Lenovo

Lenovo Group Limited 聯想集團有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 992)

FY2015/16 INTERIM RESULTS ANNOUNCEMENT

INTERIM 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 six months ended September 30, 2015 together with comparative figures for the corresponding period of last year, as follows:

SECOND QUARTER FINANCIAL HIGHLIGHTS

- **Group revenue of US$12.2B, up 16% YTY, includes a full quarter of System X and Motorola performances**
- **The group incurred one-time charges of $923 million, comprised of $599 million in restructuring costs and $324 million in charges to clear smart phone inventories and is on track to deliver $650 million in cost savings in the second half of this fiscal year**
- **Group loss before taxation of US$842M and Group loss attributable to equity holders of the Company of US$714M**
- **Group run rate PTI, representing PTI before (i) non-cash M&A-related accounting charges and (ii) restructuring and one-time charges, was US$166M, up 16% QTQ, down 50% YTY. Non-cash M&A-related accounting charges of US$85M comprise mainly intangible asset amortization and imputed interest expense of promissory notes; restructuring and one-time charges of US$923M comprise mainly severance costs, assets impairment, provision for lease obligations and additional spending to clear smartphone inventories**

	3 months ended September 30, 2015 (unaudited) *US$'million*	6 months ended September 30, 2015 (unaudited) *US$'million*	3 months ended September 30, 2014 (unaudited) *US$'million*	6 months ended September 30, 2014 (unaudited) *US$'million*	Year-on-year change 3 months ended September 30	Year-on-year change 6 months ended September 30
Revenue	12,150	22,866	10,475	20,870	16%	10%
Gross profit	1,575	3,222	1,457	2,806	8%	15%
Gross profit margin	13.0%	14.1%	13.9%	13.4%	(0.9) pts	0.7 pts
Operating expenses	(2,359)	(3,910)	(1,092)	(2,150)	116%	82%
Operating (loss)/profit	(784)	(688)	365	656	N/A	N/A
Other non-operating expenses - net	(58)	(102)	(36)	(63)	60%	60%
(Loss)/profit before taxation	(842)	(790)	329	593	N/A	N/A
(Loss)/profit for the period	(717)	(615)	272	483	N/A	N/A
(Loss)/profit attributable to equity holders of the Company	(714)	(609)	262	476	N/A	N/A
(Loss)/earnings per share attributable to equity holders of the Company						
Basic	US (6.43) cents	US (5.49) cents	US 2.52 cents	US 4.58 cents	N/A	N/A
Diluted	US (6.43) cents	US (5.49) cents	US 2.49 cents	US 4.52 cents	N/A	N/A

INTERIM DIVIDEND

The Board has declared an interim dividend of HK6.0 cents (2014/15: HK6.0 cents) per share for the six months ended September 30, 2015, absorbing an aggregate amount of approximately HK$666.5 million (approximately US$86.0 million) (2014/15: approximately HK$666.5 million (approximately US$86.0 million)), to shareholders whose names appear on the register of members of the Company on Friday, November 27, 2015. The interim dividend will be paid on Monday, December 7, 2015.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed on Friday, November 27, 2015, during which no transfer of shares will be registered. In order to qualify for the interim 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 4:30 p.m. on Thursday, November 26, 2015. Shares of the Company will be traded ex-dividend as from Wednesday, November 25, 2015.

BUSINESS REVIEW AND OUTLOOK

Business Review

During the six months ended September 30, 2015, the macro-economy and global markets remained challenging along with currency fluctuations in emerging markets. These factors affected overall consumer demand which led to a continuing decline in the PC market and slower growth of worldwide smartphone and tablet markets. In addition, the China smartphone market continued to see a market shift from traditional carrier channels to online while competition in China further intensified.

Amidst these market challenges, Lenovo managed to deliver continuous growth in group sales and solid performances across its businesses driven by solid strategic execution. For the six months ended September 30, 2015, the Group's consolidated revenue increased by 10 percent year-on-year to US$22,866 million. Revenue of the Group's PC business was US$15,425 million, representing a year-on-year decline of 9 percent. The revenue of Mobile business, which includes the combined Lenovo and Motorola businesses for the review period this year, increased 65 percent year-on-year to US$4,797 million. The revenue of Enterprise business, which includes the combined ThinkServer and System X businesses for the review period this year, increased over 560 percent year-on-year to US$2,254 million. Meanwhile, revenue of other goods and services were US$390 million.

Over the past years, Lenovo has demonstrated a consistent and solid track record in delivering results through strong execution of its clear strategy to balance short-term results and long-term objectives. To address the market challenges, the Group took swift, decisive action to strengthen our foundation, to address its challenges and prepare for the future across all its businesses. The Group executed the business realignment plan well in fiscal quarter two that resulted in incurring restructuring costs of US$599 million and one-time charges of US$324 million, totaling US$923 million which were included in the Group's financial performance for fiscal quarter two.

Taking into account the impact of the restructuring costs and one-time charges, the Group's gross profit for the six months ended September 30, 2015 was US$3,222 million, an increase of 15 percent year-on-year, gross margin increased 0.7 percentage point year-on-year to 14.1 percent. During the six-month period under review, there also were non-cash M&A related accounting charges of US$176 million, which included intangible asset amortization, imputed interest expense of the three-year promissory note issued as part of the transaction, and others. Operating expenses increased by 82 percent year-on-year to US$3,910 million and the expenses-to-revenue ratio was 17.1 percent. The increases of both gross margin and expense-to-revenue ratio were mainly due to the impact of adding the System X and

Motorola businesses. The Group thus reported a loss before taxation of US$790 million, versus profit before taxation of US$593 million for the same period last year. The Group's loss attributable to equity holders was US$609 million, against profit attributable to equity holders of US$476 million for the same interim period last year.

Excluding the restructuring costs and one-time charges in relation to the business realignment plan, gross profit for the six months ended September 30, 2015, was US$3,356 million, an increase of 20 percent year-on-year, the gross margin was 14.6 percent. The operating expenses was US$2,945 million, an increase year-on-year of 37 percent, excluding the restructuring costs, one time charges and the non-cash M&A related accounting charges, and the expense-to-revenue ratio was 12.8 percent. Thus the Group's run rate profit before taxation was US$309 million, down 48 percent against last year.

For the fiscal quarter two ended September 30, 2015, Lenovo delivered strong double-digit revenue growth driven by solid performance across all businesses. Excluding the restructuring costs and one time charges totaling US$923 million and non-cash M&A related accounting charges of US$85 million, the Group's run rate profit before taxation was US$166 million, an increase of 16 percent quarter-on-quarter driven by solid strategic execution, but a decline of 50 percent year-on-year, mainly due to the impact of adding the System X and Motorola businesses. During the quarter, the Group significantly improved its cash flow generation capability, and its cash flow from operations improved to US$909 million.

Restructuring

In last quarter, the Group announced a plan to execute a series of business realignment actions and estimated the associated restructuring cost and one time charges to be approximately US$900 million. The execution of this plan enables the Group to focus resources, sharpen its business model and efficiently capitalize on the most attractive market opportunities in mobile, PC and enterprise. The above action was expected to generate a cost saving of US$1.35 billion on an annual basis of which US$650 million was to be realized in the second half of this fiscal year.

In the second quarter, the Group has finalized the plan reserving in a US$923 million charge, which comprises restructuring costs of $599 million and one-time charges of $324 million. The Group expects to fully implement the entire restructuring plan by the end of this fiscal year and exceed the above cost savings.

Performance of Product Business Groups

During the six months ended September 30, 2015, Lenovo continued to build a more balanced product portfolio to drive balanced growth. The profitability figures of business group disclosed in the following paragraphs have excluded the impact of restructuring costs and one-time charges incurred in fiscal quarter two.

PC Business Group (PCG)

During the period under review, the global PC industry continued to decline due to macro-economic issues and currency fluctuation, as well as the release of Windows 10 and the new Skylake chipset, which adversely affected PC demand in fiscal quarter one ahead of their launches. Despite the market challenges, the Group continued to outperform the PC market through solid execution of its strategy to reach record-high global market share and further solidified its number one position. During the interim period under review, the Group's global PC unit shipments declined 6 percent year-on-year to 28.5 million, against market decline of 12 percent year-on-year. Lenovo's market share continued to increase, and its worldwide PC market reached another record-high level of 21.2 percent for fiscal quarter two, an increase of 1.5 percentage points year-on-year.

The Group’s commercial PC unit shipments decreased 2 percent year-on-year, compared to the 8 percent year-on-year decline by the market for the interim period. Lenovo’s market share in the worldwide commercial PC market increased quarter after quarter, in fiscal quarter two, its market share increased by 2.0 percentage points year-on-year to record-high level of 22.6 percent. The Group’s consumer PC unit shipments decreased by 10 percent year-on-year, against the market decline of 16 percent year-on-year during the interim period under review. Its latest market share for fiscal quarter two reached record-high 19.7 percent by increasing 0.6 percentage point year-on-year.

For the six months ended September 30, 2015, revenue of the Group’s PC business was US$15,425 million, representing approximately 67 percent of the Group’s total revenue, and a year-on-year decline of 9 percent. The business group also recorded a pre-tax income of US$775 million, down 13 percent year-on-year. The pre-tax margin was 5.0 percent against 5.2 percent last year, due to the impact from currency fluctuations in EMEA and Brazil.

Mobile Business Group (MBG)

During the period under review, the Group’s mobile business continued to deliver shipments growth driven by aggressive expansion in markets outside of China and the acquisition of Motorola Mobility. The Group’s worldwide smartphone shipments grew 7 percent year-on-year to 32.8 million. Lenovo’s market share in the worldwide smartphone market increased by 0.2 percentage points year-on-year to 5.3 percent, and increased to number four position worldwide in fiscal quarter two. To react to the much softer demand amid fierce competition in the China smartphone market, the Group refined its strategy and focused on expansion into markets outside of China. The Group’s strategy has been taking effect, its smartphone shipments outside of China grew about 295 percent year-on-year to 24.7 million units for the six month review period, supported by the strong growth of its Lenovo phone business and Motorola Mobility’s performance improving quarter-by-quarter. As a result, the shipments contribution from markets outside of China further increased to 70 percent from 20 percent in the same period of last year. The Group has launched a wide range of new products, including Moto X Force, which has an innovative shatterproof screen, and the newest generation of smartphone and watch products from Motorola Mobility, which received good market reviews and have strong early momentum. During fiscal quarter two, the Group has devoted efforts in clearing the smartphone inventory in the market which brought the Group a healthy channel inventory position, poised to drive future shipments growth.

The Group’s tablet shipments increased 2 percent year-on-year, against market which declined by 11 percent year-on-year, to 5.5 million unit shipments during the six-month period under review, according to preliminary industry estimates. For the fiscal quarter two, the Group’s worldwide tablet market share was 6.3 percent, an increase of 0.8 percentage points year-on-year and 0.7 percentage points quarter-on-quarter.

For the six months ended September 30, 2015, the total revenue from Mobile business increased 65 percent year-on-year to US$4,797 million, representing approximately 21 percent of the Group’s total revenue. For the period under review, the Mobile Business Group recorded a loss before taxation of US$509 million and a negative 10.6 percent pre-tax margin due to Motorola Mobility businesses and the non-cash M&A related accounting impacts. The profitability of its Mobile business improved in fiscal quarter two by 5.7 percentage points quarter-on-quarter to negative 8.1 percent, driven by its improving business momentum.

Enterprise Business Group (EBG)

Enterprise business revenue represented approximately 10 percent of the Group’s total revenue. As the number three worldwide largest server player, Lenovo’s ThinkServer business demonstrated strong growth momentum, while System X business continued to improve. The Group secured new accounts during the period, and its business momentum was particular strong in China, acquiring new hyperscale clients.

For the six months ended September 30, 2015, revenue of the Enterprise business was US$2,254 million, 563 percent larger year-on-year, helped by inclusion of the System X business. The loss before taxation for the six months ended September 30, 2015 was US$73 million, and its pre-tax margin was negative 3.2 percent. The momentum of the Group's enterprise business continued to strengthen, and its quarterly proforma revenue achieved year-on-year growth for the first time in fiscal quarter two, demonstrating the solid integration progress. It also continued to record operating profit, before the non-cash M&A related accounting impacts, for the fourth straight quarter in fiscal quarter two. As a result, the loss before taxation for fiscal quarter two improved quarter-on-quarter to US$33 million, and its pre-tax margin improved sequentially by one point to negative 2.8 percent for the quarter.

Ecosystem and Cloud Services Business Group (ECS) and Others

Apart from devices, the Group continued to build a foundation for its ecosystem business during the period under review, helping to create a better user experience for Lenovo's product users. The Group continued to acquire new users to the platform and as of September 30, 2015, its monthly active users hit 128 million, an increase of 130 percent year-on-year. The Group also made new achievements during the period with its SHAREIt Android apps ranked top 10 on GooglePlay list in 7 overseas markets.

Revenue from ecosystem, cloud services and other products such as consumer electronic businesses from previous acquisitions was US$390 million, representing approximately 2 percent of the Group's total revenue.

Performance of Geographies

Lenovo achieved solid and balanced performance in all geographies where it has operations - China, Americas, Asia Pacific, and Europe-Middle East-Africa – as well as across product and customer segments. The profitability figures of geographies disclosed in the following paragraphs have excluded the impact of restructuring costs and one-time charges incurred in fiscal quarter and non-cash M&A related accounting charges for the interim period.

China

China accounted for 28 percent of the Group's total revenue. The Group maintained its strong number one position in China PC market with share of 35.9 percent, and continued to protect its profitability by leveraging its leadership position despite the market challenges.

The Group's smartphone business in China was impacted by reductions in carrier subsidies as this segment used to account for a majority of the business, as well as the keen competition from the online market. The Group has refined its Lenovo brand smartphone strategy and focused on balancing growth and profitability. ShenQi, the new internet startup the Group set up, launched its first phone, Z1, under its ZUK brand, and Motorola Mobility also launched its newest generation Moto X and Moto G phones in late August. The new phones have received good initial feedback from the market.

During the period under review, the Group's server business continued to grow rapidly, supported by ThinkServer and System X products. The Group has won several key hyperscale accounts

Profit before taxation was US$290 million and pre-tax margin was 4.5 percent, a decline of 1.2 percentage points year-on-year largely due to the weak smartphone performance.

Americas (AG)

Americas accounted for 30 percent of the Group's total revenue. The Group's PC unit shipments in AG increased by 5 percent year-on-year, outperforming the market by a 12-point premium. The Group's AG market share increased by 2.5 percentage points from a year ago to 13.8 percent, according to preliminary industry estimates. The solid performance was driven by the strong growth of its PC unit shipments in the U.S., which grew by 16 percent year-on-year against a market decline of 3 percent. This brought its U.S. market share to a record-high level of 13.2 percent in fiscal quarter two, up 2.6 percentage points year-on-year. The increase in overall AG performance occurred despite the slow performance in the challenging Brazil market due to weak macro environment and currency fluctuations.

The Group's smartphone shipments have achieved strong growth in the region during the period under review, with the inorganic help of Motorola Mobility. Despite challenges from the weak macro environment and currency fluctuations in Brazil/Latin America, Motorola Mobility's performance has seen improvements quarter-on-quarter, driven by the launch of its newest generation of products and the inventory clearing efforts that brought healthier channel inventory position to drive growth. The Group's EBG business is preparing to attack and gain more enterprise customers in the future supported by the business realignment efforts to provide further synergy and strength to the business.

The Group recorded an operating loss of US$204 million in the region, and operating loss margin was 3.0 percent, against an operating profit margin of 0.9 percent the same period last year. The decrease was mainly attributable to the losses in Brazil and Motorola Mobility businesses.

Asia Pacific (AP)

Asia Pacific accounted for 16 percent of the Group's total revenue. The Group's PC shipments achieved a 12-point premium to the market during the period and its market share in AP increased by 3.2 percentage points year-on-year, to record-high 19.3 percent for fiscal quarter two. The Group has made significant progress in India by growing 57 percent year-on-year against market growth of 4 percent, driving its share to hit a record-high level of 27 percent.

The Group also achieved strong shipments growth in smartphones driven by substantial growth of Lenovo brand phones and the inclusion of Motorola Mobility during the period under review, and momentum has been particular strong in India. 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.

Profit before taxation was US$57 million and operating margin was 1.6 percent, against 4.2 percent in the same period last year due to Motorola Mobility business.

Europe-Middle East-Africa (EMEA)

EMEA accounted for 26 percent of the Group's total revenue. Lenovo's PC unit shipments in EMEA declined by 18 percent year-on-year, against a market decline of 23 percent year-on-year, impacted by macro-economic issues and currency fluctuations. The Group continued to gain market share in EMEA, increasing by 0.6 percentage points year-on-year to 19.9 percent, according to preliminary industry estimates.

The Group continued to expand its smartphone business in EMEA and achieved strong growth during the interim period, with particularly strong performance in Russia. The Group's efforts in attacking enterprise market has been showing effects and demonstrated solid EBG performance with its fully integrated team.

Profit before taxation in EMEA regions was US$63 million during interim period against US$210 million in the same interim period last year, with operating margin declining by 2.5 percentage points year-on-year to 1.1 percent, affected by the decline in PC shipments and the impact of currency fluctuations.

Outlook

Looking forward, the markets where the Group focuses in will continue to remain fast changing and competitive. The Group has taken decisive actions to implement the business realignment plan to ensure delivery of the planned synergy amidst the market challenges. The business realignment plan has been well executed during fiscal quarter two, which helps the Group build a stronger foundation for future growth. With the actions taken, the Group now has restructured the business model across the PC, Mobile and Enterprise business groups, to ensure competitive cost structures to drive future growth while continuing to invest in key areas of development. The healthier channel inventory position post inventory clearing efforts in Mobile business will help the Group to drive future shipments growth. The Group stays fully confident that these efforts taken will reduce expenses by about US$650 million in the second half of this fiscal year and about US$1.35 billion on an annual basis.

Over the past years, Lenovo has demonstrated a consistent and solid track record in delivering results through strong execution of its clear strategy to balance short-term results and long-term objectives. The re-alignment efforts taken will build the Group a stronger foundation. For the PC business group, it continues to have the industry leading cost structure to enable it to accelerate its share gains amid the industry consolidation trend, while increasing focus on higher margin products and segments to drive the profitability improvement. For the Mobile Business Group, the combined Lenovo and Motorola Mobility team is now realigned with simplified and combined product platforms, a more efficient cost structure and supply chain, and a strengthened time-to-market capability to drive future growth and synergy. It is set to be a global leader with a strong portfolio of innovative products across all price bands. Several recently launched products have received very positive reviews and support, including Moto X Force's 'shatterproof' feature which has received good industry comments. For the Enterprise Business Group, the swift integration of Lenovo and System X is complete and will continue to drive synergy to the Group in balancing growth with profitability. Meanwhile, to accelerate the future growth of the enterprise business, the Group has established a strategic partnership with Nutanix to develop, market and sell a new family of Lenovo hyperconverged appliances powered by Nutanix software to global enterprises, and it has also strengthened its cooperation with IBM in storage business. The Group will continue to explore partnerships with key innovative data center players. The Group is set to have better technologies, a great product portfolio, and right cost structure, bringing the Group to an attack mode in its Enterprise business.

In addition to business operation developments, the Group's consistent investment in innovation and branding also begins to yield return and drive future growth. It was the first time for Lenovo to be named as one of Interbrand's Best Global Brands of 2015, joining the prestigious list at number 100. It is a clear recognition of the consistent growth of its business and its steady emergence as a global brand across the technology spectrum.

These fundamental changes the Group has made will position the company as a faster and stronger global company. This in turn will drive sustainable growth in revenue and profit amidst strong competition and market changes. Lenovo will continue to invest in areas it believes are important to its future success. Lenovo remains fully committed to its protect and attack strategy, supported by its well proven execution capabilities, to lead the Group on its ongoing journey towards building a respected global tech leader in every business the Group enters and to drive profitable growth that, in turn, creates better value for shareholders.

FINANCIAL REVIEW

Results for the six months ended September 30, 2015

	6 months ended September 30, 2015 (unaudited) ***US$'million***	6 months ended September 30, 2014 (unaudited) US$'million	Year-on-year change
Revenue	**22,866**	20,870	10%
Gross profit	**3,222**	2,806	15%
Gross profit margin	**14.1%**	13.4%	0.7 pts
Operating expenses	**(3,910)**	(2,150)	82%
Operating (loss)/profit	**(688)**	656	N/A
Other non-operating expenses - net	**(102)**	(63)	60%
(Loss)/profit before taxation	**(790)**	593	N/A
(Loss)/profit for the period	**(615)**	483	N/A
(Loss)/profit attributable to equity holders of the Company	**(609)**	476	N/A
(Loss)/earnings per share attributable to equity holders of the Company			
Basic	**US (5.49) cents**	US 4.58 cents	N/A
Diluted	**US (5.49) cents**	US 4.52 cents	N/A

For the six months ended September 30, 2015, the Group achieved total sales of approximately US$22,866 million. Loss attributable to equity holders for the period was approximately US$609 million, as compared with profit attributable to equity holders of US$476 million reported in the corresponding period of last year. This is mainly attributable to the restructuring costs of US$599 million; and one-time charges of US$324 million comprising additional spending to clear smartphone inventories and inventories write off. Gross profit margin for the period was 0.7 points up from 13.4 percent reported in the corresponding period of last year. Basic loss per share and diluted loss per share were US5.49 cents, as compared with basic and diluted earnings per share of US4.58 cents and US4.52 cents reported in 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:

	6 months ended September 30, 2015 ***US$'000***	6 months ended September 30, 2014 *US$'000*
China	**6,489,772**	7,546,315
AP	**3,589,956**	3,138,492
EMEA	**5,863,970**	5,799,286
AG	**6,922,468**	4,386,205
	22,866,166	20,870,298

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

Operating expenses analyzed by function for the six months ended September 30, 2015 and 2014 are as follows:

	6 months ended September 30, 2015 *US$'000*	6 months ended September 30, 2014 *US$'000*
Other income – net	**2,185**	1,490
Selling and distribution expenses	**(1,214,995)**	(957,616)
Administrative expenses	**(1,108,082)**	(760,367)
Research and development expenses	**(759,000)**	(382,957)
Other operating expenses – net	**(829,946)**	(50,015)
	(3,909,838)	(2,149,465)

Operating expenses increased by 82 percent as compared with the corresponding period of last year. This is principally attributable to the operating expenses of US$1,207 million recorded by System X and Motorola following the completion of the respective acquisitions on October 1 and October 30, 2014; and the restructuring and one-time charges in driving greater efficiency across organizations, primarily associated with severance costs of US$233 million, loss on impairment and disposal of assets of US$300 million, provision for lease obligations of US$61 million; and smartphone inventories write off of US$188 million in relation to realignment of key elements under Mobile Business Group. Key expenses by nature comprise:

	6 months ended September 30, 2015 ***US$*'000**	6 months ended September 30, 2014 *US$'000*
Depreciation of property, plant and equipment and amortization of prepaid lease payments	**(81,333)**	(35,852)
Amortization of intangible assets	**(222,391)**	(73,253)
Employee benefit costs, including	**(1,842,764)**	(1,217,698)
- *long-term incentive awards*	***(62,564)***	*(47,363)*
- *severance and related costs*	***(233,321)***	-
Rental expenses under operating leases	**(44,490)**	(38,118)
Net foreign exchange loss	**(66,565)**	(52,831)
Advertising and promotional expenses	**(387,597)**	(263,641)
Inventories write off	**(187,690)**	-
Loss on impairment and disposal of assets	**(300,395)**	-
Others	**(776,613)**	(468,072)
	(3,909,838)	(2,149,465)

Depreciation and amortization charges is increased by US$195 million 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$141 million. The increase in employee benefit costs is in line with the increased headcount as a result of the two acquisitions, and severance and related costs incurred for restructuring during the period. A charge for one-time smartphone inventories written off of US$188 million has been made by the Group during the period. The impact of currency fluctuations during the period present a challenge, the Group recording a net exchange loss of US$67 million (2014/15: US$53 million) for the period.

Other non-operating expenses (net) for the six months ended September 30, 2015 and 2014 comprise:

	6 months ended September 30, 2015 US$'000	6 months ended September 30, 2014 US$'000
Finance income	**17,258**	18,313
Finance costs	**(115,753)**	(78,650)
Share of losses of associates and joint ventures	**(3,345)**	(3,148)
	(101,840)	(63,485)

Finance income mainly represents interest on bank deposits.

Finance costs increased by 47 percent as compared with the corresponding period of last year. This is mainly attributable to six-month interest expense of US$35 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 and four-month interest expense of US$11 million in relation to the 5-Year RMB4 billion notes, issued in June 2015, bearing annual interest at 4.95% due in June 2020; and US$19 million notional interest expense in relation to promissory note issued to Google Inc.

Share of losses of associates and joint ventures represents operating losses arising from principal business activities of respective associates and joint ventures.

Second Quarter 2015/16 compared to Second Quarter 2014/15

	3 months ended September 30, 2015 (unaudited) US$'million	3 months ended September 30, 2014 (unaudited) US$'million	Year-on-year change
Revenue	**12,150**	10,475	16%
Gross profit	**1,575**	1,457	8%
Gross profit margin	**13.0%**	13.9%	(0.9) pts
Operating expenses	**(2,359)**	(1,092)	116%
Operating (loss)/profit	**(784)**	365	N/A
Other non-operating expenses – net	**(58)**	(36)	60%
(Loss)/profit before taxation	**(842)**	329	N/A
(Loss)/profit for the period	**(717)**	272	N/A
(Loss)/profit attributable to equity holders of the Company	**(714)**	262	N/A
(Loss)/earnings per share attributable to equity holders of the Company			
Basic	**US (6.43) cents**	US 2.52 cents	N/A
Diluted	**US (6.43) cents**	US 2.49 cents	N/A

For the three months ended September 30, 2015, the Group achieved total sales of approximately US$12,150 million. Loss attributable to equity holders for the period was approximately US$714 million, as compared with profit attributable to equity holders of US$262 million reported in the corresponding period of last year. This is mainly attributable to the restructuring costs of US$599 million; and one-time charges of US$324 million comprising additional spending to clear smartphone inventories and inventories write off. Gross profit margin for the period was 0.9 points down from 13.9 percent reported in the corresponding period of last year. Basic loss per share and diluted loss per share were US6.43 cents, as compared with basic and diluted earnings per share of US2.52 cents and US2.49 cents reported in the corresponding period of last year.

Sales by geographical segment are as follows:

	3 months ended September 30, 2015 *US$'000*	3 months ended September 30, 2014 *US$'000*
China	**3,324,519**	3,766,829
AP	**1,970,230**	1,553,063
EMEA	**3,202,092**	3,010,392
AG	**3,653,486**	2,145,378
	12,150,327	10,475,662

Operating expenses analyzed by function for the three months ended September 30, 2015 and 2014 are as follows:

	3 months ended September 30, 2015 *US$'000*	3 months ended September 30, 2014 *US$'000*
Other income – net	**532**	1,185
Selling and distribution expenses	**(649,418)**	(490,946)
Administrative expenses	**(542,427)**	(391,083)
Research and development expenses	**(369,453)**	(202,786)
Other operating expenses – net	**(798,017)**	(7,955)
	(2,358,783)	(1,091,585)

Operating expenses increased by 116 percent as compared to the corresponding period of last year. This is principally attributable to the operating expenses of US$575 million recorded by System X and Motorola following the completion of the respective acquisitions on October 1 and October 30, 2014; and the restructuring and one-time charges in driving greater efficiency across organizations, primarily associated with severance costs of US$234 million, loss on impairment and disposal of assets of US$300 million, provision for lease obligations of US$61 million; and smartphone inventories write off of US$188 million in relation to realignment of key elements under Mobile Business Group. Key expenses by nature comprise:

	3 months ended September 30, 2015 *US$'000*	3 months ended September 30, 2014 *US$'000*
Depreciation of property, plant and equipment and amortization of prepaid lease payments	**(42,154)**	(18,263)
Amortization of intangible assets	**(105,691)**	(36,684)
Employee benefit costs, including	**(1,022,397)**	(637,564)
- *long-term incentive awards*	***(34,134)***	*(27,645)*
- *severance and related costs*	***(233,321)***	-
Rental expenses under operating leases	**(23,744)**	(20,363)
Net foreign exchange loss	**(35,718)**	(37,902)
Advertising and promotional expenses	**(215,088)**	(129,084)
Inventories write off	**(187,690)**	-
Loss on impairment and disposal of assets	**(300,395)**	-
Others	**(425,906)**	(211,725)
	(2,358,783)	(1,091,585)

Other non-operating expenses (net) for the three months ended September 30, 2015 and 2014 comprise:

	3 months ended September 30, 2015 *US$'000*	3 months ended September 30, 2014 *US$'000*
Finance income	**8,248**	7,869
Finance costs	**(64,712)**	(43,315)
Share of losses of associates and joint ventures	**(1,787)**	(1,041)
	(58,251)	(36,487)

Other non-operating expenses (net) increased by 60 percent as compared with the corresponding period of last year. This is mainly attributable to interest expense of US$8 million in relation to the 5-Year RMB4 billion notes, issued in June 2015, bearing annual interest at 4.95% due in June 2020; an increase in factoring costs of US$2 million; and US$10 million interest expense in relation to promissory note issued to Google Inc.

Capital Expenditure

The Group incurred capital expenditure of US$352 million (2014/15: US$510 million) during the six months ended September 30, 2015, mainly for the acquisition of property, plant and equipment, additions in construction-in-progress and intangible assets.

Liquidity and Financial Resources

At September 30, 2015, total assets of the Group amounted to US$27,324 million (March 31, 2015: US$27,081 million), which were financed by equity attributable to owners of the Company of US$2,974 million (March 31, 2015: US$ 4,084 million), non-controlling interests (net of put option written on non-controlling interest) of US$36 million (March 31, 2015: US$22 million), and total liabilities of US$24,314 million (March 31, 2015: US$22,975 million). At September 30, 2015, the current ratio of the Group was 0.85 (March 31, 2015: 0.90).

The Group had a solid financial position. At September 30, 2015, bank deposits, cash and cash equivalents totaled US$2,953 million (March 31, 2015: US$3,026 million), of which 54.2 (March 31, 2015: 53.2) percent was denominated in US dollar, 23.5 (March 31, 2015: 35.6) percent in Renminbi, 3.5 (March 31, 2015: 2.8) percent in Euro, 4.1 (March 31, 2015: 0.7) percent in Japanese Yen, and 14.7 (March 31, 2015: 7.7) percent in other currencies.

The Group adopts a conservative policy to invest the surplus cash generated from operations. At September 30, 2015, 78.6 (March 31, 2015: 75.4) percent of cash are bank deposits, and 21.4 (March 31, 2015: 24.6) 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 revolving loan facility agreement with syndicated banks for US$500 million on February 2, 2011. The loan borrowed under this facility was fully repaid on September 29, 2015 and the facility was cancelled with effect from October 9, 2015.

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, on December 18, 2013. As at September 30, 2015, the facility was utilized to the extent of US$895 million (March 31, 2015: US$1,100 million), comprising US$495 million (March 31, 2015: US$700 million) short-term.

In addition, on May 26, 2015, the Group entered into a 5-Year loan facility agreement with a bank for US$300 million. The facility has not been utilized as at September 30, 2015.

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; and on June 10, 2015, the Group completed the issuance of 5-Year RMB4 billion notes bearing annual interest at 4.95% due in June 2020. 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 September 30, 2015, the Group's total available credit facilities amounted to US$10,842 million (March 31, 2015: US$12,223 million), of which US$1,432 million (March 31, 2015: US$1,353 million) was in trade lines, US$290 million (March 31, 2015: US$339 million) in short-term and revolving money market facilities and US$9,120 million (March 31, 2015: US$10,531 million) in forward foreign exchange contracts. At September 30, 2015, the amounts drawn down were US$555 million (March 31, 2015: US$316 million) in trade lines, US$9,098 million (March 31, 2015: US$9,822 million) being used for the forward foreign exchange contracts, and US$79 million (March 31, 2015: US$177 million) in short-term bank loans.

At September 30, 2015, the Group's outstanding borrowings represented by the term bank loans of US$401 million (March 31, 2015: US$395 million), short-term bank loans of US$574 million (March 31, 2015: US$1,168 million) and long term notes of US$2,118 million (March 31, 2015: US$1,491 million). When compared with total equity of US$3,010 million (March 31, 2015: US$4,106 million), the Group's gearing ratio was 1.03 (March 31, 2015: 0.74). The net debt position of the Group at September 30, 2015 is US$140 million (March 31, 2015: US$28 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 September 30, 2015, the Group had commitments in respect of outstanding forward foreign exchange contracts amounting to US$9,098 million (March 31, 2015: US$9,822 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.

CONSOLIDATED INCOME STATEMENT

	Note	**3 months ended September 30, 2015 (unaudited)** *US$'000*	**6 months ended September 30, 2015 (unaudited)** *US$'000*	3 months ended September 30, 2014 (unaudited) *US$'000*	6 months ended September 30, 2014 (unaudited) *US$'000*
Revenue	*2*	**12,150,327**	**22,866,166**	10,475,662	20,870,298
Cost of sales		**(10,575,318)**	**(19,644,682)**	(9,018,480)	(18,064,407)
Gross profit		**1,575,009**	**3,221,484**	1,457,182	2,805,891
Other income - net	*3*	**532**	**2,185**	1,185	1,490
Selling and distribution expenses		**(649,418)**	**(1,214,995)**	(490,946)	(957,616)
Administrative expenses		**(542,427)**	**(1,108,082)**	(391,083)	(760,367)
Research and development expenses		**(369,453)**	**(759,000)**	(202,786)	(382,957)
Other operating expenses - net		**(798,017)**	**(829,946)**	(7,955)	(50,015)
Operating (loss)/profit	*4*	**(783,774)**	**(688,354)**	365,597	656,426
Finance income	*5(a)*	**8,248**	**17,258**	7,869	18,313
Finance costs	*5(b)*	**(64,712)**	**(115,753)**	(43,315)	(78,650)
Share of losses of associates and joint ventures		**(1,787)**	**(3,345)**	(1,041)	(3,148)
(Loss)/profit before taxation		**(842,025)**	**(790,194)**	329,110	592,941
Taxation	*6*	**125,511**	**175,556**	(57,024)	(110,296)
(Loss)/profit for the period		**(716,514)**	**(614,638)**	272,086	482,645
(Loss)/profit attributable to:					
Equity holders of the Company		**(713,700)**	**(608,548)**	262,088	475,591
Non-controlling interests		**(2,814)**	**(6,090)**	9,998	7,054
		(716,514)	**(614,638)**	272,086	482,645
(Loss)/earnings per share attributable to equity holders of the Company					
Basic	*7(a)*	**US (6.43) cents**	**US (5.49) cents**	US 2.52 cents	US 4.58 cents
Diluted	*7(b)*	**US (6.43) cents**	**US (5.49) cents**	US 2.49 cents	US 4.52 cents
Dividend	*8*		**85,996**		85,978

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	3 months ended September 30, 2015 (unaudited) ***US$'000***	**6 months ended September 30, 2015 (unaudited)** ***US$'000***	3 months ended September 30, 2014 (unaudited) *US$'000*	6 months ended September 30, 2014 (unaudited) *US$'000*
(Loss)/profit for the period	**(716,514)**	**(614,638)**	272,086	482,645
Other comprehensive (loss)/income:				
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	**(10,670)**	**(4,671)**	9,075	9,466
Investment revaluation reserve reclassified to consolidated income statement on disposal of available-for-sale financial assets	**-**	**154**	-	-
Fair value change on cash flow hedges from forward foreign exchange contracts, net of taxes				
Fair value gain/(loss), net of taxes	**66,949**	**(41,621)**	136,061	124,272
Reclassified to consolidated income statement	**(59,722)**	**(79,610)**	(49,836)	(34,767)
Currency translation differences	**(66,827)**	**(34,883)**	(247,926)	(237,230)
Other comprehensive loss for the period	**(70,270)**	**(160,631)**	(152,626)	(138,259)
Total comprehensive (loss)/income for the period	**(786,784)**	**(775,269)**	119,460	344,386
Total comprehensive (loss)/income attributable to:				
Equity holders of the Company	**(783,970)**	**(769,179)**	109,462	337,332
Non-controlling interests	**(2,814)**	**(6,090)**	9,998	7,054
	(786,784)	**(775,269)**	119,460	344,386

CONSOLIDATED BALANCE SHEET

	Note	**September 30, 2015 (unaudited)** *US$'000*	March 31, 2015 (audited) *US$'000*
Non-current assets			
Property, plant and equipment		**1,306,002**	1,496,474
Prepaid lease payments		**203,310**	225,111
Construction-in-progress		**354,772**	311,888
Intangible assets		**9,025,743**	8,929,713
Interests in associates and joint ventures		**46,424**	45,719
Deferred income tax assets		**838,616**	530,047
Available-for-sale financial assets		**102,001**	73,400
Other non-current assets		**34,745**	41,191
		11,911,613	11,653,543
Current assets			
Inventories		**2,721,372**	2,995,389
Trade receivables	*9(a)*	**4,961,836**	5,177,840
Notes receivable		**360,914**	334,738
Derivative financial assets		**60,642**	184,534
Deposits, prepayments and other receivables	*10*	**4,246,173**	3,572,015
Income tax recoverable		**108,745**	136,857
Bank deposits		**192,348**	171,139
Cash and cash equivalents		**2,760,435**	2,855,223
		15,412,465	15,427,735
Total assets		**27,324,078**	27,081,278

CONSOLIDATED BALANCE SHEET (CONTINUED)

	Note	**September 30, 2015 (unaudited)** *US$'000*	March 31, 2015 (audited) *US$'000*
Share capital	*14*	**2,689,882**	2,689,882
Reserves		**284,213**	1,393,761
Equity attributable to owners of the Company		**2,974,095**	4,083,643
Non-controlling interests		**249,288**	235,378
Put option written on non-controlling interest	*12(c)*	**(212,900)**	(212,900)
Total equity		**3,010,483**	4,106,121
Non-current liabilities			
Borrowings	*13*	**2,518,883**	1,885,848
Warranty provision	*11(b)*	**324,310**	338,700
Deferred revenue		**554,125**	548,300
Retirement benefit obligations		**409,782**	399,782
Deferred income tax liabilities		**234,092**	200,730
Other non-current liabilities	*12*	**2,165,289**	2,440,435
		6,206,481	5,813,795
Current liabilities			
Trade payables	*9(b)*	**5,812,303**	4,662,411
Notes payable		**254,719**	171,049
Derivative financial liabilities		**59,254**	80,897
Other payables and accruals	*11(a)*	**9,115,740**	9,066,487
Provisions	*11(b)*	**1,444,431**	1,203,547
Deferred revenue		**674,141**	640,161
Income tax payable		**172,452**	168,536
Borrowings	*13*	**574,074**	1,168,274
		18,107,114	17,161,362
Total liabilities		**24,313,595**	22,975,157
Total equity and liabilities		**27,324,078**	27,081,278
Net current liabilities		**(2,694,649)**	(1,733,627)
Total assets less current liabilities		**9,216,964**	9,919,916

CONSOLIDATED CASH FLOW STATEMENT

	Note	**6 months ended September 30, 2015 (unaudited) US$'000**	6 months ended September 30, 2014 (unaudited) US$'000
Cash flows from operating activities			
Net cash generated from operations	*15*	**815,773**	795,671
Interest paid		**(84,143)**	(44,711)
Tax paid		**(132,828)**	(146,999)
Net cash generated from operating activities		**598,802**	603,961
Cash flows from investing activities			
Purchase of property, plant and equipment		**(119,841)**	(98,563)
Sale of property, plant and equipment and prepaid lease payments		**56,603**	8,484
Interests acquired in associates		**(4,050)**	(5,621)
Payment for construction-in-progress		**(171,915)**	(176,963)
Payment for intangible assets		**(60,442)**	(234,140)
Purchase of available-for-sale financial assets		**(35,111)**	(26,657)
Net proceeds from disposal of available-for-sale financial assets		**2,835**	-
(Increase)/decrease in bank deposits		**(21,209)**	1,582
Dividend received		**532**	305
Interest received		**17,258**	18,313
Net cash used in investing activities		**(335,340)**	(513,260)
Cash flows from financing activities			
Exercise of share options		**-**	385
Capital contribution from non-controlling interests		**20,000**	-
Contribution to employee share trusts		**(89,543)**	(54,512)
Dividends paid		**(293,503)**	(242,328)
Proceeds from bank borrowings		**257,927**	552,694
Repayment of bank borrowings		**(840,010)**	(408,269)
Issue of long term notes		**640,895**	1,489,422
Net cash (used in)/generated from financing activities		**(304,234)**	1,337,392
(Decrease)/increase in cash and cash equivalents		**(40,772)**	1,428,093
Effect of foreign exchange rate changes		**(54,016)**	(57,123)
Cash and cash equivalents at the beginning of the period		**2,855,223**	3,858,144
Cash and cash equivalents at the end of the period		**2,760,435**	5,229,114

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holders of the Company										
	Share capital (unaudited) *US$'000*	Investment revaluation reserve (unaudited) *US$'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, 2015	**2,689,882**	**592**	**(11,441)**	**9,852**	**118,082**	**(834,114)**	**75,712**	**2,035,078**	**235,378**	**(212,900)**	**4,106,121**
Loss for the period	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(608,548)**	**(6,090)**	**–**	**(614,638)**
Other comprehensive loss	**–**	**(4,517)**	**–**	**–**	**(121,231)**	**(34,883)**	**–**	**–**	**–**	**–**	**(160,631)**
Total comprehensive loss for the period	**–**	**(4,517)**	**–**	**–**	**(121,231)**	**(34,883)**	**–**	**(608,548)**	**(6,090)**	**–**	**(775,269)**
Transfer to statutory reserve	**–**	**–**	**–**	**–**	**–**	**–**	**7,651**	**(7,651)**	**–**	**–**	**–**
Vesting of shares under long-term incentive program	**–**	**–**	**77,570**	**(112,821)**	**–**	**–**	**–**	**–**	**–**	**–**	**(35,251)**
Deferred tax charge in relation to long-term incentive program	**–**	**–**	**–**	**(4,847)**	**–**	**–**	**–**	**–**	**–**	**–**	**(4,847)**
Share-based compensation	**–**	**–**	**–**	**82,775**	**–**	**–**	**–**	**–**	**–**	**–**	**82,775**
Contribution to employee share trusts	**–**	**–**	**(89,543)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(89,543)**
Dividends paid	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(293,503)**	**–**	**–**	**(293,503)**
Capital contribution from non-controlling interests	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**20,000**	**–**	**20,000**
At September 30, 2015	**2,689,882**	**(3,925)**	**(23,414)**	**(25,041)**	**(3,149)**	**(868,997)**	**83,363**	**1,125,376**	**249,288**	**(212,900)**	**3,010,483**
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	–	–	–	–	–	–	–	475,591	7,054	–	482,645
Other comprehensive income/(loss)	–	9,466	–	–	89,505	(237,230)	–	–	–	–	(138,259)
Total comprehensive income/(loss) for the period	–	9,466	–	–	89,505	(237,230)	–	475,591	7,054	-	344,386
Transfer to statutory reserve	–	–	–	–	–	–	3,832	(3,832)	–	–	–
Exercise of share options	385	–	–	–	–	–	–	–	–	–	385
Vesting of shares under long-term incentive program	–	–	60,142	(93,723)	–	–	–	–	–	–	(33,581)
Share-based compensation	–	–	–	47,363	–	–	–	–	–	–	47,363
Contribution to employee share trusts	–	–	(54,512)	–	–	–	–	–	–	–	(54,512)
Dividends paid	–	–	–	–	–	–	–	(242,328)	–	–	(242,328)
At September 30, 2014	1,650,486	2,732	(43,373)	(69,982)	86,296	(472,611)	75,712	1,835,529	234,544	(212,900)	3,086,433

Notes

1 General information and basis of preparation

The financial information relating to the year ended March 31, 2015 that is included in the FY2015/16 interim results announcement as comparative information does not constitute the Company's statutory annual consolidated financial statements for that year but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Cap. 622) is as follows:

The Company has delivered the financial statements for the year ended March 31, 2015 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance (Cap. 622).

The Company's auditor has reported on those financial statements. The auditor's report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under sections 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance (Cap. 622).

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 amendment to existing standard that is mandatory for the year ending March 31, 2016 which the Group considers is appropriate and relevant to its operations:

- Amendments to HKAS 19 (2011), Employee benefits

The adoption of this newly effective amendment to existing standard 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, 2016 and have not been early adopted:

	Effective for annual periods beginning on or after
HKFRS 15, Revenue from contracts with customers	January 1, 2018
HKFRS 9, Financial instruments	January 1, 2018
Amendments to HKAS 1, Presentation of financial statements	January 1, 2016
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 (2011), 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
Amendments to HKFRS 12, Disclosure of interest in other entities	January 1, 2016

The adoption of these new standards and amendments to existing standards is not expected to 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/(loss) for reportable segments

	6 months ended September 30, 2015		6 months ended September 30, 2014	
	Revenue from external customers	**Adjusted pre-tax income/ (loss)**	Revenue from external customers	Adjusted pre-tax income
	US$'000	***US$'000***	*US$'000*	*US$'000*
China	**6,489,772**	**289,594**	7,546,315	427,634
AP	**3,589,956**	**57,089**	3,138,492	132,473
EMEA	**5,863,970**	**62,990**	5,799,286	209,550
AG	**6,922,468**	**(204,445)**	4,386,205	38,784
Segment total	**22,866,166**	**205,228**	20,870,298	808,441
Unallocated:				
Headquarters and corporate expenses		**(317,109)**		(173,942)
Restructuring costs		**(599,170)**		-
Finance income		**14,809**		10,966
Finance costs		**(92,792)**		(50,866)
Net gain on disposal of available-for-sale financial assets		**1,653**		1,185
Dividend income from an available-for-sale financial asset		**532**		305
Share of losses of associates and joint ventures		**(3,345)**		(3,148)
Consolidated (loss)/profit before taxation		**(790,194)**		592,941

(b) Segment assets for reportable segments

	September 30, 2015 *US$'000*	March 31, 2015 *US$'000*
China	**7,399,968**	6,157,774
AP	**3,382,326**	2,179,482
EMEA	**4,019,507**	2,808,546
AG	**7,329,860**	5,059,385
Segment assets for reportable segments	**22,131,661**	16,205,187
Unallocated:		
Deferred income tax assets	**838,616**	530,047
Derivative financial assets	**60,642**	184,534
Available-for-sale financial assets	**102,001**	73,400
Interests in associates and joint ventures	**46,424**	45,719
Unallocated bank deposits and cash and cash equivalents	**1,399,642**	1,259,658
Unallocated inventories	**792,568**	1,131,779
Unallocated deposits, prepayments and other receivables	**1,543,260**	1,508,524
Income tax recoverable	**108,745**	136,857
Intangible assets pending allocation	**-**	5,706,000
Other unallocated assets	**300,519**	299,573
Total assets per consolidated balance sheet	**27,324,078**	27,081,278

(c) Segment liabilities for reportable segments

	September 30, 2015 *US$'000*	March 31, 2015 *US$'000*
China	**4,912,108**	4,250,546
AP	**1,683,437**	1,697,066
EMEA	**1,613,914**	1,589,515
AG	**4,442,192**	5,005,649
Segment liabilities for reportable segments	**12,651,651**	12,542,776
Unallocated:		
Income tax payable	**172,452**	168,536
Deferred income tax liabilities	**234,092**	200,730
Derivative financial liabilities	**59,254**	80,897
Unallocated borrowings	**3,001,283**	2,924,352
Unallocated trade payables	**3,229,419**	2,631,917
Unallocated other payables and accruals	**2,996,190**	2,499,007
Unallocated provisions	**414,757**	11,655
Unallocated other non-current liabilities	**1,433,178**	1,806,831
Other unallocated liabilities	**121,319**	108,456
Total liabilities per consolidated balance sheet	**24,313,595**	22,975,157

(d) Analysis of revenue by significant category

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

	6 months ended September 30, 2015	6 months ended September 30, 2014
	US$'000	*US$'000*
PC Business Group	**15,424,854**	17,039,289
Mobile Business Group	**4,797,211**	2,907,012
Enterprise Business Group	**2,254,467**	340,092
Others	**389,634**	583,905
	22,866,166	20,870,298

(e) Other segment information

	China		**AP**		**EMEA**		**AG**		**Total**	
	2015	2014	**2015**	2014	**2015**	2014	**2015**	2014	**2015**	2014
	US$'000	*US$'000*	***US$'000***	*US$'000*	***US$'000***	*US$'000*	***US$'000***	*US$'000*	***US$'000***	*US$'000*
For the six months ended September 30										
Depreciation and amortization	**91,494**	50,439	**70,003**	29,682	**102,835**	31,560	**109,500**	39,470	**373,832**	151,151
Finance income	**1,221**	2,543	**177**	2,196	**189**	299	**862**	2,309	**2,449**	7,347
Finance costs	**1,967**	66	**4,896**	4,412	**9,332**	10,906	**6,766**	12,400	**22,961**	27,784
Additions to non-current assets (Note)	**49,040**	49,627	**6,890**	3,477	**9,626**	1,915	**88,795**	11,708	**154,351**	66,727

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$6,454 million (March 31, 2015: US$6,191 million). The carrying amounts of goodwill and trademarks and trade names with indefinite useful lives are presented below:

At September 30, 2015

	China US$ million	**AP US$ million**	**EMEA US$ million**	**AG US$ million**	**Total US$ million**
Goodwill	**1,785**	**1,075**	**891**	**1,431**	**5,182**
Trademarks and trade names	**414**	**210**	**279**	**369**	**1,272**

At March 31, 2015

	China US$ million	AP US$ million	EMEA US$ million	AG US$ million	Amounts pending allocation US$ million	Total US$ million
Goodwill	1,128	521	216	336	2,723	4,924
Trademarks and trade names	209	59	102	67	830	1,267

Management has completed the allocation of the intangibles attributable to the acquisition of Motorola Mobility Group ("Motorola") and X86 server hardware and related maintenance services business of IBM ("System X") under the Group's various cash generating units from which the intangibles are primarily in relation to the significant synergies expected to arise in connection with the Mobile Business Group and Enterprise Business Group. At September 30, 2015, the Group has finalized the fair value assessments for the net assets acquired from the business combination activities in respect of Motorola and System X. The goodwill of Motorola and System X, amounting to approximately US$3,020 million (March 31, 2015: US$2,723 million). The movement mainly represents additional future billing adjustments, deferred tax adjustments, provisions and recovery of impaired trade receivables during the period.

The directors are of the view that there was no indication of impairment of goodwill and trademarks and trade names as at September 30, 2015 (March 31, 2015: Nil).

3 Other income – net

	3 months ended September 30, 2015 ***US$'000***	**6 months ended September 30, 2015** ***US$'000***	3 months ended September 30, 2014 *US$'000*	6 months ended September 30, 2014 *US$'000*
Net gain on disposal of available-for-sale financial assets	**-**	**1,653**	1,185	1,185
Dividend income from an available-for-sale financial asset	**532**	**532**	-	305
	532	**2,185**	1,185	1,490

4 Operating (loss)/profit

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

	3 months ended September 30, 2015 ***US$'000***	**6 months ended September 30, 2015** ***US$'000***	3 months ended September 30, 2014 *US$'000*	6 months ended September 30, 2014 *US$'000*
Depreciation of property, plant and equipment and amortization of prepaid lease payments	**71,845**	**132,047**	34,940	70,236
Amortization of intangible assets	**113,227**	**241,785**	40,196	80,915
Employee benefit costs, including	**1,135,739**	**2,073,265**	767,893	1,471,475
- long-term incentive awards	***34,134***	***62,564***	*27,645*	*47,363*
- severance and related costs	***233,321***	***233,321***	-	-
Rental expenses under operating leases	**27,978**	**54,330**	27,032	50,905
Inventories write off	**187,690**	**187,690**	-	-
Loss on impairment and disposal of assets	**300,395**	**300,395**	-	-

During the period, the Group announced a series of restructuring actions to reduce costs and enhance operational efficiency. Exceptional charges amounting to approximately US$599 million, comprising mainly severance costs, loss on impairment and disposal of assets and provision for lease obligations, have been recognized in "other operating expenses – net" in the current period.

5 Finance income and costs

(a) Finance income

	3 months ended September 30, 2015 ***US$'000***	**6 months ended September 30, 2015** ***US$'000***	3 months ended September 30, 2014 *US$'000*	6 months ended September 30, 2014 *US$'000*
Interest on bank deposits	**7,950**	**16,773**	6,541	16,600
Interest on money market funds	**292**	**475**	1,323	1,701
Others	**6**	**10**	5	12
	8,248	**17,258**	7,869	18,313

(b) Finance costs

	3 months ended September 30, 2015 ***US$'000***	**6 months ended September 30, 2015** ***US$'000***	3 months ended September 30, 2014 *US$'000*	6 months ended September 30, 2014 *US$'000*
Interest on bank loans and overdrafts	**8,439**	**16,335**	5,378	14,414
Interest on long term notes	**26,343**	**47,066**	18,119	28,599
Interest on promissory note	**9,860**	**19,307**	-	-
Factoring costs	**15,849**	**25,097**	13,830	23,457
Commitment fee	**1,408**	**2,477**	3,382	6,667
Interest on contingent considerations and put option liability	**1,789**	**3,571**	1,811	3,623
Others	**1,024**	**1,900**	795	1,890
	64,712	**115,753**	43,315	78,650

6 Taxation

The amount of taxation in the consolidated income statement represents:

	3 months ended September 30, 2015 ***US$'000***	**6 months ended September 30, 2015** ***US$'000***	3 months ended September 30, 2014 *US$'000*	6 months ended September 30, 2014 *US$'000*
Current tax				
Hong Kong profits tax	**3,214**	**12,431**	10,022	17,955
Taxation outside Hong Kong	**96,356**	**140,842**	37,046	71,453
Deferred tax	**(225,081)**	**(328,829)**	9,956	20,888
	(125,511)	**(175,556)**	57,024	110,296

Hong Kong profits tax has been provided for at the rate of 16.5% (2014/15: 16.5%) on the estimated assessable profit for the period. Taxation outside Hong Kong represents income and irrecoverable withholding taxes of subsidiaries operating in the Chinese Mainland and overseas, calculated at rates applicable in the respective jurisdictions.

7 (Loss)/earnings per share

(a) Basic

Basic (loss)/earnings per share is calculated by dividing the (loss)/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 September 30, 2015	**6 months ended September 30, 2015**	3 months ended September 30, 2014	6 months ended September 30, 2014
Weighted average number of ordinary shares in issue	**11,108,654,724**	**11,108,654,724**	10,407,547,509	10,407,438,487
Adjustment for shares held by employee share trusts	**(11,382,452)**	**(16,481,111)**	(23,736,839)	(34,666,011)
Weighted average number of ordinary shares in issue for calculation of basic (loss)/earnings per share	**11,097,272,272**	**11,092,173,613**	10,383,810,670	10,372,772,476
	US$'000	***US$'000***	*US$'000*	*US$'000*
(Loss)/profit attributable to equity holders of the Company	**(713,700)**	**(608,548)**	262,088	475,591

(b) Diluted

Diluted (loss)/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 potential ordinary shares, namely share options and long-term incentive awards. They were anti-dilutive for the three months and six months ended September 30, 2015 and dilutive for the three months and six months ended September 30, 2014.

	3 months ended September 30, 2015	**6 months ended September 30, 2015**	3 months ended September 30, 2014	6 months ended September 30, 2014
Weighted average number of ordinary shares in issue for calculation of basic (loss)/earnings per share	**11,097,272,272**	**11,092,173,613**	10,383,810,670	10,372,772,476
Adjustments for share options and long-term incentive awards	-	-	155,707,225	123,764,920
Weighted average number of ordinary shares in issue for calculation of diluted (loss)/earnings per share	**11,097,272,272**	**11,092,173,613**	10,539,517,895	10,496,537,396
	US$'000	***US$'000***	*US$'000*	*US$'000*
(Loss)/profit attributable to equity holders of the Company used to determine diluted (loss)/earnings per share	**(713,700)**	**(608,548)**	262,088	475,591

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 (loss)/profit attributable to equity holders of the Company used for the calculation of diluted (loss)/earnings per share.

8 Dividend

	6 months ended September 30, 2015	6 months ended September 30, 2014
	US$'000	*US$'000*
Interim dividend, declared after period end – HK6.0 cents (2014/15: HK6.0 cents) per ordinary share	**85,996**	85,978

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:

	September 30, 2015	March 31, 2015
	US$'000	*US$'000*
0 – 30 days	**3,041,443**	3,669,635
31 – 60 days	**997,076**	881,449
61 – 90 days	**420,085**	320,591
Over 90 days	**577,745**	426,267
	5,036,349	5,297,942
Less: provision for impairment	**(74,513)**	(120,102)
Trade receivables – net	**4,961,836**	5,177,840

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

	September 30, 2015	March 31, 2015
	US$'000	*US$'000*
0 – 30 days	**4,919,150**	3,764,369
31 – 60 days	**726,340**	358,296
61 – 90 days	**124,206**	218,299
Over 90 days	**42,607**	321,447
	5,812,303	4,662,411

10 Deposits, prepayments and other receivables

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

	September 30, 2015	March 31, 2015
	US$'000	*US$'000*
Deposits	**3,195**	3,481
Other receivables	**3,286,902**	2,322,355
Prepayments	**956,076**	1,246,179
	4,246,173	3,572,015

Majority of other receivables are amounts due from subcontractors for part components sold in the ordinary course of business.

11 Provisions, other payables and accruals

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

	September 30, 2015	March 31, 2015
	US$'000	*US$'000*
Accruals	**2,133,610**	2,120,381
Allowance for billing adjustments (i)	**2,026,450**	2,169,767
Other payables (ii)	**4,955,680**	4,776,339
	9,115,740	9,066,487

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 values.

(b) The components of provisions are as follows:

	Warranty *US$'000*	Environmental restoration *US$'000*	Restructuring *US$'000*	Total *US$'000*
Year ended March 31, 2015				
At the beginning of the year	1,127,260	19,684	-	1,146,944
Exchange adjustment	(69,142)	(2,919)	-	(72,061)
Provisions made	1,153,855	10,378	-	1,164,233
Amounts utilized	(1,049,291)	(6,919)	-	(1,056,210)
Unused amounts reversed	(19,391)	(3,749)	-	(23,140)
Acquisition of businesses	396,563	-	-	396,563
	1,539,854	16,475	-	1,556,329
Long-term portion classified as non-current liabilities	(338,700)	(14,082)	-	(352,782)
At the end of the year	1,201,154	2,393	-	1,203,547
Period ended September 30, 2015				
At the beginning of the period	**1,539,854**	**16,475**	**-**	**1,556,329**
Exchange adjustment	**(15,766)**	**(34)**	**(1,379)**	**(17,179)**
Provisions made	**499,018**	**4,194**	**352,294**	**855,506**
Amounts utilized	**(599,722)**	**(4,157)**	**(27,880)**	**(631,759)**
Unused amounts reversed	**-**	**(8,644)**	**-**	**(8,644)**
Acquisition of businesses	**20,196**	**-**	**-**	**20,196**
	1,443,580	**7,834**	**323,035**	**1,774,449**
Long-term portion classified as non-current liabilities	**(324,310)**	**(5,708)**	**-**	**(330,018)**
At the end of the period	**1,119,270**	**2,126**	**323,035**	**1,444,431**

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.

Restructuring costs provision mainly comprises lease termination obligations and employee termination payments, arising from a series of restructuring actions to reduce costs and enhance operational efficiency. The Group records its restructuring costs provision when it has a present legal or constructive obligation as a result of restructuring actions.

12 Other non-current liabilities

Details of other non-current liabilities are as follows:

	September 30, 2015 *US$'000*	March 31, 2015 *US$'000*
Contingent considerations (a)	**-**	270,196
Deferred considerations (a)	**1,378,900**	1,394,941
Guaranteed dividend to non-controlling shareholders of a subsidiary (b)	**10,069**	9,605
Environmental restoration (Note 11 (b))	**5,708**	14,082
Written put option liability (c)	**220,405**	219,317
Government incentives and grants received in advance (d)	**146,651**	118,371
Deferred rent liabilities	**127,682**	127,954
Others	**275,874**	285,969
	2,165,289	2,440,435

(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 September 30, 2015, the potential undiscounted amounts of future payments in respect of the contingent and deferred considerations that the Group could be required to make to the then respective shareholders/sellers under the arrangements are as follows:

Joint venture with NEC Corporation	Nil – US$325 million
Joint venture with EMC Corporation	US$39 – US$59 million
Stoneware	Nil – US$48 million
Google Inc.	US$1,464 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 amounting to 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 Borrowings

	September 30, 2015	March 31, 2015
	US$'000	*US$'000*
Current liabilities		
Short-term loans (i)	**574,074**	1,168,274
	574,074	1,168,274
Non-current liabilities		
Term loans (ii)	**400,704**	395,043
Long term notes (iii)	**2,118,179**	1,490,805
	2,518,883	1,885,848
	3,092,957	3,054,122

(i) Short-term loans primarily comprised a US$1,200 million 5-Year loan facility (comprising US$800 million short term) entered into in December 2013 and has been utilized to the extent of US$495 million as at September 30, 2015 (March 31, 2015: US$700 million); and a US$500 million revolving loan facility entered into in February 2011 which has not been utilized as at September 30, 2015 (March 31, 2015: US$300 million). The majority of the short-term bank loans are denominated in United States dollar.

(ii) Term loans primarily comprised a US$1,200 million 5-Year loan facility (comprising US$800 million short term) entered into in December 2013, and has been drawn down to the extent of US$400 million as at September 30, 2015 (March 31, 2015: US$400 million).

(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; and on June 10, 2015, the Group completed the issuance of 5-Year RMB4 billion notes bearing annual interest at 4.95% due in June 2020. 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 September 30, 2015 and March 31, 2015 are as follows:

	September 30, 2015	March 31, 2015
	US$'000	*US$'000*
Within 1 year	**574,074**	1,168,274
Over 1 to 3 years	**5,000**	-
Over 3 to 5 years	**2,513,883**	1,885,848
	3,092,957	3,054,122

The carrying amounts of borrowings approximate their fair values as the impact of discounting is not significant.

14 Share capital

	September 30, 2015		March 31, 2015	
	Number of shares	***US$'000***	*Number of shares*	*US$'000*
Issued and fully paid:				
Voting ordinary shares:				
At the beginning of the period/year	**11,108,654,724**	**2,689,882**	10,406,375,509	1,650,101
Issue of ordinary shares	-	-	701,107,215	1,039,396
Exercise of share options	-	-	1,172,000	385
At the end of the period/year	**11,108,654,724**	**2,689,882**	11,108,654,724	2,689,882

15 Reconciliation of (loss)/profit before taxation to net cash generated from operations

	6 months ended September 30, 2015	6 months ended September 30, 2014
	US$'000	*US$'000*
(Loss)/profit before taxation	**(790,194)**	592,941
Share of losses of associates and joint ventures	**3,345**	3,148
Finance income	**(17,258)**	(18,313)
Finance costs	**115,753**	78,650
Depreciation of property, plant and equipment and amortization of prepaid lease payments	**132,047**	70,236
Amortization of intangible assets and share-based compensation	**304,349**	128,278
Impairment of property, plant and equipment	**134,454**	-
Gain on disposal of property, plant and equipment and prepaid lease payments	**(4,060)**	(1,681)
Net gain on disposal of available-for-sale financial assets	**(1,653)**	(1,185)
Loss on disposal of construction in progress	**157**	942
Loss on disposal of intangible assets	**441**	365
Dividend income	**(532)**	(305)
Fair value change on financial instruments	**(18,982)**	7,454
Decrease/(increase) in inventories	**233,053**	(262,686)
Increase in trade receivables, notes receivable, deposits, prepayments and other receivables	**(328,328)**	(1,251,224)
Increase in trade payables, notes payable, provisions, other payables and accruals	**929,375**	1,532,398
Effect of foreign exchange rate changes	**123,806**	(83,347)
Net cash generated from operations	**815,773**	795,671

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

During the six months ended September 30, 2015, 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 61,288,235 shares from the market for award to employees upon vesting. Details of the program are set out in the 2014/15 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, risk management and internal control 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, Ms. Ma Xuezheng and Mr. William Tudor Brown.

The Audit Committee of the Company has reviewed the unaudited interim results of the Group for the six months ended September 30, 2015. 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 six months ended September 30, 2015, 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 of Hong Kong Limited, 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

November 12, 2015

As at the date of this announcement, the executive director is Mr. Yang Yuanqing; the non-executive directors are Mr. Zhu Linan, Mr. Zhao John Huan and Mr. Gordon Robert Halyburton Orr; and the independent non-executive directors are 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.