

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



## Lenovo Group Limited 聯想集團有限公司

(Incorporated in Hong Kong with limited liability)  
(Stock Code: 992)

### FY2020/21 FIRST QUARTER RESULTS ANNOUNCEMENT

#### QUARTERLY RESULTS

The board of directors (the “Board”) of Lenovo Group Limited (the “Company”) announces the unaudited results of the Company and its subsidiaries (the “Group”) for the three months ended June 30, 2020 together with comparative figures for the corresponding period of last year, as follows:

#### FINANCIAL HIGHLIGHTS

- Profit attributable to equity holders increased by 31 percent year-on-year, a testament to the Group’s strengths in weathering market uncertainties
- Revenue from PC and Smart Device (PCSD) and Data Center Group (DCG) grew by 10 and 19 percent respectively; the “new normal” after the outbreak of the pandemic is driving secular trends in e-learning, work-from-home, and play-from-home, amid further acceleration of the cloud and e-commerce evolution
- The PCSD business delivered a record pre-tax profit margin of 6.3 percent, driven by relentless efforts in optimizing segment exposure and expanding new businesses
- DCG’s Cloud Service Provider business posted a record revenue after achieving 31 percent growth, while its Enterprise and SMB business benefited from strengths in Software and Services, hybrid cloud, and high-performance computing
- Despite strong share gains across core markets, the growth of the Mobile Business Group was constrained by slower market demand in Latin America
- The Software and Services business achieved 38 percent growth in invoiced revenue and carried the highest margin profile among all products
- Net cash generated from operating activities improved US\$459 million year-on-year

	3 months ended June 30, 2020 (unaudited) US\$ million	3 months ended June 30, 2019 (unaudited) US\$ million	Year-on-year change
Revenue	13,348	12,512	7%
Gross profit	2,041	2,048	0%
Gross profit margin	15.3%	16.4%	(1.1) pts
Operating expenses	(1,605)	(1,705)	(6)%
Operating profit	436	343	27%
Other non-operating expenses – net	(104)	(103)	1%
Profit before taxation	332	240	38%
Profit for the period	247	192	29%
Profit attributable to equity holders of the Company	213	162	31%
Earnings per share attributable to equity holders of the Company			
Basic	US1.80 cents	US1.37 cents	US0.43 cents
Diluted	US1.76 cents	US1.32 cents	US0.44 cents

## **BUSINESS REVIEW AND OUTLOOK**

### **Highlights**

During the three months ended June 30, 2020, Lenovo (the Group) set new performance records despite market challenges arising from the COVID-19 pandemic. The Group achieved 31.2 percent year-on-year growth in profit attributable to equity holders on 6.7 percent revenue growth in the first fiscal quarter.

The Group has been relentless in driving customer centricity to capture growth opportunities, optimize its segment exposure and expand new businesses under the strategic shift towards Intelligent Transformation. The lingering impact of COVID-19 around the world reinforced the emergence of a “new normal” in responding to dynamic shifts in people’s daily work, study and entertainment. This continued to fuel secular growth in e-learning, work-from-home (WFH) and play-from-home, amid further acceleration of cloud demand and e-commerce evolution.

Its net cash generated from operating activities improved US\$459 million year-on-year in the fiscal quarter, attributable to stronger profitability and working capital management. The Group successfully issued a 5-year note of US\$1 billion in May 2020 to refinance its RMB4 billion debt maturing in June 2020 and repay short-term loans. The Group’s net debt was lowered by US\$837 million year-on-year to US\$1.3 billion.

### **Group Financial Performance**

In the first fiscal quarter, the Group’s revenue reached US\$13.3 billion, up 6.7 percent year-on-year or 10.4 percent in constant currency. Profit attributable to equity holders rose by 31.2 percent to US\$213 million, a testament to the Group’s strengths in weathering market uncertainties.

The Group’s gross margin eroded 1.1 percentage points year-on-year to 15.3 percent, mainly due to lower profitability in the MBG business in Latin America. While the MBG business reported 1.8 percentage points of annual market share gain in Latin America, this was not sufficient to completely mitigate the impact from the declining market demand as a result of the pandemic. The Group’s operating expense-to-revenue ratio was reduced by 1.6 percentage points to 12.0 percent owing to disciplined cost control measures.

The Group has recognized fair value gain from the strategic investments amounting to US\$60 million, reflecting the change in value of the Group’s portfolio. This change in fair value includes revaluation gains (losses) on new investment rounds by unlisted holdings and mark-to-market gains (losses) on listed holdings. The Group also disposed non-core property assets for a gain of US\$65 million but at the same time incurred redundancy costs of US\$75 million as a result of headcount retrenchment.

By business groups, the PC and Smart Device (PCSD) and Data Center Group (DCG) grew their revenues by 10.1 percent and 18.9 percent year-on-year, respectively. The PCSD business executed on a strategy to optimize segment profitability and drive high-margin Software and Services growth, which helped to set a record-breaking pre-tax profit margin of 6.3 percent. The DCG also achieved a new sales record on its Cloud Service Provider business by capitalizing on the surge of cloud demand and its continued segment expansion. The Mobile Business Group (MBG) and DCG businesses further narrowed their losses quarter-on-quarter, although on-going challenges from the pandemic impacted year-on-year comparison of performances.

The Software and Services business remained an important driver to sustain profitable growth of the Group. Its invoiced revenue grew 38 percent year-on-year, contributing to around 7.6 percent of the Group’s revenue and carried the highest margin profile among all products. Since the outbreak of the pandemic, the Group is seeing a surge in market interest in its service capability and continues to build a strong pipeline of new orders for Device as a Service, particularly from global leaders in financial services, food delivery, airlines and technology.

## **Geographic Performance**

Lenovo is a global business and continues to operate in more than 180 markets. For the quarter under review, the Group reported 16.6 percent and 28.3 percent year-on-year revenue growth in China and Europe-Middle East-Africa, respectively. The primary growth catalysts included the strong market demand and share gains in the PCSD and DCG businesses. In Asia Pacific, the Group revenue increased mildly by 0.7 percent year-on-year. For this region, its performance could be better if not for a higher comparison base in the same quarter last year, when PCSD won a major one-time education tender in India. The Group's sales in America declined by 9.1 percent year-on-year. The declining demand for the smartphone market in Latin America was the main reason for this slowdown. In addition, the Group faced a shortage of components in the Chromebook segment for the quarter under review, which prevented it from realizing the full growth potential of the PC market in North America.

## **Performance by Product Business Group**

### ***Intelligent Devices Group (IDG)***

The IDG Group, consisting of the PCSD and MBG businesses, delivered yet another strong quarter with revenue up 5.2 percent year-on-year to US\$11,736 million, setting a new fiscal first quarter record. Its pre-tax profit increased 17.2 percent year-on-year to reach US\$620 million.

### ***Intelligent Devices Group - PC and Smart Device (PCSD) Business***

During the period under review, the PCSD business continued to grow on the back of multiple drivers. Work-from-home demand has been a clear catalyst for thin-and-light notebook PC sales, while consumers are buying more gaming PCs to meet their play-from-home requirements. E-learning has emerged as a consistent driver across all regions and the Group's Chromebook shipments increased 17 percent year-on-year. The e-commerce evolution is pushing a number of transactions through Lenovo's on-line franchise, resulting in a 53 percent year-on-year growth in e-commerce revenue during the quarter. These numerous strengths offset the challenges arising from COVID-19. The Group was able to capture these growth opportunities to deliver a record-high market share in the consumer PC segment. Its PCSD revenue grew 10.1 percent year-on-year to US\$10,603 million, contributing to 80 percent of the Group's total revenue.

The PCSD business' efforts in optimizing segment profitability and expanding sales in premium products are paying off. Its investments in the Software and Services business have led to additional upsell opportunities. The Software and Services business under the PCSD Group grew its revenue four times faster than the PCSD average and carried the highest margin profile among all products lines. The pre-tax margin of the PCSD business expanded 0.9 percentage points to 6.3 percent. As a result, its pre-tax profit grew 28 percent year-on-year to US\$670 million for the quarter under review.

### ***Intelligent Devices Group - Mobile Business Group (MBG)***

The MBG business reported a quarterly revenue of US\$1,093 million after a 27 percent year-on-year decline, attributable to the sharp drop in market demand in Latin America. MBG continued to execute its core market strategy to develop in regions and/or countries where it has notable competitive advantages. Its smartphone market share by shipments rose 1.8, 1.6 and 0.6 percentage points year-on-year in the Latin America, North America and Europe markets, respectively, according to industry data. This premium-to-market growth helped to drive the business' solid performance in North America and Europe. Nevertheless, market demand for MBG's biggest core market, Latin America, experienced a sharp correction of over 30 percent year-on-year with its addressable market by shipments. As a result of this market weakness, MBG's revenue performance in Latin America was put under pressure. The MBG business accounted for 8 percent of the Group's total revenue.

The company took swift actions to control expenses, which helped to narrow its loss before taxation by US\$10 million quarter-on-quarter to US\$50 million. While this still represented an annual decline of US\$55 million, the business has a strategy in place to further improve profitability, leveraging attractive product launches. The business recently announced Motorola Edge+, the fastest 5G phone in the market. A “5G for all” strategy will entail a series of product launches of varying price points starting with the attractively priced Moto G 5G Plus model for the Motorola G franchise.

### ***Data Center Group (DCG)***

In the first fiscal quarter, the DCG business was able to ride on strong cloud demand and grew its revenue by 18.9 percent year-on-year to US\$1,612 million, contributing 12 percent of the Group’s total sales. Its Cloud Service Provider business, which provides hyperscale products to public cloud service providers, has been a key beneficiary of accelerated investments in cloud computing. Revenue from the Cloud Service Provider business increased 31 percent year-on-year to reach a new quarterly record. The business is making further investments to grow its in-house design and manufacturing capability. It is also expanding its dedicated salesforce to target a broader market with a goal to diversify its customer base. The enhanced in-house design and manufacturing capabilities should drive a richer mix of platforms, products and higher-end designs.

The Enterprise and SMB segment also experienced robust growth across multiple product categories, including Software and Services, hybrid cloud and high-performance computing. Revenue of the Enterprise and SMB segment increased 9 percent year-on-year, despite conservative spending by enterprises globally.

Losses from the DCG business narrowed by US\$17 million quarter-on-quarter but extended by US\$7 million year-on-year to US\$58 million. The annual comparison was negatively impacted by pandemic-induced cost increases and investments to further improve the Group’s long-term growth prospects in regional markets including China.

### **Outlook**

In this uncertain time, the dynamic shift in consumer behavior has created demand tailwinds for e-learning, WFH, play-from-home, cloud infrastructure and 5G. These long-term structural trends could enlarge the addressable market for PCSD and cloud infrastructure and also accelerate the development of 5G services. The Group will continue to capture these growth opportunities amid market uncertainties and to exercise prudent control on expenses to optimize its liquidity and financial health.

In its PCSD business, the Group will drive premium-to-market revenue growth through continued investments in the high-growth and premium segments. Building capabilities in the Software and Services business and expanding its well-established e-commerce infrastructure will also lead to new growth opportunities. For its Mobile business, the Group will continue to drive product innovation in 5G smartphone launches to strengthen its stronghold markets. It will also seek to enhance competitiveness in target markets to grow at a premium to the market and improve long-term profitability.

In its DCG business, the Group aims to deliver premium-to-market growth and improve profitability. In Enterprise and SMB segment, the Group will grow its high-margin service attach rate, upsell premier services and expand hybrid cloud solutions based on Lenovo hardware and leading cloud software platforms. Meanwhile it will continue to develop Internet of Things applications and new levels of automation to drive a paradigm shift in computing with its edge-to-cloud solutions. For its Cloud Service Provider business, the Group will attract new customers and expand its share with existing accounts by leveraging its unique strengths in the global supply chain and worldwide reach while also expanding its product portfolio with new server and storage platforms. The business will also grow its in-house design and manufacturing capabilities to drive sustainable growth in scale.

## Strategic Highlights

The Group continues to execute its strategy to be the leader and enabler of Intelligent Transformation. The Group has the vision of bringing smarter technology to all - through Smart Infrastructure, Smart Verticals, and Smart IoT. This “3S” strategy, in parallel with its customer-centric positioning, has led to structural growth in new businesses including Software and Services.

**Smart Infrastructure** provides the computing, storage, and networking power to support smart devices. The Group launched its next-generation data center solutions in hybrid cloud and expects these solutions to be a future growth catalyst. These new solutions, which include collaboration with several partners based on the ThinkAgile platform, have penetrated Smart City projects in both Europe and China. The Group’s Smart Infrastructure revenue increased 16 percent year-on-year during the fiscal quarter under review.

**Smart Verticals** combine big data generated by smart devices and the computing power of smart infrastructure to provide more insights and improve processes for customers. The Data Intelligence Business Group has expanded its footprint to win projects in the healthcare industry. The Group delivered 65 percent year-on-year revenue growth in Smart Verticals in the quarter.

The Group will continue to invest in **Smart IoT**, consisting of a network of many touchpoints for the connected world we live in. Specifically, the Group’s investments will accelerate in the area of edge computing, cloud, big data, and AI in vertical industries to deepen its strategic transformation and further accentuate its core competencies. These investments aim to strengthen the Group’s capability as a competitive end-to-end solution provider in the era of Intelligent Transformation. The Smart IoT business delivered 39 percent year-on-year revenue growth during the first fiscal quarter.

## FINANCIAL REVIEW

### *Results for the three months ended June 30, 2020*

	<b>3 months ended June 30, 2020 (unaudited) US\$ million</b>	3 months ended June 30, 2019 (unaudited) US\$ million	Year-on- year change
Revenue	<b>13,348</b>	12,512	7%
Gross profit	<b>2,041</b>	2,048	0%
Gross profit margin	<b>15.3%</b>	16.4%	(1.1) pts
Operating expenses	<b>(1,605)</b>	(1,705)	(6)%
Operating profit	<b>436</b>	343	27%
Other non-operating expenses – net	<b>(104)</b>	(103)	1%
Profit before taxation	<b>332</b>	240	38%
Profit for the period	<b>247</b>	192	29%
Profit attributable to equity holders of the Company	<b>213</b>	162	31%
Earnings per share attributable to equity holders of the Company			
Basic	<b>US1.80 cents</b>	US1.37 cents	US0.43 cents
Diluted	<b>US1.76 cents</b>	US1.32 cents	US0.44 cents

For the three months ended June 30, 2020, the Group achieved total sales of approximately US\$13,348 million. Compared to the corresponding period of last year, profit attributable to equity holders for the period surged by US\$51 million to approximately US\$213 million. In the same reporting period, gross profit margin eroded 1.1 percentage points to 15.3 percent, mainly due to lower profitability in the Mobile Business Group business in Latin America, while basic and diluted earnings per share were US1.80 cents and US1.76 cents respectively, representing an increase of US0.43 cents and US0.44 cents.

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

Analysis of operating expenses by function for the three months ended June 30, 2020 and 2019 is as follows:

	<b>3 months ended June 30, 2020 US\$'000</b>	3 months ended June 30, 2019 US\$'000
Selling and distribution expenses	<b>(632,167)</b>	(763,329)
Administrative expenses	<b>(661,102)</b>	(610,716)
Research and development expenses	<b>(332,570)</b>	(329,315)
Other operating income/(expenses) – net	<b>20,408</b>	(2,380)
	<b><u>(1,605,431)</u></b>	<b><u>(1,705,740)</u></b>

Operating expenses for the period decreased by 6 percent as compared with the corresponding period of last year. Amortization of intangible assets increased by US\$26 million with more investment in patent and technology (particularly on cloud technology and new product development) and internal use software. Employee benefit costs increased by US\$139 million mainly due to increase in headcount and bonus and recognition of severance costs of US\$75 million. During the period, the Group recorded gain on disposal of non-core property assets of US\$65 million (2019/20: nil), and fair value gain from strategic investments amounted to US\$60 million (2019/20: loss of US\$9 million) reflecting the change in value of the Group's portfolio. The decrease in operating expenses was further contributed by drop in advertising and promotional expenses of US\$130 million.

Key expenses by nature comprise:

	<b>3 months ended June 30, 2020 US\$'000</b>	3 months ended June 30, 2019 US\$'000
Depreciation of property, plant and equipment	<b>(39,591)</b>	(39,469)
Depreciation of right-of-use assets		
- Prepaid lease payments	<b>(640)</b>	(662)
- Other right-of-use assets	<b>(18,033)</b>	(15,461)
Amortization of intangible assets	<b>(149,563)</b>	(123,990)
Employee benefit costs, including	<b>(1,104,169)</b>	(964,832)
- long-term incentive awards	<b>(65,630)</b>	(58,693)
- severance and related costs	<b>(75,006)</b>	-
Rental expenses under operating leases	<b>(1,676)</b>	(3,933)
Net foreign exchange loss	<b>(12,139)</b>	(12,515)
Advertising and promotional expenses	<b>(118,051)</b>	(248,239)
Legal and professional fees	<b>(46,106)</b>	(42,384)
Information technology expenses	<b>(27,140)</b>	(21,226)
Gain/(loss) on disposal of property, plant and equipment	<b>62,169</b>	(2,475)
Fair value gain/(loss) on financial assets at fair value through profit or loss	<b>28,631</b>	(8,956)
Fair value gain on a financial liability at fair value through profit or loss	<b>3,827</b>	-
Dilution gain on interest in an associate	<b>31,374</b>	-
Gain on disposal of subsidiaries	<b>1,064</b>	12,844
Others	<b>(215,388)</b>	(234,442)
	<b>(1,605,431)</b>	(1,705,740)

Other non-operating expenses (net) for the three months ended June 30, 2020 and 2019 comprise:

	<b>3 months ended June 30, 2020 US\$'000</b>	3 months ended June 30, 2019 US\$'000
Finance income	<b>7,991</b>	13,872
Finance costs	<b>(106,832)</b>	(115,022)
Share of losses of associates and joint ventures	<b>(4,960)</b>	(1,376)
	<b>(103,801)</b>	(102,526)

Finance income mainly represents interest on bank deposits.

Finance costs for the period decreased by 7 percent as compared with the corresponding period of last year. The change is a combined effect of the decrease in interest on bank loans and overdrafts of US\$10 million and factoring costs of US\$3 million, partially offset by the increase in interest on notes of US\$4 million.

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

The Group adopts segments by business group as the reporting format. Segments by business group comprise Intelligent Devices Group (“IDG”) and Data Center Group (“DCG”). Segment revenue and pre-tax income/(loss) for reportable segments are as follows:

	<b>3 months ended June 30, 2020</b>		3 months ended June 30, 2019	
	<b>Revenue from external customers US\$'000</b>	<b>Pre-tax income/ (loss) US\$'000</b>	Revenue from external customers US\$'000	Pre-tax income/ (loss) US\$'000
IDG	<b>11,735,780</b>	<b>619,850</b>	11,156,233	528,764
DCG	<b>1,612,076</b>	<b>(58,463)</b>	1,355,920	(51,668)
Segment total	<b><u>13,347,856</u></b>	<b><u>561,387</u></b>	<b><u>12,512,153</u></b>	<b><u>477,096</u></b>
Unallocated:				
Headquarters and corporate (expenses)/income - net		<b>(259,894)</b>		(131,336)
Depreciation and amortization		<b>(46,818)</b>		(34,533)
Finance income		<b>4,909</b>		8,406
Finance costs		<b>(50,449)</b>		(66,519)
Share of losses of associates and joint ventures		<b>(4,960)</b>		(1,376)
Gain/(loss) on disposal of property, plant and equipment		<b>63,877</b>		(2,657)
Fair value gain/(loss) on financial assets at fair value through profit or loss		<b>28,631</b>		(8,956)
Fair value gain on a financial liability at fair value through profit or loss		<b>3,827</b>		-
Dilution gain on interest in an associate		<b>31,374</b>		-
Dividend income from investments		<b>192</b>		-
Consolidated profit before taxation		<b><u>332,076</u></b>		<b><u>240,125</u></b>

Headquarters and corporate (expenses)/income for the period comprise various expenses, after appropriate allocation to business groups, of US\$260 million (2019/20: US\$131 million) such as employee benefit costs, legal and professional fees, and research and technology expenses. Employee benefit costs rose by US\$102 million due to recognition of severance costs of US\$75 million and increase in bonus of US\$45 million. Fair value gain on bonus warrants decreased by US\$9 million as compared with the corresponding period of last year.



## Capital Expenditure

The Group incurred capital expenditure of US\$167 million (2019/20: US\$260 million) during the three months ended June 30, 2020, mainly for the acquisition of property, plant and equipment, additions in construction-in-progress and intangible assets. The higher capital expenditure incurred in the corresponding period of last year was mainly attributable to more investments in patent and technology particularly on cloud technology and internal use software.

## Liquidity and Financial Resources

At June 30, 2020, total assets of the Group amounted to US\$33,495 million (March 31, 2020: US\$32,128 million), which were financed by equity attributable to owners of the Company of US\$3,329 million (March 31, 2020: US\$3,198 million), perpetual securities of US\$1,007 million (March 31, 2020: US\$994 million), a negative balance of other non-controlling interests (net of put option written on non-controlling interests) of US\$106 million (March 31, 2020: US\$131 million), and total liabilities of US\$29,265 million (March 31, 2020: US\$28,069 million). At June 30, 2020, the current ratio of the Group was 0.86 (March 31, 2020: 0.81).

At June 30, 2020, bank deposits and cash and cash equivalents totalling US\$3,546 million (March 31, 2020: US\$3,617 million) analyzed by major currency as follows:

	June 30, 2020	March 31, 2020
	%	%
US dollar	37.8	35.3
Renminbi	35.2	25.4
Japanese Yen	5.0	10.3
Euro	7.1	7.8
Great British Pound	0.3	4.2
Other currencies	14.6	17.0
Total	100.0	100.0

The Group adopts a conservative policy to invest the surplus cash generated from operations. At June 30, 2020, 75.2 (March 31, 2020: 85.6) percent of cash are bank deposits, and 24.8 (March 31, 2020: 14.4) percent 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 to meet inter-quarter funding requirements and the Group has entered into factoring arrangements in the ordinary course of business for liquidity.

The Group has the following banking facilities:

Type	Date of agreement	Principal amount	Term	Utilization amount at	
				June 30, 2020	March 31, 2020
		US\$ million		US\$ million	US\$ million
Loan facility	May 26, 2015	300	5 years	N/A	300
Revolving loan facility	March 28, 2018	1,500	5 years	1,050	1,500
Loan facility	May 12, 2020	300	5 years	300	N/A
Revolving loan facility	May 14, 2020	200	5 years	200	N/A

Notes, perpetual securities, convertible bonds and convertible preferred shares issued by the Group and outstanding as at June 30, 2020 are as follows:

	<b>Issue date</b>	<b>Principal amount</b>	<b>Term</b>	<b>Interest rate / dividend per annum</b>	<b>Due date</b>	<b>Use of proceeds</b>
2022 Note	March 16, 2017	US\$500 million	5 years	3.875%	March 2022	For repayment of the outstanding amount under the promissory note issued to Google Inc. and general corporate purposes
Perpetual securities	March 16, 2017 and April 6, 2017	US\$1 billion	N/A	5.375%	N/A	
2023 Note	March 29, 2018	US\$750 million	5 years	4.75%	March 2023	For repayment of previous Note and general corporate purposes
Convertible bonds	January 24, 2019	US\$675 million	5 years (Note)	3.375%	January 2024	For repayment of previous Note and general corporate purposes
Convertible preferred shares	June 21, 2019	US\$300 million	N/A	4%	N/A	For general corporate funding and capital expenditure
2025 Note	April 24, 2020 and May 12, 2020	US\$1 billion	5 years	5.875%	April 2025	For repayment of previous Note and general corporate purposes

Note: Please refer to Note 12(iii) to the Financial Information for details.

The Group has also arranged other short-term credit facilities as follows:

<b>Credit facilities</b>	<b>Total facilities amount at</b>		<b>Drawn down amount at</b>	
	<b>June 30, 2020</b>	<b>March 31, 2020</b>	<b>June 30, 2020</b>	<b>March 31, 2020</b>
	<i>US\$ million</i>	<i>US\$ million</i>	<i>US\$ million</i>	<i>US\$ million</i>
Trade lines	<b>2,827</b>	2,547	<b>2,057</b>	2,047
Short-term money market facilities	<b>1,068</b>	1,034	<b>143</b>	334
Forward foreign exchange contracts	<b>11,424</b>	9,278	<b>11,342</b>	9,222

Net debt position and gearing ratio of the Group as at June 30 and March 31, 2020 are as follows:

	<b>June 30, 2020</b>	<b>March 31, 2020</b>
	<i>US\$ million</i>	<i>US\$ million</i>
Bank deposits and cash and cash equivalents	<b>3,546</b>	3,617
Borrowings		
- Short-term loans	<b>1,677</b>	2,125
- Long-term loan	<b>3</b>	3
- Notes	<b>2,243</b>	1,807
- Convertible bonds	<b>612</b>	607
- Convertible preferred shares	<b>291</b>	318
Net debt position	<b>(1,280)</b>	(1,243)
Total equity	<b>4,230</b>	4,059
Gearing ratio (Borrowings divided by total equity)	<b>1.14</b>	1.20

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 is in full compliance with all the banking covenants.

The Group adopts a consistent hedging policy for business transactions to reduce the risk of currency fluctuation arising from daily operations. At June 30, 2020, the Group had commitments in respect of outstanding forward foreign exchange contracts amounting to US\$11,342 million (March 31, 2020: US\$9,222 million). The Group's forward foreign exchange contracts are either used to hedge a percentage of future transactions which are highly probable, or used as fair value hedges for identified assets and liabilities.

## **Contingent Liabilities**

The Group, in the ordinary course of its business, is involved in various claims, suits, investigations, and legal proceedings that arise from time to time. Although the Group does not expect that the outcome in any of these legal proceedings, individually or collectively, will have a material adverse effect on its financial position or results of operations, litigation is inherently unpredictable. Therefore, the Group could incur judgments or enter into settlements of claims that could adversely affect its operating results or cash flows in a particular period.

<b>FINANCIAL INFORMATION</b>
------------------------------

## CONSOLIDATED INCOME STATEMENT

		<b>3 months ended June 30, 2020 (unaudited) US\$'000</b>	3 months ended June 30, 2019 (unaudited) US\$'000
Revenue	2	<b>13,347,856</b>	12,512,153
Cost of sales		<b>(11,306,548)</b>	(10,463,762)
Gross profit		<b>2,041,308</b>	2,048,391
Selling and distribution expenses		<b>(632,167)</b>	(763,329)
Administrative expenses		<b>(661,102)</b>	(610,716)
Research and development expenses		<b>(332,570)</b>	(329,315)
Other operating income/(expenses) - net		<b>20,408</b>	(2,380)
Operating profit	3	<b>435,877</b>	342,651
Finance income	4(a)	<b>7,991</b>	13,872
Finance costs	4(b)	<b>(106,832)</b>	(115,022)
Share of losses of associates and joint ventures		<b>(4,960)</b>	(1,376)
Profit before taxation		<b>332,076</b>	240,125
Taxation	5	<b>(85,269)</b>	(48,183)
Profit for the period		<b>246,807</b>	191,942
Profit attributable to:			
Equity holders of the Company		<b>212,822</b>	162,227
Perpetual securities holders		<b>13,440</b>	13,440
Other non-controlling interests		<b>20,545</b>	16,275
		<b>246,807</b>	191,942
Earnings per share attributable to equity holders of the Company			
Basic	6(a)	<b>US1.80 cents</b>	US1.37 cents
Diluted	6(b)	<b>US1.76 cents</b>	US1.32 cents

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	3 months ended June 30, 2020 (unaudited) US\$'000	3 months ended June 30, 2019 (unaudited) US\$'000
Profit for the period	246,807	191,942
Other comprehensive (loss)/income:		
<u>Items that will not be reclassified to profit or loss</u>		
Remeasurements of post-employment benefit obligations, net of taxes	-	380
Fair value change on financial assets at fair value through other comprehensive income, net of taxes	(4,604)	(3,044)
<u>Items that have been reclassified or may be subsequently reclassified to profit or loss</u>		
Fair value change on cash flow hedges from foreign exchange forward contracts, net of taxes		
- Fair value loss, net of taxes	(93,620)	(23,875)
- Reclassified to consolidated income statement	6,740	(18,109)
Currency translation differences	(24,047)	(5,883)
Other comprehensive loss for the period	(115,531)	(50,531)
Total comprehensive income for the period	<u>131,276</u>	<u>141,411</u>
Total comprehensive income attributable to:		
Equity holders of the Company	95,478	107,509
Perpetual securities holders	13,440	13,440
Other non-controlling interests	22,358	20,462
	<u>131,276</u>	<u>141,411</u>

## CONSOLIDATED BALANCE SHEET

		<b>June 30, 2020</b>	March 31, 2020
		<b>(unaudited)</b>	(audited)
	<i>Note</i>	<i>US\$'000</i>	<i>US\$'000</i>
Non-current assets			
Property, plant and equipment		<b>1,388,316</b>	1,398,440
Right-of-use assets		<b>789,434</b>	812,235
Construction-in-progress		<b>294,728</b>	304,241
Intangible assets		<b>7,991,522</b>	7,984,582
Interests in associates and joint ventures		<b>87,024</b>	60,307
Deferred income tax assets		<b>2,079,411</b>	2,059,582
Financial assets at fair value through profit or loss		<b>551,131</b>	494,807
Financial assets at fair value through other comprehensive income		<b>63,546</b>	56,136
Other non-current assets		<b>202,274</b>	224,396
		<hr/> <b>13,447,386</b>	<hr/> 13,394,726
		<hr/> <b>13,447,386</b>	<hr/> 13,394,726
Current assets			
Inventories	7	<b>5,126,690</b>	4,946,914
Trade receivables	8(a)	<b>7,026,220</b>	6,263,012
Notes receivable		<b>29,579</b>	11,529
Derivative financial assets		<b>49,905</b>	138,813
Deposits, prepayments and other receivables	9	<b>4,072,269</b>	3,559,239
Income tax recoverable		<b>196,620</b>	196,464
Bank deposits		<b>50,681</b>	66,480
Cash and cash equivalents		<b>3,495,632</b>	3,550,990
		<hr/> <b>20,047,596</b>	<hr/> 18,733,441
		<hr/> <b>20,047,596</b>	<hr/> 18,733,441
Total assets		<hr/> <b>33,494,982</b>	<hr/> 32,128,167
		<hr/> <b>33,494,982</b>	<hr/> 32,128,167

## CONSOLIDATED BALANCE SHEET (CONTINUED)

		<b>June 30, 2020</b> <b>(unaudited)</b> <i>US\$'000</i>	March 31, 2020 (audited) <i>US\$'000</i>
	<i>Note</i>		
Share capital	<i>13</i>	<b>3,185,923</b>	3,185,923
Reserves		<b>142,780</b>	11,619
Equity attributable to owners of the Company		<b>3,328,703</b>	3,197,542
Perpetual securities	<i>14</i>	<b>1,007,110</b>	993,670
Other non-controlling interests		<b>660,731</b>	634,321
Put option written on non-controlling interests	<i>11(b)</i>	<b>(766,238)</b>	(766,238)
Total equity		<b>4,230,306</b>	4,059,295
Non-current liabilities			
Borrowings	<i>12</i>	<b>2,537,583</b>	1,564,619
Warranty provision	<i>10(b)</i>	<b>269,974</b>	258,840
Deferred revenue		<b>959,949</b>	864,805
Retirement benefit obligations		<b>466,767</b>	458,386
Deferred income tax liabilities		<b>322,717</b>	342,805
Other non-current liabilities	<i>11</i>	<b>1,332,599</b>	1,321,296
		<b>5,889,589</b>	4,810,751
Current liabilities			
Trade payables	<i>8(b)</i>	<b>7,806,127</b>	7,509,724
Notes payable		<b>1,517,196</b>	1,458,645
Derivative financial liabilities		<b>76,232</b>	73,784
Other payables and accruals	<i>10(a)</i>	<b>9,832,481</b>	9,025,643
Provisions	<i>10(b)</i>	<b>748,197</b>	718,771
Deferred revenue		<b>859,975</b>	819,199
Income tax payable		<b>246,139</b>	357,375
Borrowings	<i>12</i>	<b>2,288,740</b>	3,294,980
		<b>23,375,087</b>	23,258,121
Total liabilities		<b>29,264,676</b>	28,068,872
Total equity and liabilities		<b>33,494,982</b>	32,128,167

## CONSOLIDATED CASH FLOW STATEMENT

	<i>Note</i>	<b>3 months ended June 30, 2020 (unaudited) US\$'000</b>	3 months ended June 30, 2019 (unaudited) US\$'000
Cash flows from operating activities			
Net cash generated from operations	15	624,511	117,986
Interest paid		(71,242)	(115,471)
Tax paid		(236,152)	(144,065)
Net cash generated from/(used in) operating activities		<u>317,117</u>	<u>(141,550)</u>
Cash flows from investing activities			
Purchase of property, plant and equipment		(50,229)	(31,164)
Sale of property, plant and equipment		17,658	2,397
Disposal of subsidiaries, net of cash disposed		(5,161)	(18,155)
Interest acquired in an associate		(303)	-
Payment for construction-in-progress		(73,412)	(96,872)
Payment for intangible assets		(43,643)	(131,855)
Purchase of financial assets at fair value through profit or loss		(42,598)	(5,138)
Purchase of financial assets at fair value through other comprehensive income		(10,415)	-
Loan to a joint venture		-	(72,603)
Net proceeds from sale of financial assets at fair value through profit or loss		16,345	36,519
Payment of contingent consideration		(117,390)	-
Decrease/(increase) in bank deposits		15,799	(371)
Dividend received		305	-
Interest received		7,991	13,872
Net cash used in investing activities		<u>(285,053)</u>	<u>(303,370)</u>
Cash flows from financing activities			
Capital contribution from other non-controlling interests		2,269	17,638
Contribution to employee share trusts		(37,257)	(13,555)
Issue of convertible preferred shares		-	300,000
Repurchase of convertible preferred shares		(16,575)	-
Issue of a note		1,003,500	-
Issuing costs of a note		(4,485)	-
Repayment of a note		(565,643)	(786,244)
Principal elements of lease payments		(25,653)	(25,571)
Dividends paid to convertible preferred shares holders		(6,000)	-
Proceeds from borrowings		1,429,000	1,620,000
Repayments of borrowings		(1,870,246)	(600,000)
Net cash (used in)/generated from financing activities		<u>(91,090)</u>	<u>512,268</u>
(Decrease)/increase in cash and cash equivalents		(59,026)	67,348
Effect of foreign exchange rate changes		3,668	(12,797)
Cash and cash equivalents at the beginning of the period		<u>3,550,990</u>	<u>2,662,854</u>
Cash and cash equivalents at the end of the period		<u><u>3,495,632</u></u>	<u><u>2,717,405</u></u>



## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holders of the Company											
	Share capital	Investment revaluation reserve	Employee share trusts	Share-based compensation reserve	Hedging reserve	Exchange reserve	Other reserve	Retained earnings	Perpetual securities	Other non-controlling interests	Put option written on non-controlling interests	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
At April 1, 2020	3,185,923	(48,716)	(101,467)	287,574	58,489	(1,799,017)	176,642	1,438,114	993,670	634,321	(766,238)	4,059,295
Profit for the period	-	-	-	-	-	-	-	212,822	13,440	20,545	-	246,807
Other comprehensive (loss)/income	-	(4,604)	-	-	(86,880)	(25,860)	-	-	-	1,813	-	(115,531)
Total comprehensive (loss)/income for the period	-	(4,604)	-	-	(86,880)	(25,860)	-	212,822	13,440	22,358	-	131,276
Transfer to statutory reserve	-	-	-	-	-	-	5,321	(5,321)	-	-	-	-
Vesting of shares under long-term incentive program	-	-	105,111	(130,725)	-	-	-	-	-	-	-	(25,614)
Deferred tax credit in relation to long-term incentive program	-	-	-	23	-	-	-	-	-	-	-	23
Disposal of subsidiaries	-	-	-	-	-	306	(1,819)	-	-	-	-	(1,513)
Settlement of bonus through long-term incentive program	-	-	-	34,444	-	-	-	-	-	-	-	34,444
Share-based compensation	-	-	-	65,630	-	-	-	-	-	-	-	65,630
Contribution to employee share trusts	-	-	(37,257)	-	-	-	-	-	-	-	-	(37,257)
Capital contribution from other non-controlling interests	-	-	-	-	-	-	-	-	-	4,022	-	4,022
Change of ownership of subsidiaries without loss of control	-	-	-	-	-	-	(30)	-	-	30	-	-
At June 30, 2020	3,185,923	(53,320)	(33,613)	256,946	(28,391)	(1,824,571)	180,114	1,645,615	1,007,110	660,731	(766,238)	4,230,306
At April 1, 2019	3,185,923	(36,095)	(140,209)	311,540	23,240	(1,371,932)	163,241	1,260,745	993,670	473,178	(766,238)	4,097,063
Profit for the period	-	-	-	-	-	-	-	162,227	13,440	16,275	-	191,942
Other comprehensive (loss)/income	-	(3,044)	-	-	(41,984)	(10,070)	-	380	-	4,187	-	(50,531)
Total comprehensive (loss)/income for the period	-	(3,044)	-	-	(41,984)	(10,070)	-	162,607	13,440	20,462	-	141,411
Transfer to statutory reserve	-	-	-	-	-	-	189	(189)	-	-	-	-
Vesting of shares under long-term incentive program	-	-	133,483	(176,185)	-	-	-	-	-	-	-	(42,702)
Deferred tax charge in relation to long-term incentive program	-	-	-	(1,556)	-	-	-	-	-	-	-	(1,556)
Disposal of subsidiaries	-	-	-	-	-	-	(267)	-	-	-	-	(267)
Share-based compensation	-	-	-	58,693	-	-	-	-	-	-	-	58,693
Contribution to employee share trusts	-	-	(13,555)	-	-	-	-	-	-	-	-	(13,555)
Capital contribution from other non-controlling interests	-	-	-	-	-	-	-	-	-	17,638	-	17,638
Change of ownership of subsidiaries without loss of control	-	-	-	-	-	-	373	-	-	(373)	-	-
At June 30, 2019	3,185,923	(39,139)	(20,281)	192,492	(18,744)	(1,382,002)	163,536	1,423,163	1,007,110	510,905	(766,238)	4,256,725

## **1 General information and basis of preparation**

The financial information relating to the year ended March 31, 2020 included in the FY2020/21 first quarter results announcement as comparative information does not constitute the Company's statutory annual consolidated financial statements for that year but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance is as follows:

The Company will deliver the consolidated financial statements for the year ended March 31, 2020 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance.

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

### Basis of preparation

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

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

The accounting policies adopted are consistent with those of the previous financial year. The Group has reclassified right-of-use assets related to leasehold land and buildings, which was previously classified as "property, plant and equipment", and "prepaid lease payments" to "right-of-use assets" in the consolidated balance sheet.

The below amended standards became applicable for the current reporting period. The Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting these amended standards.

- Amendments to HKFRS 3, Definition of a business
- Amendments to HKAS 1 and HKAS 8, Definition of material
- Amendments to HKFRS 9, HKAS 39 and HKFRS 7, Interest rate benchmark reform

### New amendments to existing standards not yet effective

The following new 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, 2021 and have not been early adopted:

	Effective for annual periods beginning on or after
Amendments to HKFRS 16, COVID-19-Related rent concessions	June 1, 2020
Amendments to HKAS 37, Onerous contracts – Cost of fulfilling a contract	January 1, 2022
Annual improvements to HKFRS Standards 2018-2020 Cycle	January 1, 2022
Amendments to HKAS 16, Property, plant and equipment: Proceeds before Intended Use	January 1, 2022
Amendments to HKFRS 3, Reference to the conceptual framework	January 1, 2022
Amendments to HKAS 1, Classification of liabilities as current or non-current	January 1, 2022
Amendments to HKFRS 10 and HKAS 28, Consolidated financial statements and investments in associates	Date to be determined

The Group is in the process of assessing what the impact of these developments is expected to be in the period of initial application. So far it has concluded that their adoption is unlikely to have a significant impact on the consolidated financial statements of the Group.

## **2 Segment information**

Management has determined the operating segments based on the reports reviewed by the Lenovo Executive Committee (“LEC”), the chief operating decision-maker, that are used to make strategic decisions. Segments by business group comprise IDG and DCG.

The LEC assesses the performance of the operating segments based on a measure of pre-tax income/(loss). This measurement basis excludes the effects of non-recurring expenses such as restructuring costs from the operating segments. The measurement basis also excludes the effects of certain income and expenses such as fair value change of financial instruments and disposal gain/(loss) of fixed assets that are from activities driven by headquarters and centralized functions. Certain finance income and costs are not allocated to segments when these types of activities are 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 business group 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 pre-tax income/(loss) for reportable segments

	3 months ended June 30, 2020		3 months ended June 30, 2019	
	Revenue from external customers US\$'000	Pre-tax income/ (loss) US\$'000	Revenue from external customers US\$'000	Pre-tax income/ (loss) US\$'000
IDG	11,735,780	619,850	11,156,233	528,764
DCG	1,612,076	(58,463)	1,355,920	(51,668)
Segment total	<u>13,347,856</u>	<u>561,387</u>	<u>12,512,153</u>	<u>477,096</u>
Unallocated:				
Headquarters and corporate (expenses)/income - net		(259,894)		(131,336)
Depreciation and amortization		(46,818)		(34,533)
Finance income		4,909		8,406
Finance costs		(50,449)		(66,519)
Share of losses of associates and joint ventures		(4,960)		(1,376)
Gain/(loss) on disposal of property, plant and equipment		63,877		(2,657)
Fair value gain/(loss) on financial assets at fair value through profit or loss		28,631		(8,956)
Fair value gain on a financial liability at fair value through profit or loss		3,827		-
Dilution gain on interest in an associate		31,374		-
Dividend income from investments		192		-
Consolidated profit before taxation		<u>332,076</u>		<u>240,125</u>

## (b) Segment assets for reportable segments

	June 30, 2020 US\$'000	March 31, 2020 US\$'000
IDG	21,177,569	20,045,317
DCG	4,930,014	4,656,685
Segment assets for reportable segments	<u>26,107,583</u>	<u>24,702,002</u>
Unallocated:		
Deferred income tax assets	2,079,411	2,059,582
Financial assets at fair value through profit or loss	551,131	494,807
Financial assets at fair value through other comprehensive income	63,546	56,136
Derivative financial assets	49,905	138,813
Interests in associates and joint ventures	87,024	60,307
Bank deposits and cash and cash equivalents	3,546,313	3,617,470
Unallocated deposits, prepayments and other receivables	350,781	379,429
Income tax recoverable	196,620	196,464
Other unallocated assets	462,668	423,157
Total assets per consolidated balance sheet	<u>33,494,982</u>	<u>32,128,167</u>

(c) Segment liabilities for reportable segments

	<b>June 30, 2020</b> <i>US\$'000</i>	March 31, 2020 <i>US\$'000</i>
IDG	<b>21,401,336</b>	20,271,781
DCG	<b>1,851,491</b>	1,666,557
Segment liabilities for reportable segments	<b>23,252,827</b>	21,938,338
Unallocated:		
Deferred income tax liabilities	<b>322,717</b>	342,805
Derivative financial liabilities	<b>76,232</b>	73,784
Borrowings	<b>4,826,323</b>	4,859,599
Unallocated other payables and accruals	<b>514,062</b>	470,200
Unallocated other non-current liabilities	<b>26,376</b>	26,771
Income tax payable	<b>246,139</b>	357,375
Total liabilities per consolidated balance sheet	<b>29,264,676</b>	28,068,872

(d) Analysis of revenue by geography

	<b>3 months ended</b> <b>June 30, 2020</b> <i>US\$'000</i>	3 months ended June 30, 2019 <i>US\$'000</i>
China	<b>2,937,372</b>	2,518,394
AP	<b>2,815,326</b>	2,795,827
EMEA	<b>3,614,729</b>	2,817,338
AG	<b>3,980,429</b>	4,380,594
	<b>13,347,856</b>	12,512,153

(e) Analysis of revenue by timing of revenue recognition

	<b>3 months ended</b> <b>June 30, 2020</b> <i>US\$'000</i>	3 months ended June 30, 2019 <i>US\$'000</i>
Point in time	<b>13,005,677</b>	12,233,119
Over time	<b>342,179</b>	279,034
	<b>13,347,856</b>	12,512,153

(f) Other segment information

	IDG		DCG		Total	
	2020 <i>US\$'000</i>	2019 <i>US\$'000</i>	2020 <i>US\$'000</i>	2019 <i>US\$'000</i>	2020 <i>US\$'000</i>	2019 <i>US\$'000</i>
For the three months ended June 30						
Depreciation and amortization	140,204	127,189	61,306	57,570	201,510	184,759
Finance income	2,874	4,947	208	519	3,082	5,466
Finance costs	48,304	43,984	8,079	4,519	56,383	48,503
Additions to non-current assets (Note)	122,717	133,141	41,419	140,721	164,136	273,862

Note: Excluding other non-current assets and including non-current assets acquired through acquisition of subsidiaries.

- (g) Included in segment assets for reportable segments are goodwill and trademarks and trade names with indefinite useful lives with an aggregate amount of US\$5,997 million (March 31, 2020: US\$5,983 million). The carrying amounts of goodwill and trademarks and trade names with indefinite useful lives are presented below:

At June 30, 2020

	China <i>US\$ million</i>	AP <i>US\$ million</i>	EMEA <i>US\$ million</i>	AG <i>US\$ million</i>	Mature Market <i>US\$ million</i>	Emerging Market <i>US\$ million</i>	Total <i>US\$ million</i>
<b>Goodwill</b>							
- PCSD	1,006	695	219	296	-	-	2,216
- MBG	-	-	-	-	667	788	1,455
- DCG	472	160	83	343	-	-	1,058
<b>Trademarks and trade names</b>							
- PCSD	209	59	103	67	-	-	438
- MBG	-	-	-	-	197	263	460
- DCG	162	54	31	123	-	-	370

At March 31, 2020

	China <i>US\$ million</i>	AP <i>US\$ million</i>	EMEA <i>US\$ million</i>	AG <i>US\$ million</i>	Mature Market <i>US\$ million</i>	Emerging Market <i>US\$ million</i>	Total <i>US\$ million</i>
<b>Goodwill</b>							
- PCSD	1,002	686	215	297	-	-	2,200
- MBG	-	-	-	-	666	799	1,465
- DCG	471	159	77	343	-	-	1,050
<b>Trademarks and trade names</b>							
- PCSD	209	59	103	67	-	-	438
- MBG	-	-	-	-	197	263	460
- DCG	162	54	31	123	-	-	370

The directors are of the view that there was no impairment of goodwill and trademarks and trade names based on impairment tests performed as at June 30, 2020 (March 31, 2020: Nil).

### 3 Operating profit

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

	<b>3 months ended June 30, 2020</b>	3 months ended June 30, 2019
	<i>US\$'000</i>	<i>US\$'000</i>
Depreciation of property, plant and equipment	71,925	68,251
Depreciation of right-of-use assets		
- Prepaid lease payments	668	691
- Other right-of-use assets	20,756	23,585
Amortization of intangible assets	154,979	126,765
Employee benefit costs, including	1,135,995	1,102,594
- <i>long-term incentive awards</i>	65,630	58,693
- <i>severance and other related costs</i>	75,006	-
Rental expenses under operating leases	3,427	6,216
(Gain)/loss on disposal of property, plant and equipment	(62,169)	2,475
Loss on disposal of intangible assets	450	1,789
Fair value (gain)/loss on financial assets at fair value through profit or loss	(28,631)	8,956
Fair value gain on a financial liability at fair value through profit or loss	(3,827)	-
Dilution gain on interest in an associate	(31,374)	-
Gain on disposal of subsidiaries	(1,064)	(12,844)
	<u><u>          </u></u>	<u><u>          </u></u>

### 4 Finance income and costs

#### (a) Finance income

	<b>3 months ended June 30, 2020</b>	3 months ended June 30, 2019
	<i>US\$'000</i>	<i>US\$'000</i>
Interest on bank deposits	7,248	10,337
Interest on money market funds	743	3,535
	<u>          </u>	<u>          </u>
	<u><u>7,991</u></u>	<u><u>13,872</u></u>

#### (b) Finance costs

	<b>3 months ended June 30, 2020</b>	3 months ended June 30, 2019
	<i>US\$'000</i>	<i>US\$'000</i>
Interest on bank loans and overdrafts	14,257	23,802
Interest on convertible bonds	9,911	9,826
Interest on notes	29,462	25,681
Interest on lease liabilities	4,207	4,104
Factoring costs	41,178	44,345
Interest on contingent consideration and written put option liabilities	6,281	6,656
Others	1,536	608
	<u>          </u>	<u>          </u>
	<u><u>106,832</u></u>	<u><u>115,022</u></u>

## 5 Taxation

The amount of taxation in the consolidated income statement represents:

	<b>3 months ended June 30, 2020 US\$'000</b>	3 months ended June 30, 2019 US\$'000
Current tax		
Hong Kong profits tax	<b>10,203</b>	7,686
Taxation outside Hong Kong	<b>115,541</b>	63,877
Deferred tax		
Credit for the period	<b>(40,475)</b>	(23,380)
	<b>85,269</b>	48,183

Hong Kong profits tax has been provided for at the rate of 16.5% (2019/20: 16.5%) on the estimated assessable profit for the period. Taxation outside Hong Kong represents income and irrecoverable withholding taxes of subsidiaries operating in the Chinese Mainland and overseas, calculated at rates applicable in the respective jurisdictions.

## 6 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 the employee share trusts for the purposes of awarding shares to eligible employees under the long-term incentive program.

	<b>3 months ended June 30, 2020</b>	3 months ended June 30, 2019
Weighted average number of ordinary shares in issue	<b>12,014,791,614</b>	12,014,791,614
Adjustment for shares held by employee share trusts	<b>(165,576,068)</b>	(194,047,775)
Weighted average number of ordinary shares in issue for calculation of basic earnings per share	<b>11,849,215,546</b>	11,820,743,839
	<b>US\$'000</b>	US\$'000
Profit attributable to equity holders of the Company used to determine basic earnings per share	<b>212,822</b>	162,227



(b) Diluted

The calculation of the diluted earnings per share is based on the profit attributable to ordinary equity holders of the Company, adjusted to reflect the impact from any dilutive potential ordinary shares issued by the Group, as appropriate. The weighted average number of ordinary shares used in the calculation is the weighted average number of ordinary shares in issue during the period, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

The Group has five (2019/20: five) categories of potential ordinary shares, namely long-term incentive awards, bonus warrants, put option written on non-controlling interests, convertible bonds and convertible preferred shares. Long-term incentive awards and convertible bonds were dilutive for the respective three months ended June 30, 2020 and 2019. Bonus warrants were anti-dilutive for the three months ended June 30, 2020 and dilutive for the three months ended June 30, 2019. Put option written on non-controlling interests and convertible preferred shares were anti-dilutive for the respective three months ended June 30, 2020 and 2019.

	<b>3 months ended June 30, 2020</b>	3 months ended June 30, 2019
Weighted average number of ordinary shares in issue for calculation of basic earnings per share	<b>11,849,215,546</b>	11,820,743,839
Adjustment for long-term incentive awards	<b>20,062,213</b>	430,488,378
Adjustment for bonus warrants	-	17,548,011
Adjustment for convertible bonds	<b>694,709,646</b>	662,539,112
Weighted average number of ordinary shares in issue for calculation of diluted earnings per share	<b>12,563,987,405</b>	12,931,319,340
	<i>US\$'000</i>	<i>US\$'000</i>
Profit attributable to equity holders of the Company used to determine basic earnings per share	<b>212,822</b>	162,227
Adjustment for interest on convertible bonds, net of tax	<b>8,275</b>	8,205
Profit attributable to equity holders of the Company used to determine diluted earnings per share	<b>221,097</b>	170,432

7 **Inventories**

	<b>June 30, 2020 <i>US\$'000</i></b>	March 31, 2020 <i>US\$'000</i>
Raw materials and work-in-progress	<b>3,426,819</b>	3,571,141
Finished goods	<b>1,331,019</b>	1,020,718
Service parts	<b>368,852</b>	355,055
	<b>5,126,690</b>	4,946,914

## 8 Ageing analysis

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

	<b>June 30, 2020</b> <i>US\$'000</i>	March 31, 2020 <i>US\$'000</i>
0 – 30 days	4,714,579	4,768,436
31 – 60 days	1,214,013	878,135
61 – 90 days	601,214	192,075
Over 90 days	596,078	519,822
	<hr/>	<hr/>
	7,125,884	6,358,468
Less: loss allowance	(99,664)	(95,456)
	<hr/>	<hr/>
Trade receivables – net	<b>7,026,220</b>	6,263,012
	<hr/> <hr/>	<hr/> <hr/>

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

	<b>June 30, 2020</b> <i>US\$'000</i>	March 31, 2020 <i>US\$'000</i>
0 – 30 days	4,625,908	4,793,837
31 – 60 days	1,722,199	1,699,192
61 – 90 days	1,027,317	596,027
Over 90 days	430,703	420,668
	<hr/>	<hr/>
	7,806,127	7,509,724
	<hr/> <hr/>	<hr/> <hr/>

## 9 Deposits, prepayments and other receivables

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

	<b>June 30, 2020</b> <i>US\$'000</i>	March 31, 2020 <i>US\$'000</i>
Deposits	12,863	14,502
Other receivables	3,005,276	2,379,850
Prepayments	1,054,130	1,164,887
	<hr/>	<hr/>
	<b>4,072,269</b>	3,559,239
	<hr/> <hr/>	<hr/> <hr/>

Other receivables mainly comprise amounts due from subcontractors for parts components sold in the ordinary course of business.

## 10 Provisions, other payables and accruals

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

	<b>June 30, 2020</b> <i>US\$'000</i>	March 31, 2020 <i>US\$'000</i>
Accruals	<b>2,129,282</b>	2,340,811
Allowance for billing adjustments (i)	<b>1,737,148</b>	1,618,374
Contingent consideration (Note 11(a))	-	117,387
Other payables (ii)	<b>5,876,595</b>	4,857,095
Lease liabilities	<b>89,456</b>	91,976
	<b><u>9,832,481</u></b>	<b><u>9,025,643</u></b>

Notes:

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

(b) The components of provisions are as follows:

	<b>Warranty</b> <i>US\$'000</i>	<b>Environmental restoration</b> <i>US\$'000</i>	<b>Restructuring</b> <i>US\$'000</i>	<b>Total</b> <i>US\$'000</i>
Year ended March 31, 2020				
At the beginning of the year	976,278	33,297	15,486	1,025,061
Exchange adjustment	(32,815)	626	(91)	(32,280)
Provisions made	824,687	20,126	-	844,813
Amounts utilized	(793,311)	(18,445)	(15,395)	(827,151)
	<u>974,839</u>	<u>35,604</u>	<u>-</u>	<u>1,010,443</u>
Long-term portion classified as non-current liabilities	(258,840)	(32,832)	-	(291,672)
At the end of the year	<u>715,999</u>	<u>2,772</u>	<u>-</u>	<u>718,771</u>
Three months ended June 30, 2020				
At the beginning of the period	<b>974,839</b>	<b>35,604</b>	-	<b>1,010,443</b>
Exchange adjustment	<b>14,525</b>	<b>269</b>	-	<b>14,794</b>
Provisions made	<b>222,804</b>	<b>5,525</b>	-	<b>228,329</b>
Amounts utilized	<b>(197,512)</b>	<b>(4,623)</b>	-	<b>(202,135)</b>
	<u>1,014,656</u>	<u>36,775</u>	<u>-</u>	<u>1,051,431</u>
Long-term portion classified as non-current liabilities	<b>(269,974)</b>	<b>(33,260)</b>	-	<b>(303,234)</b>
At the end of the period	<u>744,682</u>	<u>3,515</u>	<u>-</u>	<u>748,197</u>

The Group records its warranty liability at the time of sales based on estimated costs. Warranty claims are reasonably predictable based on historical failure rate information. The warranty accrual is reviewed quarterly to verify it properly reflects the outstanding obligation over the warranty period. Certain of these costs are reimbursable from the suppliers in accordance with the terms of relevant arrangements with them.

The Group records its environmental restoration provision at the time of sales based on estimated costs of environmentally-sound disposal of waste electrical and electronic equipment upon return from end-customers and with reference to the historical or projected future return rate. The environmental restoration provision is reviewed at least annually to assess its adequacy to meet the Group's obligation.

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

## 11 Other non-current liabilities

Details of other non-current liabilities are as follows:

	<b>June 30, 2020</b> <i>US\$'000</i>	March 31, 2020 <i>US\$'000</i>
Deferred consideration (a)	<b>25,072</b>	25,072
Written put option liabilities (b)	<b>813,811</b>	802,273
Lease liabilities	<b>329,837</b>	346,806
Environmental restoration (Note 10(b))	<b>33,260</b>	32,832
Government incentives and grants received in advance (c)	<b>57,929</b>	51,938
Others	<b>72,690</b>	62,375
	<b><u>1,332,599</u></b>	<b><u>1,321,296</u></b>

- (a) Pursuant to the completion of business combinations, the Group is required to pay in cash to the respective sellers contingent consideration with reference to certain performance indicators as written in the respective agreements with the sellers; and deferred consideration. Accordingly, current and non-current liabilities in respect of the fair value of contingent consideration and present value of deferred consideration have been recognized. The contingent consideration is subsequently re-measured at its 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 carried at amortized cost.

The contingent consideration to Fujitsu Limited ("Fujitsu") was paid in May 2020 (Note 10(a)). As at June 30, 2020, the potential undiscounted amount of future payment in respect of the deferred consideration that the Group could be required to make to the respective seller under such arrangement is as follows:

Joint venture with NEC Corporation US\$25 million

- (b) (i) Pursuant to the joint venture agreement entered into between the Company and Fujitsu, the Company and Fujitsu are respectively granted call and put options which entitle the Company to purchase from Fujitsu and Development Bank of Japan ("DBJ"), or Fujitsu and DBJ to sell to the Company, the 49% interest in Fujitsu Client Computing Limited and its subsidiary, Shimane Fujitsu Limited (together "FCCL"). Both options will be exercisable following the fifth anniversary of the date of completion. The exercise price for the call and put options will be determined based on the fair value of the 49% interest as of the day of exercising the option. FCCL will pay to its shareholders by way of dividends in their respective shareholding proportion in a range of FCCL's profits available for distribution under applicable law in respect of each financial year during the term of the joint venture agreement, after making transfers to reserves and provisions.

- (ii) During the year ended March 31, 2019, Hefei Zhi Ju Sheng Bao Equity Investment Co., Ltd (“ZJSB”) acquired the 49% interest in a joint venture company (“JV Co”) from Compal Electronics, Inc. The Company and ZJSB respectively own 51% and 49% of the interest in the JV Co. Pursuant to the option agreement entered into between a wholly owned subsidiary of the Group and Hefei Yuan Jia Start-up Investment LLP (“Yuan Jia”), which holds 99.31% interest in ZJSB, the Group and Yuan Jia are respectively granted call and put options which entitle the Group to purchase from Yuan Jia, or Yuan Jia to sell to the Group, the 99.31% interest in ZJSB. The call and put options will be exercisable at any time after August 31, 2022 and August 31, 2021 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 RMB2,300 million (approximately US\$325 million).

The financial liability that may become payable under the put option and dividend requirement is initially recognized at present value of redemption amount 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 as a result of the change in the expected performance 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.

- (c) Government incentives and grants received in advance by certain group companies included in other non-current liabilities are mainly related to research and development projects and construction of property, plant and equipment. These group companies are obliged to fulfill certain conditions under the terms of the government incentives and grants. The government incentives and grants are credited to the consolidated income statement upon fulfillment of those conditions and on a straight line basis over the expected life of the related assets respectively.

## 12 Borrowings

	June 30, 2020 US\$'000	March 31, 2020 US\$'000
Current liabilities		
Short-term loans (i)	1,677,356	2,124,562
Note (ii)	-	563,249
Convertible bonds (iii)	611,384	607,169
	<u>2,288,740</u>	<u>3,294,980</u>
Non-current liabilities		
Long-term loan (i)	2,828	3,079
Notes (ii)	2,243,331	1,243,714
Convertible preferred shares (iv)	291,424	317,826
	<u>2,537,583</u>	<u>1,564,619</u>
	<u>4,826,323</u>	<u>4,859,599</u>

- (i) All of the short-term and long-term loans are denominated in United States dollars. As at June 30, 2020, the Group has total revolving and short-term loan facilities of US\$3,068 million (March 31, 2020: US\$2,834 million) which has been utilized to the extent of US\$1,693 million (March 31, 2020: US\$2,134 million).

(ii)	Issue date	Principal amount	Term	Interest rate per annum	Due date	June 30, 2020 US\$'000	March 31, 2020 US\$'000
	June 10, 2015	RMB4 billion	5 years	4.95%	June 2020	-	563,249
	March 16, 2017	US\$500 million	5 years	3.875%	March 2022	498,439	498,225
	March 29, 2018	US\$750 million	5 years	4.75%	March 2023	745,841	745,489
	April 24, 2020 and May 12, 2020	US\$1 billion	5 years	5.875%	April 2025	999,051	-
						<b>2,243,331</b>	<b>1,806,963</b>

- (iii) On January 24, 2019, the Company completed the issuance of 5-Year US\$675 million convertible bonds bearing annual interest at 3.375% due in January 2024 (“the Bonds”) to third party professional investors (“the bondholders”). The proceeds were used to repay previous notes and for general corporate purposes. The bondholders have the right, at any time on or after 41 days after the date of issue up to the 10th day prior to the maturity date, to convert part or all of the outstanding principal amount of the Bonds into ordinary shares of the Company at a conversion price of HK\$7.99 per share, subject to adjustments. The conversion price was adjusted to HK\$7.23 per share effective on July 16, 2020. Assuming full conversion of the Bonds at the adjusted conversion price of HK\$7.23 per share, the Bonds will be convertible into 732,183,610 shares. The Group expects that it will be able to meet its redemption obligations based on the financial position of the Group.

The outstanding principal amount of the Bonds is repayable by the Company upon the maturity of the Bonds on January 24, 2024, if not previously redeemed, converted or purchased and cancelled. On January 24, 2021, the bondholders will have the right, at the bondholders’ option, to require the Company to redeem part or all of the Bonds on January 24, 2021 at their principal amount. To exercise such right, the bondholders must complete, sign and deposit a duly completed and signed notice of redemption not earlier than 60 days prior to and not later than 30 days from January 24, 2021.

The initial fair value of the liability portion of the bond was determined using a market interest rate for an equivalent non-convertible bond at the issue date. The liability is subsequently recognized on an amortized cost basis until extinguished on conversion or maturity of the bonds. The remainder of the proceeds is allocated to the conversion option and recognized in shareholders’ equity, net of income tax, and not subsequently remeasured.

- (iv) On June 21, 2019, the Group completed the issuance of 2,054,791 convertible preferred shares through its wholly owned subsidiary, Lenovo Enterprise Technology Company Limited (“LETCL”).

The convertible preferred shares are convertible to 20% of the enlarged issued ordinary share capital of LETCL on an as-converted and fully-diluted basis. The holders of the convertible preferred shares will be entitled cash dividends of 4% per annum payable semi-annually on the original subscription price until December 31, 2023. Upon the occurrence of certain specified conditions, the holders of convertible preferred shares will have the right to require LETCL to redeem or the Company to purchase all of their convertible preferred shares at the predetermined consideration. Accordingly, the convertible preferred shares are classified as a financial liability.

The aggregated subscription price of convertible preferred shares is approximately US\$300 million. The net proceeds from the issuance will be used by LETCL and its subsidiaries towards general corporate funding and capital expenditure of LETCL and its subsidiaries.

The Group expects that it will be able to meet its redemption obligations based on the financial position of the Group.

The exposure of all the borrowings of the Group to interest rate changes and the contractual repricing dates as at June 30, 2020 and March 31, 2020 are as follows:

	<b>June 30, 2020</b> <i>US\$'000</i>	March 31, 2020 <i>US\$'000</i>
Within 1 year	<b>2,288,740</b>	3,294,980
Over 1 to 3 years	<b>1,538,532</b>	1,564,619
Over 3 to 5 years	<b>999,051</b>	-
	<b><u>4,826,323</u></b>	<u>4,859,599</u>

### 13 Share capital

	<b>June 30, 2020</b>		March 31, 2020	
	<i>Number of shares</i>	<i>US\$'000</i>	<i>Number of shares</i>	<i>US\$'000</i>
<i>Issued and fully paid:</i>				
Voting ordinary shares:				
At the beginning and end of the period/year	<b><u>12,014,791,614</u></b>	<b><u>3,185,923</u></b>	<u>12,014,791,614</u>	<u>3,185,923</u>

### 14 Perpetual securities

In March 2017, the Group issued a total of US\$850 million perpetual securities through its wholly owned subsidiary, Lenovo Perpetual Securities Limited (“the issuer”). The net proceeds amounted to approximately US\$842 million. The securities are perpetual, non-callable in the first 5 years and entitle the holders to receive distributions at a distribution rate of 5.375% per annum in the first 5 years, floating thereafter and with a fixed step up margin, payable semi-annually in arrears, cumulative and compounding. As the perpetual securities do not contain any contractual obligation to pay cash or other financial assets pursuant to the terms and conditions of the issue; in accordance with HKAS 32, they are classified as equity and for accounting purpose regarded as part of non-controlling interests.

In April 2017, the Group issued an additional US\$150 million perpetual securities under the same terms, which are fungible with and form a single series with the aforementioned US\$850 million perpetual securities.

## 15 Reconciliation of profit before taxation to net cash generated from operations

	3 months ended June 30, 2020 <i>US\$'000</i>	3 months ended June 30, 2019 <i>US\$'000</i>
Profit before taxation	332,076	240,125
Share of losses of associates and joint ventures	4,960	1,376
Finance income	(7,991)	(13,872)
Finance costs	106,832	115,022
Depreciation of property, plant and equipment	71,925	68,251
Depreciation of right-of-use assets		
- Prepaid lease payments	668	691
- Other right-of-use assets	20,756	23,585
Amortization of intangible assets	154,979	126,765
Share-based compensation	65,630	58,693
(Gain)/loss on disposal of property, plant and equipment	(62,169)	2,475
Loss on disposal of intangible assets	450	1,789
Dilution gain of interest in an associate	(31,374)	-
Gain on disposal of subsidiaries	(1,064)	(12,844)
Fair value change on bonus warrants	(289)	(9,342)
Fair value change on financial instruments	4,764	12,651
Fair value change on financial assets at fair value through profit or loss	(28,631)	8,956
Fair value change on a financial liability at fair value through profit or loss	(3,827)	-
Dividend income	(305)	-
Increase in inventories	(227,842)	(152,254)
Increase in trade receivables, notes receivable, deposits, prepayments and other receivables	(1,260,288)	(1,876,877)
Increase in trade payables, notes payable, provisions, other payables and accruals	1,544,728	1,479,052
Effect of foreign exchange rate changes	(59,477)	43,744
Net cash generated from operations	<u>624,511</u>	<u>117,986</u>

### Reconciliation of financing liabilities

This section sets out an analysis of financing liabilities and the movements in financing liabilities for the period/year presented.

	June 30, 2020 <i>US\$'000</i>	March 31, 2020 <i>US\$'000</i>
<b>Financing liabilities</b>		
Short-term loans – current	1,677,356	2,124,562
Long-term loan – non-current	2,828	3,079
Note – current	-	563,249
Notes – non-current	2,243,331	1,243,714
Convertible bonds – current	611,384	607,169
Convertible preferred shares – non-current	291,424	317,826
Lease liabilities – current	89,456	91,976
Lease liabilities – non-current	329,837	346,806
	<u>5,245,616</u>	<u>5,298,381</u>
Short-term loans – variable interest rates	1,676,360	2,123,571
Short-term loan – fixed interest rates	996	991
Long-term loan – fixed interest rates	2,828	3,079
Notes – fixed interest rates	2,243,331	1,806,963
Convertible bonds – fixed interest rates	611,384	607,169
Convertible preferred shares – fair value	291,424	317,826
Lease liabilities – fixed interest rates	419,293	438,782
	<u>5,245,616</u>	<u>5,298,381</u>



	Short-term loans current	Long-term loan non-current	Note current	Notes non-current	Convertible bonds current	Convertible bonds non-current	Convertible preferred shares non-current	Lease liabilities current	Lease liabilities non-current	Total
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Financing liabilities as at April 1, 2019	1,166,907	-	786,136	1,836,264	-	590,506	-	-	-	4,379,813
Change in accounting policy	-	-	-	-	-	-	-	77,903	331,441	409,344
Proceeds from borrowings	4,089,791	3,079	-	-	-	-	-	-	-	4,092,870
Repayments of borrowings/note	(3,135,800)	-	(786,244)	-	-	-	-	-	-	(3,922,044)
Transfer	-	-	581,389	(581,389)	602,983	(602,983)	-	91,422	(91,422)	-
Issue of convertible preferred shares	-	-	-	-	-	-	300,000	-	-	300,000
Principal elements of lease payments	-	-	-	-	-	-	-	(130,993)	-	(130,993)
Dividends paid	-	-	-	-	-	-	(6,000)	-	-	(6,000)
Foreign exchange adjustments	-	-	(18,770)	(13,548)	-	-	-	(370)	(863)	(33,551)
Other non-cash movements	3,664	-	738	2,387	4,186	12,477	23,826	54,014	107,650	208,942
Financing liabilities as at March 31, 2020	<u>2,124,562</u>	<u>3,079</u>	<u>563,249</u>	<u>1,243,714</u>	<u>607,169</u>	<u>-</u>	<u>317,826</u>	<u>91,976</u>	<u>346,806</u>	<u>5,298,381</u>
Financing liabilities as at April 1, 2020	<u>2,124,562</u>	<u>3,079</u>	<u>563,249</u>	<u>1,243,714</u>	<u>607,169</u>	<u>-</u>	<u>317,826</u>	<u>91,976</u>	<u>346,806</u>	<u>5,298,381</u>
Proceeds from borrowings	1,429,000	-	-	-	-	-	-	-	-	1,429,000
Repayments of borrowings	(1,870,246)	-	-	-	-	-	-	-	-	(1,870,246)
Repayment of a note	-	-	(565,643)	-	-	-	-	-	-	(565,643)
Repurchase of convertible preferred shares	-	-	-	-	-	-	(16,575)	-	-	(16,575)
Transfer	251	(251)	-	-	-	-	-	21,879	(21,879)	-
Issue of a note	-	-	-	1,003,500	-	-	-	-	-	1,003,500
Issuing costs of a note	-	-	-	(4,485)	-	-	-	-	-	(4,485)
Principal elements of lease payments	-	-	-	-	-	-	-	(25,653)	-	(25,653)
Dividends paid	-	-	-	-	-	-	(6,000)	-	-	(6,000)
Foreign exchange adjustments	-	-	2,058	-	-	-	-	685	1,101	3,844
Other non-cash movements	(6,211)	-	336	602	4,215	-	(3,827)	569	3,809	(507)
Financing liabilities as at June 30, 2020	<u>1,677,356</u>	<u>2,828</u>	<u>-</u>	<u>2,243,331</u>	<u>611,384</u>	<u>-</u>	<u>291,424</u>	<u>89,456</u>	<u>329,837</u>	<u>5,245,616</u>

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

During the three months ended June 30, 2020, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities, except that the respective trustee of the long-term incentive program and the employee share purchase plan of the Company purchased a total of 69,265,051 shares from the market for award to employees upon vesting. Details of these program and plan are set out in the 2019/20 Annual Report of the Company.

## **REVIEW BY AUDIT COMMITTEE**

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

The Audit Committee of the Company has reviewed the unaudited financial results of the Group for the three months ended June 30, 2020. 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 three months ended June 30, 2020, in compliance with the code provisions of the Corporate Governance Code and Corporate Governance Report (the "CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, with the exception that the roles of the chairman of the Board (the "Chairman") and the chief executive officer of the Company (the "CEO") have not been segregated as required by code provision A.2.1 of the CG Code.

The Board has reviewed the organization human resources planning of the Company and is of the opinion that it is appropriate and in the best interests of the Company at the present stage for Mr. Yang Yuanqing ("Mr. Yang") to continue to hold both the positions as it would help to maintain the continuity of the strategy execution and stability of the operations of the Company. The Board comprising a vast majority of independent non-executive directors meets regularly on a quarterly basis to review the operations of the Company led by Mr. Yang.

The Board also appointed Mr. William O. Grabe as the lead independent director (the "Lead Independent Director") with broad authority and responsibility. Among other responsibilities, the Lead Independent Director serves as Chair of the Nomination and Governance Committee meeting and/or Board meeting whenever the Committee and/or Board is considering (i) the combined roles of Chairman and CEO; and (ii) assessment of the performance of Chairman and/or CEO. The Lead Independent Director also calls and chairs 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 provide an effective balance on power and authorizations between the Board and the management of the Company.

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

August 13, 2020

*As at the date of this announcement, the executive director is Mr. Yang Yuanqing; the non-executive directors are Mr. Zhu Linan and Mr. Zhao John Huan; and the independent non-executive directors are Mr. Nicholas C. Allen, Mr. William O. Grabe, Mr. William Tudor Brown, Mr. Yang Chih-Yuan Jerry, Mr. Gordon Robert Halyburton Orr, Mr. Woo Chin Wan Raymond and Ms. Yang Lan.*