
At the end of the period/year	**10,402,014,059**	**33,345**	10,439,152,059	33,465

14 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 12(c).

FINANCIAL REVIEW

Results
For the nine months ended December 31, 2013, the Group achieved total sales of approximately US$29,349 million. Profit attributable to equity holders for the period was approximately US$659 million, representing an increase of US$151 million as compared with the corresponding period of last year. Gross profit margin for the period remained stable at 13.0 percent, when compared with the corresponding period of last year. Basic earnings per share and diluted earnings per share were US6.35 cents and US6.27 cents, representing an increase of US1.41 cents and US1.42 cents 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 nine months ended December 31, 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 17 percent as compared to the corresponding period of last year due to increased headcount and performance-driven incentive payments. In addition, US$62 million severance costs were incurred for the period as we rebalance our skills to position us to focus on our PC+ strategy to increase productivity and efficiency of the global operations.

Further analyses of income and expense by function for the nine months ended December 31, 2013 are set out below:

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

Selling and distribution expenses
Selling and distribution expenses for the period decreased by 2 percent as compared to the corresponding period of last year. This is principally attributable to a US$21 million decrease in advertising and promotional expenses.

Administrative expenses
Administrative expenses for the period increased by 14 percent as compared to the corresponding period of last year. This is mainly attributable to the increase in employee benefit costs and a US$17 million increase in depreciation and amortization expenses.

Research and development expenses
Research and development spending for the period increased by 21 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 depreciation and amortization expenses of US$16 million.

Other operating expenses/(income) – net
The net other operating expenses for the period comprises mainly US$57 million net exchange loss and other miscellaneous expenses; netted with incentives received in recognition of the Group's research and development related spending of US$59 million.

The net other operating income in the corresponding period of last year represented mainly US$30 million net exchange loss and other miscellaneous expenses, netted with incentives received in recognition of the Group's research and development related spending of US$51 million.

Capital Expenditure

The Group incurred capital expenditure of US$421 million (2012/13: US$312 million) during the nine months ended December 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 December 31, 2013, total assets of the Group amounted to US$19,523 million (March 31, 2013: US$16,882 million), which were financed by equity attributable to owners of the Company of US$2,923 million (March 31, 2013: US$2,667 million), non-controlling interests (net of put option written on non-controlling interest) of US$4 million (March 31, 2013: US$13 million), and total liabilities of US$16,596 million (March 31, 2013: US$14,202 million). At December 31, 2013, the current ratio of the Group was 1.00 (March 31, 2013: 1.02).

The Group had a solid financial position. At December 31, 2013, bank deposits, cash and cash equivalents totaled US$3,820 million (March 31, 2013: US$3,573 million), of which 53.0 (March 31, 2013: 56.5) percent was denominated in US dollars, 36.8 (March 31, 2013: 32.4) percent in Renminbi, 3.5 (March 31, 2013: 3.4) percent in Euros, 1.5 (March 31, 2013: 3.4) percent in Japanese Yen, and 5.2 (March 31, 2013: 4.3) percent in other currencies.

The Group adopts a conservative policy to invest the surplus cash generated from operations. At December 31, 2013, 89.6 (March 31, 2013: 76.3) percent of cash are bank deposits, and 10.4 (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 December 31, 2013 and March 31, 2013, the facility was fully utilized, and the loan is repayable in July 2014.

The Group also has 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 December 31, 2013 (March 31, 2013: Nil).

In addition, on December 18, 2013, the Group entered into a 5-Year loan facility agreement with syndicated banks for US$1,200 million. The facilities has not been utilized as at December 31, 2013.

The Group has also arranged other short-term credit facilities. At December 31, 2013, the Group's total available credit facilities amounted to US$8,127 million (March 31, 2013: US$6,993 million), of which US$519 million (March 31, 2013: US$391 million) was in trade lines, US$404 million (March 31, 2013: US$668 million) in short-term and revolving money market facilities and US$7,204 million (March 31, 2013: US$5,934 million) in forward foreign exchange contracts. At December 31, 2013, the amounts drawn down were US$150 million (March 31, 2013: US$242 million) in trade lines, US$144 million (March 31, 2013: US$176 million) in short-term bank loans and US$6,559 million (March 31, 2013: US$4,945 million) being used for the forward foreign exchange contracts.

At December 31, 2013, the Group's outstanding bank loans represented the term loan of US$312 million, including US$300 million reclassified as current as it will be due for repayment in July 2014 (March 31, 2013: US$303 million); and short-term bank loans of US$144 million (March 31, 2013: US$176 million). When compared with total equity of US$2,927 million (March 31, 2013: US$2,680 million), the Group's gearing ratio was 0.16 (March 31, 2013: 0.18). The net cash position of the Group at December 31, 2013 is US$3,364 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 cash consideration payable by the Company in connection with the recently announced proposed acquisitions is expected to be funded by a combination of the Company's existing cash resources and additional bank borrowings.

The Group adopts a consistent hedging policy for business transactions to reduce the risk of currency fluctuation arising from daily operations. At December 31, 2013, the Group had commitments in respect of outstanding forward foreign exchange contracts amounting to US$6,559 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

During the three months ended December 31, 2013, Lenovo continued to outperform the worldwide markets across PC, smartphone and tablet, and deliver strong growth in group sales and operating profits with margin expansion. This strong performance was driven by the solid PC+ transformation and strategy execution which led to balanced growth across geographic, customer and product segments. As the worldwide number three player in the smart connected devices market - which covers PC, smartphones and tablet products - Lenovo continued to outperform the smart connected device market with year-on-year growth of 34 percent and delivered record shipments across PC, smartphone and tablet in fiscal quarter three.

The worldwide PC market continued to show signs of stabilization with the magnitude of decline further diminishing during the fiscal quarter under review. The Group recorded 9 percent year-on-year unit shipments growth, the fastest among top five players, in the fiscal quarter three against the global PC market decline at 5 percent, outperforming the worldwide PC market by a 14-point premium. Lenovo further strengthened its number one position in the worldwide PC market and reached another historical high share of 18.5 percent in fiscal quarter three according to the preliminary industry estimates. The Group recorded share gains across geographic, product and customer segments, and reached record-high market shares in Asia Pacific, China and EMEA.

During the period under review, the Group's PC+ business continued to deliver strong growth with improving profitability, which helped bolster its overall performance. The Group's worldwide smartphone shipments grew about 47 percent year-on-year to a record-high level of 13.9 million during the fiscal quarter three, driven by balanced growth between China and continued business expansion in emerging markets outside of China. For fiscal quarter three, Lenovo maintained its position as the number four smartphone vendor in the world, according to preliminary industry estimates, driven by solid strategic execution. On the tablet side, the Group demonstrated strong growth momentum for its tablet business and its worldwide tablet shipments grew more than 3 times year-on-year to record-high shipments of 3.4 million in fiscal quarter three according to preliminary industry estimates.

For the three months ended December 31, 2013, the Group's sales increased by 15 percent year-on-year to US$10,789 million. Sales of the Group's PC and related businesses were US$8,730 million, representing a year-on-year increase of 10 percent, while the sales of Mobile Internet and Digital Home (MIDH) business, increased by 73 percent year-on-year to US$1,723 million. Revenue of other goods and services was US$336 million. Gross profit increased by 15 percent year-on-year to US$1,363 million. Gross margin declined slightly year-on-year by 0.1 percentage point to 12.6 percent, due to higher mix from consumer products for the holiday season and also the impact from a temporary interruption in the supply of casing component for our premium commercial products during the quarter. The Group's operating expenses increased by 9 percent year-on-year to US$1,029 million as the current quarter has included new businesses such as CCE, Stoneware and EMC JV. It also recorded a US$30 million severance expense incurred as the Group rebalanced its personnel to focus on its PC+ strategy to increase productivity and efficiency of its global operations, while at the same time obtained a net gain

of about US$22 million on liquidation of an available-for-sale financial asset. In addition to the effects from better scaling and stringent cost control, the Group's expense-to-revenue ratio improved by 0.6 percentage point year-on-year to 9.5 percent. The Group recorded profit before taxation at US$321 million and profit attributable to equity holders of US$265 million, representing an increase of 30 percent year-on-year for both.

Performance of Geographies

During the three months ended December 31, 2013, Lenovo achieved solid and balanced performance in all geographies where it has operations - China, Americas ("AG"), Asia Pacific ("AP"), and EMEA - as well as across product and customer segments.

China

China accounted for 37 percent of the Group's total revenue. Driven by solid execution of the Group's strategy to become a leading PC+ company, Lenovo recorded balanced growth in both PC and MIDH businesses during the fiscal quarter three.

The China PC market continued to show signs of stabilization with decline magnitude diminishing during the quarter. Lenovo continued to outperform in the China PC market through its solid execution and distinct strength in brand, product and distribution channel networks. The Group further strengthened its number one position with market share gain of 0.5 percentage point year-on-year to record-high 37.9 percent in the fiscal quarter three, 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. The Group refined its strategy and focused on balance between growth and profitability for its mobile internet business in China. The Group's smartphone and tablet businesses in China continued to post strong unit shipments growth, with market share growing to 13.1 percent and 9.3 percent for smartphone and tablet respectively for the fiscal quarter three. During the period under review, the Group's China revenue declined slightly year-on-year to US$4,046 million, while the operating profit increased by 17 percent to US$218 million and operating margin was 5.4 percent, an increase of 0.8 percentage point year-on-year. Operating margin for the China PC business was 7.1 percent, up 1.3 percentage point year-on-year, benefiting from its better product mix with improved average selling price and stringent expense control.

Americas (AG)

AG accounted for 21 percent of the Group's total revenue. Lenovo's unit shipments in AG grew by 28 percent year-on-year, a 31-point premium to the market driven by strong growth in both consumer and commercial businesses in the fiscal quarter three. The Group's market share increased by 2.7 percentage point from a year ago to 11.0 percent, retaining its number three position in the AG PC market in the fiscal quarter three, according to preliminary industry estimates. The Group continued to benefit from strong growth in both commercial and consumer businesses during the quarter, and its market share was up 1.2 percentage points to 10.2 percent in North America. Lenovo continued to build its foundation in Brazil, achieving record-high market share at 18.6 percent, up 14.9 percentage point from same quarter last year according to preliminary industry estimates.

The Group's AG revenue grew 36 percent year-on-year to US$2,256 million. Lenovo continued to invest in its fast growing Brazil and Latin America businesses, and its operating profit in AG was break-even during the quarter under review. The decrease in operating profit was mainly attributable to the continued investments in Brazil and consumer business, and the impact from a temporary interruption in the supply of casing component for our premium commercial products during the quarter.

Asia Pacific (AP)

AP accounted for 15 percent of the Group's total revenue. The Group continued to drive growth in its PC+ businesses in AP. The Group's PC business in AP grew 10 percent year-on-year, with market share increasing by 2.0 percentage points year-on-year, to a record-high of 15.9 percent, recapturing number one in AP in fiscal quarter three. During the period under review, Lenovo also achieved strong growth in its mobile device businesses. It recorded hyper growth in its tablet business, especially in ASEAN, and strong growth for its smartphone business in key markets such as Indonesia, Philippines and Malaysia according to preliminary industry estimates.

Operating profit in AP further improved to US$25 million during the quarter and operating margin was 1.5 percent, an increase of 0.4 percentage point year-on-year.

Europe-Middle East-Africa (EMEA)

EMEA accounted for 27 percent of the Group's total revenue. Lenovo's PC unit shipments in EMEA grew by 27 percent year-on-year, which was a 33-point premium to the market in fiscal quarter three. Thus the Group's market share increased by 4.0 percentage point from a year ago to a record high 15.3 percent in fiscal quarter three, according to preliminary industry estimates. Strong year-on-year unit shipments growth and share gains were recorded across all regions during the period under review. In fiscal quarter three, Lenovo achieved the number one PC position in 11 countries in EMEA, including Germany, Eastern Europe and Russia, further solidifying its number two position in the EMEA PC market. Lenovo has also continued to expand its smartphone and tablet business in EMEA and achieved strong growth for both smartphone and tablet businesses in this fiscal quarter.

Operating profit in EMEA regions further improved to US$54 million during the fiscal quarter three and operating margin was 1.8 percent, an increase of 0.2 percentage point year-on-year.

Performance of Product Group

During the period under review, Lenovo outperformed the commercial PC market and as the number one player in the market, Lenovo's commercial PC unit shipments grew 5 percent year-on-year, which was a 5-point premium to the market, and its market share in the worldwide commercial PC market share increased by 1.0 percentage point year-on-year to 20.8 percent during the fiscal quarter three, according to preliminary industry estimates. During the quarter under review, the Think Business Group, which mainly targets premium PCs and tablets, and enterprise solutions, continued to launch innovative models in desktop and laptop PCs. These include commercial targeted products like ThinkPad® T440p, with performance, efficiency and durability that make it the corporate laptop workhorse that sets the benchmark. Its award winning keyboard, full HD display and ultra long battery life also provide customers with better user experience and functionality.

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. Its consumer PC unit shipments grew 14 percent year-on-year, which was a 23-point premium to the market, and its market share increased by 3.3 percentage point year-on-year to 16.3 percent in the fiscal quarter three. During the period under review, Lenovo launched its detachable three-mode notebook Lenovo Miix 2 10". As a Windows 8.1 tablet with PC-level processing, the 10.1" Lenovo Miix 2 can be used in stand mode, for hands-free multimedia entertainment, tablet mode when customers are on the go, and laptop mode for a great combination of screen real estate with a full-size keyboard.

The Group's smartphone and tablet businesses in China continued to post strong unit shipments growth. Lenovo's smartphone business was driven by smartphone leadership in China and solid expansion into more countries outside of China. The Group's worldwide smartphone shipments grew 47 percent year-on-year to a record-high level of 13.9 million in fiscal quarter three and sustained its position as the number four smartphone vendor position in the world with market share extended by 0.7 points year-on-year to 4.8 percent, according to preliminary industry estimates. The Group's worldwide tablet shipments, at the meantime, grew more than 3 times year-on-year to record-high shipments of 3.4 million in fiscal quarter three, with market share gained by 3.0 points year-on-year to 4.3 percent. Lenovo broadened its Vibe smartphone series by unveiling Lenovo's first LTE smartphone, a razor-thin, blazing-fast device equipped with gesture controls, photo enhancement software and other premium technologies. During the fiscal quarter under review, Lenovo also debuted its first multimode Yoga Tablet at a livestream launch event with Ashton Kutcher, the company's newest product engineer. The game-changing Yoga Tablet not only has an amazing long battery life of up to 18 hours, but it also features three unique modes --- hold, tilt and stand --- giving consumers a better way to use a tablet.

Leading innovation capability to create new leading products across the board

At the recent Consumer Electronics Show in Las Vegas, USA, Lenovo launched a full portfolio of award-winning products across all form factors, from smartphones to multimode devices to core PCs, including new Thinkpad X1 Carbon, Vibe Z smartphone, ThinkPad 8 tablet. The Group's breadth and depth of the new product lineup was highly praised by the industry, leading to Lenovo earning 61 awards and honors, another record for the Group. The success at CES demonstrated the innovation capability of Lenovo to drive the convergence of technologies and sustain its leading position in the industry.

Future Prospects

The PC industry still represents a $200 billion opportunity and offers Lenovo substantial room for profitable growth. The Group is optimistic that the worldwide PC market will benefit from corporate refreshment demand and gradual recovery in the China market. In the meantime, the PC+ era has continued to see rapid growth in smartphone and tablet sales. The Group has transformed itself into a PC+ leader, extending its lead in the market through the right strategy, innovative products, efficient business model and strong execution from its diverse global team.

To sustain this momentum and create a structure that will help growth in new businesses, the Group has announced the establishment of four new, distinct business groups, including PC, Mobile, Enterprise, and Ecosystem and Cloud Services, effective from April 1, 2014.

- **PC Business Group** (including Lenovo and Think brands), led by Gianfranco Lanci, who currently leads Lenovo EMEA. This group will ensure Lenovo to continue to innovate, drive profits and expand the lead in the core PC business worldwide.
- **Mobile Business Group** (smartphone, tablet, smart TV), led by Liu Jun, who currently leads the Lenovo Business Group (consumer and mobile products). This group is focused on making Lenovo a profitable global player in the fast-growing smartphone and tablet businesses, and developing smart TV business.
- **Enterprise Business Group** (including servers and storage), will be led by Gerry Smith, who currently leads Lenovo's Americas Group. The goal of this group is to aggressively build a new, fast-growing profit engine in enterprise, where Lenovo already has a solid foundation.
- **Ecosystem and Cloud Services Business Group** (including both Android and Windows opportunities), led by George He, who currently serves as Chief Technology Officer. The goal of this group is to continue building the China ecosystem for Lenovo and drive a strategy for monetization and ecosystem expansion.

The Group believes it is in one of the most important and exciting phases in its history, and it is necessary to build new businesses and new pillars of growth for the company. Some of these will leverage the strength and competitive advantage in the traditional PC business. Others will need completely different core competencies because they represent entirely new opportunities. The Group believes it is important to have an organizational design that can serve all of these needs – protect and expand the PC leadership, leverage that leadership to attack in PC+ markets, grow in new areas, and support the development of entirely new lines of business that will be essential for the company's future.

Additionally, to complement its ambitions in PC+ development, the Group has recently announced plans for two acquisitions in enterprise and mobile areas. On the enterprise front, Lenovo and International Business Machines Corporation ("IBM") announced on January 23, 2014 a definitive agreement they have entered into under which Lenovo plans to acquire IBM's x86 server business, which includes System x, BladeCenter and Flex System blade servers and switches, x86-based Flex integrated systems, NeXtScale and iDataPlex servers and associated software, blade networking and maintenance operations. The Group believes the acquisition, upon completion, can enable it to gain immediate scale and credibility in the server market and become a top global x86 server provider, capturing the significant growth opportunities in the enterprise hardware systems space.

Meanwhile on the mobile front, Lenovo and Google Inc. ("Google") entered into a definitive agreement on January 29, 2014 under which Lenovo plans to acquire the Motorola Mobility business. Lenovo is to acquire the MOTOROLA brand and Motorola Mobility's portfolio of innovative smartphones like the Moto X and Moto G and the DROID™ Ultra series. In addition to current products, Lenovo will take ownership of the future Motorola Mobility product roadmap. Lenovo will also gain a strong market presence in North America and Latin America, as well as a foothold in Western Europe, to complement its strong, fast-growing smartphone business in emerging markets around the world. The Group believes the acquisition of such an iconic brand, innovative product portfolio and incredibly talented global team will immediately make Lenovo a truly global smartphone player in the fast-growing mobile space. Both transactions are subject to the satisfaction of regulatory requirements, customary closing conditions and any other needed approvals.

Lenovo has delivered historic successes in the PC era by having the right strategy, innovative products, efficient business model and strong execution from its diverse global team, and Lenovo is confident that it is in the best position to capture these opportunities, particularly with its enhanced capabilities, scaling and end-to-end operational efficiencies through the acquisitions and new organization structure. To further strengthen the Group's supply chain efficiency for PC+ products, Lenovo officially opened a state-of-the-art facility of research, development, sales operations and production for smartphone and tablet products in Wuhan on December 19, 2013. The Group believes the Wuhan facility is an important addition to its global supply chain. In addition to capability enhancement, the site will also strengthen the Group's core competitiveness to bring more innovative products to the market, at an even more timely rate, and quickly respond to change of customer needs to capture the opportunities from tablet and smartphone markets.

The Group is confident that through its investments in new markets, innovation, and branding, Lenovo is well positioned to become even more competitive in the changing PC+ market. The Group will continue to invest in high growth areas, including consumer PC, smartphone, tablets and enterprise products, and ecosystems to maintain healthy top-line growth, and leverage its balance sheet to support the growth. Lenovo will also continue to invest in building a global brand that will become a strength that makes the Group more competitive in the PC+ business, and improves its profitability over time. Coupled with stringent expense control in our PC business to enhance operating efficiency, the Group is confident that these investments made over the last several years have built a much broader and more solid foundation to support faster growth for the Group in the future.

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

During the nine months ended December 31, 2013, the Company repurchased a total of 51,054,000 ordinary shares of HK$0.025 each in the capital of the Company at prices ranging from HK$6.64 to HK$7.00 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 2013	18,376,000	7.00	6.66	126,399,560
July 2013	32,678,000	7.00	6.64	224,064,240
	51,054,000			350,463,800

All 51,054,000 ordinary shares repurchased were cancelled on delivery of the share certificates during the period and the issued share capital of the Company was accordingly diminished by the nominal value of the repurchased ordinary shares so cancelled. The premium paid on repurchase of such ordinary shares was charged against the share premium account of the Company.

During the nine months ended December 31, 2013, the trustee of the long-term incentive program of the Company purchased 55,998,000 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 nine months ended December 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 and the other two independent non-executive directors, Mr. Ting Lee Sen and Ms. Ma Xuezheng.

The Audit Committee of the Company has reviewed the unaudited financial results of the Group for the nine months ended December 31, 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 nine months ended December 31, 2013, in compliance with the code provisions of the Corporate Governance Code and Corporate Governance Report (the "CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange, with the exception that the roles of the chairman of the Board (the "Chairman") and the chief executive officer of the Company (the "CEO") have not been segregated as required by code provision A.2.1 of the CG Code.

The Board is of the opinion that it is appropriate and in the best interests of the Company at the present stage for Mr. Yang Yuanqing ("Mr. Yang") to continue to hold both the positions as it would help to maintain the continuity of the strategy execution and stability of the operations of the Company. The Board comprising a vast majority of independent non-executive directors meets regularly on a quarterly basis to review the operations of the Company led by Mr. Yang.

The Board also appointed Mr. William O. Grabe as the Lead Independent Director with broad authority and responsibility. Among other responsibilities, the Lead Independent Director will chair the Nomination and Governance Committee meeting and/or the Board meeting when considering (a) the combined roles of Chairman and CEO; and (b) assessment of the performance of Chairman and/or CEO. The Lead Independent Director will also call and chair meeting(s) with all non-executive directors without management and executive director present at least once a year on such matters as are deemed appropriate. Accordingly, the Board believes that the current Board structure with combined roles of Chairman and CEO, the appointment of Lead Independent Director and a vast majority of independent non-executive directors will provide an effective balance on power and authorizations between the Board and the management of the Company.

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

February 12, 2014

As at the date of this announcement, the executive director is Mr. Yang Yuanqing; the non-executive directors are Mr. Zhu Linan 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, Mr. William Tudor Brown and Ms. Ma Xuezheng.