

Lenovo Group Limited 2014/15 Interim Report

Stock Code 992

lenovo FOR
THOSE
WHO DO.

THE LENOVO EXPERIENCE

BUILDING A
BETTER WAY





Lenovo builds the world's leading technology into all our products to give you the tools you need to innovate, connect, work, play, and DO.



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A NEW WAY TO DO

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Lenovo is the world's leading PC company, but we're much more than that. Our portfolio starts with the legendary Think and multimode YOGA brands, but we're also a leader in workstations, servers, storages, smart TVs, and in mobile products, including smartphones, tablets and apps.

LEADING THROUGH INNOVATION

CONSOLIDATED INCOME STATEMENT

	Note	3 months ended September 30, 2014 (unaudited) US\$'000	6 months ended September 30, 2014 (unaudited) US\$'000	3 months ended September 30, 2013 (unaudited) US\$'000	6 months ended September 30, 2013 (unaudited) US\$'000
Revenue	2	10,475,662	20,870,298	9,773,733	18,560,831
Cost of sales		(9,018,480)	(18,064,407)	(8,509,109)	(16,104,816)
Gross profit		1,457,182	2,805,891	1,264,624	2,456,015
Other income – net	3	1,185	1,490	547	653
Selling and distribution expenses		(490,946)	(957,616)	(475,509)	(913,812)
Administrative expenses		(391,083)	(760,367)	(316,952)	(663,427)
Research and development expenses		(202,786)	(382,957)	(189,445)	(359,764)
Other operating (expenses)/income – net		(7,955)	(50,015)	683	(33,844)
Operating profit	4	365,597	656,426	283,948	485,821
Finance income	5(a)	7,869	18,313	6,700	19,195
Finance costs	5(b)	(43,315)	(78,650)	(20,130)	(34,877)
Share of (loss)/profit of associates and joint ventures		(1,041)	(3,148)	(5,286)	10,522
Profit before taxation		329,110	592,941	265,232	480,661
Taxation	6	(57,024)	(110,296)	(51,188)	(96,724)
Profit for the period		272,086	482,645	214,044	383,937
Profit/(loss) attributable to:					
Equity holders of the Company		262,088	475,591	219,682	393,614
Non-controlling interests		9,998	7,054	(5,638)	(9,677)
		272,086	482,645	214,044	383,937
Earnings per share attributable to equity holders of the Company					
Basic	7(a)	US 2.52 cents	US 4.58 cents	US 2.12 cents	US 3.79 cents
Diluted	7(b)	US 2.49 cents	US 4.52 cents	US 2.10 cents	US 3.75 cents
Dividend	8		85,978		80,426

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	3 months ended September 30, 2014 (unaudited) US\$'000	6 months ended September 30, 2014 (unaudited) US\$'000	3 months ended September 30, 2013 (unaudited) US\$'000	6 months ended September 30, 2013 (unaudited) US\$'000
Profit for the period	272,086	482,645	214,044	383,937
Other comprehensive income/(loss):				
<u>Item that will not be reclassified to profit or loss</u>				
Remeasurements of defined benefit obligations, net of taxes	–	–	–	355
<u>Items that have been reclassified or may be subsequently reclassified to profit or loss</u>				
Fair value change on available-for-sale financial assets, net of taxes	9,075	9,466	(2,181)	(3,559)
Fair value change on cash flow hedges				
– Forward foreign exchange contracts				
Fair value gain/(loss), net of taxes	136,061	124,272	(53,610)	(31,644)
Reclassified to consolidated income statement	(49,836)	(34,767)	(4,748)	(31,430)
Exchange reserve reclassified to consolidated income statement on disposal of a subsidiary	–	–	1,250	1,250
Currency translation differences	(247,926)	(237,230)	(995)	(12,716)
Total items that have been reclassified or may be subsequently reclassified to profit or loss	(152,626)	(138,259)	(60,284)	(78,099)
Other comprehensive loss for the period	(152,626)	(138,259)	(60,284)	(77,744)
Total comprehensive income for the period	119,460	344,386	153,760	306,193
Total comprehensive income/(loss) attributable to:				
Equity holders of the Company	109,462	337,332	159,398	315,870
Non-controlling interests	9,998	7,054	(5,638)	(9,677)
	119,460	344,386	153,760	306,193

CONSOLIDATED BALANCE SHEET

	Note	September 30, 2014 (unaudited) US\$'000	March 31, 2014 (audited) US\$'000
Non-current assets			
Property, plant and equipment	9	723,507	667,413
Prepaid lease payments		49,155	40,884
Construction-in-progress		455,519	351,934
Intangible assets	9	3,434,213	3,339,516
Interests in associates and joint ventures		23,227	20,753
Deferred income tax assets	9	357,694	389,330
Available-for-sale financial assets		70,624	35,157
Other non-current assets		129,359	111,558
		5,243,298	4,956,545
Current assets			
Inventories		2,963,701	2,701,015
Trade receivables	10(a)	3,638,698	3,171,354
Notes receivable		634,212	447,325
Derivative financial assets		148,626	61,184
Deposits, prepayments and other receivables	11	3,581,441	3,000,826
Income tax recoverable		70,645	65,715
Bank deposits		93,403	94,985
Cash and cash equivalents		5,229,114	3,858,144
		16,359,840	13,400,548
Total assets		21,603,138	18,357,093

CONSOLIDATED BALANCE SHEET (continued)

	Note	September 30, 2014 (unaudited) US\$'000	March 31, 2014 (audited) US\$'000
Share capital	15	1,650,486	1,650,101
Reserves		1,414,303	1,360,029
Equity attributable to owners of the Company		3,064,789	3,010,130
Non-controlling interests		234,544	227,490
Put option written on non-controlling interest	13(c)	(212,900)	(212,900)
Total equity		3,086,433	3,024,720
Non-current liabilities			
Borrowings	14	1,894,057	10,125
Warranty provision	12(b)	274,236	277,231
Deferred revenue		459,215	438,385
Retirement benefit obligations		152,850	156,515
Deferred income tax liabilities		137,388	142,881
Other non-current liabilities	13	834,627	844,914
		3,752,373	1,870,051
Current liabilities			
Trade payables	10(b)	5,510,086	4,751,345
Notes payable		151,955	108,559
Derivative financial liabilities		63,853	58,462
Other payables and accruals	12(a)	7,415,036	6,658,254
Provisions	12(b)	893,406	852,154
Deferred revenue		404,322	410,330
Income tax payable		130,282	177,741
Borrowings	14	195,392	445,477
		14,764,332	13,462,322
Total liabilities		18,516,705	15,332,373
Total equity and liabilities		21,603,138	18,357,093
Net current assets/(liabilities)		1,595,508	(61,774)
Total assets less current liabilities		6,838,806	4,894,771

CONSOLIDATED CASH FLOW STATEMENT

	Note	6 months ended September 30, 2014 (unaudited) US\$'000	6 months ended September 30, 2013 (audited) US\$'000
Cash flows from operating activities			
Net cash generated from operations	18	795,671	56,130
Interest paid		(44,711)	(30,046)
Tax paid		(146,999)	(73,725)
Net cash generated from/(used in) operating activities		603,961	(47,641)
Cash flows from investing activities			
Purchase of property, plant and equipment		(98,563)	(95,898)
Sale of property, plant and equipment		8,484	3,270
Interests acquired in associates		(5,621)	–
Payment for construction-in-progress		(176,963)	(105,445)
Payment for intangible assets		(234,140)	(37,268)
Purchase of available-for-sale financial assets		(26,657)	(50)
Decrease/(increase) in bank deposits		1,582	(25,536)
Dividend received		305	547
Interest received		18,313	19,195
Net cash used in investing activities		(513,260)	(241,185)
Cash flows from financing activities			
Exercise of share options		385	1,880
Repurchase of shares		–	(45,304)
Contributions to employee share trusts		(54,512)	(50,357)
Dividends paid		(242,328)	(186,538)
Proceeds from bank borrowings		552,694	73,628
Repayment of bank borrowings		(408,269)	(100,636)
Issuance of long term notes		1,489,422	–
Net cash generated from/(used in) financing activities		1,337,392	(307,327)
Increase/(decrease) in cash and cash equivalents		1,428,093	(596,153)
Effect of foreign exchange rate changes		(57,123)	12,531
Cash and cash equivalents at the beginning of the period		3,858,144	3,454,082
Cash and cash equivalents at the end of the period		5,229,114	2,870,460

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Attributable to equity holders of the Company													
	Share capital	Share premium	Investment revaluation reserve	Share redemption reserve	Employee share trusts	Share-based compensation reserve	Hedging reserve	Exchange reserve	Other reserve	Retained earnings	Non-controlling interests	Put option written on non-controlling interest	Total
	(unaudited) US\$'000	(unaudited) US\$'000	(unaudited) US\$'000	(unaudited) US\$'000	(unaudited) US\$'000	(unaudited) US\$'000	(unaudited) US\$'000	(unaudited) US\$'000	(unaudited) US\$'000	(unaudited) US\$'000	(unaudited) US\$'000	(unaudited) US\$'000	(unaudited) US\$'000
At April 1, 2014	1,650,101	-	(6,734)	-	(49,003)	(23,622)	(3,209)	(235,381)	71,880	1,606,098	227,490	(212,900)	3,024,720
Profit for the period	-	-	-	-	-	-	-	-	-	475,591	7,054	-	482,645
Other comprehensive income	-	-	9,466	-	-	-	89,505	(237,230)	-	-	-	-	(138,259)
Total comprehensive (loss)/income 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)
Dividend paid	-	-	-	-	-	-	-	-	-	(242,328)	-	-	(242,328)
At September 30, 2014	1,650,486	-	2,732	-	(43,373)	(69,982)	86,296	(472,611)	75,712	1,635,529	234,544	(212,900)	3,086,433
At April 1, 2013	33,465	1,654,806	16,080	1,188	(22,197)	(3,149)	35,079	(166,850)	64,457	1,053,764	226,438	(212,900)	2,680,181
Profit for the period	-	-	-	-	-	-	-	-	-	393,614	(9,677)	-	383,937
Other comprehensive (loss)/income	-	-	(3,559)	-	-	-	(63,074)	(11,466)	-	355	-	-	(77,744)
Total comprehensive (loss)/income for the period	-	-	(3,559)	-	-	-	(63,074)	(11,466)	-	393,969	(9,677)	-	306,193
Transfer to statutory reserve	-	-	-	-	-	-	-	-	2,379	(2,379)	-	-	-
Exercise of share options	18	1,862	-	-	-	-	-	-	-	-	-	-	1,880
Repurchase of shares	(164)	(45,304)	-	164	-	-	-	-	-	-	-	-	(45,304)
Vesting of shares under long-term incentive program	-	-	-	-	29,317	(39,524)	-	-	-	-	-	-	(10,207)
Share-based compensation	-	-	-	-	-	42,911	-	-	-	-	-	-	42,911
Contribution to employee share trusts	-	-	-	-	(50,357)	-	-	-	-	-	-	-	(50,357)
Dividend paid	-	-	-	-	-	-	-	-	-	(186,538)	-	-	(186,538)
At September 30, 2013	33,319	1,611,364	12,521	1,352	(43,237)	238	(27,995)	(178,316)	66,836	1,258,816	216,761	(212,900)	2,738,759

NOTES

1 Basis of preparation

The financial information presented above and notes thereto are extracted from the Group's consolidated financial statements and presented in accordance with Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong S.A.R. of China 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 S.A.R. of China Financial Reporting Standards. The financial statements have been prepared under the historical cost convention except that certain financial assets and financial liabilities are stated at fair values.

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

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

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

The following new standards and amendments to existing standards, which are considered appropriate and relevant to the Group's operations, have been issued but are not effective for the year ending March 31, 2015 and have not been early adopted:

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

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

2 Segment information

Management has determined the operating segments based on the reports reviewed by the Lenovo Executive Committee (the "LEC"), the chief operating decision-maker, that are used to make strategic decisions.

The LEC considers business from a geographical perspective. The Group has four geographical segments, China, AP, EMEA and AG, which are also the Group's reportable operating segments.

The LEC assesses the performance of the operating segments based on a measure of adjusted pre-tax income/(loss). This measurement basis excludes the effects of non-recurring expenditure such as restructuring costs from the operating segments. The measurement basis also excludes the effects of unrealized gains/(losses) on financial instruments. Certain interest income and expenditure are not allocated to segments, as this type of activity is driven by the central treasury function, which manages the cash position of the Group.

Supplementary information on segment assets and liabilities presented below is primarily based on the geographical location of the entities or operations which carry the assets and liabilities, except for entities performing centralized functions for the Group the assets and liabilities of which are not allocated to any segment.

(a) Segment revenue and adjusted pre-tax income for reportable segments

	6 months ended September 30, 2014		6 months ended September 30, 2013	
	Revenue from external customers US\$'000	Adjusted pre-tax income US\$'000	Revenue from external customers US\$'000	Adjusted pre-tax income US\$'000
China	7,546,315	427,634	7,578,684	400,328
AP	3,138,492	132,473	2,818,795	36,927
EMEA	5,799,286	209,550	4,125,955	61,061
AG	4,386,205	38,784	4,037,397	55,483
Segment total	20,870,298	808,441	18,560,831	553,799
Unallocated:				
Headquarters and corporate expenses		(173,942)		(80,920)
Finance income		10,966		10,557
Finance costs		(50,866)		(13,950)
Net gain on disposal of available-for-sale financial assets		1,185		106
Dividend income from an available-for-sale financial asset		305		547
Share of (loss)/profit of associates and joint ventures		(3,148)		10,522
Consolidated profit before taxation		592,941		480,661

2 Segment information *(continued)*

(b) Segment assets for reportable segments

	September 30, 2014 US\$'000	March 31, 2014 US\$'000
China	6,367,164	5,157,241
AP	1,952,377	1,993,624
EMEA	2,603,504	2,341,114
AG	2,694,893	2,559,869
Segment assets for reportable segments	13,617,938	12,051,848
Unallocated:		
Deferred income tax assets	357,694	389,330
Derivative financial assets	148,626	61,184
Available-for-sale financial assets	70,624	35,157
Interests in associates and joint ventures	23,227	20,753
Unallocated bank deposits and cash and cash equivalents	4,143,572	2,521,366
Unallocated inventories	928,187	757,648
Unallocated deposits, prepayments and other receivables	1,969,587	2,214,124
Income tax recoverable	70,645	65,715
Other unallocated assets	273,038	239,968
Total assets per consolidated balance sheet	21,603,138	18,357,093

(c) Segment liabilities for reportable segments

	September 30, 2014 US\$'000	March 31, 2014 US\$'000
China	4,676,515	3,965,295
AP	1,602,267	1,671,669
EMEA	1,458,097	1,407,530
AG	1,572,506	1,636,349
Segment liabilities for reportable segments	9,309,385	8,680,843
Unallocated:		
Income tax payable	130,282	177,741
Deferred income tax liabilities	137,388	142,881
Derivative financial liabilities	63,853	58,462
Unallocated bank borrowings	400,000	300,000
Unallocated trade payables	3,543,118	2,862,851
Unallocated other payables and accruals	3,039,159	2,687,703
Unallocated provisions	9,004	16,522
Unallocated other non-current liabilities	1,802,630	308,889
Other unallocated liabilities	81,886	96,481
Total liabilities per consolidated balance sheet	18,516,705	15,332,373

2 Segment information *(continued)*

(d) Analysis of revenue by significant category

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

	6 months ended September 30, 2014 US\$'000	6 months ended September 30, 2013 US\$'000
Sale of personal technology products and services		
– desktop computer	6,043,621	5,176,683
– notebook computer	10,551,794	9,529,231
– mobile devices	2,979,587	2,679,208
– others	708,768	575,875
Sale of other goods and services	586,528	599,834
	20,870,298	18,560,831

(e) Other segment information

	China		AP		EMEA		AG		Total	
	2014 US\$'000	2013 US\$'000								
For the six months ended September 30										
Depreciation and amortization	50,439	47,220	29,682	20,094	31,560	22,190	39,470	27,787	151,151	117,291
Finance income	2,543	1,639	2,196	506	299	461	2,309	6,032	7,347	8,638
Finance costs	66	4	4,412	2,157	10,906	2,981	12,400	15,785	27,784	20,927
Additions to non-current assets (Note)	49,627	29,676	3,477	5,520	1,915	3,209	11,708	31,731	66,727	70,136

Note: Other than financial instruments and deferred income tax assets; and excluding construction-in-progress pending allocation to segments

2 Segment information *(continued)*

- (f) Included in segment assets for reportable segments are goodwill and trademarks and trade names with indefinite useful lives with an aggregate amount of US\$2,778 million (March 31, 2014: US\$2,843 million). The carrying amounts of goodwill and trademarks and trade names with indefinite useful lives are presented below:

At September 30, 2014

	China US\$ million	AP US\$ million	EMEA US\$ million	AG US\$ million	Total US\$ million
Goodwill	1,135	566	259	372	2,332
Trademarks and trade names	209	59	111	67	446

At March 31, 2014

	China US\$ million	AP US\$ million	EMEA US\$ million	AG US\$ million	Total US\$ million
Goodwill	1,123	597	287	383	2,390
Trademarks and trade names	209	59	118	67	453

The directors are of the view that there was no indication of impairment of goodwill and trademarks and trade names as at September 30, 2014 (March 31, 2014: Nil).

3 Other income – net

	3 months ended September 30, 2014 US\$'000	6 months ended September 30, 2014 US\$'000	3 months ended September 30, 2013 US\$'000	6 months ended September 30, 2013 US\$'000
Net gain on disposal of available-for-sale financial assets	1,185	1,185	–	106
Dividend income from an available-for-sale financial asset	–	305	547	547
	1,185	1,490	547	653

4 Operating profit

Operating profit is stated after charging the following:

	3 months ended September 30, 2014 US\$'000	6 months ended September 30, 2014 US\$'000	3 months ended September 30, 2013 US\$'000	6 months ended September 30, 2013 US\$'000
Depreciation of property, plant and equipment and amortization of prepaid lease payments	34,940	70,236	26,068	51,704
Amortization of intangible assets	40,196	80,915	33,205	65,587
Employee benefit costs, including	767,893	1,471,475	672,777	1,323,334
– long-term incentive awards	27,645	47,363	21,682	42,911
Rental expenses under operating leases	27,032	50,905	26,065	49,277

5 Finance income and costs

(a) Finance income

	3 months ended September 30, 2014 US\$'000	6 months ended September 30, 2014 US\$'000	3 months ended September 30, 2013 US\$'000	6 months ended September 30, 2013 US\$'000
Interest on bank deposits	6,541	16,600	5,982	13,363
Interest on money market funds	1,323	1,701	629	1,357
Others	5	12	89	4,475
	7,869	18,313	6,700	19,195

(b) Finance costs

	3 months ended September 30, 2014 US\$'000	6 months ended September 30, 2014 US\$'000	3 months ended September 30, 2013 US\$'000	6 months ended September 30, 2013 US\$'000
Interest on bank loans and overdrafts	5,378	14,414	9,875	17,738
Interest on long term notes	18,119	28,599	–	–
Factoring costs	13,830	23,457	4,611	8,220
Commitment fee	3,382	6,667	832	1,641
Interest on contingent considerations and put option liability	1,811	3,623	2,368	4,702
Others	795	1,890	2,444	2,576
	43,315	78,650	20,130	34,877

6 Taxation

The amount of taxation in the consolidated income statement represents:

	3 months ended September 30, 2014 US\$'000	6 months ended September 30, 2014 US\$'000	3 months ended September 30, 2013 US\$'000	6 months ended September 30, 2013 US\$'000
Current taxation				
Hong Kong S.A.R. of China profits tax	10,022	17,955	3,245	4,221
Taxation outside Hong Kong S.A.R. of China	37,046	71,453	8,502	112,534
Deferred taxation	9,956	20,888	39,441	(20,031)
	57,024	110,296	51,188	96,724

Hong Kong S.A.R. of China profits tax has been provided for at the rate of 16.5% (2013/14: 16.5%) on the estimated assessable profits for the period. Taxation outside Hong Kong S.A.R. of China has been provided for at the applicable rates on the estimated assessable profits less estimated available tax losses.

7 Earnings per share

(a) Basic

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

	3 months ended September 30, 2014	6 months ended September 30, 2014	3 months ended September 30, 2013	6 months ended September 30, 2013
Weighted average number of ordinary shares in issue	10,407,547,509	10,407,438,487	10,393,113,342	10,416,153,326
Adjustment for shares held by employee share trusts	(23,736,839)	(34,666,011)	(51,079,568)	(36,448,654)
Weighted average number of ordinary shares in issue for calculation of basic earnings per share	10,383,810,670	10,372,772,476	10,342,033,774	10,379,704,672
	US\$'000	US\$'000	US\$'000	US\$'000
Profit attributable to equity holders of the Company	262,088	475,591	219,682	393,614

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding due to the effect of all dilutive potential ordinary shares. The Company has two categories of dilutive potential ordinary shares, namely share options and long-term incentive awards.

	3 months ended September 30, 2014	6 months ended September 30, 2014	3 months ended September 30, 2013	6 months ended September 30, 2013
Weighted average number of ordinary shares in issue for calculation of basic earnings per share	10,383,810,670	10,372,772,476	10,342,033,774	10,379,704,672
Adjustments for share options and long-term incentive awards	155,707,225	123,764,920	126,062,906	123,489,497
Weighted average number of ordinary shares in issue for calculation of diluted earnings per share	10,539,517,895	10,496,537,396	10,468,096,680	10,503,194,169
	US\$'000	US\$'000	US\$'000	US\$'000
Profit attributable to equity holders of the Company used to determine diluted earnings per share	262,088	475,591	219,682	393,614

7 Earnings per share *(continued)*

(b) Diluted *(continued)*

Adjustments for the dilutive potential ordinary shares are as follows:

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

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

8 Dividend

	6 months ended September 30, 2014 US\$'000	6 months ended September 30, 2013 US\$'000
Interim dividend, declared after period end – HK6.0 cents (2013/14: HK6.0 cents) per ordinary share	85,978	80,426

9 Non-current assets

Analysis of the movements in major non-current assets is as follows:

	Property, plant and equipment US\$'000	Intangible assets US\$'000	Deferred income tax assets US\$'000
Year ended March 31, 2014			
At the beginning of the year	479,777	3,326,418	353,826
Exchange adjustment and reclassification	(14,273)	(43,964)	(7,200)
Additions	177,562	109,544	–
Transfer from construction-in-progress	140,402	71,470	–
Disposals	(8,750)	(12,673)	–
Depreciation/amortization	(108,870)	(145,444)	–
Credited to consolidated income statement	–	–	45,661
Credited to other comprehensive income	–	–	291
Acquisition of subsidiaries	1,565	34,165	–
At the end of the year	667,413	3,339,516	392,578
Six months ended September 30, 2014			
At the beginning of the period	667,413	3,339,516	392,578
Exchange adjustment	(19,795)	(70,475)	(8,732)
Additions	98,563	234,140	–
Transfer from construction-in-progress	53,883	12,312	–
Disposals	(6,803)	(365)	–
Depreciation/amortization	(69,754)	(80,915)	–
Charged to consolidated income statement	–	–	(10,452)
Charged to other comprehensive income	–	–	(102)
At the end of the period	723,507	3,434,213	373,292

The movements in deferred income tax assets presented above are prior to offsetting of balances within the same jurisdiction. Deferred income tax assets and liabilities are netted off when the taxes relate to the same tax authority and where offsetting is legally enforceable. The amounts shown in the consolidated balance sheet are determined after appropriate offset.

10 Ageing analysis

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

	September 30, 2014 US\$'000	March 31, 2014 US\$'000
0 – 30 days	2,505,530	2,206,799
31 – 60 days	745,581	601,499
61 – 90 days	233,391	181,916
Over 90 days	194,174	220,754
	3,678,676	3,210,968
Less: provision for impairment	(39,978)	(39,614)
Trade receivables – net	3,638,698	3,171,354

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

	September 30, 2014 US\$'000	March 31, 2014 US\$'000
0 – 30 days	4,493,984	2,761,170
31 – 60 days	877,840	1,217,547
61 – 90 days	99,093	586,145
Over 90 days	39,169	186,483
	5,510,086	4,751,345

11 Deposits, prepayments and other receivables

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

	September 30, 2014 US\$'000	March 31, 2014 US\$'000
Deposits	1,522	1,635
Other receivables (a)	2,422,698	1,937,679
Prepayments (b)	1,157,221	1,061,512
	3,581,441	3,000,826

- (a) Majority of other receivables are amounts due from subcontractors for part components sold in the ordinary course of business.
- (b) The Group defers the cost of shipped products awaiting revenue recognition until the goods are delivered and revenue is recognized. In-transit product shipments to customers of US\$581 million as at September 30, 2014 (March 31, 2014: US\$413 million) are included in prepayments.

12 Provisions, other payables and accruals

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

	September 30, 2014 US\$'000	March 31, 2014 US\$'000
Accruals	1,419,177	1,359,002
Allowance for billing adjustments (i)	1,794,792	1,785,022
Other payables (ii)	4,201,067	3,514,230
	7,415,036	6,658,254

Notes:

- (i) Allowance for billing adjustments relates primarily to allowances for future volume discounts, price protection, rebates, and customer sales returns.
- (ii) Majority of other payables are obligations to pay for finished goods that have been acquired in the ordinary course of business from subcontractors.
- (iii) The carrying amounts of other payables and accruals approximate their fair value.

(b) The components of provisions are as follows:

	Warranty US\$'000	Environmental restoration US\$'000	Total US\$'000
Year ended March 31, 2014			
At the beginning of the year	1,054,181	56,042	1,110,223
Exchange adjustment	3,997	(2,837)	1,160
Provisions made	898,264	8,610	906,874
Amounts utilized	(812,936)	(5,179)	(818,115)
Unused amounts reversed	(16,246)	(36,952)	(53,198)
	1,127,260	19,684	1,146,944
Long-term portion classified as non-current liabilities	(277,231)	(17,559)	(294,790)
At the end of the year	850,029	2,125	852,154
Six months ended September 30, 2014			
At the beginning of the period	1,127,260	19,684	1,146,944
Exchange adjustment	(19,272)	(792)	(20,064)
Provisions made	513,578	4,009	517,587
Amounts utilized	(448,573)	(3,028)	(451,601)
Unused amounts reversed	(8,243)	(16)	(8,259)
	1,164,750	19,857	1,184,607
Long-term portion classified as non-current liabilities	(274,236)	(16,965)	(291,201)
At the end of the period	890,514	2,892	893,406

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.

13 Other non-current liabilities

Details of other non-current liabilities are as follows:

	September 30, 2014 US\$'000	March 31, 2014 US\$'000
Contingent considerations (a)	309,622	307,183
Deferred consideration (a)	2,151	2,151
Guaranteed dividend to non-controlling shareholders of a subsidiary (b)	11,294	18,922
Environmental restoration (Note 12 (b))	16,965	17,559
Written put option liability (c)	218,234	217,157
Government incentives and grants received in advance (d)	132,113	143,778
Others	144,248	138,164
	834,627	844,914

- (a) Pursuant to the completion of business combinations, the Group is required to pay in cash to the then respective shareholders/sellers contingent considerations with reference to certain performance indicators as written in the respective agreements with those then shareholders/sellers; and deferred consideration. Accordingly, non-current liabilities in respect of the present values of contingent and deferred considerations have been recognized. The contingent considerations are subsequently re-measured at their fair values as a result of change in the expected performance at each balance sheet date, with any resulting gain or loss recognized in the consolidated income statement. Deferred consideration is subsequently measured at amortized cost.

As at September 30, 2014, the potential undiscounted amounts of future payments in respect of the contingent and deferred considerations that the Group could be required to make to the respective shareholders under the arrangements are as follows:

Joint venture with NEC Corporation	Nil – US\$325 million
Joint venture with EMC Corporation (“EMC JV”)	US\$39 – US\$59 million
Stoneware	Nil – US\$48 million
CCE	Nil – BRL400 million

- (b) Following the acquisition of Medion on July 29, 2011, Lenovo Germany Holding GmbH (“Lenovo Germany”), an indirect wholly-owned subsidiary of the Company and the immediate holding company of Medion entered into a domination and profit and loss transfer agreement (the “Domination Agreement”) with Medion on October 25, 2011. Pursuant to the Domination Agreement, Lenovo Germany has guaranteed to the non-controlling shareholders of Medion an annual guaranteed pre-tax dividend of EUR0.82 per share for each fiscal year. The Domination Agreement became effective on January 3, 2012 and is terminable by either Lenovo Germany or Medion after March 31, 2017. Accordingly, a non-current liability in respect of future guaranteed dividend has been recognized. The corresponding amount stated at its discounted value on the date of acquisition of Medion was charged to retained earnings in equity.
- (c) Pursuant to the joint venture agreement entered into between the Company and Compal Electronics, Inc. (“Compal”) to establish a joint venture company (“JV Co”) to manufacture notebook computer products and related parts, the Company and Compal are respectively granted call and put options which entitle the Company to purchase from Compal and Compal to sell to the Company the 49% Compal’s interests in the JV Co. The call and put options will be exercisable at any time after October 1, 2019 and October 1, 2017 respectively. The exercise price for the call and put options will be determined in accordance with the joint venture agreement, and up to a maximum of US\$750 million.

The financial liability that may become payable under the put option is initially recognized at fair value within other non-current liabilities with a corresponding charge directly to equity, as a put option written on non-controlling interest.

The put option liability shall be re-measured at its fair value resulting from the change in the expected performance of the JV Co at each balance sheet date, with any resulting gain or loss recognized in the consolidated income statement. In the event that the put option lapses unexercised, the liability will be derecognized with a corresponding adjustment to equity.

13 Other non-current liabilities *(continued)*

- (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.

14 Borrowings

	September 30, 2014 US\$'000	March 31, 2014 US\$'000
Term bank loans (i)	404,257	310,125
Short-term bank loans (ii)	195,392	145,477
Long term notes (iii)	1,489,800	–
	2,089,449	455,602

- (i) Term bank loans comprised a US\$1,200 million 5-year term loan facility entered into in December 2013. It has been withdrawn to the extent of US\$400 million in September 2014 (March 2014: Nil).
- (ii) The majority of the short-term bank loans are denominated in USD.
- (iii) On May 8, 2014, the Group completed the issuance of 5-Year US\$1.5 billion notes bearing annual interest at 4.7% due in May 2019. The proceeds would be used for general corporate purposes including working capital, and to fund any acquisition activities.

The exposure of all the borrowings of the Group to interest rate changes and the contractual repricing dates as at September 30, 2014 and March 31, 2014 are as follows:

	September 30, 2014 US\$'000	March 31, 2014 US\$'000
Within 1 year	195,392	445,477
Over 1 to 3 years	4,257	10,125
Over 3 to 5 years	1,889,800	–
	2,089,449	455,602

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

15 Share capital

	September 30, 2014		March 31, 2014	
	Number of shares	US\$'000	Number of shares	US\$'000
<i>Issued and fully paid:</i>				
Voting ordinary shares:				
At the beginning of the period/year	10,406,375,509	1,650,101	10,439,152,059	33,465
Exercise of share options	1,172,000	385	18,277,450	816
Repurchase of shares	–	–	(51,054,000)	(164)
Transfer from share premium and share redemption reserve	–	–	–	1,615,984
At the end of the period/year	10,407,547,509	1,650,486	10,406,375,509	1,650,101

16 Commitments

At September 30, 2014, the Group had the following capital commitments:

	September 30, 2014 US\$'000	March 31, 2014 US\$'000
Contracted but not provided for:		
– Property, plant and equipment	175,132	153,621
– Patent and technology	–	122,500
– Prepaid lease payments	102	–
– Internal use software	7,830	830
	183,064	276,951
Authorized but not contracted for:		
– Property, plant and equipment	837,127	890,701
– Prepaid lease payments	66,242	65,692
	903,369	956,393

17 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.

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

	6 months ended September 30, 2014 US\$'000	6 months ended September 30, 2013 US\$'000
Profit before taxation	592,941	480,661
Share of loss/(profit) of associates and joint ventures	3,148	(10,522)
Finance income	(18,313)	(19,195)
Finance costs	78,650	34,877
Depreciation of property, plant and equipment and amortization of prepaid lease payments	70,236	51,704
Amortization of intangible assets and share-based compensation	128,278	108,498
(Gain)/loss on disposal of property, plant and equipment	(1,681)	312
Gain on disposal of available-for-sale assets	(1,185)	(106)
Loss on disposal of construction-in-progress	942	–
Loss on disposal of intangible assets	365	1,275
Dividend income	(305)	(547)
Fair value change on financial instruments	7,454	19,853
Increase in inventories	(262,686)	(634,431)
Increase in trade receivables, notes receivable, deposits, prepayments and other receivables	(1,251,224)	(936,336)
Increase in trade payables, notes payable, provisions, accruals and other payables	1,532,398	988,368
Effect of foreign exchange rate changes	(83,347)	(28,281)
Net cash generated from operations	795,671	56,130

19 Events after balance sheet date

Acquisition of IBM X86 server business

Pursuant to the acquisition agreement dated January 23, 2014 entered into between the Company and International Business Machines Corporation (“IBM”), on October 1, 2014, the Company completed the acquisition of X86 server hardware and related maintenance services business of IBM with a total consideration of approximately US\$2,118,000,000 consisting of:

- (i) the cash consideration of approximately US\$1,847,000,000, subject to adjustments; and
- (ii) the share consideration of 182,000,000 ordinary shares of the Company, equivalent to a value of approximately US\$271,000,000, issued to IBM on October 1, 2014.

Acquisition of Motorola Mobility Group

Pursuant to the acquisition agreement entered into between the Company and Google Inc. dated January 29, 2014, on October 30, 2014, the Company completed the acquisition of the entire issued and outstanding equity interests in Motorola Mobility Holdings LLC with a total consideration of approximately US\$3,138,000,000 consisting of:

- (i) the cash consideration of approximately US\$888,000,000, subject to adjustments;
- (ii) the share consideration of 519,107,215 ordinary shares of the Company, equivalent to a value of approximately US\$750,000,000, issued to Google Inc. on October 30, 2014; and
- (iii) the deferred consideration of US\$1,500,000,000 in the form of a promissory note, issued to Google Inc., payable in cash on the third anniversary of the completion date.

FINANCIAL REVIEW

Results

For the six months ended September 30	2014 US\$'000	2013 US\$'000
Revenue	20,870,298	18,560,831
EBITDA (excluding other income – net)	853,450	645,370
Profit attributable to equity holders of the Company	475,591	393,614
Earnings per share (US cents)		
– Basic	4.58	3.79
– Diluted	4.52	3.75
Dividend per ordinary share (HK cents)		
– Interim dividend	6.0	6.0

For the six months ended September 30, 2014, the Group achieved total sales of approximately US\$20,870 million. Profit attributable to equity holders for the period was approximately US\$476 million, representing an increase of US\$82 million as compared with the corresponding period of last year. Gross profit margin for the period was 0.2 percentage point up from 13.2 percent reported in the corresponding period of last year. Basic earnings per share and diluted earnings per share were US4.58 cents and US4.52 cents, representing an increase of US0.79 cents and US0.77 cents respectively as compared with the corresponding period of last year.

The Group adopts geographical segments as the reporting format. Geographical segments comprise China, AP, EMEA and AG. Analyses of sales by segment are set out in Business Review and Outlook below.

For the six months ended September 30	2014		2013	
	Revenue from external customers US\$'000	Adjusted pre-tax income US\$'000	Revenue from external customers US\$'000	Adjusted pre-tax income US\$'000
China	7,546,315	427,634	7,578,684	400,328
AP	3,138,492	132,473	2,818,795	36,927
EMEA	5,799,286	209,550	4,125,955	61,061
AG	4,386,205	38,784	4,037,397	55,483
	20,870,298	808,441	18,560,831	553,799

For the six months ended September 30, 2014, overall operating expenses across the board increased when compared to the corresponding period of last year which is in line with the increase in business operations. Employee benefit costs increased by 11 percent as compared to the corresponding period of last year due to increased headcount and performance-driven incentive payments.

Operating expenses analyzed by function for the six months ended September 30, 2014 and 2013 are as follows:

	3 months ended September 30, 2014 US\$'000	6 months ended September 30, 2014 US\$'000	3 months ended September 30, 2013 US\$'000	6 months ended September 30, 2013 US\$'000
Other income – net	1,185	1,490	547	653
Selling and distribution expenses	(490,946)	(957,616)	(475,509)	(913,812)
Administrative expenses	(391,083)	(760,367)	(316,952)	(663,427)
Research and development expenses	(202,786)	(382,957)	(189,445)	(359,764)
Other operating (expenses)/income – net	(7,955)	(50,015)	683	(33,844)
	(1,091,585)	(2,149,465)	(980,676)	(1,970,194)

FINANCIAL REVIEW *(continued)*

Results *(continued)*

Other income – net

Other income mainly represents net gain from disposal of available-for-sale financial assets.

Selling and distribution expenses

Selling and distribution expenses for the period increased by 5 percent as compared to the corresponding period of last year. This is principally attributable to a US\$12 million increase in advertising and promotional expenses.

Administrative expenses

Administrative expenses for the period increased by 15 percent as compared to the corresponding period of last year. This is mainly attributable to the US\$52 million increase in legal and professional fees in relation to business combination activities.

Research and development expenses

Research and development spending for the period increased by 6 percent as compared to the corresponding period of last year. The major part of the increase is attributable to the increase in employee benefit costs, and an increase in depreciation and amortization expenses of US\$16 million.

Other operating (expenses)/income – net

The net other operating expenses for the period comprised mainly a US\$53 million net exchange loss and other miscellaneous expenses; netted with incentives and grants received in recognition of the Group's research and development related spending of US\$12 million.

The net other operating expenses in the corresponding period of last year represented mainly a US\$57 million net exchange loss and other miscellaneous expenses; netted with incentives and grants received in recognition of the Group's research and development related spending of US\$38 million.

Other non-operating expenses (net) for the six months ended September 30, 2014 and 2013 comprised the following:

	3 months ended September 30, 2014 US\$'000	6 months ended September 30, 2014 US\$'000	3 months ended September 30, 2013 US\$'000	6 months ended September 30, 2013 US\$'000
Finance income	7,869	18,313	6,700	19,195
Finance costs	(43,315)	(78,650)	(20,130)	(34,877)
Share of (loss)/profit of associates and joint ventures	(1,041)	(3,148)	(5,286)	10,522
	(36,487)	(63,485)	(18,716)	(5,160)

Finance income mainly represents interest on bank deposits.

Finance costs for the period increased by 126 percent as compared to the corresponding period of last year. This is mainly attributable to interest expense of US\$29 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 an increase in factoring costs of US\$15 million.

	2014 US\$'000	2013 US\$'000
For the six months ended September 30		
Depreciation of property, plant and equipment and amortization of prepaid lease payments	70,236	51,704
Amortization of intangible assets	80,915	65,587
Employee benefit costs, including	1,471,475	1,323,334
– long-term incentive awards	47,363	42,911
Rental expenses under operating leases	50,905	49,277

FINANCIAL REVIEW *(continued)*

Financial position

The Group's major balance sheet items are set out below:

	September 30, 2014	March 31, 2014
Non-current assets (US\$'000)		
Property, plant and equipment	723,507	667,413
Prepaid lease payments	49,155	40,884
Construction-in-progress	455,519	351,934
Intangible assets	3,434,213	3,339,516
Interests in associates and joint ventures	23,227	20,753
Deferred income tax assets	357,694	389,330
Available-for-sale financial assets	70,624	35,157
Other non-current assets	129,359	111,558
	5,243,298	4,956,545

Property, plant and equipment

Property, plant and equipment comprises mainly the Group's freehold land and buildings, plant and machinery and office equipment. Increase of 8 percent is mainly attributable to the completion of the manufacturing plants in Hefei and Wuhan, China, and the Group's further investments in the manufacturing facilities.

Prepaid lease payments

Prepaid lease payments represent the land use right in respect of the manufacturing sites and headquarters in China. The increase of 20 percent is mainly due to the land use right in respect of the research and development site in Wuhan, China.

Construction-in-progress

Construction-in-progress comprises mainly the Group's investments in Beijing headquarters, the manufacturing facilities and research and development laboratories.

Intangible assets

Intangible assets comprise goodwill and other intangible assets including trademarks and trade names, and internal use software.

Interests in associates and joint ventures

Interests in associates and joint ventures increased by 12 percent over March 31, 2014, mainly brought about by additional investments.

Deferred income tax assets

Deferred income tax assets as at September 30, 2014 amounted to US\$358 million, representing a decrease of 8 percent over March 31, 2014, which is mainly attributable to temporary differences in relation to provisions, accruals and deferred revenue arising in the normal course of business.

Available-for-sale financial assets

Available-for-sale financial assets increased by 101 percent, mainly attributable to the additional investments and fair value gain.

FINANCIAL REVIEW *(continued)*

Financial position *(continued)*

Other non-current assets

Other non-current assets amounted to US\$129 million as at September 30, 2014, representing prepayments for construction of staff quarters and new office building in China and long term deposits.

	September 30, 2014	March 31, 2014
Current assets (US\$'000)		
Inventories	2,963,701	2,701,015
Trade receivables	3,638,698	3,171,354
Notes receivable	634,212	447,325
Derivative financial assets	148,626	61,184
Deposits, prepayments and other receivables	3,581,441	3,000,826
Income tax recoverable	70,645	65,715
Bank deposits	93,403	94,985
Cash and cash equivalents	5,229,114	3,858,144
	16,359,840	13,400,548

Inventories

Inventories of the Group increased by 10 percent, which is in line with business growth. The Group's further shift to in-house manufacturing during the period also resulted in the increase in raw materials.

Trade receivables and Notes receivable

Trade receivables and notes receivable increased in line with the increase in activities during the period.

Derivative financial assets/liabilities

Derivatives relate to foreign currency forward contracts that are designated as hedges for the fair value of recognized assets or liabilities or a firm commitment, or of highly probable forecast transactions. Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair values.

Deposits, prepayments and other receivables

Majority of other receivables of the Group are amounts due from subcontractors for part components sold in the ordinary course of business. Included in prepayments are in-transit product shipments to customers of US\$581 million as at September 30, 2014 (March 31, 2014: US\$413 million) by which the Group defers the cost of shipped products awaiting revenue recognition until the goods are delivered and revenue is recognized.

	September 30, 2014	March 31, 2014
Non-current liabilities (US\$'000)		
Borrowings	1,894,057	10,125
Warranty provision	274,236	277,231
Deferred revenue	459,215	438,385
Retirement benefit obligations	152,850	156,515
Deferred income tax liabilities	137,388	142,881
Other non-current liabilities	834,627	844,914
	3,752,373	1,870,051

Borrowings

Borrowings (classified as non-current) increased by US\$1.9 billion is mainly due to the issuance of 5-Year US\$1.5 billion notes bearing annual interest at 4.7% due in May 2019 and the drawn down of a term loan of US\$400 million due in December 2018. The proceeds would be used for general corporate purposes including working capital, and to fund any acquisition activities.

FINANCIAL REVIEW *(continued)*

Financial position *(continued)*

Warranty provision

The Group records warranty liabilities at the time of sale for the estimated costs that will be incurred under its basic limited warranty. The specific warranty terms and conditions vary depending upon the product and the country in which it was sold, but generally includes technical support, repair parts and labor associated with warranty repair and service actions. The period ranges from one to three years. The aggregate current and non-current amounts of warranty provision increased by 3% when compared with March 31, 2014. The slight increase despite the increase in business activities of the period is due to the Group's continuous control on warranty repair and service actions. The Group reevaluates its estimates on a quarterly basis to assess the adequacy of its recorded warranty liabilities and adjusts the amounts as necessary.

Retirement benefit obligations

The Group operates various pension schemes. The schemes are generally funded through payments to insurance companies or trustee-administered funds, determined by periodic actuarial calculations. The Group has both defined benefit and defined contribution plans.

Deferred income tax liabilities

Deferred income tax liabilities comprise withholding tax on undistributed earnings, tax liabilities on upward valuation of intangibles arising from business combination and accelerated tax depreciation.

Other non-current liabilities

Other non-current liabilities mainly comprise contingent considerations and deferred consideration in respect of certain completed business combinations, provision for environmental restoration, written put option liability in connection with a joint venture and government incentives and grants received in advance.

	September 30, 2014	March 31, 2014
Current liabilities (US\$'000)		
Trade payables	5,510,086	4,751,345
Notes payable	151,955	108,559
Derivative financial liabilities	63,853	58,462
Other payables and accruals	7,415,036	6,658,254
Provisions	893,406	852,154
Deferred revenue	404,322	410,330
Income tax payable	130,282	177,741
Borrowings	195,392	445,477
	14,764,332	13,462,322

Trade payables and Notes payable

Trade payables and notes payable increased in line with the increase in activities during the period.

Other payables and accruals

Other payables and accruals represent the allowance for billing adjustments relating primarily to allowance for future volume discounts, price protection, rebates, and customer sales returns. Majority of other payables are obligations to pay for finished goods that have been acquired in the ordinary course of business from subcontractors.

Provisions

Provisions comprise warranty liabilities (due within one year) and environmental restorations.

Borrowings

Borrowings (classified as current) amounted to US\$195 million as at September 30, 2014, representing a decrease of 56%, which is mainly attributable to the repayment of a US\$300 million bank loan.

FINANCIAL REVIEW *(continued)*

Capital Expenditure

The Group incurred capital expenditure of US\$510 million (2013/14: US\$239 million) during the six months ended September 30, 2014, mainly for the acquisition of property, plant and equipment, additions in construction-in-progress and intangible assets.

Liquidity and Financial Resources

At September 30, 2014, total assets of the Group amounted to US\$21,603 million (March 31, 2014: US\$18,357 million), which were financed by equity attributable to owners of the Company of US\$3,065 million (March 31, 2014: US\$3,010 million), non-controlling interests (net of put option written on non-controlling interest) of US\$21 million (March 31, 2014: US\$15 million), and total liabilities of US\$18,517 million (March 31, 2014: US\$15,332 million). At September 30, 2014, the current ratio of the Group was 1.11 (March 31, 2014: 1.00).

The Group had a solid financial position. At September 30, 2014, bank deposits, cash and cash equivalents totaled US\$5,323 million (March 31, 2014: US\$3,953 million), of which 79.4 (March 31, 2014: 66.9) percent was denominated in US dollar, 13.2 (March 31, 2014: 23.8) percent in Renminbi, 1.8 (March 31, 2014: 4.1) percent in Euros, 1.3 (March 31, 2014: 2.2) percent in Japanese Yen, and 4.3 (March 31, 2014: 3.0) percent in other currencies.

The Group adopts a conservative policy to invest the surplus cash generated from operations. At September 30, 2014, 89.6 (March 31, 2014: 81.8) percent of cash are bank deposits, and 10.4 (March 31, 2014: 18.2) percent of cash are investments in liquid money market funds of investment grade.

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

The Group entered into 5-Year loan facility agreement with syndicated banks for US\$500 million on February 2, 2011. The facility has not been utilized as at September 30, 2014 (March 31, 2014: Nil).

In addition, on December 18, 2013, the Group entered into another 5-Year loan facility agreement with syndicated banks for US\$1,200 million. The facility was utilized to the extent of US\$400 million as at September 30, 2014 (March 31, 2014: Nil).

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

The Group has also arranged other short-term credit facilities. At September 30, 2014, the Group's total available credit facilities amounted to US\$8,438 million (March 31, 2014: US\$7,890 million), of which US\$494 million (March 31, 2014: US\$489 million) was in trade lines, US\$286 million (March 31, 2014: US\$325 million) in short-term and revolving money market facilities and US\$7,658 million (March 31, 2014: US\$7,076 million) in forward foreign exchange contracts. At September 30, 2014, the amounts drawn down were US\$217 million (March 31, 2014: US\$214 million) in trade lines, US\$7,522 million (March 31, 2014: US\$6,513 million) being used for the forward foreign exchange contracts; and US\$195 million (March 31, 2014: US\$145 million) in short-term bank loans.

At September 30, 2014, the Group's outstanding borrowings represented the term bank loan of US\$404 million (March 31, 2014: US\$310 million), short-term bank loans of US\$195 million (March 31, 2014: US\$145 million) and long term notes of US\$1,490 million (March 31, 2014: Nil). When compared with total equity of US\$3,086 million (March 31, 2014: US\$3,025 million), the Group's gearing ratio was 0.68 (March 31, 2014: 0.15). The net cash position of the Group at September 30, 2014 is US\$3,234 million (March 31, 2014: US\$3,498 million).

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

The Group adopts a consistent hedging policy for business transactions to reduce the risk of currency fluctuation arising from daily operations. At September 30, 2014, the Group had commitments in respect of outstanding forward foreign exchange contracts amounting to US\$7,522 million (March 31, 2014: US\$6,513 million).

The Group's forward foreign exchange contracts are either used to hedge a percentage of future transactions which are highly probable, or used as fair value hedges for identified assets and liabilities.

BUSINESS REVIEW AND OUTLOOK

Business Review

During the six months ended September 30, 2014, Lenovo continued to deliver solid growth in group sales and operating profits with margin expansion. Lenovo's clear strategy and solid execution led the Group to achieve solid results across all lines of business.

Driven by solid strategic execution, the Group continued to outperform the market benefiting from the continued stabilization of the worldwide PC market. During the interim period under review, the Group recorded 13 percent year-on-year unit shipments growth against the global PC market decline of 1 percent, thereby outperforming the worldwide PC market by a 14-points premium. Lenovo further strengthened its number one position in the worldwide PC market and reached another record high share of 19.7 percent in fiscal quarter two, according to preliminary industry estimates, and it is the sixth consecutive quarter for the Group as the largest worldwide PC player. The Group recorded balanced growth across geographic, product and customer segments during the period under review.

During the interim period under review, the Group's mobile device business continued to deliver strong growth driven by aggressive expansion in markets outside of China. The Group's worldwide smartphone shipments grew about 38 percent year-on-year to a 32.8 million, driven by market outperformance of the business in China and aggressive business expansion in emerging markets outside of China. On the tablet side, the Group demonstrated strong growth momentum for its tablet business. Its worldwide tablet shipments grew 44 percent year-on-year against market growth of 10 percent year-on-year to a unit shipments of 5.4 million in interim period under review, according to preliminary industry estimates. The Group thus has become for the first time as the number one in the broader PC market, including PC and tablet, with a market share of 14.1 percent in the fiscal quarter two.

For the six months ended September 30, 2014, the Group's sales increased by 12 percent year-on-year to US\$20,870 million. Sales of the Group's PC and other non mobile device personal technology products were US\$17,304 million, representing a year-on-year increase of 13 percent. Sales of the mobile devices increased by 11 percent year-on-year to US\$2,980 million. Sales of other goods and services were US\$586 million. Gross profit increased by 14 percent year-on-year to US\$2,806 million. Gross margin increased by 0.2 percentage points year-on-year to 13.4 percent. The Group's operating expenses increased by 9 percent year-on-year to US\$2,150 million, mainly attributed to higher R&D investments to support future growth and M&A expenses. However, better scaling and stringent cost controls helped the Group's expense-to-revenue ratio improved by 0.3 percentage points year-on-year to 10.3 percent. The Group recorded profit before taxation at US\$593 million and profit attributable to equity holders of US\$476 million, representing increases of 23 and 21 percent year-on-year respectively.

Performance of Geographies

During the six months ended September 30, 2014, Lenovo achieved solid and balanced performance in all geographies where it has operations – China, Americas ("AG"), Asia Pacific ("AP"), and EMEA – as well as across product and customer segments.

China

China accounted for 36 percent of the Group's total revenue. Driven by solid execution of the Group's strategy, Lenovo continued to deliver profitable growth for its China business during interim period under review.

The China PC market continued to show signs of stabilization during the period. Led by its solid execution and distinct strength in brand, product and distribution channel networks, Lenovo continued to outperform in the China PC market, its unit shipments grew 1.2 percent year-on-year, with a 6-point market growth premium during the interim period under review. During fiscal quarter two, the Group achieved positive growth for the first time in the past six quarters, and it recorded PC unit shipments growth of 5 percent year-on-year against a market decline of 3 percent year-on-year according to preliminary industry estimates. The Group further strengthened its number one position with market share gain of 2.8 percentage points year-on-year to 36.7 percent. Leveraging its leadership position, the Group continued to improve its profitability.

The Group refined its strategy and focused on the balance between growth and profitability for its mobile device business in China, and invested in driving the 4G smartphone product transition and broadening its routes to market to enhance competitiveness during the period. The Group's smartphone shipments recorded solid growth during the period under review. In response to the market changes, the Group is creating a new company focused on building a leading internet-based smart devices and services business in China.

During the six months ended September 30, 2014 under review, the Group's China revenue remained flat year-on-year at US\$7,546 million, while the operating profit increased by 7 percent to US\$428 million and operating margin was 5.7 percent, an increase of 0.4 percentage points year-on-year. Operating margin for the China PC business was 7.0 percent, up 0.2 percentage points year-on-year, benefiting from its better product mix with improved average selling price and stringent expense control.

BUSINESS REVIEW AND OUTLOOK *(continued)*

Performance of Geographies *(continued)*

Americas (AG)

AG accounted for 21 percent of the Group's total revenue. The Group's AG PC unit shipments grew by about 9 percent against market decline of 4 percent year-on-year during the interim period under review. The Group continued to deliver solid growth in the North America region driven by balanced growth in both consumer and commercial businesses. Lenovo's unit shipments in North America thus increased 15 percent year-on-year in the interim period under review. For the fiscal quarter two, its market share in North America increased by 0.3 percentage points year-on-year to 10.7 percent. However, the Group's performance in Brazil was impacted due to the weak market environment affected by local macroeconomic and political situations. Its unit shipments in Brazil declined 19.7 percent year-on-year against market decline of 26 percent in the interim period under review. The Group has taken actions in stabilizing the Brazil business.

During the interim period under review, the Group's AG revenue grew 9 percent year-on-year to US\$4,386 million. Operating profit in AG decreased by around US\$17 million year-on-year to US\$39 million and operating margin was 0.9 percent, a decrease of 0.5 percentage points year-on-year. The decrease was mainly attributable to Brazil, which was affected by local macroeconomic and political situations, while margins of North America and Latin America regions continued to see year-on-year improvements.

Asia Pacific (AP)

AP accounted for 15 percent of the Group's total revenue. The Group continued to drive profitable growth in its businesses in AP. The Group's PC unit shipments in AP grew 3 percent year-on-year for the interim period against market decline of 8 percent. The Group's market share in AP increased by 1.6 percentage points year-on-year, to a record high 16.0 percent in fiscal quarter two. During fiscal quarter two, the Group recorded strong PC growth in ASEAN and ANZ regions with year-on-year growth of 21 percent and 57 percent, respectively. Lenovo achieved strong growth also in its mobile device businesses. The smartphone unit shipments grew robustly driven by strong growth in ASEAN countries in fiscal quarter two according to preliminary industry estimates.

The Group's AP revenue grew 11 percent year-on-year to US\$3,138 million. Thanks to its profitability improvement in regions, including Japan, India, ASEAN and ANZ, the Group's operating profit achieved US\$132 million in AP during the interim period under review. Operating profit margin improved 2.9 percentage points year-on-year to a record high level at 4.2 percent.

Europe-Middle East-Africa (EMEA)

EMEA accounted for 28 percent of the Group's total revenue. Lenovo's PC unit shipments in EMEA grew by 47 percent year-on-year, against market growth of 11 percent year-on-year in the interim period under review. During the fiscal quarter two, the Group's market share increased by 4.4 percentage points from a year ago to a record high 19.3 percent in fiscal quarter two, according to preliminary industry estimates. Strong year-on-year unit shipments growth and share gains were recorded across all regions during the period under review. In fiscal quarter two, Lenovo achieved the number one PC position in 16 countries in EMEA, including Germany and Russia. Lenovo has also continued to expand its smartphone and tablet business in EMEA and achieved strong growth for both businesses in this interim period. Its smartphone and tablet unit shipments achieved record high levels in the fiscal quarter two.

The Group's EMEA revenue grew 41 percent year-on-year to US\$5,800 million. Thanks to strong growth across the board, it achieved a record high operating profit of US\$210 million in EMEA during the interim period under review. Operating profit margin improved 2.1 percentage points year-on-year to a record high level at 3.6 percent.

Performance of Product Group

During the six month ended September 30, 2014, Lenovo's commercial PC unit shipments grew 9 percent year-on-year, against the year-on-year flattish market. Lenovo's market share in the worldwide commercial PC market increased by 1.2 percentage points year-on-year to 20.4 percent during the fiscal quarter two, according to preliminary industry estimates. During the interim period under review, the Think brand, which mainly targets premium PCs and tablets, and enterprise solutions, continued to launch innovative models in desktop, notebook PCs and tablets. These included commercial targeted products like ThinkCentre Tiny-in-One 23, which provides a versatile all-in-one solution that offers a clean, clutter-free, compact solution with easy two-step setup for mass deployment. The Group also launched the ThinkPad Helix, a thinner and lighter, business 2-in-1 Ultrabook with its top-of-line hardware and software technologies for leading flexibility, productivity and connectivity. In early October, Lenovo also announced the new YOGA 3 Pro, an ultra slim convertible PC, offers a think and light frame and new watchband hinge design, a QHD+ screen and Harmony, and Lenovo's intuitive software that adapts to users' personal preferences as they use the device in its different modes.

BUSINESS REVIEW AND OUTLOOK *(continued)*

Performance of Product Group *(continued)*

The Lenovo brand, which primarily focuses on the mainstream/entry PC and tablet products, was propelled by continued, strong year-on-year growth of the consumer PC segment in EMEA, AP and AG markets to gain share in the consumer business. According to industry estimates, Lenovo further solidified its number one position in the worldwide consumer PC market. During the six month under review, its consumer PC unit shipments grew 18 percent year-on-year, which was an 20 point premium to the market. Its market share increased by 2.9 percentage points year-on-year to a record high 19.0 percent in the fiscal quarter two. During the period under review, Lenovo launched its Horizon 2 two-in-one tabletop PC, an interpersonal computing device that brings people together in a totally new way. The Horizon allows up to four people to use it simultaneously, interacting with content and playing games with joysticks, strikers and dice.

During the interim period under review, the Mobile Business Group's smartphone and tablet businesses continued to post strong unit shipments growth globally. The Group's worldwide smartphone shipments achieved a record-high level of over 32.8 million for the interim period, growing by 38 percent year-on-year against market growth of 25 percent, driven by aggressive expansion in markets outside of China. The shipments mix from markets outside of China increased to about 20 percent in the fiscal quarter two, from only 9 percent in the same quarter last year. Its market share in worldwide smartphone market continued to expand by 0.5 percentage points year-on-year to 5.2 percent in the fiscal quarter. During the interim period under review, the Group revealed two new premium VIBE smartphones including VIBE X2 which offers the world's first layered smartphone as the first global handset maker with new MediaTek MT6595 processor, and the new VIBE Xtension accessories, and the VIBE Z2, which perfects the "selfie" with super high resolution camera and super bright HD screen with optical image stabilization.

The Group's worldwide tablet shipments grew almost 44 percent year-on-year to 5.4 million for the interim period under review. The Group achieved robust tablet growth in markets outside of China, and the mix of shipments from outside of China grew to 87 percent in fiscal quarter two. During the fiscal quarter two, the Group thus has become for the first time as the number one in the broader PC market, including PC and tablet, with a market share of 14.1 percent. On the tablet side, Lenovo also debuted its new YOGA tablet 2 series. For the first time, consumers can now choose Windows models, available in 8-in and 10-in sizes, as well as new Android models in 8-in and 10-in models, with the new 13-in YOGA Tablet 2 Pro.

The Enterprise Business Group, although still represented a small portion of the current business, achieved robust growth during the period under review as one of the future growth engines for the Group. The Group's enterprise products had volume growth of about 35 percent year-on-year. The Group has showed strong business progress from both EMEA and AG.

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

Outlook

The broader PC industry, including traditional PC, convertible PC and tablet, still offers Lenovo plenty of opportunities for profitable growth, particularly as the industry continues to stabilize and consolidate. Meanwhile, on the mobile device side, there are continuous changes in the consumer demands and market sentiments across form factors and screen sizes: smartphones moving from premium to mainstream, China smartphone market is no longer the hypergrowth market and its mix to global market is getting smaller; impact of tablet cannibalization diminishing as the tablet market continues to be challenged by convertible PCs and Phablets on larger and smaller screens respectively. Lenovo, which has built a solid foundation across these business lines, an efficient business model and global position, with a complete product portfolio across all these devices, is uniquely positioned to capture these arising opportunities.

On October 1, 2014, Lenovo and IBM announced the completion for the closing of the acquisition of IBM's x86 server business. The acquisition will make Lenovo the third-largest player in the global and the number one player in the China x86 server market, enabling Lenovo to capture the significant growth opportunities in the enterprise hardware systems space. The Group will aim to stabilize and grow the business, and drive profitability improvement through scale and supply chain efficiency.

On October 30, 2014, Lenovo and Google announced that Lenovo's acquisition of Motorola Mobility from Google is complete. The acquisition of the Motorola brand and Motorola's portfolio of innovative smartphones like Moto X, Moto G, Moto E and the DROID™ series, as well as the wearables like Moto 360 watch, positions Lenovo as the world's third largest maker of smartphones. The acquisition of Motorola Mobility echoes the Group's strategy to expand its smartphone business into global reach by bringing the Group into Mature Markets. The Group will continue with China as its home turf and quickly respond to market changes by focusing on internet as a route to market and means to engage its customers, while continuing to expand aggressively in emerging markets.

BUSINESS REVIEW AND OUTLOOK *(continued)*

Outlook *(continued)*

Lenovo's solid execution of its clear strategy has led the Group to establish a firm foundation and leadership, and its commitment to innovation for a broad product portfolio helps differentiate the Group in its markets recognition. Lenovo has a clear strategy, great global scale, and proven operational excellence. With the close of the IBM's x86 server business and Motorola Mobility acquisitions, it will give the Group three growth engines – PC, Mobile and Enterprise. Looking forward, the Group will focus on integration of the two deals for delivering a compelling experience and value across the entire device portfolio (PC, Mobile and Enterprise) with Cloud Services for its customers. The Group will continue its investment in building its core competencies, product innovation, and end-to-end efficiency enhancing its competitiveness to ensure future sustainable profit growth.

Human Resources

At September 30, 2014, the Group had a headcount of approximately 57,000 worldwide.

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

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

(A) Share Option Scheme

At an extraordinary general meeting of the Company held on March 25, 2002, the shareholders of the Company approved the adoption of a new share option scheme (the "New Option Scheme") and termination of the share option scheme that was adopted on January 18, 1994.

Pursuant to the terms of New Option Scheme, the New Option Scheme shall be valid and effective for a period of 10 years commencing on the adoption date and expiring on the tenth anniversary of the adoption date. Accordingly, the New Option Scheme had been expired on April 26, 2012, and no further options could thereafter be granted under the New Option Scheme. However, all remaining provisions will remain in full force and effect to govern the exercise of all the options granted under the New Option Scheme prior to its expiration.

Details of the movement of the share options of the Company during the six months ended September 30, 2014 were as follows:

Category of participants	Number of share options				Exercise price (HK\$)	Grant date (mm.dd.yyyy)	Exercise period (mm.dd.yyyy)
	Held at April 1, 2014	Exercised during the period	Lapsed during the period	Held at September 30, 2014			
Continuous contract employees	31,487,601	1,172,000	30,315,601	–	2.545	04.27.2004	04.27.2004 to 04.26.2014

Notes:

1. Weighted average closing price of the listed shares of the Company immediately before the dates on which the options were exercised by continuous contract employees was HK\$9.032.
2. No share options are granted and/or cancelled under the New Option Scheme during the period.

(B) Long-Term Incentive Program

The Company operates a Long-Term Incentive Program ("LTI Program") which was adopted by the Company on May 26, 2005. The purpose of the LTI Program is to attract, retain, reward and motivate executive and non-executive directors, senior management and selected top-performing employees of the Company and its subsidiaries.

Under the LTI Program, the Company maintains two types of equity-based compensation vehicles: (i) share appreciation rights, and (ii) restricted share units. These vehicles are described in more detail below.

(i) Share Appreciation Rights ("SARs")

SARs entitle the holder to receive the appreciation in value of the Company's share price above a predetermined level. SARs are typically subject to a vesting schedule of up to four years.

(ii) Restricted Share Units ("RSUs")

RSUs are equivalent to the value of one ordinary share of the Company. Once vested, RSUs are converted to an ordinary share, or its cash equivalent. RSUs are typically subject to a vesting schedule of up to four years. Dividends are typically not paid on RSUs.

The Company reserves the right to pay any awards under the LTI Program in cash or in ordinary shares at its discretion. The Company has created and funded a trust to pay shares to eligible recipients. In the case of SARs, awards are due after exercise by the recipient. In the case of RSUs, awards are due after the employee satisfies any vesting conditions.

The number of units that are awarded under the LTI Program is set and reviewed annually, reflecting competitive market positioning, market practices, especially those among Lenovo's competitors, as well as the Company's performance and each individual's actual and expected contribution to the business. In certain circumstances, awards under the LTI Program may be made to support the attraction of new hires. Award levels and mix may vary by individual and level.

Details of the grant as well as all outstanding awards for executive and non-executive directors as of September 30, 2014 under the LTI program are presented below.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES *(continued)*

(B) Long-Term Incentive Program *(continued)*

The total number of awards of the members of the Board under the LTI Program as disclosed pursuant to Securities and Future Ordinance is set out below.

Name	Award type	Fiscal Year of Award	Effective price (HK\$)	As at April 1, 2014 (Unvested)	Awarded during the period	Vested during the period	Exercised during the period	Cancelled/ lapsed during the year (Note 2)	As at September 30, 2014 (unvested)	Number of units		Vesting period (mm.dd.yyyy)
										September 30, 2014	Total outstanding as at September 30, 2014	
Mr. Yang Yuanqing	SAR	08/09	5.88	-	-	-	3,939,855	1,901,999	-	-	-	06.01.2009 – 06.01.2012
	SAR	09/10	3.17	-	-	-	22,800,000	5,933,991	-	-	-	05.25.2010 – 05.25.2013
	SAR	09/10	5.23	-	-	-	-	-	-	6,596,156	-	02.08.2011 – 02.08.2014
	SAR	10/11	4.92	2,757,554	-	-	-	-	2,757,554	11,030,219	-	02.21.2012 – 02.21.2015
	SAR	11/12	6.80	5,566,178	-	-	-	-	5,566,178	11,132,358	-	02.13.2013 – 02.13.2016
	SAR	12/13	8.22	10,544,680	-	-	-	-	10,544,680	14,059,573	-	02.04.2014 – 02.04.2017
	SAR	13/14	9.815	-	14,520,062	-	-	-	14,520,062	14,520,062	-	06.03.2015 – 06.03.2018
	RSU	10/11	4.92	1,969,682	-	-	-	-	1,969,682	1,969,682	-	02.21.2012 – 02.21.2015
	RSU	11/12	6.80	3,339,707	-	-	-	-	3,339,707	3,339,707	-	02.13.2013 – 02.13.2016
	RSU	12/13	8.22	4,274,870	-	-	-	-	4,274,870	4,274,870	-	02.04.2014 – 02.04.2017
	RSU	12/13	7.82	2,164,779	-	2,164,779	-	-	-	-	-	06.03.2014
	RSU	12/13	7.82	3,216,329	-	1,072,110	-	-	2,144,219	2,144,219	-	06.03.2014 – 06.03.2016
	RSU	13/14	9.815	-	5,329,589	-	-	-	5,329,589	5,329,589	-	06.03.2015 – 06.03.2018
	RSU	13/14	9.815	-	1,423,663	-	-	-	1,423,663	1,423,663	-	06.03.2015
Mr. Zhu Linan	SAR	11/12	4.56	107,666	-	107,666	107,666	40,676	-	-	-	08.19.2012 – 08.19.2014
	SAR	12/13	6.36	182,877	-	91,439	182,878	96,363	91,438	91,438	-	07.03.2013 – 07.03.2015
	SAR	12/13	7.88	364,084	-	121,361	121,361	79,232	242,723	242,723	-	08.16.2014 – 08.16.2016
	SAR	14/15	11.48	-	275,884	-	-	-	275,884	275,884	-	08.15.2015 – 08.15.2017
	RSU	11/12	4.56	51,270	-	51,270	-	-	-	-	-	08.19.2012 – 08.19.2014
	RSU	12/13	6.36	73,153	-	36,576	-	-	36,577	36,577	-	07.03.2013 – 07.03.2015
	RSU	13/14	7.88	98,401	-	32,800	-	-	65,601	65,601	-	08.16.2014 – 08.16.2016
	RSU	14/15	11.48	-	67,509	-	-	-	67,509	67,509	-	08.15.2015 – 08.15.2017
Mr. Zhao John Huan	SAR	11/12	5.78	34,637	-	-	-	-	34,637	103,913	-	11.03.2012 – 11.03.2014
	SAR	12/13	6.36	182,877	-	91,439	-	-	91,438	274,316	-	07.03.2013 – 07.03.2015
	SAR	13/14	7.88	364,084	-	121,361	-	-	242,723	364,084	-	08.16.2014 – 08.16.2016
	SAR	14/15	11.48	-	275,884	-	-	-	275,884	275,884	-	08.15.2015 – 08.15.2017
	RSU	11/12	5.78	16,494	-	-	-	-	16,494	16,494	-	11.03.2012 – 11.03.2014
	RSU	12/13	6.36	73,153	-	36,576	-	-	36,577	36,577	-	07.03.2013 – 07.03.2015
	RSU	13/14	7.88	98,401	-	32,800	-	-	65,601	65,601	-	08.16.2014 – 08.16.2016
	RSU	14/15	11.48	-	67,509	-	-	-	67,509	67,509	-	08.15.2015 – 08.15.2017

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES *(continued)*

(B) Long-Term Incentive Program *(continued)*

Name	Award type	Fiscal Year of Award	Effective price (HK\$)	As at April 1, 2014 (Unvested)	Awarded during the period	Vested during the period	Exercised during the period	Cancelled/ lapsed during the year (Note 2)	As at September 30, 2014 (unvested)	Number of units		Vesting period (mm.dd.yyyy)
										September 30, 2014	Total outstanding as at September 30, 2014	
Mr. Ting Lee Sen	SAR	08/09	5.88	-	-	-	-	-	-	195,980	195,980	06.01.2009 – 06.01.2011
	SAR	09/10	3.88	-	-	-	-	-	-	263,796	263,796	08.07.2010 – 08.07.2012
	SAR	09/10	4.47	-	-	-	-	-	-	38,163	38,163	11.30.2010 – 11.30.2012
	SAR	10/11	4.59	-	-	-	-	-	-	237,001	237,001	08.20.2011 – 08.20.2013
	SAR	11/12	4.56	107,666	-	107,666	-	-	-	323,000	323,000	08.19.2012 – 08.19.2014
	SAR	12/13	6.36	182,877	-	91,439	-	-	91,438	274,316	274,316	07.03.2013 – 07.03.2015
	SAR	13/14	7.88	364,084	-	121,361	-	-	242,723	364,084	364,084	08.16.2014 – 08.16.2016
	SAR	14/15	11.48	-	275,884	-	-	-	275,884	275,884	275,884	08.15.2015 – 08.15.2017
	RSU	11/12	4.56	51,270	-	51,270	-	-	-	-	-	08.19.2012 – 08.19.2014
	RSU	12/13	6.36	73,153	-	36,576	-	-	36,577	36,577	36,577	07.03.2013 – 07.03.2015
	RSU	13/14	7.88	98,401	-	32,800	-	-	65,601	65,601	65,601	08.16.2014 – 08.16.2016
	RSU	14/15	11.48	-	67,509	-	-	-	67,509	67,509	67,509	08.15.2015 – 08.15.2017
Dr. Tian Suning	SAR	08/09	5.88	-	-	-	-	-	-	195,980	195,980	06.01.2009 – 06.01.2011
	SAR	09/10	3.88	-	-	-	-	-	-	263,796	263,796	08.07.2010 – 08.07.2012
	SAR	09/10	4.47	-	-	-	-	-	-	38,163	38,163	11.30.2010 – 11.30.2012
	SAR	10/11	4.59	-	-	-	-	-	-	237,001	237,001	08.20.2011 – 08.20.2013
	SAR	11/12	4.56	107,666	-	107,666	-	-	-	323,000	323,000	08.19.2012 – 08.19.2014
	SAR	12/13	6.36	182,877	-	91,439	-	-	91,438	274,316	274,316	07.03.2013 – 07.03.2015
	SAR	13/14	7.88	364,084	-	121,361	-	-	242,723	364,084	364,084	08.16.2014 – 08.16.2016
	SAR	14/15	11.48	-	275,884	-	-	-	275,884	275,884	275,884	08.15.2015 – 08.15.2017
	RSU	11/12	4.56	51,270	-	51,270	-	-	-	-	-	08.19.2012 – 08.19.2014
	RSU	12/13	6.36	73,153	-	36,576	-	-	36,577	36,577	36,577	07.03.2013 – 07.03.2015
	RSU	13/14	7.88	98,401	-	32,800	-	-	65,601	65,601	65,601	08.16.2014 – 08.16.2016
	RSU	14/15	11.48	-	67,509	-	-	-	67,509	67,509	67,509	08.15.2015 – 08.15.2017
Mr. Nicholas C. Allen	SAR	09/10	4.47	-	-	-	-	-	-	107,343	107,343	11.30.2010 – 11.30.2012
	SAR	10/11	4.59	-	-	-	-	-	-	237,001	237,001	08.20.2011 – 08.20.2013
	SAR	11/12	4.56	107,667	-	107,667	-	-	-	323,000	323,000	08.19.2012 – 08.19.2014
	SAR	12/13	6.36	182,878	-	91,439	-	-	91,439	274,316	274,316	07.03.2013 – 07.03.2015
	SAR	13/14	7.88	364,084	-	121,361	-	-	242,723	364,084	364,084	08.16.2014 – 08.16.2016
	SAR	14/15	11.48	-	275,884	-	-	-	275,884	275,884	275,884	08.15.2015 – 08.15.2017
	RSU	11/12	4.56	51,270	-	51,270	-	-	-	-	-	08.19.2012 – 08.19.2014
	RSU	12/13	6.36	73,153	-	36,576	-	-	36,577	36,577	36,577	07.03.2013 – 07.03.2015
	RSU	13/14	7.88	98,401	-	32,800	-	-	65,601	65,601	65,601	08.16.2014 – 08.16.2016
	RSU	14/15	11.48	-	67,509	-	-	-	67,509	67,509	67,509	08.15.2015 – 08.15.2017
Mr. Nobuyuki Idei	SAR	11/12	5.23	48,029	-	48,029	-	-	-	144,085	144,085	09.28.2012 – 09.28.2014
	SAR	12/13	6.36	182,878	-	91,439	-	-	91,439	274,316	274,316	07.03.2013 – 07.03.2015
	SAR	13/14	7.88	364,084	-	121,361	-	-	242,723	364,084	364,084	08.16.2014 – 08.16.2016
	SAR	14/15	11.48	-	275,884	-	-	-	275,884	275,884	275,884	08.15.2015 – 08.15.2017
	RSU	11/12	5.23	22,872	-	22,872	-	-	-	-	-	09.28.2012 – 09.28.2014
	RSU	12/13	6.36	73,153	-	36,576	-	-	36,577	36,577	36,577	07.03.2013 – 07.03.2015
	RSU	13/14	7.88	98,401	-	32,800	-	-	65,601	65,601	65,601	08.16.2014 – 08.16.2016
	RSU	14/15	11.48	-	67,509	-	-	-	67,509	67,509	67,509	08.15.2015 – 08.15.2017

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES *(continued)*

(B) Long-Term Incentive Program *(continued)*

Name	Award type	Fiscal Year of Award	Effective price (HK\$)	Number of units							Total outstanding as at September 30, 2014	Vesting period (mm.dd.yyyy)
				As at April 1, 2014 (Unvested)	Awarded during the period	Vested during the period	Exercised during the period	Cancelled/lapsed during the year (Note 2)	As at September 30, 2014 (unvested)			
Mr. William O. Grabe	SAR	08/09	5.88	-	-	-	-	-	-	-	195,980	06.01.2009 – 06.01.2011
	SAR	09/10	3.88	-	-	-	-	-	-	-	263,796	08.07.2010 – 08.07.2012
	SAR	09/10	4.47	-	-	-	-	-	-	-	38,163	11.30.2010 – 11.30.2012
	SAR	10/11	4.59	-	-	-	-	-	-	-	237,001	08.20.2011 – 08.20.2013
	SAR	11/12	4.56	107,667	-	107,667	-	-	-	-	323,000	08.19.2012 – 08.19.2014
	SAR	12/13	6.36	182,878	-	91,439	-	-	-	91,439	274,316	07.03.2013 – 07.03.2015
	SAR	13/14	7.88	364,084	-	121,361	-	-	-	242,723	364,084	08.16.2014 – 08.16.2016
	SAR	14/15	11.48	-	275,884	-	-	-	-	275,884	275,884	08.15.2015 – 08.15.2017
	RSU	11/12	4.56	51,270	-	51,270	-	-	-	-	-	08.19.2012 – 08.19.2014
	RSU	12/13	6.36	73,153	-	36,576	-	-	-	36,577	36,577	07.03.2013 – 07.03.2015
	RSU	13/14	7.88	98,401	-	32,800	-	-	-	65,601	65,601	08.16.2014 – 08.16.2016
	RSU	14/15	11.48	-	67,509	-	-	-	-	67,509	67,509	08.15.2015 – 08.15.2017
	RSU (Deferral)	13/14	8.67	-	28,333	28,333	-	-	-	-	-	Note 1
	RSU (Deferral)	13/14	9.815	-	24,188	24,188	-	-	-	-	-	Note 1
RSU (Deferral)	14/15	11.48	-	20,680	20,680	-	-	-	-	-	Note 1	
Mr. William Tudor Brown	SAR	12/13	8.07	35,651	-	-	-	-	-	35,651	53,476	01.31.2014 – 01.31.2016
	SAR	13/14	7.88	364,084	-	121,361	-	-	-	242,723	364,084	08.16.2014 – 08.16.2016
	SAR	14/15	11.48	-	275,884	-	-	-	-	275,884	275,884	08.15.2015 – 08.15.2017
	RSU	12/13	8.07	9,636	-	-	-	-	-	9,636	9,636	01.31.2014 – 01.31.2016
	RSU	13/14	7.88	98,401	-	32,800	-	-	-	65,601	65,601	08.16.2014 – 08.16.2016
	RSU	14/15	11.48	-	67,509	-	-	-	-	67,509	67,509	08.15.2015 – 08.15.2017
Ms. Ma Xuezheng	SAR	11/12	4.56	107,666	-	107,666	-	-	-	-	107,666	08.19.2012 – 08.19.2014
	SAR	12/13	6.36	182,877	-	91,439	-	-	-	91,438	182,877	07.03.2013 – 07.03.2015
	SAR	13/14	7.88	364,084	-	121,361	-	-	-	242,723	364,084	08.16.2014 – 08.16.2016
	SAR	14/15	11.48	-	275,884	-	-	-	-	275,884	275,884	08.15.2015 – 08.15.2017
	RSU	11/12	4.56	51,270	-	51,270	-	-	-	-	-	08.19.2012 – 08.19.2014
	RSU	12/13	6.36	73,153	-	36,576	-	-	-	36,577	36,577	07.03.2013 – 07.03.2015
	RSU	13/14	7.88	98,401	-	32,800	-	-	-	65,601	65,601	08.16.2014 – 08.16.2016
	RSU	14/15	11.48	-	67,509	-	-	-	-	67,509	67,509	08.15.2015 – 08.15.2017

Note 1: Proceeds in respect of quarterly deferral grants to be paid only at point of termination from the board of directors or unforeseen emergency.

Note 2: These units were nullified in accordance with the operation of the SAR plan rules.

DIRECTORS' INTERESTS

As at September 30, 2014, the interests and short positions of the directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register maintained by the Company under section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong S.A.R. of China Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") were as follows:

Interests in the shares and underlying shares of the Company

Name of Director	Interests in shares/ underlying shares	Capacity and number of shares/ underlying shares held				Aggregate Long position	Approximate percentage of shareholding (Note 2)
		Personal interests	Family interests	Corporate interests			
Mr. Yang Yuanqing	Ordinary shares	57,184,133	–	640,000,000	697,184,133	7.43%	
	Share awards	75,820,098	–	(Note 3) –	75,820,098		
					773,004,231		
Mr. Zhu Linan	Ordinary shares	2,599,999	–	–	2,599,999	0.03%	
	Share awards	779,732	–	–	779,732		
					3,379,731		
Mr. Zhao John Huan	Ordinary shares	138,940	–	–	138,940	0.01%	
	Share awards	1,204,378	–	–	1,204,378		
					1,343,318		
Mr. Ting Lee Sen	Ordinary shares	611,384	–	–	611,384	0.03%	
	Share awards	2,141,911	–	–	2,141,911		
					2,753,295		
Dr. Tian Suning	Ordinary shares	708,861	–	–	708,861	0.03%	
	Share awards	2,141,911	–	–	2,141,911		
					2,850,772		
Mr. Nicholas C. Allen	Ordinary shares	441,271	–	–	441,271	0.02%	
	Share awards	1,751,315	–	–	1,751,315		
					2,192,586		
Mr. Nobuyuki Idei	Ordinary shares	176,792	–	–	176,792	0.01%	
	Share awards	1,228,056	–	–	1,228,056		
					1,404,848		
Mr. William O. Grabe	Ordinary shares	2,015,691	–	–	2,015,691	0.04%	
	Share awards	2,141,911	–	–	2,141,911		
					4,157,602		

DIRECTORS' INTERESTS *(continued)*

Interests in the shares and underlying shares of the Company *(continued)*

Name of Director	Interests in shares/ underlying shares	Capacity and number of shares/ underlying shares held				Aggregate Long position	Approximate percentage of shareholding <i>(Note 2)</i>
		Personal interests	Family interests	Corporate interests			
Mr. William Tudor Brown	Ordinary shares	87,696	–	–	87,696	0.01%	
	Share awards	836,190	–	–	836,190		
					923,886		
Ms. Ma Xuezheng	Ordinary shares	10,656,282	–	2,240,000	12,896,282	0.13%	
	Share awards	1,100,198	–	–	1,100,198		
					13,996,480		

Notes:

1. Share awards represent underlying shares convertible into ordinary shares. Details of share awards are set out under the section "Long-Term Incentive Program".
2. The approximate percentage of interests is based on the shares/underlying shares comprising the interests held as a percentage of the total number of shares in issue of the Company of the same class immediately after the relevant event and as recorded in the register maintained under section 352 of the SFO.
3. The shares are held by Sureinvest Holdings Limited in which Mr. Yang Yuanqing holds more than one-third of the issued share capital. Therefore, Mr. Yang is taken to have an interest in 640,000,000 shares under the SFO and such interest is also reported under the below section headed "Substantial Shareholders' and Other Persons' Interests".

Save as disclosed above, as at September 30, 2014, none of the directors or chief executive of the Company or their associates had any interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register maintained by the Company under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS

As at September 30, 2014, the following persons (other than the directors and chief executive of the Company as disclosed above) had an interests or short positions in the shares and/or underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO:

Name	Long position/ short position	Capacity and number of shares/ underlying shares held			Aggregate long and short positions	Approximate percentage of interests (Note 1)
		Beneficial owner	Corporate interests			
Legend Holdings Corporation	Long position	2,867,636,724	507,819,317 (Note 2)	3,375,456,041	32.44%	
	Short position	–	89,900,000 (Note 3)			0.86%
Right Lane Limited	Long position	477,819,317	44,200,000 (Note 4)	522,019,317	5.01%	
	Short position	89,900,000	–			89,900,000
Sureinvest Holdings Limited	Long position	640,000,000	–	640,000,000 (Note 5)	6.15%	
Google Inc.	Long position	–	618,301,731	618,301,731 (Note 6)	5.94%	
Google International LLC	Long position	618,301,731	–	618,301,731 (Note 6)	5.94%	

Notes:

- The approximate percentage of interests is based on the shares/underlying shares comprising the interests held as a percentage of the total number of shares in issue of the Company of the same class immediately after the relevant event and as recorded in the register maintained under section 336 of the SFO.
- Out of 507,819,317 shares, 477,819,317 shares are directly held by Right Lane Limited ("Right Lane"), a direct wholly-owned subsidiary of Legend Holdings Corporation, and 30,000,000 shares are indirectly held by Right Lane through its wholly-owned subsidiary, Legion Elite Limited ("Legion Elite").
- These shares are held by Right Lane.
- These shares are held by Legion Elite.
- Mr. Yang Yuanqing holds more than one-third of the issued share capital of Sureinvest Holdings Limited ("SHL"). Accordingly, Mr. Yang is deemed to have interests in those 640,000,000 shares of the Company held by SHL under the SFO. This interest is also included as corporate interests of Mr. Yang in the above section headed "Directors' Interests".
- These interests in the underlying shares of the Company represented the maximum of 618,301,731 shares of the Company issuable to Google Inc. (or its designee) under the acquisition agreement dated January 29, 2014 (January 30, 2014, Hong Kong S.A.R. of China time) and as disclosed in an announcement of the Company on January 30, 2014. The interests of Google Inc. or Google International LLC disclosed above are interests as of September 30, 2014 and recorded in the register maintained by the Company under section 336 of the SFO. Upon closing of the transaction in Hong Kong S.A.R. of China on October 30, 2014, the Company issued 519,107,215 new shares to Google Inc., representing about 4.67% of the total number of shares in issue of the Company as of October 30, 2014.

Save as disclosed above, as at September 30, 2014, no other persons (other than the directors and chief executive of the Company, whose interests are set out in the above section headed "Directors' Interests") had any interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO.

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

During the six months ended September 30, 2014, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities, except that the trustee of the long-term incentive program of the Company purchased 35,300,000 shares from the market for award to employees upon vesting. Details of the program are set out under section headed "Long-Term Incentive Program" in this interim report.

FACILITY AGREEMENT WITH COVENANT ON CONTROLLING SHAREHOLDER

The Company entered into a facility agreement with a syndicate of banks on February 2, 2011 (the "Facility Agreement") for a term loan facility of up to US\$500 million (the "Facility"). The final maturity date of the Facility will fall on the date which is 60 months after February 2, 2011. The Facility Agreement includes, inter alia, terms to the effect that it will be an event of default if Legend Holdings Corporation, the controlling shareholder of the Company: (i) is not or ceases to be the direct or indirect beneficial owner of 20% or more of the issued share capital of the Company; or (ii) is not or ceases to be the single largest shareholder in the Company.

INTERIM DIVIDEND

The Board has declared an interim dividend of HK6.0 cents (2013/14: HK6.0 cents) per share for the six months ended September 30, 2014, absorbing an aggregate amount of approximately HK\$666.5 million (approximately US\$86.0 million) (2013/14: approximately HK\$623.6 million (approximately US\$80.4 million)), to shareholders whose names appear on the register of members of the Company on Friday, November 21, 2014. The interim dividend will be paid on Monday, December 1, 2014.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed on Friday, November 21, 2014, 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 S.A.R. of China no later than 4:30 p.m. on Thursday, November 20, 2014. Shares of the Company will be traded ex-dividend as from Wednesday, November 19, 2014.

CHANGES IN DIRECTORS' EMOLUMENTS AND INFORMATION

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes in directors' emoluments and information of the Company subsequent to the date of the 2013/14 Annual Report or the latest pertaining publication of the Company (whichever later) are set out below:

Director	Details of Changes
Mr. Yang Yuanqing	<ul style="list-style-type: none">For the financial year ending March 31, 2015, the annual base salary of Mr. Yang Yuanqing is increased by 5% to RMB8,389,348 (or approximately US\$1,366,457), the target bonus is increased to RMB16,778,696 (or approximately US\$2,732,914) and share awards under the long-term incentive program of the Company is increased by 10% to a value of US\$11,249,444 (or approximately RMB69,065,840). <p><i>(Note: The translation of RMB into USD is based on the exchange rate of RMB1.00 to USD0.16288 as at September 30, 2014 and is for information purposes only).</i></p>
Compensation Committee Chairman Fee	<ul style="list-style-type: none">For the financial year ending March 31, 2015, the remuneration for the chairman of Compensation Committee is increased from US\$10,500 to US\$20,000 per annum.
Mr. Zhu Linan	<ul style="list-style-type: none">Resigned as a non-executive director of Peak Sport Products Co., Limited (HKSE listed) on June 1, 2014.Appointed as a non-executive director of CAR Inc. (HKSE listed) on April 29, 2014.
Mr. Zhao John Huan	<ul style="list-style-type: none">Retired as a non-executive director of Wumart Stores, Inc. (HKSE listed) on June 27, 2014.
Mr. William Tudor Brown	<ul style="list-style-type: none">Appointed as a member of the Audit Committee of the Company with effect from May 22, 2014.
Ms. Ma Xuezheng	<ul style="list-style-type: none">Retired as a non-executive director of Wumart Stores, Inc. (HKSE listed) on June 27, 2014.
Mr. Yang Chih-Yuan Jerry	<ul style="list-style-type: none">Appointed as an independent non-executive director of the Company with effect from November 6, 2014

Save as disclosed above, there is no other information to be disclosed pursuant to rule 13.51B(1) of the Listing Rules.

REVIEW BY AUDIT COMMITTEE

The Audit Committee of the Company has been established since 1999 with the responsibility to assist the Board in providing an independent review of the financial statements, internal control and risk management systems. It acts in accordance with its terms of reference which clearly deal with its membership, authority, duties and frequency of meetings. Currently, the Audit Committee is chaired by an independent non-executive director, Mr. Nicholas C. Allen, and comprises four members including Mr. Allen and the other three independent non-executive directors, Mr. Ting Lee Sen, Ms. Ma Xuezheng and Mr. William Tudor Brown.

The Audit Committee of the Company has reviewed the unaudited interim results of the Group for the six months ended September 30, 2014. It meets regularly with the management, the external auditor and the internal audit personnel to discuss the accounting principles and practices adopted by the Group and internal control and financial reporting matters.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

None of the directors of the Company is aware of any information that would reasonably indicate that the Company is not, or was not during the six months ended September 30, 2014, in compliance with the code provisions of the Corporate Governance Code and Corporate Governance Report (the "CG Code") as set out in Appendix 14 to the Listing Rules, 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.

MODEL CODE

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules along with its guidance note to govern directors' securities transactions. Having made specific enquiry of the directors of the Company, all the directors of the Company have confirmed their compliance with the required standard set out in the Model Code and the guidance note throughout the accounting period covered by this interim report.

The Company has also adopted its own Trading in Securities Policy applicable to designated senior management of the Company which is on terms no less exacting than the required standard as set out in the Model Code.

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

November 6, 2014

CORPORATE INFORMATION

HONORARY CHAIRMAN

Mr. Liu Chuanzhi

BOARD OF DIRECTORS

Chairman and executive director

Mr. Yang Yuanqing

Non-executive directors

Mr. Zhu Linan

Mr. Zhao John Huan

Independent non-executive directors

Mr. Ting Lee Sen

Dr. Tian Suning

Mr. Nicholas C. Allen

Mr. Nobuyuki Idei

Mr. William O. Grabe

Mr. William Tudor Brown

Ms. Ma Xuezheng

Mr. Yang Chih-Yuan Jerry

CHIEF FINANCIAL OFFICER

Mr. Wong Wai Ming

COMPANY SECRETARY

Mr. Mok Chung Fu, Eric

REGISTERED OFFICE

23rd Floor, Lincoln House, Taikoo Place

979 King's Road, Quarry Bay, Hong Kong S.A.R. of China

PRINCIPAL BANKERS

Bank of China

BNP Paribas

Citibank, N.A.

Industrial and Commercial Bank of China

The Royal Bank of Scotland plc

Standard Chartered Bank (Hong Kong S.A.R. of China) Limited

INDEPENDENT AUDITOR

PricewaterhouseCoopers

Certified Public Accountants

22nd Floor, Prince's Building

Central, Hong Kong S.A.R. of China

SHARE REGISTRAR

Tricor Abacus Limited

Level 22, Hopewell Centre

183 Queen's Road East, Hong Kong S.A.R. of China

AMERICAN DEPOSITARY RECEIPTS

(Depositary and Registrar)

Citibank, N.A.

14th Floor, 388 Greenwich Street,

New York, NY 10013, USA

STOCK CODES

Hong Kong S.A.R. of China Stock Exchange: 992

American Depositary Receipts: LNVGY

WEBSITE

www.lenovo.com