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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: 992)

FY2013/14 ANNUAL RESULTS ANNOUNCEMENT

ANNUAL RESULTS

The board of directors (the "Board") of Lenovo Group Limited (the "Company") announces the audited results of the Company and its subsidiaries (the "Group") for the year ended March 31, 2014 together with comparative figures of last year, as follows:

CONSOLIDATED INCOME STATEMENT

	Note	**2014** ***US$'000***	2013 *US$'000*
Revenue	*2*	**38,707,129**	33,873,401
Cost of sales		**(33,643,480)**	(29,446,358)
Gross profit		**5,063,649**	4,427,043
Other income – net	*3*	**22,427**	19,907
Selling and distribution expenses		**(1,900,005)**	(1,888,101)
Administrative expenses		**(1,402,979)**	(1,199,841)
Research and development expenses		**(732,454)**	(623,987)
Other operating income - net		**1,417**	64,984
Operating profit	*4*	**1,052,055**	800,005
Finance income	*5(a)*	**33,893**	44,881
Finance costs	*5(b)*	**(80,974)**	(42,869)
Share of profit/(losses) of associates and joint ventures		**9,221**	(718)
Profit before taxation		**1,014,195**	801,299
Taxation	*6*	**(196,725)**	(169,707)
Profit for the year		**817,470**	631,592
Profit/(loss) attributable to:			
Equity holders of the Company		**817,228**	635,148
Non-controlling interests		**242**	(3,556)
		817,470	631,592
Earnings per share attributable to equity holders of the Company			
Basic	*7(a)*	**US 7.88 cents**	US 6.16 cents
Diluted	*7(b)*	**US 7.78 cents**	US 6.07 cents
Dividends	*8*	**321,875**	247,674

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	2014 US$'000	2013 US$'000
Profit for the year	**817,470**	631,592
Other comprehensive income/(loss):		
Item that will not be reclassified to profit or loss		
Remeasurements of post-employment benefit obligations, net of taxes	**4,177**	(18,806)
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	**(2,288)**	(4,057)
Investment revaluation reserve reclassified to consolidated income statement on disposal of an available-for-sale financial asset	**(20,526)**	-
Fair value change on cash flow hedges		
- Forward foreign exchange contracts		
Fair value (loss)/gain, net of taxes	**(49,106)**	40,725
Reclassified to consolidated income statement	**10,818**	(20,953)
Exchange reserve reclassified to consolidated income statement on disposal of a subsidiary	**1,250**	-
Currency translation differences	**(69,781)**	(118,602)
	(125,456)	(121,693)
Total comprehensive income for the year	**692,014**	509,899
Total comprehensive income/(loss) attributable to:		
Equity holders of the Company	**691,772**	513,455
Non-controlling interests	**242**	(3,556)
	692,014	509,899

CONSOLIDATED BALANCE SHEET

	Note	**2014**	2013
		US$'000	*US$'000*
Non-current assets			
Property, plant and equipment		**667,413**	479,777
Prepaid lease payments		**40,884**	36,522
Construction-in-progress		**351,934**	184,051
Intangible assets		**3,339,516**	3,326,418
Interests in associates and joint ventures		**20,753**	2,763
Deferred income tax assets		**389,330**	349,389
Available-for-sale financial assets		**35,157**	69,962
Other non-current assets		**111,558**	43,378
		4,956,545	4,492,260
Current assets			
Inventories		**2,701,015**	1,964,791
Trade receivables	*9(a)*	**3,171,354**	2,885,039
Notes receivable		**447,325**	572,992
Derivative financial assets		**61,184**	99,491
Deposits, prepayments and other receivables	*10*	**3,000,826**	3,235,465
Income tax recoverable		**65,715**	58,822
Bank deposits		**94,985**	119,055
Cash and cash equivalents		**3,858,144**	3,454,082
		13,400,548	12,389,737
Total assets		**18,357,093**	16,881,997

CONSOLIDATED BALANCE SHEET (CONTINUED)

	Note	2014 US$'000	2013 US$'000
Share capital	*13*	**1,650,101**	33,465
Reserves		**1,360,029**	2,633,178
Equity attributable to owners of the Company		**3,010,130**	2,666,643
Non-controlling interests		**227,490**	226,438
Put option written on non-controlling interest	*12(c)*	**(212,900)**	(212,900)
Total equity		**3,024,720**	2,680,181
Non-current liabilities			
Bank borrowings		**10,125**	303,133
Warranty provision	*11(b)*	**277,231**	279,255
Deferred revenue		**438,385**	403,540
Retirement benefit obligations		**156,515**	163,883
Deferred income tax liabilities		**142,881**	113,992
Other non-current liabilities	*12*	**844,914**	846,539
		1,870,051	2,110,342
Current liabilities			
Trade payables	*9(b)*	**4,751,345**	3,624,500
Notes payable		**108,559**	99,503
Derivative financial liabilities		**58,462**	69,053
Other payables and accruals	*11(a)*	**6,658,254**	6,852,344
Provisions	*11(b)*	**852,154**	776,640
Deferred revenue		**410,330**	393,417
Income tax payable		**177,741**	100,179
Bank borrowings		**445,477**	175,838
		13,462,322	12,091,474
Total liabilities		**15,332,373**	14,201,816
Total equity and liabilities		**18,357,093**	16,881,997
Net current (liabilities)/assets		**(61,774)**	298,263
Total assets less current liabilities		**4,894,771**	4,790,523

CONSOLIDATED CASH FLOW STATEMENT

	Note	**2014** US$'000	2013 US$'000
Cash flows from operating activities			
Net cash generated from operations	14	**1,640,386**	245,383
Interest paid		**(71,199)**	(33,452)
Tax paid		**(137,129)**	(192,401)
Net cash generated from operating activities		**1,432,058**	19,530
Cash flows from investing activities			
Purchase of property, plant and equipment		**(177,562)**	(106,331)
Sale of property, plant and equipment		**9,106**	2,266
Acquisition of subsidiaries, net of cash acquired		**-**	(137,052)
Interests acquired in an associate and a joint venture		**(8,769)**	-
Payment for construction-in-progress		**(388,238)**	(277,003)
Payment for intangible assets		**(109,544)**	(57,978)
Payment for prepaid lease payments		**-**	(5,026)
Purchase of available-for-sale financial assets		**(8,550)**	(4,104)
Net proceeds from disposal of an available-for sale financial asset		**41,348**	-
Decrease in bank deposits		**24,070**	294,617
Dividend received		**547**	362
Interest received		**33,893**	44,881
Net cash used in investing activities		**(583,699)**	(245,368)
Cash flows from financing activities			
Exercise of share options		**5,946**	6,403
Repurchase of shares		**(45,304)**	(44,122)
Contributions to employee share trusts		**(100,688)**	(91,280)
Capital contribution from non-controlling interest		**-**	147,700
De-recognition of contingent consideration		**-**	(119,991)
Dividends paid		**(266,692)**	(194,676)
Exchange in ownership interest in subsidiary without change in control		**-**	(1,493)
Proceeds from bank borrowings		**119,292**	360,230
Repayments of bank borrowings		**(142,661)**	(130,974)
Net cash used in financing activities		**(430,107)**	(68,203)
Increase/(decrease) in cash and cash equivalents		**418,252**	(294,041)
Effect of foreign exchange rate changes		**(14,190)**	(9,529)
Cash and cash equivalents at the beginning of the year		**3,454,082**	3,757,652
Cash and cash equivalents at the end of the year		**3,858,144**	3,454,082

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holders of the Company												
	Share capital	Share premium	Investment revaluation reserve	Share redemption reserve	Employee share trusts	Share-based compensation reserve	Hedging reserve	Exchange reserve	Other reserve	Retained earnings	Non-controlling interests	Put option written on non-controlling interest	Total
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*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 year	-	-	-	-	-	-	-	-	-	817,228	242	-	817,470
Other comprehensive (loss)/income	-	-	(22,814)	-	-	-	(38,288)	(68,531)	-	4,177	-	-	(125,456)
Total comprehensive (loss)/income for the year	-	-	(22,814)	-	-	-	(38,288)	(68,531)	-	821,405	242	-	692,014
Transfer to statutory reserve	-	-	-	-	-	-	-	-	2,379	(2,379)	-	-	-
Exercise of share options	816	5,130	-	-	-	-	-	-	-	-	-	-	5,946
Repurchase of shares	(164)	(45,304)	-	164	-	-	-	-	-	-	-	-	(45,304)
Vesting of shares under long-term incentive program	-	-	-	-	73,882	(100,747)	-	-	-	-	-	-	(26,865)
Share-based compensation	-	-	-	-	-	80,274	-	-	-	-	-	-	80,274
Contribution to employee share trusts	-	-	-	-	(100,688)	-	-	-	-	-	-	-	(100,688)
Dividend paid	-	-	-	-	-	-	-	-	-	(266,692)	-	-	(266,692)
Change in ownership interest in a subsidiary	-	-	-	-	-	-	-	-	-	-	810	-	810
Release of escrow shares for settlement of acquisition consideration	-	-	-	-	-	-	-	-	5,044	-	-	-	5,044
Transfer to share capital (Note 13)	1,615,984	(1,614,632)	-	(1,352)	-	-	-	-	-	-	-	-	-
At March 31, 2014	1,650,101	-	(6,734)	-	(49,003)	(23,622)	(3,209)	(235,381)	71,880	1,606,098	227,490	(212,900)	3,024,720
At April 1, 2012	33,131	1,584,522	20,137	1,003	(27,858)	53,078	15,307	(48,248)	100,848	629,315	86,734	-	2,447,969
Profit for the year	-	-	-	-	-	-	-	-	-	635,148	(3,556)	-	631,592
Other comprehensive (loss)/income	-	-	(4,057)	-	-	-	19,772	(118,602)	-	(18,806)	-	-	(121,693)
Total comprehensive (loss)/income for the year	-	-	(4,057)	-	-	-	19,772	(118,602)	-	616,342	(3,556)	-	509,899
Contribution from non-controlling interest	-	-	-	-	-	-	-	-	-	-	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	452	108,070	-	-	-	-	-	-	(36,555)	-	-	-	71,967
Exercise of share options	67	6,336	-	-	-	-	-	-	-	-	-	-	6,403
Repurchase of shares	(185)	(44,122)	-	185	-	-	-	-	-	-	-	-	(44,122)
Vesting of shares under long-term incentive program	-	-	-	-	96,941	(133,951)	-	-	-	-	-	-	(37,010)
Share-based compensation	-	-	-	-	-	77,724	-	-	-	-	-	-	77,724
Contribution to employee share trusts	-	-	-	-	(91,280)	-	-	-	-	-	-	-	(91,280)
Dividend paid	-	-	-	-	-	-	-	-	-	(191,729)	(2,947)	-	(194,676)
Exchange in ownership interest in subsidiary without change in control	-	-	-	-	-	-	-	-	-	-	(1,493)	-	(1,493)
At March 31, 2013	33,465	1,654,806	16,080	1,188	(22,197)	(3,149)	35,079	(166,850)	64,457	1,053,764	226,438	(212,900)	2,680,181

Notes

1 Basis of preparation

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

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

The Group has adopted the following new and revised standards and amendments to existing standards that are mandatory for the year ended March 31, 2014 which the Group considers are 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 and revised standards and amendments to existing standards, which are considered appropriate and relevant to the Group's operations, have been issued but are not effective for the year ended 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, 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 and revised standards and amendments to existing standards is not expected to have material impact on the Group's financial statements.

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 global operations.

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 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

	2014		2013	
	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	**14,725,659**	**788,130**	14,538,534	647,702
AP	**6,162,919**	**109,350**	5,516,776	62,865
EMEA	**9,580,700**	**187,482**	7,535,483	116,591
AG	**8,237,851**	**68,627**	6,282,608	78,609
Segment total	**38,707,129**	**1,153,589**	33,873,401	905,767
Unallocated:				
Headquarters and corporate expenses		**(156,502)**		(132,960)
Restructuring costs		**(26)**		87
Finance income		**19,240**		36,775
Finance costs		**(33,754)**		(27,559)
De-recognition of contingent consideration		**-**		19,861
Net gain/(loss) on disposal of available-for-sale financial assets and investments		**21,880**		(316)
Dividend income from available-for-sale financial assets		**547**		362
Share of profits/(losses) of associates and joint ventures		**9,221**		(718)
Consolidated profit before taxation		**1,014,195**		801,299

(b) Segment assets for reportable segments

	2014	2013
	US$'000	*US$'000*
China	**5,157,241**	4,943,934
AP	**1,993,624**	2,055,413
EMEA	**2,341,114**	1,933,011
AG	**2,559,869**	2,288,215
Segment assets for reportable segments	**12,051,848**	11,220,573
Unallocated:		
Deferred income tax assets	**389,330**	349,389
Derivative financial assets	**61,184**	99,491
Available-for-sale financial assets	**35,157**	69,962
Interests in associates and joint ventures	**20,753**	2,763
Unallocated bank deposits and cash and cash equivalents	**2,521,366**	2,093,983
Unallocated inventories	**757,648**	597,239
Unallocated deposits, prepayments and other receivables	**2,214,124**	2,253,370
Income tax recoverable	**65,715**	58,822
Other unallocated assets	**239,968**	136,405
Total assets per consolidated balance sheet	**18,357,093**	16,881,997

(c) Segment liabilities for reportable segments

	2014	2013
	US$'000	*US$'000*
China	**3,965,295**	4,324,261
AP	**1,671,669**	1,548,694
EMEA	**1,407,530**	1,115,554
AG	**1,636,349**	1,495,433
Segment liabilities for reportable segments	**8,680,843**	8,483,942
Unallocated:		
Income tax payable	**177,741**	100,179
Deferred income tax liabilities	**142,881**	113,992
Derivative financial liabilities	**58,462**	69,053
Unallocated bank borrowings	**300,000**	300,000
Unallocated trade payables	**2,862,851**	1,979,026
Unallocated other payables and accruals	**2,687,703**	2,750,353
Unallocated provisions	**16,522**	35,045
Unallocated other non-current liabilities	**308,889**	284,982
Other unallocated liabilities	**96,481**	85,244
Total liabilities per consolidated balance sheet	**15,332,373**	14,201,816

(d) Analysis of revenue by significant category

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

	2014	2013
	US$'000	*US$'000*
Sale of personal technology products and services		
– desktop computer	**11,039,139**	10,524,707
– notebook computer	**19,705,097**	17,935,693
– mobile internet and digital home	**5,657,417**	3,039,443
– others	**1,091,200**	1,288,666
Sale of other goods and services	**1,214,276**	1,084,892
	38,707,129	33,873,401

(e) Other segment information

	China		AP		EMEA		AG		Total	
	2014	2013	**2014**	2013	**2014**	2013	**2014**	2013	**2014**	2013
	US$'000	*US$'000*	***US$'000***	*US$'000*	***US$'000***	*US$'000*	***US$'000***	*US$'000*	***US$'000***	*US$'000*
Depreciation and amortization	**79,970**	93,999	**55,481**	44,746	**50,234**	36,278	**69,448**	34,581	**255,133**	209,604
Finance income	**3,966**	2,738	**1,251**	383	**697**	709	**8,739**	4,276	**14,653**	8,106
Finance costs	**788**	344	**6,318**	3,963	**10,206**	6,476	**29,908**	4,527	**47,220**	15,310
Additions to non-current assets (Note)	**99,190**	66,235	**14,822**	23,154	**7,978**	8,664	**52,071**	28,945	**174,061**	126,998

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$2,843 million (2013: US$2,852 million). As explained in Note 2, the Group underwent an organizational structure change under which these intangible assets have been reallocated to the cash-generating units affected using a relative value approach in accordance with HKAS 36 “Impairment of Assets”. The carrying amounts of goodwill and trademarks and trade names with indefinite useful lives are presented below:

At March 31, 2014

	China	**AP**	**EMEA**	**AG**	**Total**
	US$ million	***US$ million***	***US$ million***	***US$ million***	***US$ million***
Goodwill	**1,123**	**597**	**287**	**383**	**2,390**
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	68	113	58	448

The directors are of the view that there was no indication of impairment of goodwill and trademarks and trade names as at March 31, 2014 (March 31, 2013: Nil).

3 Other income – net

	2014	2013
	US$'000	*US$'000*
De-recognition of contingent consideration	**-**	19,861
Net gain/(loss) on disposal of available-for-sale financial assets and investments	**21,880**	(316)
Dividend income from available-for-sale financial assets	**547**	362
	22,427	19,907

4 Operating profit

Operating profit is stated after charging the following:

	2014	2013
	US$'000	*US$'000*
Depreciation of property, plant and equipment and amortization of prepaid lease payments	**109,689**	92,097
Amortization of intangible assets	**145,444**	117,507
Employee benefit costs, including	**2,745,853**	2,359,593
- long-term incentive awards	***80,274***	*77,724*
Rental expenses under operating leases	**99,024**	77,530

5 Finance income and costs

(a) Finance income

	2014	2013
	US$'000	*US$'000*
Interest on bank deposits	**26,852**	34,981
Interest on money market funds	**2,126**	3,004
Others	**4,915**	6,896
	33,893	44,881

(b) Finance costs

	2014	2013
	US$'000	*US$'000*
Interest on bank loans and overdrafts	**39,811**	12,592
Factoring cost	**23,866**	14,358
Commitment fee	**5,878**	5,907
Interest on contingent considerations and put option liability	**7,190**	8,096
Others	**4,229**	1,916
	80,974	42,869

6 Taxation

The amount of taxation in the consolidated income statement represents:

	2014	2013
	US$'000	*US$'000*
Current taxation		
Hong Kong profits tax	**13,024**	1,328
Taxation outside Hong Kong	**201,175**	181,267
Deferred taxation	**(17,474)**	(12,888)
	196,725	169,707

Hong Kong profits tax has been provided for at the rate of 16.5% (2013: 16.5%) on the estimated assessable profits for the year. Taxation outside Hong Kong has been provided for at the applicable rates on the estimated assessable profits less estimated available tax losses.

7 Earnings per share

(a) Basic

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year after adjusting shares held by employee share trusts for the purposes of awarding shares to eligible employees under the long-term incentive program.

	2014	2013
Weighted average number of ordinary shares in issue	**10,408,747,622**	10,386,943,985
Adjustment for shares held by employee share trusts	**(38,861,785)**	(76,705,750)
Weighted average number of ordinary shares in issue for calculation of basic earnings per share	**10,369,885,837**	10,310,238,235
	US$'000	*US$'000*
Profit attributable to equity holders of the Company	**817,228**	635,148

(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.

	2014	2013
Weighted average number of ordinary shares in issue for calculation of basic earnings per share	**10,369,885,837**	10,310,238,235
Adjustments for share options and long-term incentive awards	**131,031,863**	152,898,247
Weighted average number of ordinary shares in issue for calculation of diluted earnings per share	**10,500,917,700**	10,463,136,482
	US$'000	*US$'000*
Profit attributable to equity holders of the Company used to determine diluted earnings per share	**817,228**	635,148

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 Dividends

	2014	2013
	US$'000	*US$'000*
Interim dividend of HK6.0 cents (2013: HK4.5 cents) per ordinary share, paid on December 2, 2013	**80,426**	59,930
Proposed final dividend – HK18.0 cents (2013: HK14.0 cents) per ordinary share	**241,449**	187,744
	321,875	247,674

9 Ageing analysis

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

	2014	2013
	US$'000	*US$'000*
0 – 30 days	**2,206,799**	1,967,312
31 – 60 days	**601,499**	560,180
61 – 90 days	**181,916**	136,543
Over 90 days	**220,754**	257,924
	3,210,968	2,921,959
Less: provision for impairment	**(39,614)**	(36,920)
Trade receivables – net	**3,171,354**	2,885,039

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

	2014	2013
	US$'000	*US$'000*
0 – 30 days	**2,761,170**	2,526,465
31 – 60 days	**1,217,547**	566,747
61 – 90 days	**586,145**	332,223
Over 90 days	**186,483**	199,065
	4,751,345	3,624,500

10 Deposits, prepayments and other receivables

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

	2014	2013
	US$'000	*US$'000*
Deposits	**1,635**	2,923
Other receivables (a)	**1,937,679**	2,127,671
Prepayments (b)	**1,061,512**	1,104,871
	3,000,826	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$413 million as at March 31, 2014 (2013: US$180 million) are included in prepayments.

11 Provisions, other payables and accruals

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

	2014	2013
	US$'000	*US$'000*
Accruals	**1,359,002**	1,327,327
Allowance for billing adjustments (i)	**1,785,022**	1,817,782
Other payables (ii)	**3,514,230**	3,707,235
	6,658,254	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
Year ended March 31, 2014				
At the beginning of the year	**1,054,181**	**-**	**56,042**	**1,110,223**
Exchange adjustment	**3,997**	**-**	**(2,837)**	**1,160**
Provisions made	**898,264**	**-**	**8,610**	**906,874**
Amounts utilized	**(812,936)**	**-**	**(5,179)**	**(818,115)**
Unused amounts reversed	**(16,246)**	**-**	**(36,952)**	**(53,198)**
	1,127,260	**-**	**19,684**	**1,146,944**
Long-term portion classified as non-current liabilities	**(277,231)**	**-**	**(17,559)**	**(294,790)**
At the end of the year	**850,029**	**-**	**2,125**	**852,154**

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 equipment upon returned from end-customers and with reference to the historical or projected future return rate. The 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:

	2014	2013
	US$'000	*US$'000*
Contingent considerations (a)	**307,183**	302,367
Deferred consideration (a)	**2,151**	2,151
Guaranteed dividend to non-controlling shareholders of a subsidiary (b)	**18,922**	23,699
Environmental restoration (Note 11 (b))	**17,559**	54,328
Written put option liability (c)	**217,157**	215,018
Government incentives and grants received in advance (d)	**143,778**	122,841
Others	**138,164**	126,135
	844,914	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 March 31, 2014, 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 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 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 incentives and grants. The government incentives and grants are credited to the income statement upon fulfillment of those conditions.

13 Share capital

	2014		2013	
	Number of shares	***US$'000***	*Number of shares*	*US$'000*
Maximum number of shares can be issued:				
At the beginning and the end of the year				
Ordinary shares	**20,000,000,000**		20,000,000,000	
Issued and fully paid:				
Voting ordinary shares:				
At the beginning of the 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	**18,277,450**	**816**	20,486,000	67
Repurchase of shares	**(51,054,000)**	**(164)**	(57,246,000)	(185)
Transfer from share premium and share redemption reserve	**-**	**1,615,984**	-	-
At the end of the year	**10,406,375,509**	**1,650,101**	10,439,152,059	33,465

An entirely new Companies Ordinance (Cap.622) ("new CO") that came into effect on March 3, 2014. The authorized share capital of the Company as at March 31, 2013 was HK$500,000,000, representing 20,000,000,000 of ordinary shares, which become the maximum number of shares that can be issued under the new CO. The limit may be removed by shareholders of the Company passing an ordinary resolution. The new CO abolishes authorized share capital, par value, share premium, and share redemption reserve, in respect of the share capital of Hong Kong companies. As a result, the amounts of share premium and share redemption reserve of the Company are transferred to the share capital.

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

	2014	2013
	US$'000	*US$'000*
Profit before taxation	**1,014,195**	801,299
Share of (gain)/losses of associates and joint ventures	**(9,221)**	718
Finance income	**(33,893)**	(44,881)
Finance costs	**80,974**	42,869
Depreciation of property, plant and equipment and amortization of prepaid lease payments	**109,689**	92,097
Amortization of intangible assets and share-based compensation	**225,718**	195,231
(Gain)/loss on disposal of property, plant and equipment	**(356)**	1,353
(Gain)/loss on disposal of available-for-sale assets	**(21,880)**	959
Loss on disposal of construction-in-progress	**1,219**	732
Loss on disposal of intangible assets	**12,673**	3,124
Dividend income	**(547)**	(362)
De-recognition of contingent consideration	**-**	(19,861)
Fair value change on financial instruments	**(10,572)**	725
Release of escrow shares for settlement of acquisition consideration	**(6,913)**	-
Increase in inventories	**(739,964)**	(653,642)
Decrease/(increase) in trade receivables, notes receivable, deposits, prepayments and other receivables	**1,474**	(187,202)
Increase in trade payables, notes payable, provisions, accruals and other payables	**1,011,546**	17,842
Effect of foreign exchange rate changes	**6,244**	(5,618)
Net cash generated from operations	**1,640,386**	245,383

PROPOSED DIVIDEND

The Board recommended the payment of a final dividend of HK18.0 cents per share for the year ended March 31, 2014 (2013: HK14.0 cents). Subject to shareholders' approval at the forthcoming annual general meeting ("AGM"), the proposed final dividend will be payable on Monday, July 14, 2014 to the shareholders whose names appear on the register of members of the Company on Tuesday, July 8, 2014.

CLOSURE OF REGISTER OF MEMBERS

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

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

Latest time to lodge transfer documents for registration	4:30 p.m. on Monday, June 30, 2014
Closure of register of members	Wednesday, July 2, 2014
Record date	Wednesday, July 2, 2014

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

Latest time to lodge transfer documents for registration	4:30 p.m. on Monday, July 7, 2014
Closure of register of members	Tuesday, July 8, 2014
Record date	Tuesday, July 8, 2014

During the above closure periods, no transfer of shares will be registered. To be eligible to attend and vote at the AGM, and to qualify for the proposed final dividend, all properly completed transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's share registrar, Tricor Abacus Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong no later than the aforementioned latest times.

FINANCIAL REVIEW

Results

For the year ended March 31, 2014, the Group achieved total sales of approximately US$38,707 million. Profit attributable to equity holders for the year was approximately US$817 million, representing an increase of US$182 million as compared with last year. Gross profit margin for the year remained stable at 13.1 percent, when compared with last year. Basic earnings per share and diluted earnings per share were US7.88 cents and US7.78 cents, representing an increase of US1.72 cents and US1.71 cents respectively as compared with 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 year ended March 31, 2014, overall operating expenses across the board increased when compared to last year in part as the current year includes the full year results of CCE, Stoneware and EMC JV. Employee benefit costs increased by 16 percent as compared to last year due to increased headcount and performance-driven incentive payments. In addition, US$79 million severance costs were incurred for the year as we rebalance our skills to redeploy resources to our high growth mobile business and increase productivity and efficiency of the global operations.

Further analyses of income and expense by function for the year ended March 31, 2014 are set out below:

Other income – net

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

Selling and distribution expenses
Selling and distribution expenses for the year increased slightly by less than 1 percent as compared to last year. This is principally attributable to a US$29 million increase in advertising and promotional expenses.

Administrative expenses
Administrative expenses for the year increased by 17 percent as compared to last year. This is mainly attributable to the increase in employee benefit costs and a US$15 million increase in depreciation and amortization expenses.

Research and development expenses
Research and development spending for the year increased by 17 percent as compared to last year. The major part of the increase is attributable to the increase in employee benefit costs, and an increase in depreciation and amortization expenses of US$24 million.

Other operating income- net
The net other operating income for the year comprises mainly US$79 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$87 million.

The net other operating income of last year represented mainly US$38 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$83 million.

Capital Expenditure

The Group incurred capital expenditure of US$675 million (2013: US$441 million) during the year ended March 31, 2014, mainly for the acquisition of property, plant and equipment, additions in construction-in-progress and investments in the Group's information technology systems.

Liquidity and Financial Resources

At March 31, 2014, total assets of the Group amounted to US$18,357 million (2013: US$16,882 million), which were financed by equity attributable to owners of the Company of US$3,010 million (2013: US$2,667 million), non-controlling interests (net of put option written on non-controlling interest) of US$15 million (2013: US$13 million), and total liabilities of US$15,332 million (2013: US$14,202 million). At March 31, 2014, the current ratio of the Group was 1.00 (2013: 1.02).

The Group had a solid financial position. At March 31, 2014, bank deposits, cash and cash equivalents totaled US$3,953 million (2013: US$3,573 million), of which 66.9 (2013: 56.5) percent was denominated in US dollar, 23.8 (2013: 32.4) percent in Renminbi, 4.1 (2013: 3.4) percent in Euros, 2.2 (2013: 3.4) percent in Japanese Yen, and 3.0 (2013: 4.3) percent in other currencies.

The Group adopts a conservative policy to invest the surplus cash generated from operations. At March 31, 2014, 81.8 (2013: 76.3) percent of cash are bank deposits, and 18.2 (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 of US$300 million with a bank on July 17, 2009. At March 31, 2014 and 2013, the facility was fully utilized, and the loan is repayable in July 2014.

The Group entered into 5-Year loan facility agreement with syndicated banks for US$500 million on February 2, 2011. The facility has not been utilized as at March 31, 2014 (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 facility has not been utilized as at March 31, 2014.

On May 8, 2014, the Group completed the issuance of a 5-Year US$1,500 million, bearing annual interest at 4.7%, Notes due 2019. The proceeds of the Notes issue would be used for general corporate purposes including working capital, and to fund any acquisition activities.

The Group has also arranged other short-term credit facilities. At March 31, 2014, the Group's total available credit facilities amounted to US$7,890 million (2013: US$6,993 million), of which US$489 million (2013: US$391 million) was in trade lines, US$325 million (2013: US$668 million) in short-term and revolving money market facilities and US$7,076 million (2013: US$5,934 million) in forward foreign exchange contracts. At March 31, 2014, the amounts drawn down were US$214 million (2013: US$242 million) in trade lines, US$6,513 million (2013: US$4,945 million) being used for the forward foreign exchange contracts; and US$145 million (2013: US$176 million) in short-term bank loans.

At March 31, 2014, the Group's outstanding bank loans represented the term loan of US$310 million, including US$300 million reclassified as current as it will be due for repayment in July 2014 (2013: US$303 million) and short-term bank loans of US$145 million (2013: US$176 million). When compared with total equity of US3,025 million (2013: US$2,680 million), the Group's gearing ratio was 0.15 (2013: 0.18). The net cash position of the Group at March 31, 2014 is US$3,498 million (2013: US$3,094 million).

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

The Group adopts a consistent hedging policy for business transactions to reduce the risk of currency fluctuation arising from daily operations. At March 31, 2014, the Group had commitments in respect of outstanding forward foreign exchange contracts amounting to US$6,513 million (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 legal proceedings, individually or collectively, will have a material adverse effect on its financial position or results of operations, litigation is inherently unpredictable. Therefore, the Group could incur judgments or enter into settlements of claims that could adversely affect its operating results or cash flows in a particular period.

Human Resources

At March 31, 2014, the Group had a headcount of approximately 54,000 worldwide.

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

BUSINESS REVIEW AND FUTURE PROSPECTS

Business Review

Fiscal year 2013/14 was another record year for Lenovo. Lenovo's clear strategy and solid execution led the Group to achieve strong results with record performance across all lines of business. During the year under review, Lenovo continued to strengthen its leading position in the industries it is in - global number one PC player, global number two player in broader PC (PC plus tablet) market, and global number three position in the smart connected device category. Lenovo drove strong growth from its dual engines of PC and mobile device businesses, and continued to outperform the worldwide market across PC, smartphone and tablet, to deliver strong growth in Group's sales and operating profits with margin expansion.

During the fiscal year under review, the global traditional PC industry - including traditional products such as desktop and notebook - continued to decline due to macro economic issues and the evolution of new form factors, but it began stabilizing towards the year's end. During the fiscal year, Lenovo continued to outperform the market by growing unit shipments 5 percent year-on-year to a record-high level of 55 million, the fastest among top five players. In contrast, the global traditional PC market declined 8 percent, so Lenovo outperformed the worldwide PC market by a 13-point premium. Lenovo further strengthened its number one position in the worldwide PC market and reached an historical high share of 17.7 percent for the fiscal year, according to preliminary industry estimates. The Group recorded share gains across all geographic, product and customer segments, and reached record-high market shares across all geographies.

Lenovo continued to outperform in the global broader PC market, combining PC and tablet, and delivered unit shipments growth of 17.7 percent compared to the overall market's growth of 4.4 percent. The Group's global tablet business quadrupled year-on-year to record-high shipments of over 9 million, in addition to the solid growth in its traditional PC business.

During the fiscal year under review, Lenovo successfully expanded its smartphone business in markets outside of China in addition to its leading position in the China market. Lenovo's smartphone unit shipments achieved a record-high level of over 50 million for the fiscal year, growing by 72 percent year-on-year, driven by the strong growth in China and emerging markets outside of China. For the fiscal year, Lenovo maintained its position as the number four smartphone vendor in the world with market share increased by one point to 4.6 percent, according to preliminary industry estimates.

For the fiscal year ended March 31, 2014, the Group's consolidated revenue increased by 14 percent year-on-year to record-high US$38,707 million. Revenue of the Group's PC and related business were US$31,835 million, representing a year-on-year increase of 7 percent; whilst the revenue of mobile devices increased 86 percent year-on-year to US$5,657 million. Meanwhile, revenue of other goods and services was US$1,215 million.

The Group's gross profit increased by 14 percent year-on-year to US$5,064 million and gross margin remained flat year-on-year at 13.1 percent.

Operating expenses increased by 11 percent year-on-year to US$4,012 million, with an expenses-to-revenue ratio of 10.4 percent. The Group achieved record-high performance in profit before taxation ("PTI") and profit attributable to equity holders of the Company. Its PTI reached US$1,014 million, the first time Group's PTI exceeded US$1 billion level, and profit attributable to equity holders of the Company amounted to US$817 million, representing an increase of 27 percent and 29 percent respectively from the previous fiscal year.

Performance of Geographies

During the year ended March 31, 2014, Lenovo achieved record-high market shares in all geographies where it has operations - China, Asia Pacific ("AP"), Americas ("AG") and Europe-Middle East-Africa ("EMEA") - with solid and balanced performances across product and customer segments.

China

China accounted for 38 percent of the Group's total revenue. Despite the softness in the PC market due to macro economic 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 record-high 35.1 percent, and continued to improve its profitability by leveraging its leadership position.

The Group's efforts in driving both PC and mobile device businesses 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 with share gains over the last year.

This strong growth from the smartphone and tablet businesses fueled the Group's China revenue growth of 1 percent year-on-year to US$14,725 million during the period under review. Operating profit increased by 22 percent to US$788 million and operating margin was 5.4 percent, increasing by 0.9 percentage points year-on-year due to margin improvement in both PC and mobile device businesses. Operating margin for the China PC business was 6.9 percent, up 1 percentage point year-on-year, benefiting from its strong product mix with improved average selling price and stringent expense control.

Americas (AG)

AG accounted for 21 percent of the Group's total revenue driven by growth across all products. Lenovo's PC unit shipments in AG grew by 27 percent year-on-year, a 32-point premium to the market driven by strong growth in both consumer and commercial businesses. The Group's market share increased by 2.7 percentage points from a year ago to a record-high 10.9 percent, helping the Group maintain its number three position in the AG PC market, according to preliminary industry estimates. Lenovo further increased its market share in North America by 1.7 percentage points to 10.5 percent, and in fiscal quarter four, the Group became number three in the U.S. PC market for the first time and achieved double-digit share at 10.8 percent, driven by its strong growth in both commercial and consumer businesses. Lenovo continued to build its foundation in Brazil, achieving record-high market share at 15.1 percent, up 10.8 percentage points from last year.

Operating profit in AG decreased to US$69 million and operating margin was 0.8 percent, a decrease of 0.5 percentage points year-on-year. The decrease was mainly attributable to continued investments in Brazil and Latin America during the fiscal year, and the impact from a temporary interruption in the supply of casing components for its premium commercial products in fiscal quarter three which has since seen recovery in fiscal quarter four.

Asia Pacific (AP)

AP accounted for 16 percent of the Group's total revenue. Lenovo's PC unit shipments in AP increased 3 percent year-on-year, a 6-point premium to the market driven by strong growth in Japan. During the fiscal year, Lenovo achieved robust performance in Japan driven by both strong commercial and consumer growth momentum. Lenovo continued to gain share by 0.6 percentage points to 25.8 percent during the fiscal year, further solidifying its number one position in Japan. The Group's market share in AP increased by 0.9 percentage points year-on-year to a record-high of 14.8 percent. Lenovo demonstrated strong growth across PC, smartphones and tablets during the fiscal year, providing additional strength to the Group's strong revenue growth of 12 percent year-on-year in AP region for the year under review.

Operating profit in AP increased by 74 percent to record-high US$109 million during the fiscal year and operating margin was 1.8 percent, an increase of 0.7 percentage points year-on-year.

Europe-Middle East-Africa (EMEA)

EMEA accounted for 25 percent of the Group's total revenue. Lenovo's PC unit shipments in EMEA grew by 24 percent year-on-year, which was a 35-point premium to the market. The Group's market share in EMEA increased by 4.2 percentage points year-on-year to a record-high 14.8 percent for the fiscal year, according to preliminary industry estimates. Lenovo achieved the number two position in EMEA PC market for the first time in the fiscal year under review, and the Group became number one in EMEA consumer PC market for the first time in the fiscal quarter four. Lenovo demonstrated strong performance across all EMEA regions and customer segments. In the fiscal quarter four, Lenovo achieved double-digit market share and top three positions across all EMEA regions, and reached number one position in 12 EMEA countries, including key markets, e.g. Germany, Eastern Europe and Russia.

Driven by the strong performance across all EMEA regions, operating profit in EMEA increased by 61 percent to US$188 million during the fiscal year under review with operating margin improved by 0.5 percentage points year-on-year to 2 percent.

Performance of Product Group

During the fiscal year 2013/14, Lenovo achieved strong and balanced unit shipments growth in both commercial and consumer PC products, as well as in mobile devices during the year under review.

Lenovo's commercial PC unit shipments grew 4 percent year-on-year, which was a 5-point premium to the market. Lenovo's market share in the worldwide commercial PC market increased by 1 percentage points year-on-year to 19.7 percent during the fiscal year under review, according to preliminary industry estimates. During the fiscal year under review, the Think Business Group, which mainly targets premium PCs and tablets, and enterprise solutions, continued to launch innovative models in commercial devices. These include premium products like ThinkPad® Yoga, which provides customers with a flip-and–fold design to perform a 360 degree rotation with its unique dual-hinge. Customers can have a unique 4-in-1 user experience from one optimized, hybrid/convertible, leading business-class device. Commercial targeted products like ThinkPad® T440p, with performance, efficiency and durability that make it the corporate laptop workhorse that sets the industry 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 for the first time became number one in the global consumer PC market for the fiscal year. Its consumer PC unit shipments grew 6 percent year-on-year, which was a 19-point premium to the market, and its market share increased by 2.9 percentage points year-on-year to 15.7 percent in the fiscal year under review. Lenovo launched a wide range of consumer-targeted convertible products, including the Horizon Table PC, an interpersonal computing device that brings people together in a totally new way. The Horizon allows up to four people to use it simultaneously, interacting with content and playing games with joysticks, strikers and dice. It also launched the detachable three-mode notebook Lenovo Miix 2 10", a Windows 8.1 tablet with PC-level processing that 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.

During the fiscal year under review, the Group's smartphone and tablet businesses continued to post strong unit shipments growth globally. The Group's worldwide smartphone shipments achieved a record-high level of over 50 million for the year, growing by 72 percent year-on-year in fiscal year 2013/14, solidifying its global number four smartphone vendor position with market share growing by one percentage point year-on-year to 4.6 percent, according to preliminary industry estimates. The Group's strong smartphone results were driven by its leading smartphone position in China and solid expansion and strong growth in markets outside of China. The Group's smartphone shipments in China grew 55 percent year-on-year to about 44 million and further strengthened its number two position in the China market by increasing its share by 0.7 percentage points year-on-year to 11.8 percent, amidst keen competition. Its smartphone business outside of China grew robustly by 11 times year-on-year to close to 6 million units, driven by strong growth momentum in the ASEAN and Eastern Europe regions. The Group's worldwide tablet shipments, in the meantime, quadrupled year-on-year to record-high shipments of 9.2 million in the fiscal year and its worldwide tablet market share gained by 2.9 percentage points year-on-year to 4.2 percent.

Lenovo is committed to driving innovation for its products. During the year under review, Lenovo broadened its smartphone portfolio by unveiling premium smartphone products including the K900, Vibe X, and its first LTE smartphone, Vibe Z. 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 amazingly 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. These products have been receiving a good response from the market, supporting the growth of the Group's mobile device businesses.

Apart from devices, Lenovo has also built the foundation for the Ecosystem business during the fiscal year under review. The Group has now one of the world's largest app stores with around 6 billion total downloads and almost 25 million daily downloads, helping to create a new and unique experience for Lenovo users. The Group has developed several star applications, among which the SHAREit app has recorded more than 100 accumulated million users, and this App has also won an award at Mobile World Congress.

Future Prospects

The broader PC industry still offers Lenovo plenty of opportunities for profitable growth, particularly as the industry consolidates. The tablet market will continue to grow, driven by the consumer desire for mobile devices. In the meantime, the smartphone industry has continued to see much faster growth than the traditional PC market. Lenovo, which has built a solid foundation across these lines of businesses, and is uniquely positioned to capture these arising opportunities.

Lenovo has demonstrated a consistent and solid track record in delivering strong results through strong execution of its clear strategy to balance short-term results and long-term objectives. This consists of protecting and driving profitability in the core PC business, while attacking in faster growing mobile, enterprise and ecosystem/cloud businesses. Lenovo is committed to driving innovation, supported by its efficient business model and strong execution from its diverse global team to drive continuous strong future growth.

To facilitate the Group's strategy and sustain its growth momentum, effective from April 1, 2014, Lenovo has established four new, distinct business groups (BG), including PC, Mobile, Enterprise, and Ecosystem and Cloud Services, as 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. Each business group has a strong leader, a clear strategy, and is organized as end-to-end business with an aim to drive greater efficiency and future sustainable profitable growth in each market.

The evolution of Lenovo's business leads the Group to the new "Triple PLUS" strategic roadmap. The first new PLUS combines PC, mobile and smart TV to become "Smart Connected Devices", enabling the Group to share innovation, operational excellence, channel strengths and brands across all devices. The second PLUS combines Smart Connected Devices with Infrastructure Devices, forming the Total Device Portfolio, building on the strong relationships the Group established with enterprise customers and channel partners, to PCs, tablets and smartphones they get through Lenovo. The third PLUS combines Total Device Portfolio with Cloud Service to create The Lenovo Experience, thus delivering a compelling experience and value across the entire device portfolio for the customers.

To strengthen its future growth, the Group has recently announced plans for two acquisitions in mobile and enterprise areas. On the mobile front, Lenovo and Google Inc. entered into a definitive agreement on January 29, 2014 under which Lenovo plans to acquire the Motorola Mobility business, including the MOTOROLA brand and Motorola Mobility's portfolio of innovative smartphones like the Moto X and Moto G and the DROID™ Ultra series. 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.

Meanwhile, 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. 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.

Both transactions are subject to the satisfaction of regulatory requirements, customary closing conditions and any other needed approvals. The Group is working with authorities to close both deals, and is well prepared for the upcoming integration. Leveraging the experiences from integrations of past transactions, and the Post Merger Management office already in place, the Group is confident in creating synergy from the two acquisitions once they close.

Lenovo's solid execution of its clear strategy has led the Group to establish a solid foundation and leadership in PC and mobile device markets, and its commitments to innovation built off a broad product portfolio helps differentiate the Group with market recognitions, which allowed the Group to deliver continuous growth despite market challenges. Looking forward, the Group aims to deliver a compelling experience and value across the entire device portfolio (PC, Mobile and Enterprise) with Cloud Services for the customers. This will further strengthen the Group and build new pillars for growth, positioning Lenovo to become an even stronger and more diversified global technology leader in the future. The Group will continue its investment in building its core competencies, product innovation, and end-to-end efficiency enhancing its competitiveness to ensure future sustainable profit growth.

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

During the year, the Company repurchased a total of 51,054,000 shares 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 shares were as follows:

Month of the repurchases	Number of 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 shares repurchased were cancelled during the year. The repurchases were effected by the Company for the enhancement of shareholders' value.

During the year ended March 31, 2014, the trustee of the long-term incentive program of the Company purchased 103,812,000 shares from the market for award to employees upon vesting. Details of the program will be set out in the 2013/14 Annual Report of the Company.

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's securities during the year ended March 31, 2014.

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 annual results of the Group for the year ended March 31, 2014. It meets regularly with the management, the external auditor and the internal audit personnel to discuss the accounting principles and practices adopted by the Group and internal control and financial reporting matters.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

Throughout the year ended March 31, 2014, the Company has complied with the code provisions of the Corporate Governance Code and Corporate Governance Report (the "CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange, and where appropriate, met the recommended best practices in the CG Code, 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 independent 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.

Apart from the foregoing, the Company met the recommended best practices in the CG Code as to be disclosed in the respective sections of the 2013/14 Annual Report. Particularly, the Company published quarterly financial results and business reviews in addition to interim and annual results. Quarterly financial results enhanced the shareholders' ability to assess the performance, financial position and prospects of the Company. The quarterly financial results were prepared using the accounting standards consistent with the policies applied to the interim and annual accounts.

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

May 21, 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.