lenovo 联想

Lenovo Group Limited 聯想集團有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 992)

FY2014/15 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 three and nine months ended December 31, 2014 together with comparative figures for the corresponding period of last year, as follows:

FINANCIAL HIGHLIGHTS

- **Group revenue of US$14.1B, up 31% YTY, includes a full quarter of System X and 2 months of Motorola performances**
- **Group PTI before non-cash M&A-related accounting charges was US$348M, up 8% YTY (non-cash M&A-related accounting charges, such as intangible asset amortization, imputed interest expense of promissory notes and others were US$74M)**
- **Group PTI of US$274M and Group Net Income of US$253M**
- **Group Net Income before non-cash M&A related accounting charges was US$327M, up 23% YTY**

	3 months ended December 31, 2014 (unaudited) *US$'million*	9 months ended December 31, 2014 (unaudited) *US$'million*	3 months ended December 31, 2013 (unaudited) *US$'million*	9 months ended December 31, 2013 (unaudited) *US$'million*	Year-on-year change 3 months ended December 31	Year-on-year change 9 months ended December 31
Revenue	14,092	34,962	10,789	29,350	31%	19%
Gross profit	2,097	4,903	1,363	3,819	54%	28%
Gross profit margin	14.9%	14.0%	12.6%	13.0%	2.3 pts	1.0 pts
Operating expenses	(1,772)	(3,922)	(1,029)	(2,999)	72%	31%
Operating profit	325	981	334	820	(3)%	20%
Other non-operating expenses - net	(51)	(114)	(13)	(18)	287%	526%
Profit before taxation	274	867	321	802	(15)%	8%
Profit for the period	257	740	265	649	(3)%	14%
Profit attributable to equity holders of the Company	253	729	265	659	(5)%	11%
Earnings per share attributable to equity holders of the Company						
Basic	US 2.32 cents	US 6.90 cents	US 2.56 cents	US 6.35 cents	US (0.24) cents	US 0.55 cents
Diluted	US 2.30 cents	US 6.82 cents	US 2.52 cents	US 6.27 cents	US (0.22) cents	US 0.55 cents

BUSINESS REVIEW AND OUTLOOK

Business Review

During the three months ended December 31, 2014, Lenovo continued to deliver solid performance along with smooth integration of two major M&A transactions. The Group's core PC business continued to lead the industry, while the M&A transactions further strengthen its mobile and enterprise businesses as two new growth engines. The Group continued to record solid fundamentals on the combined business for the first quarter post integration. We have included a full quarter of System X and two months' of Motorola performance in the Group's fiscal quarter three results.

For the three months ended December 31, 2014, the Group's sales increased by 31 percent year-on-year to US$14,092 million. The Group's PC business sales were US$9,147 million, representing a year-on-year increase of 5 percent. Mobile business sales increased by 109 percent year-on-year to US$3,390 million. The Enterprise business increased sales by 685 percent year-on-year to US$1,222 million. Sales of other goods and services, largely consumer electronic business acquired in our previous acquisitions, were US$333 million. Gross profit increased by 54 percent year-on-year to US$2,097 million. Gross margin increased by 2.3 percentage points year-on-year to 14.9 percent. The Group's operating expenses increased by 72 percent year-on-year to US$1,772 million. This includes the increase from adding System X and Motorola businesses. The Group's expense-to-revenue ratio increased by 3.1 percentage points year-on-year to 12.6 percent. The Group profit before taxation before non-cash M&A-related accounting charges was US$348 million, up 8 percent against last year. The non-cash M&A-related charges included intangible asset amortization, imputed interest expense of the three year promissory note issued as part of the transaction, and others. The Group profit before taxation was US$274 million, representing a decrease of 15 percent year-on-year. The Group net income before non-cash M&A-related accounting charges was US$327 million, up 23 percent year-on-year. The Group net income was US$253 million, representing a decrease of 5 percent year-on-year.

Performance of Products Business Groups

The combined business of the Group has become more diversified and balanced after the integration of the Motorola and System X acquisitions.

PC Business Group

The Group continued to outperform the PC market through solid execution of its strategy, which was helped by the continued stabilization of the worldwide PC market. During the period under review, the Group recorded 5 percent year-on-year unit shipments growth, an 8-point premium to the market, which declined 3 percent. Lenovo held its number one position in the worldwide PC market and reached another record high share of 20.0 percent in fiscal quarter three, according to preliminary industry estimates. This is the seventh consecutive quarter for the Group as the largest worldwide PC player. The Group recorded share gains across geography, product and customer segments, and reached record-high market shares in China, Europe-Middle East-Africa (EMEA), Asia Pacific (AP), and desktop PC during fiscal quarter three. In December 2014, Lenovo also achieved an important milestone with ThinkPad products reaching 100 million units sold.

During the three months ended December 31, 2014, Lenovo's commercial PC unit shipments declined 1 percent year-on-year, compared to the 3 percent year-on-year decline by the market. Lenovo's market share in the worldwide commercial PC market increased by 0.5 percentage points year-on-year to a record high of 21.3 percent during fiscal quarter three, according to preliminary industry estimates. During the three months under review, its consumer PC unit shipments grew 12 percent year-on-year, which was a 14-point premium to the market. Its market share increased by 2.4 percentage points year-on-year to 18.7 percent in fiscal quarter three.

Sales of the Group's PC business were US$9,147 million, representing approximately 65 percent of the Group's total revenue, a year-on-year increase of 5 percent. The business recorded a record high pre-tax income of US$494 million and pre-tax margin was 5.4 percent.

Mobile Business Group

During the period under review, the Group's Mobile business continued to deliver strong growth driven by aggressive expansion in markets outside of China. The Group's worldwide smartphone shipments grew about 78 percent year-on-year to a 24.7 million on a full quarter combined basis with Motorola, driven by aggressive business expansion in emerging markets outside of China from Lenovo brand products and hyper growth of the Motorola brand products. Motorola has achieved its record shipments with more than 10 million during the quarter under review. Together with Motorola, total smartphone shipments from markets outside of China represent 59 percent of worldwide shipments in fiscal quarter three, which now makes Lenovo a truly global player ranked number three worldwide. Its market share in worldwide smartphone market continued to expand by 1.8 percentage points year-on-year to 6.6 percent in the fiscal quarter, according to preliminary industry estimates.

On the tablet side, the Group focused on balancing its growth and profitability, and worldwide tablet shipments increased 9 percent year-on-year, compared to market declined of 3 percent year-on-year, to 3.7 million unit shipments during fiscal quarter three, according to preliminary industry estimates. The Group's tablet shipments outside of China continued to show strong growth, and the mix of shipments from outside of China increased to 88 percent in fiscal quarter three. The Group's worldwide tablet market share increased by 0.5 percentage points year-on-year to 4.8 percent in fiscal quarter three.

The total sales from Mobile business increased by 109 percent year-on-year to US$3,390 million, representing approximately 24 percent of the Group's total revenue. The loss before taxation was US$89 million after the recognition of the non-cash M&A-related accounting charges, and its pre-tax margin was negative 2.6 percent.

Enterprise Business Group

The Group's Enterprise business (EBG) that now includes System X has become number three worldwide and number one in China. During the quarter under review, the Think server business continued to show strong growth while the System X business continued to record decline during the first quarter of integration.

Enterprise business sales increased by 685 percent year-on-year to US$1,222 million, representing approximately 9 percent of the Group's total revenue. The loss before taxation was US$42 million due to the recognition of the non-cash M&A-related accounting charges, and its pre-tax margin was negative 3.4 percent.

Others

Apart from devices, the Group continued to build a foundation for the Ecosystem business during the period under review, helping to create a new and unique experience for Lenovo users. The Group's star applications, including SHAREit and SECUREit apps continued to attract good customer traction.

Sales from ecosystem, cloud services and other products largely consumer electronic business acquired in our previous acquisitions increased by 7 percent to US$333 million, representing approximately 2 percent of the Group's total revenue.

Performance of Geographies

During the three months ended December 31, 2014, Lenovo achieved solid and balanced performance in all geographies where it has operations - China, Americas ("AG"), AP, and EMEA - as well as across product and customer segments.

China

China accounted for 29 percent of the Group's total revenue. Driven by solid execution of the Group's strategy, Lenovo continued to deliver profitable growth for its China business during the period under review.

The China PC market continued to show signs of stabilization during the period. Led by its solid execution and distinct strength in brand, product and distribution channel networks, Lenovo continued to outperform the China PC market and further strengthened its number one position with market share gain of 0.2 percentage points year-on-year to a record share of 38.2 percent, according to preliminary industry estimates. This increase came despite its unit shipments decreasing 3 percent year-on-year during the period under review.

The Group has refined its Lenovo brand smartphone strategy and focused on balancing growth and profitability amid stiff competition in China. The Group believes China remains an important market and will continue to expand its business through more routes to market, including online and open sales, and a broader product portfolio from mainstream to premium with Motorola re-entering China.

The Group's enterprise business in China showed shipments growth and maintained its number one position in the server market in China during the quarter under review.

During the three month period ended December 31, 2014, the Group's China revenue increased by 1 percent year-on-year to US$4,083 million, while operating profit increased by 7 percent to US$233 million and operating margin was 5.7 percent, an increase of 0.3 percentage points year-on-year. These results were driven by its improved product mix, with increased average selling price from PC and enterprise products, along with stringent expense control.

Americas (AG)

AG accounted for 30 percent of the Group's total revenue. The Group's AG PC unit shipments declined by about 4 percent against a market decrease of 5 percent year-on-year during the period under review. In fiscal quarter three, the Group's market share in AG increased by 0.1 percentage points from a year ago to 11.1 percent, according to preliminary industry estimates. The Group continued to deliver solid growth in the North America region driven by balanced growth in both consumer and commercial businesses. Lenovo's unit shipments in North America increased 6 percent year-on-year in the period under review. For the fiscal quarter three, its market share in North America increased by 0.2 percentage points year-on-year to 10.4 percent. However, the Group's performance in Brazil was still impacted by the weak market environment, though actions have been taken to stabilize the business.

The Group's smartphone shipments have achieved strong growth in the region during the quarter under review, thanks to the strong performance from Motorola. The Group's EBG business is preparing to attack and gain more enterprise customers in the future.

During the period under review, the Group's AG revenue grew 88 percent year-on-year to US$4,252 million. Operating profit decreased by around US$22 million year-on-year to a loss of US$22 million, and operating margin was negative 0.5 percent, a decrease of 0.5 percentage points year-on-year. The decrease was mainly attributable to the performance in Brazil.

Asia Pacific (AP)

AP accounted for 12 percent of the Group's total revenue. The Group continued to drive profitable growth in its businesses in AP. PC shipments in AP decreased 6 percent year-on-year for the period against a market decline of 7 percent. The Group's market share in AP increased by 0.2 percentage points year-on-year, to 16.1 percent in fiscal quarter three. The Group recorded strong PC shipments growth in ASEAN and ANZ regions with year-on-year growth of 17 percent and 39 percent, respectively, during the quarter.

The Group also achieved strong growth in smartphones driven by strong growth from Motorola in fiscal quarter three. The Group's EBG business will leverage its existing PC channel expertise and product portfolio from System X to accelerate the business in the future.

The Group's AP revenue grew 7 percent year-on-year to US$1,719 million. Thanks to its profitability improvement in regions including Japan, India and ANZ, the Group's operating profit reached US$92 million during the period under review. Operating profit margin improved 3.9 percentage points year-on-year to a record high level at 5.4 percent.

Europe-Middle East-Africa (EMEA)

EMEA accounted for 29 percent of the Group's total revenue. Lenovo's PC unit shipments in EMEA grew by 31 percent year-on-year, against market growth of 2 percent year-on-year in the period under review. During the fiscal quarter three, the Group's market share increased by 4.4 percentage points from a year ago to a record high 19.6 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. Lenovo's tablet business has also recorded strong shipments growth in fiscal quarter three.

Lenovo continued to expand its smartphone business in EMEA and achieved strong growth during the quarter under review. Thanks to the strong performance in Eastern Europe and MEA regions from Lenovo brand, the Group's smartphone shipments have achieved strong shipments growth during the period under review. The Group's EBG business will attack with more aggression to grow the enterprise segment in the region.

The Group's EMEA revenue grew 40 percent year-on-year to US$4,038 million. Thanks to strong growth across the board, its operating profit continued to improve to US$122 million during the period under review. Operating profit margin improved 1.2 percentage points year-on-year to 3.0 percent.

Outlook

Lenovo believes its strong PC leadership remains a solid profit engine with plenty of further opportunities for profitable growth, particularly as the industry continues to stabilize and consolidate. Meanwhile, on the mobile device side, there continue to be changes in consumer demand across form factors and screen sizes: smartphones moving from premium to mainstream and the impact of tablet cannibalization diminishing as the tablet market continues to be challenged by convertible PCs and Phablets on larger and smaller screens respectively. On the enterprise side, there will be increased demand for Lenovo's full product portfolio, and Lenovo can grow by attack with more aggression to the high growth hyperscale business. Lenovo – which has built a solid foundation across these business lines, an efficient business model and global position, with a complete product portfolio across all these devices – is uniquely positioned to capture these arising opportunities.

Lenovo has now become a truly global smartphone player and will continue to enhance competitiveness through global exposure and operational efficiency with Motorola. Motorola will lead in mature markets around the world, while the Group will adopt a dual brand strategy to leverage both the Lenovo and Motorola brands, focusing on whichever is stronger in each particular market. China remains an important market and the Group will continue to expand business through more routes to market that include both online and open market. The Group will be strengthened in China through a broader product portfolio from mainstream to premium with Motorola re-entering China. In addition, the newly established online brand ShenQi will combine with Motorola to be a potent combination to address different sectors of China's business opportunities.

Lenovo's solid execution of its clear strategy continues to be the firm foundation upon which the Group's success is built. The Group's commitment to innovation across its entire product portfolio helps differentiate the Group worldwide. Lenovo has a clear strategy, great global scale, and proven operational excellence. With the integration of System X and Motorola, it will give the Group three growth engines – PC, Mobile and Enterprise. Looking forward, the Group will focus on transforming from a PC Plus company into a truly global and diversified company with improved operating efficiency and strengthened competitiveness. The Group will continue to invest in building its core competencies, product innovation, and end-to-end efficiency enhancing its competitiveness to ensure future sustainable profit growth.

FINANCIAL REVIEW

Results for the nine months ended December 31, 2014

	9 months ended December 31, 2014 (unaudited) ***US$'million***	9 months ended December 31, 2013 (unaudited) *US$'million*	Year-on-year change
Revenue	**34,962**	29,350	19%
Gross profit	**4,903**	3,819	28%
Gross profit margin	**14.0%**	13.0%	1.0 pts
Operating expenses	**(3,922)**	(2,999)	31%
Operating profit	**981**	820	20%
Other non-operating expense - net	**(114)**	(18)	526%
Profit before taxation	**867**	802	8%
Profit for the period	**740**	649	14%
Profit attributable to equity holders of the Company	**729**	659	11%
Earnings per share attributable to equity holders of the Company			
Basic	**US 6.90 cents**	US 6.35 cents	US 0.55 cents
Diluted	**US 6.82 cents**	US 6.27 cents	US 0.55 cents

For the nine months ended December 31, 2014, the Group achieved total sales of approximately US$34,962 million. Profit attributable to equity holders for the period was approximately US$729 million, representing an increase of US$70 million as compared with the corresponding period of last year. Gross profit margin for the period was 1 point up from 13.0 percent reported in the corresponding period of last year. Basic earnings per share and diluted earnings per share were US6.90 cents and US6.82 cents, representing an increase of US0.55 cents and US0.55 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. Sales by segment are as follows:

	9 months ended December 31, 2014 ***US$'000***	9 months ended December 31, 2013 *US$'000*
China	**11,629,206**	11,623,814
AP	**4,857,654**	4,426,297
EMEA	**9,836,874**	7,005,969
AG	**8,638,122**	6,293,356
	34,961,856	29,349,436

Further analyses of sales by segment are set out in Business Review and Outlook.

Operating expenses analyzed by function for the nine months ended December 31, 2014 and 2013 are as follows:

	9 months ended December 31, 2014 *US$'000*	9 months ended December 31, 2013 *US$'000*
Other income - net	**1,490**	22,427
Selling and distribution expenses	**(1,644,377)**	(1,442,633)
Administrative expenses	**(1,337,274)**	(1,003,730)
Research and development expenses	**(796,566)**	(547,318)
Other operating expenses - net	**(144,960)**	(27,838)
	(3,921,687)	(2,999,092)

Operating expenses for the period increased by 31% as compared to the corresponding period of last year. This is principally attributable to the operating expenses of US$708 million recorded by System X and Motorola following the completion of the respective acquisitions on October 1 and October 30, 2014. Key expenses by nature comprise:

	9 months ended December 31, 2014 *US$'000*	9 months ended December 31, 2013 *US$'000*
Depreciation of property, plant and equipment and amortization of prepaid lease payments	**(81,198)**	(55,970)
Amortization of intangible assets	**(169,829)**	(90,067)
Employee benefit costs, including	**(2,108,353)**	(1,729,007)
- *long-term incentive awards*	***(79,020)***	*(62,666)*
Rental expenses under operating leases	**(63,816)**	(56,539)
Net exchange loss	**(142,409)**	(57,134)
Advertising and promotional expenses	**(474,516)**	(447,799)
Others	**(881,566)**	(562,576)
	(3,921,687)	(2,999,092)

Depreciation and amortization charges increased by US$105 million which is attributable to the increase in the business activities of the Group as well as the amounts brought in by System X and Motorola. Additional amortization of intangible assets in connection with the acquisition of System X and Motorola for the period totaled US$58 million. The increase in employee benefit costs is in line with the increased headcount as a result of the two acquisitions and the continuous expanding business operations of the Group. The impact of currency fluctuations during the period under review present a challenge, the Group recording a net exchange loss of US$142 million (2013/14: US$57 million) for the period.

Other non-operating expenses (net) for the nine months ended December 31, 2014 and 2013 comprise:

	9 months ended December 31, 2014 *US$'000*	9 months ended December 31, 2013 *US$'000*
Finance income	**24,181**	25,071
Finance costs	**(133,341)**	(53,677)
Share of (loss)/profit of associates and joint ventures	**(4,886)**	10,389
	(114,046)	(18,217)

Finance income mainly represents interest on bank deposits.

Finance costs for the period increased by 148 percent as compared to the corresponding period of last year. This is mainly attributable to interest expense of US$44 million in relation to the 5-Year US$1.5 billion notes, issued in May 2014, bearing annual interest at 4.7% due in May 2019; an increase in factoring costs of US$26 million; and US$7 million interest expense in relation to promissory note issued to Google Inc.

Third Quarter 2014/15 compared to Third Quarter 2013/14

	3 months ended December 31, 2014 (unaudited) ***US$'million***	3 months ended December 31, 2013 (unaudited) *US$'million*	Year-on-year change
Revenue	**14,092**	10,789	31%
Gross profit	**2,097**	1,363	54%
Gross profit margin	**14.9%**	12.6%	2.3 pts
Operating expenses	**(1,772)**	(1,029)	72%
Operating profit	**325**	334	(3)%
Other non-operating expenses - net	**(51)**	(13)	287%
Profit before taxation	**274**	321	(15)%
Profit for the period	**257**	265	(3)%
Profit attributable to equity holders of the Company	**253**	265	(5)%
Earnings per share attributable to equity holders of the Company			
Basic	**US 2.32 cents**	US 2.56 cents	(0.24) cents
Diluted	**US 2.30 cents**	US 2.52 cents	(0.22) cents

For the three months ended December 31, 2014, the Group achieved total sales of approximately US$14,092 million. Profit attributable to equity holders for the period was approximately US$253 million, representing a decrease of US$12 million as compared with the corresponding period of last year. Gross profit margin for the period was 2.3 points up from 12.6 percent reported in the corresponding period of last year. Basic earnings per share and diluted earnings per share were US2.32 cents and US2.30 cents, representing a decrease of US0.24 cents and US0.22 cents respectively as compared with the corresponding period of last year.

Sales by geographical segment are as follows:

	3 months ended December 31, 2014 ***US$'000***	3 months ended December 31, 2013 *US$'000*
China	**4,082,891**	4,045,130
AP	**1,719,162**	1,607,502
EMEA	**4,037,588**	2,880,014
AG	**4,251,917**	2,255,959
	14,091,558	10,788,605

Operating expenses analyzed by function for the three months ended December 31, 2014 and 2013 are as follows:

	3 months ended December 31, 2014 *US$'000*	3 months ended December 31, 2013 *US$'000*
Other income - net	**-**	21,774
Selling and distribution expenses	**(686,761)**	(528,821)
Administrative expenses	**(576,907)**	(340,303)
Research and development expenses	**(413,609)**	(187,554)
Other operating (expenses)/income - net	**(94,945)**	6,006
	(1,772,222)	(1,028,898)

Operating expenses increased by 72 percent as compared to the corresponding period of last year. This is principally attributable to the operating expenses of US$708 million recorded by System X and Motorola following the completion of the respective acquisitions on October 1 and October 30, 2014. Key expenses by nature comprise:

	3 months ended December 31, 2014 *US$'000*	3 months ended December 31, 2013 *US$'000*
Depreciation of property, plant and equipment and amortization of prepaid lease payments	**(45,346)**	(18,220)
Amortization of intangible assets	**(96,576)**	(34,365)
Employee benefit costs, including	**(890,659)**	(584,539)
- *long-term incentive awards*	***(31,657)***	*(19,755)*
Rental expenses under operating leases	**(25,698)**	(19,142)
Net exchange loss	**(89,542)**	(356)
Advertising and promotional expenses	**(210,875)**	(174,785)
Others	**(413,526)**	(197,491)
	(1,772,222)	(1,028,898)

Other non-operating expenses (net) for the three months ended December 31, 2014 and 2013 comprise:

	3 months ended December 31, 2014 *US$'000*	3 months ended December 31, 2013 *US$'000*
Finance income	**5,868**	5,876
Finance costs	**(54,691)**	(18,800)
Share of loss of associates and joint ventures	**(1,738)**	(133)
	(50,561)	(13,057)

Other non-operating expenses (net) increased by 287 percent as compared to the corresponding period of last year. This is mainly attributable to interest expense of US$16 million in relation to the 5-Year US$1.5 billion notes, issued in May 2014, bearing annual interest at 4.7% due in May 2019; an increase in factoring costs of US$10 million; and US$7 million interest expense in relation to promissory note issued to Google Inc.

Capital Expenditure

The Group incurred capital expenditure of US$705 million (2013/14: US$421 million) during the nine months ended December 31, 2014, mainly for the acquisition of property, plant and equipment, additions in construction-in-progress and intangible assets.

Liquidity and Financial Resources

At December 31, 2014, total assets of the Group amounted to US$29,247 million (March 31, 2014: US$18,357 million), which were financed by equity attributable to owners of the Company of US$4,200 million (March 31, 2014: US$3,010 million), non-controlling interests (net of put option written on non-controlling interest) of US$25 million (March 31, 2014: US$15 million), and total liabilities of US$25,022 million (March 31, 2014: US$15,332 million). At December 31, 2014, the current ratio of the Group was 0.93 (March 31, 2014: 1.00).

The Group had a solid financial position. At December 31, 2014, bank deposits, cash and cash equivalents totaled US$3,991 million (March 31, 2014: US$3,953 million), of which 50.2 (March 31, 2014: 66.9) percent was denominated in US dollar, 34.0 (March 31, 2014: 23.8) percent in Renminbi, 4.2 (March 31, 2014: 4.1) percent in Euros, 1.3 (March 31, 2014: 2.2) percent in Japanese Yen, and 10.3 (March 31, 2014: 3.0) percent in other currencies.

The Group adopts a conservative policy to invest the surplus cash generated from operations. At December 31, 2014, 79.6 (March 31, 2014: 81.8) percent of cash are bank deposits, and 20.4 (March 31, 2014: 18.2) 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 5-Year revolving loan facility agreement with syndicated banks for US$500 million on February 2, 2011. The facility was utilized to the extent of US$195 million as at December 31, 2014 (March 31, 2014: Nil).

In addition, on December 18, 2013, the Group entered into another 5-Year loan facility agreement with syndicated banks for US$1,200 million, comprising US$800 million as short term. The facility was utilized to the extent of US$805 million, comprising US$405 million short-term, as at December 31, 2014 (March 31, 2014: Nil).

On May 8, 2014, the Group completed the issuance of 5-Year US$1.5 billion notes bearing annual interest at 4.7% due in May 2019. The proceeds 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 December 31, 2014, the Group's total available credit facilities amounted to US$9,636 million (March 31, 2014: US$7,890 million), of which US$453 million (March 31, 2014: US$489 million) was in trade lines, US$369 million (March 31, 2014: US$325 million) in short-term and revolving money market facilities and US$8,814 million (March 31, 2014: US$7,076 million) in forward foreign exchange contracts. At December 31, 2014, the amounts drawn down were US$244 million (March 31, 2014: US$214 million) in trade lines, US$8,752 million (March 31, 2014: US$6,513 million) being used for the forward foreign exchange contracts, and US$227 million (March 31, 2014: US$145 million) in short-term bank loans.

At December 31, 2014, the Group's outstanding borrowings represented the term bank loan of US$402 million (March 31, 2014: US$310 million), short-term bank loans of US$827 million (March 31, 2014: US$145 million) and long term notes of US$1,490 million (March 31, 2014: Nil). When compared with total equity of US$4,225 million (March 31, 2014: US$3,025 million), the Group's gearing ratio was 0.64 (March 31, 2014: 0.15). The net cash position of the Group at December 31, 2014 is US$1,271 million (March 31, 2014: US$3,498 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 December 31, 2014, the Group had commitments in respect of outstanding forward foreign exchange contracts amounting to US$8,752 million (March 31, 2014: US$6,513 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.

FINANCIAL INFORMATION

CONSOLIDATED INCOME STATEMENT

	Note	**3 months ended December 31, 2014 (unaudited)** *US$'000*	**9 months ended December 31, 2014 (unaudited)** *US$'000*	3 months ended December 31, 2013 (unaudited) *US$'000*	9 months ended December 31, 2013 (unaudited) *US$'000*
Revenue	*2*	**14,091,558**	**34,961,856**	10,788,605	29,349,436
Cost of sales		**(11,994,580)**	**(30,058,987)**	(9,425,485)	(25,530,301)
Gross profit		**2,096,978**	**4,902,869**	1,363,120	3,819,135
Other income - net	*3*	**-**	**1,490**	21,774	22,427
Selling and distribution expenses		**(686,761)**	**(1,644,377)**	(528,821)	(1,442,633)
Administrative expenses		**(576,907)**	**(1,337,274)**	(340,303)	(1,003,730)
Research and development expenses		**(413,609)**	**(796,566)**	(187,554)	(547,318)
Other operating (expenses)/income - net		**(94,945)**	**(144,960)**	6,006	(27,838)
Operating profit	*4*	**324,756**	**981,182**	334,222	820,043
Finance income	*5(a)*	**5,868**	**24,181**	5,876	25,071
Finance costs	*5(b)*	**(54,691)**	**(133,341)**	(18,800)	(53,677)
Share of (loss)/profit of associates and joint ventures		**(1,738)**	**(4,886)**	(133)	10,389
Profit before taxation		**274,195**	**867,136**	321,165	801,826
Taxation	*6*	**(17,350)**	**(127,646)**	(55,635)	(152,359)
Profit for the period		**256,845**	**739,490**	265,530	649,467
Profit/(loss) attributable to:					
Equity holders of the Company		**253,183**	**728,774**	265,310	658,924
Non-controlling interests		**3,662**	**10,716**	220	(9,457)
		256,845	**739,490**	265,530	649,467
Earnings per share attributable to equity holders of the Company					
Basic	*7(a)*	**US 2.32 cents**	**US 6.90 cents**	US 2.56 cents	US 6.35 cents
Diluted	*7(b)*	**US 2.30 cents**	**US 6.82 cents**	US 2.52 cents	US 6.27 cents
Dividend			**85,978**		80,426

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	3 months ended December 31, 2014 (unaudited) ***US$'000***	**9 months ended December 31, 2014 (unaudited)** ***US$'000***	3 months ended December 31, 2013 (unaudited) *US$'000*	9 months ended December 31, 2013 (unaudited) *US$'000*
Profit for the period	**256,845**	**739,490**	265,530	649,467
Other comprehensive income/(loss):				
Item that will not be reclassified to profit or loss				
Remeasurements of defined benefit obligations, net of taxes	**(21,535)**	**(21,535)**	-	355
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	**(1,713)**	**7,753**	1,379	(2,180)
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 (loss) / gain, net of taxes	**(116,500)**	**7,772**	24,637	(7,007)
Reclassified to consolidated income statement	**128,454**	**93,687**	28,657	(2,773)
Exchange reserve reclassified to consolidated income statement on disposal of a subsidiary	**-**	**-**	-	1,250
Currency translation differences	**(149,377)**	**(386,607)**	(49,444)	(62,160)
Total items that have been reclassified or may be subsequently reclassified to profit or loss	**(139,136)**	**(277,395)**	(15,297)	(93,396)
Other comprehensive loss for the period	**(160,671)**	**(298,930)**	(15,297)	(93,041)
Total comprehensive income for the period	**96,174**	**440,560**	250,233	556,426
Total comprehensive income/(loss) attributable to:				
Equity holders of the Company	**92,512**	**429,844**	250,013	565,883
Non-controlling interests	**3,662**	**10,716**	220	(9,457)
	96,174	**440,560**	250,233	556,426

CONSOLIDATED BALANCE SHEET

	Note	**December 31, 2014 (unaudited)** *US$'000*	March 31, 2014 (audited) *US$'000*
Non-current assets			
Property, plant and equipment		**1,493,888**	667,413
Prepaid lease payments		**48,554**	40,884
Construction-in-progress		**385,583**	351,934
Intangible assets		**8,850,419**	3,339,516
Interests in associates and joint ventures		**23,778**	20,753
Deferred income tax assets		**441,404**	389,330
Available-for-sale financial assets		**70,282**	35,157
Other non-current assets		**119,836**	111,558
		11,433,744	4,956,545
Current assets			
Inventories		**3,173,810**	2,701,015
Trade receivables	*8(a)*	**5,805,912**	3,171,354
Notes receivable		**507,212**	447,325
Derivative financial assets		**211,424**	61,184
Deposits, prepayments and other receivables	*9*	**4,030,731**	3,000,826
Income tax recoverable		**93,146**	65,715
Bank deposits		**109,444**	94,985
Cash and cash equivalents		**3,881,251**	3,858,144
		17,812,930	13,400,548
Total assets		**29,246,674**	18,357,093

CONSOLIDATED BALANCE SHEET (CONTINUED)

	Note	**December 31, 2014 (unaudited)** ***US$'000***	March 31, 2014 (audited) *US$'000*
Share capital	*13*	**2,689,882**	1,650,101
Reserves		**1,509,658**	1,360,029
Equity attributable to owners of the Company		**4,199,540**	3,010,130
Non-controlling interests		**238,206**	227,490
Put option written on non-controlling interest	*11(c)*	**(212,900)**	(212,900)
Total equity		**4,224,846**	3,024,720
Non-current liabilities			
Borrowings	*12*	**1,891,874**	10,125
Warranty provision	*10(b)*	**380,811**	277,231
Deferred revenue		**611,681**	438,385
Retirement benefit obligations		**250,083**	156,515
Deferred income tax liabilities		**180,763**	142,881
Other non-current liabilities	*11*	**2,554,851**	844,914
		5,870,063	1,870,051
Current liabilities			
Trade payables	*8(b)*	**7,289,663**	4,751,345
Notes payable		**124,667**	108,559
Derivative financial liabilities		**93,047**	58,462
Other payables and accruals	*10(a)*	**8,727,748**	6,658,254
Provisions	*10(b)*	**1,152,189**	852,154
Deferred revenue		**762,278**	410,330
Income tax payable		**174,805**	177,741
Borrowings	*12*	**827,368**	445,477
		19,151,765	13,462,322
Total liabilities		**25,021,828**	15,332,373
Total equity and liabilities		**29,246,674**	18,357,093
Net current liabilities		**(1,338,835)**	(61,774)
Total assets less current liabilities		**10,094,909**	4,894,771

CONSOLIDATED CASH FLOW STATEMENT

	Note	**9 month ended December 31, 2014 US$'000**	9 months ended December 31, 2013 US$'000
Cash flows from operating activities			
Net cash generated from operations	*14*	**1,682,164**	1,102,488
Interest paid		**(109,936)**	(46,395)
Tax paid		**(230,581)**	(93,400)
Net cash generated from operating activities		**1,341,647**	962,693
Cash flows from investing activities			
Purchase of property, plant and equipment		**(187,792)**	(138,149)
Sale of property, plant and equipment		**9,728**	3,401
Acquisition of businesses, net of cash acquired		**(2,322,221)**	-
Interests acquired in associates and a joint venture		**(7,911)**	(4,931)
Payment for construction-in-progress		**(257,450)**	(203,189)
Payment for intangible assets		**(260,470)**	(79,361)
Purchase of available-for-sale financial assets		**(29,005)**	(50)
Net proceeds from disposal of an available-for-sale financial asset		**-**	41,348
(Increase)/decrease in bank deposits		**(14,459)**	23,903
Dividend received		**305**	547
Interest received		**24,181**	25,071
Net cash used in investing activities		**(3,045,094)**	(331,410)
Cash flows from financing activities			
Exercise of share options		**385**	4,516
Repurchase of shares		**-**	(45,304)
Contributions to employee share trusts		**(127,178)**	(50,357)
Dividends paid		**(328,037)**	(266,692)
Proceeds from bank borrowings		**1,212,256**	98,852
Repayment of bank borrowings		**(438,038)**	(121,810)
Issue of long term notes		**1,489,422**	-
Net cash generated from/(used in) financing activities		**1,808,810**	(380,795)
Increase in cash and cash equivalents		**105,363**	250,488
Effect of foreign exchange rate changes		**(82,256)**	19,999
Cash and cash equivalents at the beginning of the period		**3,858,144**	3,454,082
Cash and cash equivalents at the end of the period		**3,881,251**	3,724,569

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, 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
Profit for the period	-	-	-	-	-	-	-	-	-	728,774	10,716	-	739,490
Other comprehensive loss	-	-	7,753	-	-	-	101,459	(386,607)	-	(21,535)	-	-	(298,930)
Total comprehensive income for the period	-	-	7,753	-	-	-	101,459	(386,607)	-	707,239	10,716	-	440,560
Acquisition of businesses	-	-	-	-	-	122,950	-	-	-	-	-	-	122,950
Transfer to statutory reserve	-	-	-	-	-	-	-	-	3,832	(3,832)	-	-	-
Issue of ordinary shares	1,039,396	-	-	-	-	-	-	-	-	-	-	-	1,039,396
Exercise of share options	385	-	-	-	-	-	-	-	-	-	-	-	385
Vesting of shares under long-term incentive program	-	-	-	-	71,888	(98,858)	-	-	-	-	-	-	(26,970)
Share-based compensation	-	-	-		-	79,020	-	-	-	-	-	-	79,020
Contribution to employee share trusts	-	-	-	-	(127,178)	-	-	-	-	-	-	-	(127,178)
Dividend paid	-	-	-	-	-	-	-	-	-	(328,037)	-	-	(328,037)
At December 31, 2014	2,689,882	-	1,019	-	(104,293)	79,490	98,250	(621,988)	75,712	1,981,468	238,206	(212,900)	4,224,846
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

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 interpretation and amendments to existing standards that are mandatory for the year ending March 31, 2015 which the Group considers are appropriate and relevant to its operations:

- HK(IFRIC) – Int 21, Levies
- Amendments to HKAS 32, Financial instruments: Presentation - Offsetting financial assets and financial liabilities
- Amendments to HKAS 36, Impairment of assets: Recoverable amount disclosures for non-financial assets
- Amendments to HKAS 39, Financial instruments: Recognition and measurement – Novation of derivatives and continuation of hedge accounting
- Amendments to HKFRS 10, HKFRS 12, HKAS 27 (2011), Investment entities

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

The following new 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 ending March 31, 2015 and have not been early adopted:

	Effective for annual periods beginning on or after
HKFRS 15, Revenue from contracts with customers	January 1, 2017
HKFRS 9 (2014), Financial instruments	January 1, 2018
Amendments to HKAS 19 (2011), Employee benefits	July 1, 2014
Amendments to HKAS 16, Property, plant and equipment	January 1, 2016
Amendments to HKAS 27 (2011), Separate financial statements	January 1, 2016
Amendments to HKAS 28, Investments in associates and joint ventures	January 1, 2016
Amendments to HKAS 38, Intangible assets	January 1, 2016
Amendments to HKFRS 10, Consolidated financial statements	January 1, 2016
Amendments to HKFRS 11, Joint arrangements	January 1, 2016

The Group is currently assessing the impact of the adoption of these new standards and amendments to existing standards to the Group in future periods. So far, it has concluded that the adoption of the above does not have material impact on the Group's financial statements.

2 Segment information

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, AP, EMEA and 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, 2014		9 months ended December 31, 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	**11,629,206**	**661,026**	11,623,814	617,988
AP	**4,857,654**	**224,600**	4,426,297	61,776
EMEA	**9,836,874**	**331,154**	7,005,969	112,860
AG	**8,638,122**	**16,553**	6,293,356	55,547
Segment total	**34,961,856**	**1,233,333**	29,349,436	848,171
Unallocated:				
Headquarters and corporate expenses		**(288,742)**		(71,403)
Restructuring costs		**-**		(26)
Finance income		**13,055**		13,868
Finance costs		**(87,114)**		(21,600)
Net gain on disposal of available-for-sale financial assets		**1,185**		21,880
Dividend income from an available-for-sale financial asset		**305**		547
Share of (loss)/profit of associates and joint ventures		**(4,886)**		10,389
Consolidated profit before taxation		**867,136**		801,826

(b) Segment assets for reportable segments

	December 31, 2014	March 31, 2014
	US$'000	*US$'000*
China	**6,797,156**	5,157,241
AP	**2,095,894**	1,993,624
EMEA	**2,776,825**	2,341,114
AG	**6,151,170**	2,559,869
Segment assets for reportable segments	**17,821,045**	12,051,848
Unallocated:		
Deferred income tax assets	**441,404**	389,330
Derivative financial assets	**211,424**	61,184
Available-for-sale financial assets	**70,282**	35,157
Interests in associates and joint ventures	**23,778**	20,753
Unallocated bank deposits and cash and cash equivalents	**1,822,865**	2,521,366
Unallocated inventories	**947,208**	757,648
Unallocated deposits, prepayments and other receivables	**1,973,694**	2,214,124
Income tax recoverable	**93,146**	65,715
Unallocated intangible assets	**5,528,000**	-
Other unallocated assets	**313,828**	239,968
Total assets per consolidated balance sheet	**29,246,674**	18,357,093

(c) Segment liabilities for reportable segments

	December 31, 2014 *US$'000*	March 31, 2014 *US$'000*
China	**4,477,425**	3,965,295
AP	**1,746,344**	1,671,669
EMEA	**1,463,673**	1,407,530
AG	**4,990,765**	1,636,349
Segment liabilities for reportable segments	**12,678,207**	8,680,843
Unallocated:		
Income tax payable	**174,805**	177,741
Deferred income tax liabilities	**180,763**	142,881
Derivative financial liabilities	**93,047**	58,462
Unallocated bank borrowings	**2,490,300**	300,000
Unallocated trade payables	**4,083,277**	2,862,851
Unallocated other payables and accruals	**3,064,531**	2,687,703
Unallocated provisions	**65,339**	16,522
Unallocated other non-current liabilities	**1,813,498**	308,889
Other unallocated liabilities	**378,061**	96,481
Total liabilities per consolidated balance sheet	**25,021,828**	15,332,373

(d) Analysis of revenue by significant category

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

	9 months ended December 31, 2014 *US$'000*	9 months ended December 31, 2013 *US$'000*
PC Business Group	**26,185,668**	23,839,128
Mobile Business Group	**6,296,698**	4,206,567
Enterprise Business Group	**1,561,668**	380,598
Others	**917,822**	923,143
	34,961,856	29,349,436

(e) Other segment information

	China		AP		EMEA		AG		Total	
For the nine months ended December 31	**2014** *US$'000*	2013 *US$'000*	**2014** *US$'000*	2013 *US$'000*	**2014** *US$'000*	2013 *US$'000*	**2014** *US$'000*	2013 *US$'000*	**2014** *US$'000*	2013 *US$'000*
Depreciation and amortization	**96,813**	56,265	**55,049**	41,292	**72,440**	36,984	**91,422**	49,240	**315,724**	183,781
Finance income	**3,395**	2,261	**2,750**	906	**394**	531	**4,587**	7,505	**11,126**	11,203
Finance costs	**2,997**	817	**6,306**	4,095	**21,454**	5,656	**15,470**	21,509	**46,227**	32,077
Additions to non-current assets (Note)	**131,545**	62,722	**39,020**	10,831	**23,370**	6,337	**25,931**	44,338	**219,866**	124,228

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$5,972 million (March 31, 2014: US$2,843 million). The carrying amounts of goodwill and trademarks and trade names with indefinite useful lives are presented below:

At December 31, 2014

	China	**AP**	**EMEA**	**AG**	**Amounts pending allocation**	**Total**
	US$ million	***US$ million***	***US$ million***	***US$ million***	***US$ million***	***US$ million***
Goodwill	**1,124**	**526**	**248**	**362**	**2,438**	**4,698**
Trademarks and trade names	**209**	**59**	**109**	**67**	**830**	**1,274**

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

Goodwill pending allocation represents the amount attributable to the acquisition of Motorola Mobility Group ("Motorola") and X86 server hardware and related maintenance services business of IBM ("System X"), details of which are set out in Note 15. The goodwill is primarily attributable to the significant synergies expected to arise in connection with the development of mobile devices and X86 server businesses, respectively. Management is in the process of determining the allocation of goodwill and other intangible assets to the appropriate cash generating units of the Group.

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

3 Other income – net

	3 months ended December 31, 2014	**9 months ended December 31, 2014**	3 months ended December 31, 2013	9 months ended December 31, 2013
	US$'000	***US$'000***	*US$'000*	*US$'000*
Net gain on disposal of available-for-sale financial assets	**-**	**1,185**	21,774	21,880
Dividend income from an available-for-sale financial asset	**-**	**305**	-	547
	-	**1,490**	21,774	22,427

4 Operating profit

Operating profit is stated after charging the following:

	3 months ended December 31, 2014	**9 months ended December 31, 2014**	3 months ended December 31, 2013	9 months ended December 31, 2013
	US$'000	***US$'000***	*US$'000*	*US$'000*
Depreciation of property, plant and equipment and amortization of prepaid lease payments	**65,228**	**135,464**	27,925	79,629
Amortization of intangible assets	**99,345**	**180,260**	38,565	104,152
Employee benefit costs, including	**1,030,532**	**2,502,007**	695,352	2,018,686
- long-term incentive awards	***31,657***	***79,020***	*19,755*	*62,666*
Rental expenses under operating leases	**31,497**	**82,402**	24,740	74,017

5 Finance income and costs

(a) Finance income

	3 months ended December 31, 2014	**9 months ended December 31, 2014**	3 months ended December 31, 2013	9 months ended December 31, 2013
	US$'000	***US$'000***	*US$'000*	*US$'000*
Interest on bank deposits	**5,676**	**22,276**	5,228	18,591
Interest on money market funds	**187**	**1,888**	497	1,854
Others	**5**	**17**	151	4,626
	5,868	**24,181**	5,876	25,071

(b) Finance costs

	3 months ended December 31, 2014	**9 months ended December 31, 2014**	3 months ended December 31, 2013	9 months ended December 31, 2013
	US$'000	***US$'000***	*US$'000*	*US$'000*
Interest on bank loans and overdrafts	**10,849**	**25,263**	6,447	24,185
Interest on long term notes	**15,752**	**44,351**	-	-
Factoring costs	**16,488**	**39,945**	5,943	14,163
Interest on promissory note	**6,600**	**6,600**	-	-
Commitment fee	**2,541**	**9,208**	840	2,481
Interest on contingent considerations and put option liability	**1,670**	**5,293**	2,386	7,088
Others	**791**	**2,681**	3,184	5,760
	54,691	**133,341**	18,800	53,677

6 Taxation

The amount of taxation in the consolidated income statement represents:

	3 months ended December 31, 2014 *US$'000*	**9 months ended December 31, 2014** *US$'000*	3 months ended December 31, 2013 *US$'000*	9 months ended December 31, 2013 *US$'000*
Current taxation				
Hong Kong profits tax	**8,886**	**26,841**	1,315	5,536
Taxation outside Hong Kong	**89,903**	**161,356**	53,584	166,118
Deferred taxation	**(81,439)**	**(60,551)**	736	(19,295)
	17,350	**127,646**	55,635	152,359

Hong Kong profits tax has been provided for at the rate of 16.5% (2013/14: 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 for the purposes of awarding shares to eligible employees under the long-term incentive program.

	3 months ended December 31, 2014	**9 months ended December 31, 2014**	3 months ended December 31, 2013	9 months ended December 31, 2013
Weighted average number of ordinary shares in issue	**10,943,224,952**	**10,585,382,565**	10,398,726,124	10,410,323,135
Adjustment for shares held by employee share trusts	**(35,697,148)**	**(39,373,309)**	(46,079,441)	(39,673,373)
Weighted average number of ordinary shares in issue for calculation of basic earnings per share	**10,907,527,804**	**10,546,009,256**	10,352,646,683	10,370,649,762
	US$'000	***US$'000***	*US$'000*	*US$'000*
Profit attributable to equity holders of the Company	**253,183**	**728,774**	265,310	658,924

(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, 2014	**9 months ended December 31, 2014**	3 months ended December 31, 2013	9 months ended December 31, 2013
Weighted average number of ordinary shares in issue for calculation of basic earnings per share	**10,907,527,804**	**10,546,009,256**	10,352,646,683	10,370,649,762
Adjustments for share options and long-term incentive awards	**117,773,921**	**109,828,243**	159,332,514	133,652,882
Weighted average number of ordinary shares in issue for calculation of diluted earnings per share	**11,025,301,725**	**10,655,837,499**	10,511,979,197	10,504,302,644
	US$'000	***US$'000***	*US$'000*	*US$'000*
Profit attributable to equity holders of the Company used to determine diluted earnings per share	**253,183**	**728,774**	265,310	658,924

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 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, 2014	March 31, 2014
	US$'000	*US$'000*
0 – 30 days	**3,953,984**	2,206,799
31 – 60 days	**1,174,387**	601,499
61 – 90 days	**339,307**	181,916
Over 90 days	**405,745**	220,754
	5,873,423	3,210,968
Less: provision for impairment	**(67,511)**	(39,614)
Trade receivables – net	**5,805,912**	3,171,354

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

	December 31, 2014	March 31, 2014
	US$'000	*US$'000*
0 – 30 days	**5,984,192**	2,761,170
31 – 60 days	**899,054**	1,217,547
61 – 90 days	**329,227**	586,145
Over 90 days	**77,190**	186,483
	7,289,663	4,751,345

9 Deposits, prepayments and other receivables

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

	December 31, 2014	March 31, 2014
	US$'000	*US$'000*
Deposits	**1,721**	1,635
Other receivables (a)	**2,933,234**	1,937,679
Prepayments (b)	**1,095,776**	1,061,512
	4,030,731	3,000,826

(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$407 million as at December 31, 2014 (March 31, 2014: US$413 million) are included in prepayments.

10 Provisions, other payables and accruals

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

	December 31, 2014	March 31, 2014
	US$'000	*US$'000*
Accruals	**2,079,491**	1,359,002
Allowance for billing adjustments (i)	**2,279,768**	1,785,022
Other payables (ii)	**4,368,489**	3,514,230
	8,727,748	6,658,254

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	**Environmental restoration**	**Total**
	US$'000	***US$'000***	***US$'000***
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
Nine months ended December 31, 2014			
At the beginning of the period	**1,127,260**	**19,684**	**1,146,944**
Exchange adjustment	**(38,124)**	**(2,293)**	**(40,417)**
Provisions made	**855,004**	**10,243**	**865,247**
Amounts utilized	**(726,997)**	**(4,835)**	**(731,832)**
Unused amounts reversed	**(15,821)**	**(20)**	**(15,841)**
Acquisition of businesses	**328,404**	**-**	**328,404**
	1,529,726	**22,779**	**1,552,505**
Long-term portion classified as non-current liabilities	**(380,811)**	**(19,505)**	**(400,316)**
At the end of the period	**1,148,915**	**3,274**	**1,152,189**

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 return 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.

11 Other non-current liabilities

Details of other non-current liabilities are as follows:

	December 31, 2014 ***US$'000***	March 31, 2014 *US$'000*
Contingent considerations (a)	**310,850**	307,183
Deferred consideration (a)	**1,384,981**	2,151
Guaranteed dividend to non-controlling shareholders of a subsidiary (b)	**10,942**	18,922
Environmental restoration (Note 10 (b))	**19,505**	17,559
Written put option liability (c)	**218,775**	217,157
Government incentives and grants received in advance (d)	**141,566**	143,778
Deferred rent liabilities	**125,447**	-
Others	**342,785**	138,164
	2,554,851	844,914

(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 December 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
Google Inc.	US$1,500 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.

12 Borrowings

	December 31, 2014	March 31, 2014
	US$'000	*US$'000*
Term bank loans (i)	**401,574**	310,125
Short-term bank loans (ii)	**827,368**	145,477
Long term notes (iii)	**1,490,300**	-
	2,719,242	455,602

(i) Term bank loans comprised a US$1,200 million 5-year term loan facility entered into in December 2013. It has been withdrawn to the extent of US$400 million in September 2014.

(ii) The majority of the short-term bank loans are denominated in USD.

(iii) On May 8, 2014, the Group completed the issuance of 5-Year US$1.5 billion notes bearing annual interest at 4.7% due in May 2019. The proceeds would be used for general corporate purposes including working capital, and to fund any acquisition activities.

The exposure of all the borrowings of the Group to interest rate changes and the contractual repricing dates as at December 31, 2014 and March 31, 2014 are as follows:

	December 31, 2014	March 31, 2014
	US$'000	*US$'000*
Within 1 year	**827,368**	445,477
Over 1 to 3 years	**1,574**	10,125
Over 3 to 5 years	**1,890,300**	-
	2,719,242	455,602

The carrying amounts of bank loans approximate their fair value as the impact of discounting is not significant.

13 Share capital

	December 31, 2014		March 31, 2014	
	Number of shares	***US$'000***	*Number of shares*	*US$'000*
Issued and fully paid:				
Voting ordinary shares:				
At the beginning of the period/year	**10,406,375,509**	**1,650,101**	10,439,152,059	33,465
Issue of ordinary shares	**701,107,215**	**1,039,396**	-	-
Exercise of share options	**1,172,000**	**385**	18,277,450	816
Repurchase of shares	**-**	**-**	(51,054,000)	(164)
Transfer from share premium and share redemption reserve	**-**	**-**	-	1,615,984
At the end of the period/year	**11,108,654,724**	**2,689,882**	10,406,375,509	1,650,101

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

	9 months ended December 31, 2014	9 months ended December 31, 2013
	US$'000	US$'000
Profit before taxation	**867,136**	801,826
Share of loss/(profit) of associates and joint ventures	**4,886**	(10,389)
Finance income	**(24,181)**	(25,071)
Finance costs	**133,341**	53,677
Depreciation of property, plant and equipment and amortization of prepaid lease payments	**135,464**	79,629
Amortization of intangible assets and share-based compensation	**259,280**	166,818
(Gain)/loss on disposal of property, plant and equipment	**(1,837)**	839
Net gain on disposal of available-for-sale assets	**(1,185)**	(21,880)
Loss on disposal of construction-in-progress	**942**	994
Loss on disposal of intangible assets	**1,743**	6,173
Dividend income	**(305)**	(547)
Fair value change on financial instruments	**(14,196)**	(10,077)
Increase in inventories	**(28,202)**	(701,577)
Increase in trade receivables, notes receivable, deposits, prepayments and other receivables	**(1,791,478)**	(1,489,083)
Increase in trade payables, notes payable, provisions, accruals and other payables	**2,254,655**	2,298,361
Effect of foreign exchange rate changes	**(113,899)**	(47,205)
Net cash generated from operations	**1,682,164**	1,102,488

15 Business combinations

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

On October 1, 2014, the Group acquired certain assets and assumed certain liabilities in connection with the X86 Server hardware and related maintenance services business of IBM. The acquisition provides the Group with end-to-end capabilities to serve enterprise customers and explore new growth segments in the enterprise hardware market. It also offers a comprehensive and competitive portfolio of server products including towers, racks, blades and converged systems, as well as associated maintenance services.

On October 30, 2014, the Group acquired 100% of the issued and outstanding equity interests in Motorola. Motorola is principally engaged in the business of developing, manufacturing, distributing and selling mobile devices, particularly smartphones based on the Android operating system, and their related products. The acquisition provides the Group with immediate access to key assets, technology and personnel to accelerate the Group's entry into mature geographies for smartphones, including those based on the popular Android operating system under its strong relationships with retailers and carriers.

The estimated total consideration for the business combination activities completed during the period is approximately US$5,276 million, including cash, the Company's shares as consideration shares, deferred consideration and share-based compensation obligation assumed by the Company.

Set forth below is the calculation of goodwill*:

	Motorola *US$'000*	**System X** *US$'000*	**Total** *US$'000*
Purchase consideration:			
- Cash paid less cash to be refunded (a)	**872,506**	**1,865,026**	**2,737,532**
- Fair value of consideration shares (b)	**768,482**	**270,914**	**1,039,396**
- Present value of deferred consideration (c)	**1,376,230**	**-**	**1,376,230**
- Share-based compensation obligation assumed	**117,288**	**5,662**	**122,950**
Total purchase consideration	**3,134,506**	**2,141,602**	**5,276,108**
Less: Fair value of net assets acquired	**(1,617,463)**	**(1,220,538)**	**(2,838,001)**
Goodwill (Note 2(f))	**1,517,043**	**921,064**	**2,438,107**

* The calculations of goodwill for Motorola and System X are preliminary.

(a) At completion date on acquisition of System X, cash payment comprising cash consideration of US$2,070,000,000 net of a downward adjustment of US$204,973,937 calculated based on transferred balances of certain working capital items, was paid to IBM.

At completion date on acquisition of Motorola, US$660,000,000, representing the cash consideration, and a compensation of US$212,506,000, which primarily relates to the estimated amount of excess net cash and working capital remaining in Motorola transferrable to the Company, was paid to Google Inc., the seller, in cash.

(b) The fair values of 182,000,000 and 519,107,215 ordinary shares of the Company issued as part of the purchase consideration for the business combinations of System X and Motorola were based on the published share price on October 1 and October 30, 2014, respectively.

(c) The deferred consideration represents the promissory note of US$1,500,000,000 issued to Google Inc. payable in cash on the third anniversary of the completion date. The present value of deferred consideration is included in other non-current liabilities in the balance sheet.

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

	Motorola *US$'000*	**System X** *US$'000*	**Total** *US$'000*
Cash and cash equivalents	**403,476**	**27,824**	**431,300**
Property, plant and equipment	**491,883**	**123,428**	**615,311**
Deferred tax assets less liabilities	**3,979**	**(34,965)**	**(30,986)**
Intangible assets	**1,634,770**	**1,510,000**	**3,144,770**
Other non-current assets	**104,589**	**-**	**104,589**
Net working capital except cash and cash equivalents	**(741,002)**	**(62,792)**	**(803,794)**
Non-current liabilities	**(280,232)**	**(342,957)**	**(623,189)**
Fair value of net assets acquired	**1,617,463**	**1,220,538**	**2,838,001**

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

At December 31, 2014, the Group has not finalized the fair value assessments for net assets acquired (including intangible assets) from the business combination activities. The relevant fair values of net assets stated above are on a provisional basis.

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

During the nine months ended December 31, 2014, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities, except that the trustee of the long-term incentive program of the Company purchased 87,920,175 shares from the market for award to employees upon vesting. Details of the program are set out in the 2013/14 annual report of the Company.

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 four members including Mr. Allen and the other three independent non-executive directors, Mr. Ting Lee Sen, Ms. Ma Xuezheng and Mr. William Tudor Brown .

The Audit Committee of the Company has reviewed the unaudited financial results of the Group for the nine months ended December 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

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, 2014, 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 ("**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 (i) the combined roles of Chairman and CEO; and (ii) 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.

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

February 2, 2015

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, Ms. Ma Xuezheng and Mr. Yang Chih-Yuan Jerry.