Lenovo Group Limited 聯想集團有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 992)

FY2016/17 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, 2016 together with comparative figures for the corresponding period of last year, as follows:

THIRD QUARTER FINANCIAL HIGHLIGHTS

- Group revenue of US$12.2B, down 6% YTY, down 4% YTY excluding currency impact
- Group profit before taxation of US$101M and Group profit attributable to equity holders of the Company of US$98M
- Core PC business is strong, retained #1 market position; transformation for mobile businesses on track; data center business actively addressing its challenges
- Despite challenging market conditions, Lenovo is executing strategy for continued profitable growth through new products, fast-growing segments, vertical markets

	3 months ended December 31, 2016 (unaudited) *US$'million*	9 months ended December 31, 2016 (unaudited) *US$'million*	3 months ended December 31, 2015 (unaudited) *US$'million*	9 months ended December 31, 2015 (unaudited) *US$'million*	Year-on-year change 3 months ended December 31	Year-on-year change 9 months ended December 31
Revenue	12,169	33,456	12,913	35,779	(6)%	(6)%
Gross profit	1,595	4,737	1,885	5,107	(15)%	(7)%
Gross profit margin	13.1%	14.2%	14.6%	14.3%	(1.5)pts	(0.1)pts
Operating expenses	(1,457)	(4,139)	(1,506)	(5,416)	(3)%	(24)%
Operating profit/(loss)	138	598	379	(309)	(64)%	N/A
Other non-operating expenses - net	(37)	(123)	(59)	(161)	(37)%	(23)%
Profit/(loss) before taxation	101	475	320	(470)	(68)%	N/A
Profit/(loss) for the period	107	427	294	(321)	(64)%	N/A
Profit/(loss) attributable to equity holders of the Company	98	428	300	(308)	(67)%	N/A
Earnings/(loss) per share attributable to equity holders of the Company						
Basic	US 0.90 cents	US 3.88 cents	US 2.71 cents	US (2.78) cents	US (1.81) cents	N/A
Diluted	US 0.90 cents	US 3.88 cents	US 2.70 cents	US (2.78) cents	US (1.80) cents	N/A

BUSINESS REVIEW AND OUTLOOK

Business Review

During the three months ended December 31, 2016, the macro environment and global markets remained challenging. In addition, component supply constraints across the industries the Group operates impacted performance. Nevertheless, Lenovo continued to deliver solid performance in its PC Smart Device (PCSD) business, while transforming its Mobile and Data Center businesses. The Group remained number one in PCs with record high market share and demonstrated strong growth in fast growing segments including gaming and detachable. This brought the Group's PCSD business back to a positive year-on-year revenue growth while maintaining a stable margin. The Group's Mobile business continues its quarter-on-quarter growth momentum driven by key markets outside of China while transforming its China business. For the Data Center business, with new leadership in place, the Group is focused on executing the transformation actions to build and revamp its long-term competitiveness.

For the three months ended December 31, 2016, the Group's consolidated revenue decreased by 6 percent year-on-year, or 4 percent excluding currency impact, to US$12,169 million. Revenue of the Group's PC and Smart Device business was US$8,598 million, representing a year-on-year increase of 2 percent. Revenue of the Mobile business decreased 23 percent year-on-year to US$2,185 million. Revenue of Data Center business decreased 20 percent year-on-year to US$1,050 million. Meanwhile, revenue of other goods and services was US$335 million.

For the three months ended December 31, 2016, the Group's gross profit was US$1,595 million, a decrease of 15 percent year-on-year, while gross margin decreased by 1.5 percentage point year-on-year to 13.1 percent, impacted largely by components cost pressure arising from their supply constraint across various products. Operating expenses were down by 3 percent year-on-year to US$1,457 million, and the expense-to-revenue ratio was 12.0 percent, against 11.7 percent for the same period last year. The increase of expense-to-revenue ratio was mainly attributable to the increased branding and marketing expenses incurred to support its new smartphone launches during the quarter under review as the Group brings its new Moto brand products to more countries. The Group's reported profit before taxation was US$101 million, down 68 percent year-on-year as its mobile and data center business are still being transformed to build a solid foundation to drive future profitable growth. The Group's profit attributable to equity holders was US$98 million, down 67 percent year-on-year.

Performance of Product Business Groups

During the three months ended December 31, 2016, Lenovo continued to solidify its PC business while investing in its smartphone and data center businesses to drive long term growth.

PC and Smart Device Business Group (PCSD)

During the quarter under review, despite the ongoing macro-economic and currency instability, the global PC industry continued to see a gradual trend of stabilization, despite supply constraint in key components, with narrowed magnitude of decline, due mainly to higher commercial refresh demand. Through solid execution of its strategy to capture opportunities from market consolidation, and focused innovation for fast growing product segments, the Group continued to outperform the PC market with record high market share as the number one player. In addition, the Group drove double-digit growth in gaming and detachable segments. The Group thus resumed positive revenue growth year-on-year for its PCSD business, first time reversing the decline trend in the past seven quarters, with solid profit performance, while remained its number one position in both PC and PC plus Tablet markets.

For the three months ended December 31, 2016, the Group's global PC unit shipments increased 2 percent year-on-year to 15.7 million, against a market decline of 2 percent. Lenovo's market share continued to increase and achieved a record high level. Its worldwide PC market share was 22.4 percent as of fiscal quarter three, an increase of 0.8 percentage point year-on-year, according to preliminary industry estimates.

The Group's commercial PC unit shipments for the period increased 5 percent year-on-year, against a 2 percent increase from the market. Lenovo's market share in the worldwide commercial PC market has increased by 0.8 percentage point year-on-year to 24.7 percent as of fiscal quarter three. The Group's consumer PC unit shipments for the period declined by 2 percent year-on-year, against the market decline of 5 percent year-on-year during the period under review. Its latest market share for fiscal quarter three was 20.0 percent, increasing by 0.6 percentage point year-on-year, according to preliminary industry estimates.

The Group's PC plus Tablet shipments reached 19.2 million for the period under review, an increase of 3 percent year-on-year against a market decline of 10 percent. The Group continued to solidify its worldwide number one position in the combined PC/Tablet market and its market share reached 15.5 percent as of fiscal quarter three, increasing 2.0 percentage points year-on-year, according to preliminary industry estimates.

The Group continued to maintain good margin for its PCSD business despite the market challenges. For the three months ended December 31, 2016, revenue of the Group's PCSD business was US$8,598 million, representing approximately 70 percent of the Group's total revenue, and a year-on-year increase of 2 percent. The business group recorded a pre-tax profit of US$431 million, up 7 percent year-on-year. Pre-tax profit margin was 5.0 percent, up 0.2 percentage point year-on-year, thanks to the efficiency of its business.

Mobile Business Group (MBG)

The Group's strategic shift in its mobile business continued to show signs of positive momentum in fiscal quarter three, driven by solid performance in ROW (rest of the world/outside China) market, while transforming its China business.

The Group's mobile business in ROW continues to show solid growth quarter-on-quarter despite supply constraint in key components in the industry. Its shipments increased 16 percent quarter-on-quarter in fiscal quarter three, with particularly strong growth in EMEA and Latin America. The Group's innovative new products like Moto Z, Moto Mods, and the new generation of Moto G, continued to receive encouraging customer response and the activation rates have been increasing. In China, the Group continued to record a decline in revenue as a result of adopting its strategy in not focusing on the low-price band/high volume market. As part of its strategy in rebuilding the business, it will continue to enhance its product competitiveness as well as to invest in building its open market distribution channel.

As a result, the Group's worldwide smartphone shipments for the quarter recorded a decline of 26 percent year-on-year. Nevertheless, its shipments have been improving since fiscal quarter one and had a quarter-on-quarter increase of 7 percent in fiscal quarter three. Lenovo's worldwide smartphone market share was 3.5 percent as of fiscal quarter three, a decrease of 1.6 percentage points year-on-year.

Representing approximately 18 percent of the Group's total revenue, Mobile business revenue was US$2,185 million which decreased 23 percent year-on-year for the three months ended December 31, 2016. Nevertheless, revenue showed sequential improvement in fiscal quarter three, growing by 7 percent quarter-on-quarter, driven by its continued strategy to streamline the product portfolio and focus on higher price bands. Its operational loss before taxation for the period under review was US$112 million with a negative 5.1 percent pre-tax operational margin, if excluding non-cash M&A related accounting charges. Loss incurred was flat quarter-on-quarter despite shipment growth, which was due to increased branding and marketing expenses incurred to support new product launches and the increased costs arising from the constrained supply of key components.

Data Center Business Group (DCG)

The Group was still executing its transformation plan of the data center business during the quarter, with a focus on building a solid foundation for future profitable growth. The new business leader had just been on board while actions previously taken will take time to show effect. Nevertheless, the business has started seeing early signs of stabilization, especially in key markets outside of China. During the period under review, Lenovo's data center business saw revenue growth in both North and Latin America, and EMEA quarter-on-quarter, demonstrating that its business model transition and sales coverage adjustments are taking effect. The revenue from North America also showed signs of stabilization year-to-year thanks to wins from leading retail and public cloud clients.

The Group continued to build its direct sales capabilities across all regions to pursue better topline and profit growth in the future. Indeed, the Group has delivered good growth such as the double digit year-on-year growth for its Global Accounts business where it has direct capabilities. The Group continued to leverage its existing strategic partnerships to bring comprehensive solutions integrating storage, networking software and services. In China, the Group has also kick-started transformation actions to refine its hyperscale business model to strike a balance between growth and profitability. Hence the performance was impacted by its business model transformation during the period under review.

Data center business revenue represented approximately 9 percent of the Group's total revenue. For the three months ended December 31, 2016, revenue of the data center business was US$1,050 million, a decrease of 20 percent year-on-year as it was still undergoing its business transformation. Similar to other business groups, the datacenter business was also impacted by the supply constraint and increased costs of key components in the industry, and as a result, the Group's data center business recorded an operational loss before taxation of US$94 million and a negative 8.9 percent pre-tax operational profit margin, if excluding the non-cash M&A related accounting charges during the quarter.

Lenovo Capital and Incubator Group (LCIG) and Others

The Group's Capital and Incubator Group began at the start of the fiscal year with a mission to drive innovation through investment in startups and exploring new technologies. During the period under review, the Group continues to invest in several new smart devices developers and obtained great recognition from the venture capital industry.

Revenue from the ecosystem, cloud computing, and other products such as consumer electronic businesses from previous acquisitions was US$335 million, representing approximately 3 percent of the Group's total revenue.

Performance of Geographies

Performance of each geography includes a combination of PCSD, data center and mobility businesses. The profitability figures of geographies disclosed in the following paragraphs have excluded the impact of non-cash M&A related accounting charges for the period under review.

China

China accounted for 28 percent of the Group's total revenue. The Group maintained its strong number one position in the China PC market with record high market share of 40.1 percent as of fiscal quarter three, according to preliminary industry estimates, and continued to uphold its profitability by leveraging its leadership position.

Competition in the China smartphone market remained very keen. The Group had a shipment decline while continuing to execute its business transformation plan to enhance its product portfolio and to expand channel exposure.

The Group also has started its transformation of its data center business in China to build more direct sales coverage and to drive more profitable growth over time. Hence the performance was impacted by its business model transformation during the period under review.

Profit before taxation in the region remained solid thanks to its strong PCSD business. The pre-tax profit was US$180 million and pre-tax profit margin was 5.2 percent, grew by 0.5 percentage point year-on-year.

Americas (AG)

Americas accounted for 30 percent of the Group's total revenue. The Group delivered strong PC growth in AG during the review period. Its PC unit shipments increased by 12 percent year-on-year, outperforming the market by a 14-point premium. Its market share increased by 1.9 percentage points from a year ago to 15.3 percent as of fiscal quarter three, according to preliminary industry estimates. The solid performance was driven by the strong growth of its PC unit shipments in North America, which grew by 14 percent year-on-year against a market decline of 0.4 percent.

The Group's Moto brand products continued to see good customer feedback during the quarter. The new generation of Moto G products saw strong momentum in Latin America, while it is driving to sell its Moto Z and Moto Mod products to broader customers in North America. As a result, the Group's smartphone business in Americas demonstrated continuous improvement quarter-on-quarter. The Group's data center business continued to invest in enhancing its sales capabilities and started to see signs of stabilization in its revenue performance. It achieved strong revenue growth of its Global Accounts and won new deals from leading retailer and public cloud clients in North America.

The Group recorded a profit before taxation of US$39 million in the region, versus US$76 million recorded in same period last year, and its pre-tax profit margin was 1.1 percent, an improvement of 0.5 percentage points quarter-on-quarter, despite the investment in branding and marketing for new smartphone products.

Asia Pacific (AP)

Asia Pacific accounted for 14 percent of the Group's total revenue. Its revenue declined 14 percent year-on-year to US$1.7 billion, mainly due to the demonetization policy in India, which impacted the PC and smartphone businesses in the fiscal quarter. As the Group has higher exposure in the emerging countries in the region that were impacted by the slowing macro environment, as a result its PC unit shipments for the quarter decreased by 17 percent year-on-year against a market decline of 4 percent, but the Group maintained its solid number two position in the PC market with market share of 16.2 percent.

The Group's shipments performance in smartphones was also impacted by the demonetization in India during the period under review. The Group's data center business is still under transition, and revamping the business model will require time to be effective.

Loss before taxation was US$41 million and pre-tax profit margin was negative 2.4 percent, against 1.0 percent in the same period last year, mainly due to challenges in its data center business and the demonetization in India.

Europe-Middle East-Africa (EMEA)

EMEA accounted for 28 percent of the Group's total revenue. During the period under review, the Group resumed its PC growth in EMEA, and its PC unit shipments were increased 8 percent year-on-year, against a market decline of 0.3 percent year-on-year. Its market share as of fiscal quarter three increased by 1.7 percentage point year-on-year to a record high of 21.1 percent.

The Group's smartphone shipments were down year-on-year largely due to different product launch cycles, but saw improvement quarter-by-quarter driven by the strong performance of the Western Europe and MEA markets. Its data center business has shown revenue improvement quarter-by-quarter thanks to its continued actions in enhancing its sales force and investment in the product portfolio.

The Group incurred US$102 million loss before taxation in EMEA during the period under review against a profit of US$57 million in the same period last year, with a pre-tax profit margin of negative 3.0 percent, as it is investing in marketing and branding to drive its smartphone business, and transform its data center business.

Outlook

Looking forward, market conditions may remain challenging due to the uncertainties in the macro-economic environment, while constraints in supplies of key components in the industry may increase costs and continue to bring challenges to the Group's business environment. In spite of these market challenges, the Group will continue to execute its strategy diligently to drive sustainable profitable growth over time.

For PCSD, the Group will maintain leadership and strong profitability in the core PC business through leveraging industry consolidation, while driving growth from launching more innovative products, and focusing on fast growing segments and vertical markets.

For Mobile business, the Group will extend its foothold in the smartphone market outside China by leveraging its innovative new product portfolios, global carrier relationships, broader channel coverage, and stronger consumer brand. In China, the Group will continue to execute its business transformation plan to enhance its product portfolio and to expand channel exposure. Through the recent resource actions, the Group's mobile business has now established a new competitive operating model and organization structure to capture efficiency, which is set to help the profitability improvement of the business over time.

For data center business, the Group is continuing to build new channel programs with more direct sales coverage and a dedicated field sales force globally. It is leveraging its excellence in the supply chain, product quality, and operating efficiency to ensure successful product launches. It also will focus on increasing its attach rate in networking, storage and services to enhance its profit level. These transformation strategies may require time to be effective, but the Group remains confident of returning the DCG business to profitable growth over time.

Meanwhile, the Group will continue to develop new smart devices, powered by cloud and enriched with services. The Group is exploring smart home, smart office, smart healthcare and other areas, as well as leveraging artificial intelligence, AR, VR and other new technologies.

The Group has a clear focus on customer centricity, so as to transform from a product transactional model to a customer relationship model. And it will continue to invest in marketing to build stronger brand awareness.

Despite market conditions remaining challenging in the short term, the Group, through its efficient organization structure, competitive cost structure across all of its businesses, together with its solid execution, remains confident in its vision and strategy, and is investing to drive long-term profitable growth.

FINANCIAL REVIEW

Results for the nine months ended December 31, 2016

	9 months ended December 31, 2016 (unaudited) ***US$'million***	9 months ended December 31, 2015 (unaudited) *US$'million*	Year-on-year change
Revenue	**33,456**	35,779	(6)%
Gross profit	**4,737**	5,107	(7)%
Gross profit margin	**14.2%**	14.3%	(0.1) pts
Operating expenses	**(4,139)**	(5,416)	(24)%
Operating profit/(loss)	**598**	(309)	N/A
Other non-operating expenses – net	**(123)**	(161)	(23)%
Profit/(loss) before taxation	**475**	(470)	N/A
Profit/(loss) for the period	**427**	(321)	N/A
Profit/(loss) attributable to equity holders of the Company	**428**	(308)	N/A
Earnings/(loss) per share attributable to equity holders of the Company			
Basic	**US 3.88 cents**	US (2.78) cents	N/A
Diluted	**US 3.88 cents**	US (2.78) cents	N/A

For the nine months ended December 31, 2016, the Group achieved total sales of approximately US$33,456 million. Profit attributable to equity holders for the period was approximately US$428 million, as compared with loss attributable to equity holders of US$308 million reported in the corresponding period of last year. The loss attributable to equity holders reported in the corresponding period of last year was mainly attributable to the restructuring costs of US$596 million and one-time charges (comprising additional spending to clear smartphone inventories and inventories write off) of US$327 million. Gross profit margin for the period was 0.1 points down from 14.3 percent reported in the corresponding period of last year. Basic earnings per share and diluted earnings per share were US3.88 cents, as compared with basic and diluted loss per share of US2.78 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:

	9 months ended December 31, 2016 ***US$'000***	9 months ended December 31, 2015 *US$'000*
China	**9,514,093**	10,007,462
AP	**5,278,216**	5,570,221
EMEA	**8,563,349**	9,316,481
AG	**10,100,374**	10,885,181
	33,456,032	35,779,345

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, 2016 and 2015 are as follows:

	9 months ended December 31, 2016 *US$'000*	9 months ended December 31, 2015 *US$'000*
Other income– net	**10,616**	2,185
Selling and distribution expenses	**(2,022,356)**	(1,837,287)
Administrative expenses	**(1,342,544)**	(1,632,266)
Research and development expenses	**(1,023,019)**	(1,139,644)
Other operating income/(expenses) – net	**238,780**	(809,039)
	(4,138,523)	(5,416,051)

Operating expenses for the period decreased by 24 percent as compared with the corresponding period of last year. Other income for the period mainly represents net gain on disposal of an available-for-sale financial asset of US$12 million(2015/16: US$2 million).During the period, the Group announced resource actions and incurred US$136 million severance costs to further enhance efficiency and competitiveness in view of industrial challenges. With that, employee benefit costs decreased by US$216 million as a result of reduced headcount subsequent to the business realignment actions carried out last year and the decrease in severance costs by US$76 million. During the corresponding period of last year, the Group also recorded loss on impairment and disposal of assets of US$310 million, provision for lease obligations of US$62 million, and smartphone inventories write off of US$173 million. The net other operating income for the period is mainly attributable to gain on monetizing certain non-core assets, offset with severance costs and net exchange loss. The impact of currency fluctuations during the period presented a challenge, the Group recorded a net exchange loss of US$73 million (2015/16: US$98 million) for the period. Key expenses by nature comprise:

	9 months ended December 31, 2016 *US$'000*	9 months ended December 31, 2015 *US$'000*
Depreciation of property, plant and equipment and amortization of prepaid lease payments	**(118,099)**	(123,633)
Amortization of intangible assets	**(328,332)**	(328,526)
Employee benefit costs, including	**(2,375,789)**	(2,591,427)
- *long-term incentive awards*	***(135,389)***	*(109,812)*
- *severance and related costs*	***(135,977)***	*(212,475)*
Rental expenses under operating leases	**(70,575)**	(62,837)
Net foreign exchange loss	**(72,666)**	(98,172)
Advertising and promotional expenses	**(689,536)**	(587,270)
Inventories write off	**-**	(173,424)
Loss on impairment and disposal of assets	**-**	(310,201)
Gain on disposal of property, plant and equipment and prepaid lease payments	**334,393**	6,516
Others	**(817,919)**	(1,147,077)
	(4,138,523)	(5,416,051)

Other non-operating expenses (net) for the nine months ended December 31, 2016 and 2015 comprise:

	9 months ended December 31, 2016 *US$'000*	9 months ended December 31, 2015 *US$'000*
Finance income	**17,725**	24,833
Finance costs	**(164,239)**	(178,714)
Share of profits/(losses) of associates and joint ventures	**22,766**	(6,442)
	(123,748)	(160,323)

Finance income mainly represents interest on bank deposits.

Finance costs for the period mainly represent interest expenses on the 5-Year US$1.5 billion notes bearing annual interest at 4.7%, the 5-Year RMB4 billion notes bearing annual interest at 4.95% and other bank loans, notional interest expense in relation to promissory note issued to Google Inc. and factoring costs.

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

Third Quarter 2016/17 compared to Third Quarter 2015/16

	3 months ended December 31, 2016 (unaudited) ***US$'million***	3 months ended December 31, 2015 (unaudited) *US$'million*	Year-on-year change
Revenue	**12,169**	12,913	(6)%
Gross profit	**1,595**	1,885	(15)%
Gross profit margin	**13.1%**	14.6%	(1.5)pts
Operating expenses	**(1,457)**	(1,506)	(3)%
Operating profit	**138**	379	(64)%
Other non-operating expenses – net	**(37)**	(59)	(37)%
Profit before taxation	**101**	320	(68)%
Profit for the period	**107**	294	(64)%
Profit attributable to equity holders of the Company	**98**	300	(67)%
Earnings per share attributable to equity holders of the Company			
Basic	**US 0.90 cents**	US 2.71 cents	US (1.81) cents
Diluted	**US 0.90 cents**	US 2.70 cents	US (1.80) cents

For the three months ended December 31, 2016, the Group achieved total sales of approximately US$12,169 million. Profit attributable to equity holders for the period was approximately US$98 million, representing a decrease of US$202 million as compared with the corresponding period of last year. Gross profit margin for the period was 1.5 points down from 14.6 percent reported in the corresponding period of last year. Basic earnings per share and diluted earnings per share were US0.90 cents, representing a decrease of US1.81 cents and US1.80 cents respectively as compared with the corresponding period of last year.

Sales by geographical segment are as follows:

	3 months ended December 31, 2016 ***US$'000***	3 months ended December 31, 2015 *US$'000*
China	**3,463,960**	3,517,690
AP	**1,701,710**	1,980,265
EMEA	**3,358,904**	3,452,511
AG	**3,644,171**	3,962,713
	12,168,745	12,913,179

Operating expenses analyzed by function for the three months ended December 31, 2016 and 2015are as follows:

	3 months ended December 31, 2016 *US$'000*	3 months ended December 31, 2015 *US$'000*
Other loss– net	**(1,005)**	-
Selling and distribution expenses	**(726,669)**	(622,292)
Administrative expenses	**(445,775)**	(524,184)
Research and development expenses	**(318,445)**	(380,644)
Other operating income –net	**34,610**	20,907
	(1,457,284)	(1,506,213)

Operating expenses for the period decreased by 3 percent as compared with the corresponding period of last year. Employee benefit costs decreased as a result of reduced headcount subsequent to the business realignment actions and resource actions. The impact of currency fluctuations during the period presented a challenge, the Group recorded a net exchange loss of US$30 million (2015/16: US$32 million) for the period. Key expenses by nature comprise:

	3 months ended December 31, 2016 *US$'000*	3 months ended December 31, 2015 *US$'000*
Depreciation of property, plant and equipment and amortization of prepaid lease payments	**(38,443)**	(42,300)
Amortization of intangible assets	**(104,419)**	(106,135)
Employee benefit costs, including	**(747,951)**	(769,509)
- *long-term incentive awards*	***(55,026)***	*(47,248)*
Rental expenses under operating leases	**(31,324)**	(18,347)
Net foreign exchange loss	**(29,691)**	(31,607)
Advertising and promotional expenses	**(267,134)**	(199,673)
Others	**(238,322)**	(338,642)
	(1,457,284)	(1,506,213)

Other non-operating expenses (net) for the three months ended December 31, 2016 and 2015 comprise:

	3 months ended December 31, 2016 *US$'000*	3 months ended December 31, 2015 *US$'000*
Finance income	**6,122**	7,575
Finance costs	**(53,031)**	(62,961)
Share of profits/(losses) of associates and joint ventures	**10,247**	(3,097)
	(36,662)	(58,483)

Finance income mainly represents interest on bank deposits.

Finance costs for the period mainly represent interest expenses on the 5-Year US$1.5 billion notes bearing annual interest at 4.7%, the 5-Year RMB4 billion notes bearing annual interest at 4.95% and other bank loans, notional interest expense in relation to promissory note issued to Google Inc. and factoring costs.

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

Capital Expenditure

The Group incurred capital expenditure of US$452million (2015/16: US$555 million) during the nine months ended December 31, 2016, mainly for the acquisition of property, plant and equipment, additions in prepaid lease payments, construction-in-progress and intangible assets.

Liquidity and Financial Resources

At December 31, 2016, total assets of the Group amounted to US$27,204million (March 31, 2016: US$24,933 million), which were financed by equity attributable to owners of the Company of US$3,002million (March 31, 2016: US$3,000 million), non-controlling interests (net of put option written on non-controlling interest) of US$33million (March 31, 2016: US$26 million), and total liabilities of US$24,169 million (March 31, 2016: US$21,907 million). At December 31, 2016, the current ratio of the Group was 0.78(March 31, 2016: 0.82).

The Group had a solid financial position. At December 31, 2016, bank deposits, cash and cash equivalents totaled US$2,685 million (March 31, 2016: US$2,079 million), of which 26.6 (March 31, 2016: 41.7) percent was denominated in US dollar, 47.6 (March 31, 2016: 29.5) percent in Renminbi, 7.0 (March 31, 2016: 5.3) percent in Euro, 5.3 (March 31, 2016: 7.7) percent in Japanese Yen, and 13.5 (March 31, 2016: 15.8) percent in other currencies.

The Group adopts a conservative policy to invest the surplus cash generated from operations. At December 31, 2016, 85.8 (March 31, 2016: 92.6) percent of cash are bank deposits, and 14.2 (March 31, 2016: 7.4) percent of cash are investments in liquid money market funds of investment grade.

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

The Group entered into a 5-Year loan facility agreement with syndicated banks for US$1,200 million, comprising US$800 million as short term, on December 18, 2013. As at December 31, 2016, the facility was utilized to the extent of US$400million (March 31, 2016: US$800 million), not comprising any short-term (March 31, 2016: comprising US$400 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 was not utilized as at December 31, 2016 (March 31, 2016: fully utilized).

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 have been used for general corporate purposes including working capital and acquisition activities.

The Group has also arranged other short-term credit facilities. At December 31, 2016, the Group's other total available credit facilities amounted to US$10,700 million (March 31, 2016: US$10,661 million), of which US$1,496 million (March 31, 2016: US$1,277 million) was in trade lines, US$366 million (March 31, 2016: US$366 million) in short-term and revolving money market facilities and US$8,838 million (March 31, 2016: US$9,018 million) in forward foreign exchange contracts. At December 31, 2016, the amounts drawn down were US$882 million (March 31, 2016: US$540 million) in trade lines, US$7,789 million (March 31, 2016: US$6,872 million) being used for the forward foreign exchange contracts, and US$70 million (March 31, 2016: US$52 million) in short-term bank loans.

At December 31, 2016, the Group's outstanding borrowings represented by the term bank loan of US$397 million (March 31, 2016: US$396 million), short-term bank loans of US$65 million (March 31, 2016: US$746 million) and long term notes of US$2,068million (March 31, 2016: US$2,109 million). When compared with total equity of US$3,035million (March 31, 2016: US$3,026million), the Group's gearing ratio was 0.83(March 31, 2016: 1.07). The net cash position of the Group at December 31, 2016 is US$155million (March 31, 2016: net debt position of US$1,172 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, 2016, the Group had commitments in respect of outstanding forward foreign exchange contracts amounting to US$7,789 million (March 31, 2016: US$6,872 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 December 31, 2016 (unaudited)** ***US$'000***	**9 months ended December 31, 2016 (unaudited)** ***US$'000***	3 months ended December 31, 2015 (unaudited) *US$'000*	9 months ended December 31, 2015 (unaudited) *US$'000*
Revenue	*2*	**12,168,745**	**33,456,032**	12,913,179	35,779,345
Cost of sales		**(10,573,453)**	**(28,719,011)**	(11,028,363)	(30,673,045)
Gross profit		**1,595,292**	**4,737,021**	1,884,816	5,106,300
Other (loss)/income - net	*3*	**(1,005)**	**10,616**	-	2,185
Selling and distribution expenses		**(726,669)**	**(2,022,356)**	(622,292)	(1,837,287)
Administrative expenses		**(445,775)**	**(1,342,544)**	(524,184)	(1,632,266)
Research and development expenses		**(318,445)**	**(1,023,019)**	(380,644)	(1,139,644)
Other operating income/(expenses) - net		**34,610**	**238,780**	20,907	(809,039)
Operating profit/(loss)	*4*	**138,008**	**598,498**	378,603	(309,751)
Finance income	*5(a)*	**6,122**	**17,725**	7,575	24,833
Finance costs	*5(b)*	**(53,031)**	**(164,239)**	(62,961)	(178,714)
Share of profits/(losses) of associates and joint ventures		**10,247**	**22,766**	(3,097)	(6,442)
Profit/(loss) before taxation		**101,346**	**474,750**	320,120	(470,074)
Taxation	*6*	**5,730**	**(48,030)**	(26,100)	149,456
Profit/(loss) for the period		**107,076**	**426,720**	294,020	(320,618)
Profit/(loss) attributable to:					
Equity holders of the Company		**98,435**	**428,217**	300,393	(308,155)
Non-controlling interests		**8,641**	**(1,497)**	(6,373)	(12,463)
		107,076	**426,720**	294,020	(320,618)
Earnings/(loss)per share attributable to equity holders of the Company					
Basic	*7(a)*	**US 0.90cents**	**US 3.88cents**	US 2.71 cents	US (2.78) cents
Diluted	*7(b)*	**US 0.90cents**	**US 3.88cents**	US 2.70 cents	US (2.78) cents
Dividend			**85,948**		85,996

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	3 months ended December 31, 2016 (unaudited) ***US$'000***	**9 months ended December 31, 2016 (unaudited)** ***US$'000***	3 months ended December 31, 2015 (unaudited) *US$'000*	9 months ended December 31, 2015 (unaudited) *US$'000*
Profit/(loss) for the period	**107,076**	**426,720**	294,020	(320,618)
Other comprehensive income/(loss):				
Item that will not be reclassified to profit or loss				
Remeasurements of defined benefit obligations, net of taxes	**3,493**	**3,493**	19,788	19,788
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	**1,106**	**(1,416)**	3,442	(1,229)
Investment revaluation reserve reclassified to consolidated income statement on disposal of an available-for-sale financial asset	**-**	**(11,259)**	-	154
Fair value change on cash flow hedges from forward foreign exchange contracts, net of taxes				
- Fair value gain/(loss), net of taxes	**144,541**	**143,136**	39,382	(2,239)
- Reclassified to consolidated income statement	**(77,828)**	**2,344**	(11,393)	(91,003)
Currency translation differences	**(238,618)**	**(194,087)**	(395,458)	(430,341)
Other comprehensive loss for the period	**(167,306)**	**(57,789)**	(344,239)	(504,870)
Total comprehensive (loss)/income for the period	**(60,230)**	**368,931**	(50,219)	(825,488)
Total comprehensive (loss)/income attributable to:				
Equity holders of the Company	**(68,871)**	**370,428**	(43,846)	(813,025)
Non-controlling interests	**8,641**	**(1,497)**	(6,373)	(12,463)
	(60,230)	**368,931**	(50,219)	(825,488)

CONSOLIDATED BALANCE SHEET

	Note	**December 31, 2016 (unaudited)** *US$'000*	March 31, 2016 (audited) *US$'000*
Non-current assets			
Property, plant and equipment		**1,263,907**	1,391,494
Prepaid lease payments		**300,238**	337,929
Construction-in-progress		**324,182**	231,110
Intangible assets		**8,313,839**	8,661,087
Interests in associates and joint ventures		**69,723**	40,439
Deferred income tax assets		**1,230,195**	1,000,572
Available-for-sale financial assets		**166,618**	139,572
Other non-current assets		**121,178**	164,410
		11,789,880	11,966,613
Current assets			
Inventories		**2,833,613**	2,637,317
Trade receivables	*8(a)*	**5,092,770**	4,403,507
Notes receivable		**148,991**	130,718
Derivative financial assets		**135,041**	27,021
Deposits, prepayments and other receivables	*9*	**4,386,274**	3,548,760
Income tax recoverable		**131,986**	140,237
Bank deposits		**162,209**	152,336
Cash and cash equivalents		**2,523,032**	1,926,880
		15,413,916	12,966,776
Total assets		**27,203,796**	24,933,389

CONSOLIDATED BALANCE SHEET (CONTINUED)

	Note	**December 31, 2016 (unaudited)** *US$'000*	March 31, 2016 (audited) *US$'000*
Share capital	*13*	**2,689,882**	2,689,882
Reserves		**312,322**	310,318
Equity attributable to owners of the Company		**3,002,204**	3,000,200
Non-controlling interests		**245,305**	238,949
Put option written on non-controlling interest	*11(c)*	**(212,900)**	(212,900)
Total equity		**3,034,609**	3,026,249
Non-current liabilities			
Borrowings	*12*	**2,465,211**	2,505,112
Warranty provision	*10(b)*	**293,614**	290,857
Deferred revenue		**547,619**	532,780
Retirement benefit obligations		**402,325**	442,874
Deferred income tax liabilities		**226,492**	222,679
Other non-current liabilities	*11*	**385,963**	2,152,578
		4,321,224	6,146,880
Current liabilities			
Trade payables	*8(b)*	**6,162,712**	4,266,687
Notes payable		**636,190**	234,661
Derivative financial liabilities		**52,994**	150,864
Other payables and accruals	*10(a)*	**11,150,741**	8,305,844
Provisions	*10(b)*	**969,110**	1,157,257
Deferred revenue		**561,362**	710,164
Income tax payable		**250,403**	188,968
Borrowings	*12*	**64,451**	745,815
		19,847,963	15,760,260
Total liabilities		**24,169,187**	21,907,140
Total equity and liabilities		**27,203,796**	24,933,389

CONSOLIDATED CASH FLOW STATEMENT

	Note	**9 months ended December 31, 2016 (unaudited)** *US$'000*	9 months ended December 31, 2015 (unaudited) *US$'000*
Cash flows from operating activities			
Net cash generated from operations	*14*	**2,263,050**	1,373,841
Interest paid		**(133,639)**	(159,159)
Tax paid		**(217,225)**	(222,466)
Net cash generated fromoperating activities		**1,912,186**	992,216
Cash flows from investing activities			
Purchase of property, plant and equipment		**(93,131)**	(162,706)
Purchase of prepaid lease payments		**(1,663)**	-
Sale of property, plant and equipment and prepaid lease payments		**409,526**	86,764
Interests acquired in associates		**(6,518)**	(5,050)
Payment for construction-in-progress		**(246,286)**	(306,042)
Payment for intangible assets		**(111,195)**	(86,100)
Purchase of available-for-sale financial assets		**(44,091)**	(56,101)
Net proceeds from disposal of an available-for-sale financial asset		**11,812**	4,702
(Increase)/decrease in bank deposits		**(9,873)**	21,701
Dividend received		**46**	532
Interest received		**17,725**	24,833
Net cash used in investing activities		**(73,648)**	(477,467)
Cash flows from financing activities			
Capital contribution from non-controlling interests		**5,466**	20,000
Acquisition of additional interest in a subsidiary		**(20,439)**	-
Contribution to employee share trusts		**(99,363)**	(101,136)
Dividends paid		**(376,898)**	(379,367)
Proceeds from borrowings		**2,110,388**	300,665
Repayments of borrowings		**(2,792,564)**	(1,212,756)
Issue of long term notes		**-**	640,895
Net cash used in financing activities		**(1,173,410)**	(731,699)
Increase/(decrease) in cash and cash equivalents		**665,128**	(216,950)
Effect of foreign exchange rate changes		**(68,976)**	(86,931)
Cash and cash equivalents at the beginning of the period		**1,926,880**	2,855,223
Cash and cash equivalents at the end of the period		**2,523,032**	2,551,342

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, 2016	**2,689,882**	**962**	**(52,897)**	**13,161**	**(88,328)**	**(1,141,195)**	**83,363**	**1,495,252**	**238,949**	**(212,900)**	**3,026,249**
Profit/(loss) for the period	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**428,217**	**(1,497)**	**–**	**426,720**
Other comprehensive (loss)/income	**–**	**(12,675)**	**–**	**–**	**145,480**	**(194,087)**	**–**	**3,493**	**–**	**–**	**(57,789)**
Total comprehensive (loss)/income for the period	**–**	**(12,675)**	**–**	**–**	**145,480**	**(194,087)**	**–**	**431,710**	**(1,497)**	**–**	**368,931**
Transfer to statutory reserve	**–**	**–**	**–**	**–**	**–**	**–**	**2,214**	**(2,214)**	**–**	**–**	**–**
Vesting of shares under long-term incentive program	**–**	**–**	**49,304**	**(57,927)**	**–**	**–**	**–**	**–**	**–**	**–**	**(8,623)**
Share-based compensation	**–**	**–**	**–**	**139,286**	**–**	**–**	**–**	**–**	**–**	**–**	**139,286**
Contribution to employee share trusts	**–**	**–**	**(99,363)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(99,363)**
Dividends paid	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(376,898)**	**–**	**–**	**(376,898)**
Change in ownership interest in a subsidiary	**–**	**–**	**–**	**–**	**–**	**–**	**(22,826)**	**-**	**2,387**	**–**	**(20,439)**
Capital contribution from non-controlling interests	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**5,466**	**–**	**5,466**
At December 31, 2016	**2,689,882**	**(11,713)**	**(102,956)**	**94,520**	**57,152**	**(1,335,282)**	**62,751**	**1,547,850**	**245,305**	**(212,900)**	**3,034,609**
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	–	–	–	–	–	–	–	(308,155)	(12,463)	–	(320,618)
Other comprehensive (loss)/income	–	(1,075)	–	–	(93,242)	(430,341)	–	19,788	–	–	(504,870)
Total comprehensive loss for the period	–	(1,075)	–	–	(93,242)	(430,341)	–	(288,367)	(12,463)	–	(825,488)
Transfer to statutory reserve	–	–	–	–	–	–	7,651	(7,651)	–	–	–
Vesting of shares under long-term incentive program	–	–	96,170	(134,276)	–	–	–	–	–	–	(38,106)
Deferred tax charge in relation to long-term incentive program	–	–	–	(4,847)	–	–	–	–	–	–	(4,847)
Share-based compensation	–	–	–	137,934	–	–	–	–	–	–	137,934
Contribution to employee share trusts	–	–	(101,136)	–	–	–	–	–	–	–	(101,136)
Dividends paid	–	–	–	–	–	–	–	(379,367)	–	–	(379,367)
Capital contribution from non-controlling interests	–	–	–	–	–	–	–	–	20,000	–	20,000
At December 31, 2015	2,689,882	(483)	(16,407)	8,663	24,840	(1,264,455)	83,363	1,359,693	242,915	(212,900)	2,915,111

Notes

1 General information and basis of preparation

The financial information relating to the year ended March 31, 2016 that is included in the FY2016/17third quarter 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 is as follows:

The Company has delivered the financial statements for the year ended March 31, 2016 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance.

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.

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 amendments to existing standards that are mandatory for the year ending March 31, 2017 which the Group considers is appropriate and relevant to its operations:

- Amendments to HKAS 1, Disclosure initiative
- Amendments to HKAS 16 and HKAS 38, Clarification of acceptable methods of depreciation and amortization
- Amendments to HKAS 27, Equity method in separate financial statements
- Amendments to HKFRS 10, HKFRS 12 and HKAS 28, Investment entities: applying the consolidation exception
- Amendments to HKFRS 11, Accounting for acquisitions of interests in joint operations

The adoption of these newly effective 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, 2017 and have not been early adopted:

	Effective for annual periods beginning on or after
HKFRS 9, Financial instruments	January 1, 2018
HKFRS 15, Revenue from contracts with customers	January 1, 2018
HKFRS 16, Leases	January 1, 2019
Amendments to HKAS 7, Statement of cash flows	January 1, 2017
Amendments to HKAS 12, Income taxes	January 1, 2017
Amendments to HKFRS 2, Share-based payment	January 1, 2018
Amendments to HKFRS 10 and HKAS 28, Sale or contribution of assets between an investor and its associate or joint venture	Date to be determined

The Group is in the process of making an assessment of the impact of these new standards and amendments to existing standards upon initial application.

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

	9 months ended December 31, 2016		9 months ended December 31, 2015	
	Revenue from external customers	**Adjusted pre-tax income/ (loss)**	Revenue from external customers	Adjusted pre-tax income/ (loss)
	US$'000	***US$'000***	*US$'000*	*US$'000*
China	**9,514,093**	**475,262**	10,007,462	456,274
AP	**5,278,216**	**(22,588)**	5,570,221	75,960
EMEA	**8,563,349**	**(216,558)**	9,316,481	120,240
AG	**10,100,374**	**97,272**	10,885,181	(128,472)
Segment total	**33,456,032**	**333,388**	35,779,345	524,002
Unallocated:				
Headquarters and corporate income/(expenses)		**377,525**		(274,074)
Restructuring costs		**(135,977)**		(596,195)
Finance income		**13,605**		21,456
Finance costs		**(147,173)**		(141,006)
Impairment of an available-for-sale financial asset		**(1,005)**		-
Net gain on disposal of available-for-sale financial assets		**11,575**		1,653
Dividend income from available-for-sale financial assets		**46**		532
Share of profits/(losses) of associates and joint ventures		**22,766**		(6,442)
Consolidated profit/(loss) before taxation		**474,750**		(470,074)

(b) Segment assets for reportable segments

	December 31, 2016 *US$'000*	March 31, 2016 *US$'000*
China	**7,841,461**	7,064,692
AP	**2,912,857**	3,229,634
EMEA	**3,512,601**	3,445,913
AG	**7,082,395**	6,535,732
Segment assets for reportable segments	**21,349,314**	20,275,971
Unallocated:		
Deferred income tax assets	**1,230,195**	1,000,572
Derivative financial assets	**135,041**	27,021
Available-for-sale financial assets	**166,618**	139,572
Interests in associates and joint ventures	**69,723**	40,439
Unallocated bank deposits and cash and cash equivalents	**771,850**	898,577
Unallocated inventories	**886,034**	755,799
Unallocated deposits, prepayments and other receivables	**2,126,522**	1,355,219
Income tax recoverable	**131,986**	140,237
Other unallocated assets	**336,513**	299,982
Total assets per consolidated balance sheet	**27,203,796**	24,933,389

(c) Segment liabilities for reportable segments

	December 31, 2016 *US$'000*	March 31, 2016 *US$'000*
China	**5,792,486**	4,332,504
AP	**1,292,092**	1,924,875
EMEA	**1,592,242**	1,762,689
AG	**3,556,731**	3,559,616
Segment liabilities for reportable segments	**12,233,551**	11,579,684
Unallocated:		
Income tax payable	**250,403**	188,968
Deferred income tax liabilities	**226,492**	222,679
Derivative financial liabilities	**52,994**	150,864
Unallocated borrowings	**2,459,662**	3,198,749
Unallocated trade payables	**4,178,704**	2,506,235
Unallocated other payables and accruals	**4,451,265**	2,522,636
Unallocated provisions	**235,151**	174,534
Unallocated other non-current liabilities	**25,073**	1,293,625
Other unallocated liabilities	**55,892**	69,166
Total liabilities per consolidated balance sheet	**24,169,187**	21,907,140

(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:

	9 months ended December 31, 2016 *US$'000*	9 months ended December 31, 2015 *US$'000*
PC and Smart Device Business Group ("PCSD")	**23,394,016**	23,457,806
Mobile Business Group ("MBG")	**5,935,656**	8,041,862
Data Center Group ("DCG")	**3,218,675**	3,568,419
Others	**907,685**	711,258
	33,456,032	35,779,345

Note: PCSD consists of core PC business as well as slate tablets, detachables, gaming and other smart devices.

(e) Other segment information

	China		AP		EMEA		AG		Total	
	2016 *US$'000*	2015 *US$'000*	**2016** *US$'000*	2015 *US$'000*	**2016** *US$'000*	2015 *US$'000*	**2016** *US$'000*	2015 *US$'000*	**2016** *US$'000*	2015 *US$'000*
For the nine months ended December 31										
Depreciation and amortization	**164,421**	133,141	**96,024**	104,742	**137,805**	154,897	**167,487**	164,613	**565,737**	557,393
Finance income	**133**	1,766	**570**	225	**146**	333	**3,271**	1,053	**4,120**	3,377
Finance costs	**2,378**	2,920	**4,831**	7,968	**3,802**	15,487	**6,055**	11,333	**17,066**	37,708
Additions to non-current assets (Note)	**95,074**	76,441	**15,672**	12,812	**12,898**	12,448	**47,663**	117,459	**171,307**	219,160

Note: Other than financial instruments and deferred income tax assets; and excluding other non-current assets.

(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$6,047million(March 31, 2016: US$6,171 million). The carrying amounts of goodwill and trademarks and trade names with indefinite useful lives are presented below:

At December 31, 2016

	China *US$ million*	**AP** *US$ million*	**EMEA** *US$ million*	**AG** *US$ million*	**Total** *US$ million*
Goodwill					
- PCSD	**1,022**	**529**	**206**	**334**	**2,091**
- MBG	**-**	**320**	**370**	**945**	**1,635**
- DCG	**462**	**155**	**88**	**350**	**1,055**
Trademarks and trade names					
- PCSD	**208**	**59**	**101**	**68**	**436**
- MBG	**-**	**90**	**104**	**266**	**460**
- DCG	**162**	**54**	**31**	**123**	**370**

At March 31, 2016

	China US$ million	AP US$ million	EMEA US$ million	AG US$ million	Total US$ million
Goodwill					
- PCSD	1,085	549	233	326	2,193
- MBG	-	314	362	926	1,602
- DCG	484	162	92	366	1,104
Trademarks and trade names					
- PCSD	211	59	103	69	442
- MBG	-	90	104	266	460
- DCG	162	54	31	123	370

The directors are of the view that there was no indication of impairment of goodwill and trademarks and trade names as at December 31, 2016 (March 31, 2016: Nil).

3 Other (loss)/ income – net

	3 months ended December 31, 2016 ***US$'000***	**9 months ended December 31, 2016** ***US$'000***	3 months ended December 31, 2015 *US$'000*	9 months ended December 31, 2015 *US$'000*
Impairment of an available-for-sale financial asset	**(1,005)**	**(1,005)**	-	-
Net gain on disposal of available-for-sale financial assets	**-**	**11,575**	-	1,653
Dividend income from available-for-sale financial assets	**-**	**46**	-	532
	(1,005)	**10,616**	-	2,185

4 Operating profit/(loss)

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

	3 months ended December 31, 2016 ***US$'000***	**9 months ended December 31, 2016** ***US$'000***	3 months ended December 31, 2015 *US$'000*	9 months ended December 31, 2015 *US$'000*
Depreciation of property, plant and equipment and amortization of prepaid lease payments	**66,870**	**206,090**	65,292	197,339
Amortization of intangible assets	**114,561**	**359,647**	118,269	360,054
Employee benefit costs, including	**843,190**	**2,685,535**	877,722	2,930,141
- long-term incentive awards	***55,026***	***135,389***	*47,248*	*109,812*
- severance and related costs	**-**	***135,977***	-	*212,475*
Rental expenses under operating leases	**34,976**	**82,113**	23,129	77,459
Inventories write off	**-**	**-**	-	173,424
Loss on impairment and disposal of assets	-	-	-	310,201
Loss/(gain) on disposal of property, plant and equipment and prepaid lease payments	**1,085**	**(334,393)**	(2,456)	(6,516)

During the nine months ended December 31, 2016, the Group announced resource actions to further enhance efficiency and competitiveness in view of industrial challenges. Severance costs of approximately US$136 million were recognized in "other operating income/(expenses) – net".

During the nine months ended December 31, 2015, the Group announced a series of restructuring actions to reduce costs and enhance operational efficiency. Exceptional charges amounting to approximately US$596 million, comprising mainly severance costs, loss on impairment and disposal of assets and provision for lease obligations, were recognized in “other operating income/(expenses) – net”.

5 Finance income and costs

(a) Finance income

	3 months ended December 31, 2016	**9 months ended December 31, 2016**	3 months ended December 31, 2015	9 months ended December 31, 2015
	US$’000	***US$’000***	*US$’000*	*US$’000*
Interest on bank deposits	**5,182**	**15,150**	7,122	23,895
Interest on money market funds	**940**	**2,575**	453	928
Others	**-**	**-**	-	10
	6,122	**17,725**	7,575	24,833

(b) Finance costs

	3 months ended December 31, 2016	**9 months ended December 31, 2016**	3 months ended December 31, 2015	9 months ended December 31, 2015
	US$’000	***US$’000***	*US$’000*	*US$’000*
Interest on bank loans and overdrafts	**9,023**	**29,285**	7,518	23,853
Interest on long term notes	**26,281**	**77,857**	27,102	74,168
Interest on promissory note	**10,109**	**30,110**	9,432	28,739
Factoring costs	**5,636**	**20,906**	14,769	39,866
Commitment fee	**235**	**283**	1,360	3,837
Interest on contingent considerations and put option liability	**1,535**	**4,833**	1,789	5,360
Others	**212**	**965**	991	2,891
	53,031	**164,239**	62,961	178,714

6 Taxation

The amount of taxation in the consolidated income statement represents:

	3 months ended December 31, 2016	**9 months ended December 31, 2016**	3 months ended December 31, 2015	9 months ended December 31, 2015
	US$’000	***US$’000***	*US$’000*	*US$’000*
Current tax				
Hong Kong profits tax	**(3,724)**	**(1,678)**	(20,603)	(8,172)
Taxation outside Hong Kong	**97,759**	**299,233**	169,332	310,174
Deferred tax	**(99,765)**	**(249,525)**	(122,629)	(451,458)
	(5,730)	**48,030**	26,100	(149,456)

Hong Kong profits tax has been provided for at the rate of 16.5% (2015/16: 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 Earnings/(loss) per share

(a) Basic

Basic earnings/(loss)per share is calculated by dividing the profit/(loss) 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, 2016	**9 months ended December 31, 2016**	3 months ended December 31, 2015	9 months ended December 31, 2015
Weighted average number of ordinary shares in issue	**11,108,654,724**	**11,108,654,724**	11,108,654,724	11,108,654,724
Adjustment for shares held by employee share trusts	**(111,820,393)**	**(84,099,213)**	(21,511,869)	(18,472,137)
Weighted average number of ordinary shares in issue for calculation of basic earnings/(loss) per share	**10,996,834,331**	**11,024,555,511**	11,087,142,855	11,090,182,587
	US$'000	***US$'000***	*US$'000*	*US$'000*
Profit/(loss) attributable to equity holders of the Company	**98,435**	**428,217**	300,393	(308,155)

(b) Diluted

Diluted earnings/(loss) 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 one category of dilutive potential ordinary shares, namely long-term incentive awards. They were dilutive for the three months ended December 31, 2015, three and nine months ended December 31, 2016 and anti-dilutive for the nine months ended December 31, 2015.

	3 months ended December 31, 2016	**9 months ended December 31, 2016**	3 months ended December 31, 2015	9 months ended December 31, 2015
Weighted average number of ordinary shares in issue for calculation of basic earnings/(loss) per share	**10,996,834,331**	**11,024,555,511**	11,087,142,855	11,090,182,587
Adjustment for long-term incentive awards	**302,221**	**14,579,653**	38,582,820	-
Weighted average number of ordinary shares in issue for calculation of diluted earnings/(loss) per share	**10,997,136,552**	**11,039,135,164**	11,125,725,675	11,090,182,587
	US$'000	***US$'000***	*US$'000*	*US$'000*
Profit/(loss) attributable to equity holders of the Company used to determine diluted earnings/(loss) per share	**98,435**	**428,217**	300,393	(308,155)

For the adjustment for dilutive potential ordinary shares of 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/(loss) attributable to equity holders of the Company used forth calculation of diluted earnings/(loss) per share.

8 Ageing analysis

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

	December 31, 2016	March 31, 2016
	US$'000	*US$'000*
0 – 30 days	**3,185,013**	3,246,600
31 – 60 days	**1,134,936**	617,199
61 – 90 days	**488,803**	240,470
Over 90 days	**384,873**	405,410
	5,193,625	4,509,679
Less: provision for impairment	**(100,855)**	(106,172)
Trade receivables – net	**5,092,770**	4,403,507

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

	December 31, 2016	March 31, 2016
	US$'000	*US$'000*
0 – 30 days	**3,419,371**	3,013,430
31 – 60 days	**1,735,984**	789,183
61 – 90 days	**764,498**	347,257
Over 90 days	**242,859**	116,817
	6,162,712	4,266,687

9 Deposits, prepayments and other receivables

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

	December 31, 2016	March 31, 2016
	US$'000	*US$'000*
Deposits	**18,028**	13,207
Other receivables	**3,541,084**	2,811,260
Prepayments	**827,162**	724,293
	4,386,274	3,548,760

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

10 Provisions, other payables and accruals

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

	December 31, 2016 *US$'000*	March 31, 2016 *US$'000*
Accruals	**1,928,818**	2,048,551
Allowance for billing adjustments (i)	**1,686,557**	1,904,076
Deferred considerations (ii)	**1,413,665**	-
Written put option liability (iii)	**223,150**	-
Other payables (iv)	**5,898,551**	4,353,217
	11,150,741	8,305,844

Notes:

(i) Allowance for billing adjustments relates primarily to allowances for future volume discounts, price protection, rebates, and customer sales returns.

(ii) Pursuant to the completion of business combinations, the Group is required to pay in cash to the then respective shareholders/sellers deferred consideration. Accordingly, current and non-current liabilities in respect of the present values of deferred considerations have been recognized. Deferred consideration is subsequently measured at amortized cost.

As at December 31, 2016, the potential undiscounted amounts of future payments in respect of the 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	US$25 million
Google Inc.	US$1,448 million

(iii) 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.

(iv) Majority of other payables are obligations to pay for finished goods that have been acquired in the ordinary course of business from subcontractors.

(v) 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, 2016				
At the beginning of the year	1,559,795	16,475	-	1,576,270
Exchange adjustment	(19,051)	382	1,501	(17,168)
Provisions made	945,709	9,104	342,103	1,296,916
Amounts utilized	(1,164,186)	(8,477)	(220,501)	(1,393,164)
Unused amounts reversed	-	(8,667)	-	(8,667)
	1,322,267	8,817	123,103	1,454,187
Long-term portion classified as non-current liabilities	(290,857)	(6,073)	-	(296,930)
At the end of the year	1,031,410	2,744	123,103	1,157,257
Period ended December 31, 2016				
At the beginning of the period	**1,322,267**	**8,817**	**123,103**	**1,454,187**
Exchange adjustment	**(25,040)**	**(434)**	**508**	**(24,966)**
Provisions made	**580,016**	**7,026**	**135,977**	**723,019**
Amounts utilized	**(741,516)**	**(7,142)**	**(135,337)**	**(883,995)**
	1,135,727	**8,267**	**124,251**	**1,268,245**
Long-term portion classified as non-current liabilities	**(293,614)**	**(5,521)**	**-**	**(299,135)**
At the end of the period	**842,113**	**2,746**	**124,251**	**969,110**

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.

11 Other non-current liabilities

Details of other non-current liabilities are as follows:

	December 31,2016 *US$'000*	March 31, 2016 *US$'000*
Deferred considerations (Note 10(a)(ii))	**25,072**	1,383,555
Guaranteed dividend to non-controlling shareholders of a subsidiary (a)	**-**	8,195
Environmental restoration (Note 10(b))	**5,521**	6,073
Written put option liability (Note 10(a)(iii))	**-**	221,499
Government incentives and grants received in advance (b)	**92,393**	144,919
Deferred rent liabilities	**105,965**	112,934
Others	**157,012**	275,403
	385,963	2,152,578

(a) Following the acquisition of Medion AG ("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.

(b) 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 consolidated income statement upon fulfillment of those conditions.

12 Borrowings

	December 31, 2016 *US$'000*	March 31, 2016 *US$'000*
Current liabilities		
Short-term loans (i)	**64,451**	745,815
Non-current liabilities		
Term loan (ii)	**397,356**	396,365
Long term notes (iii)	**2,067,855**	2,108,747
	2,465,211	2,505,112
	2,529,662	3,250,927

(i) The majority of the short-term bank loans are denominated in United States dollar. As at December 31, 2016, the Group has total revolving and short-term loan facilities of US$1,466 million (March 31, 2016: US$1,466 million) which has been utilized to the extent of US$70 million (March 31, 2016: US$752 million).

(ii) Term loan 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 December 31, 2016, (March 31, 2016: 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 have been used for general corporate purposes including working capital, and acquisition activities.

The exposure of all the borrowings of the Group to interest rate changes and the contractual repricing dates as at December 31, 2016 and March 31, 2016 are as follows:

	December 31, 2016	March 31, 2016
	US$'000	*US$'000*
Within 1 year	**64,451**	745,815
Over 1 to 3 years	**1,891,881**	396,365
Over 3 to 5 years	**573,330**	2,108,747
	2,529,662	3,250,927

13 Share capital

	December 31, 2016		March 31, 2016	
	Number of shares	***US$'000***	*Number of shares*	*US$'000*
Issued and fully paid:				
Voting ordinary shares:				
At the beginning and end of the period/year	**11,108,654,724**	**2,689,882**	11,108,654,724	2,689,882

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

	9 months ended December 31, 2016 *US$'000*	9 months ended December 31, 2015 *US$'000*
Profit/(loss) before taxation	**474,750**	(470,074)
Share of (profits)/losses of associates and joint ventures	**(22,766)**	6,442
Finance income	**(17,725)**	(24,833)
Finance costs	**164,239**	178,714
Depreciation of property, plant and equipment and amortization of prepaid lease payments	**206,090**	197,339
Amortization of intangible assets	**359,647**	360,054
Share-based compensation	**135,389**	109,812
Impairment of an available-for-sale financial asset	**1,005**	-
Impairment of property, plant and equipment	**-**	134,454
Gain on disposal of property, plant and equipment and prepaid lease payments	**(334,393)**	(6,516)
Net gain on disposal of available-for-sale financial assets	**(11,575)**	(1,653)
Loss on disposal of construction-in-progress	**-**	157
Loss on disposal of intangible assets	**417**	441
Dividend income	**(46)**	(532)
Fair value change on financial instruments	**(60,409)**	(19,751)
(Increase)/decrease in inventories	**(196,296)**	259,698
Increase in trade receivables, notes receivable, deposits, prepayments and other receivables	**(1,495,170)**	(464,285)
Increase in trade payables, notes payable, provisions, other payables and accruals	**2,943,865**	929,907
Effect of foreign exchange rate changes	**116,028**	184,467
Net cash generated from operations	**2,263,050**	1,373,841

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

During the nine months ended December 31, 2016, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities, except that the respective trustee of the long-term incentive program and the employee share purchase plan of the Company purchased a total of 143,598,782 shares from the market for award to employees upon vesting. Details of these program and plan are set out in the 2016/17 interim 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 four members including Mr. Allen and other three independent non-executive directors, Ms. Ma Xuezheng, Mr. William Tudor Brown and Mr. Gordon Robert Halyburton Orr.

The Audit Committee of the Company has reviewed the unaudited financial results of the Group for the nine months ended December 31, 2016. 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, 2016, in compliance with the code provisions of the Corporate Governance Code and Corporate Governance Report (the "CG Code") 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 (the "Lead Independent Director") with broad authority and responsibility. Among other responsibilities, the Lead Independent Director will chair the Nomination and Governance Committee meeting and/or the Board meeting when considering (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 16, 2017

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 Dr. Tian Suning, Mr. Nicholas C. Allen, Mr. Nobuyuki Idei, Mr. William O. Grabe, Mr. William Tudor Brown, Ms. Ma Xuezheng, Mr. Yang Chih-Yuan Jerry and Mr. Gordon Robert Halyburton Orr.