Lenovo Group Limited | 2018/19 Annual Report

Stock Code 992

Leading and enabling intelligent transformation

About Lenovo

Lenovo (HKSE: 992) (ADR: LNVGY) is a $50bn Fortune Global 500 company, with 57,000 employees and operating in 180 markets around the world. Focused on a bold vision to deliver smarter technology for all, we are developing world-changing technologies that create a more inclusive, trustworthy and sustainable digital society. By designing, engineering and building the world's most complete portfolio of smart devices and infrastructure, we are also leading an Intelligent Transformation – to create better experiences and opportunities for millions of customers around the world. To find out more visit https://www.lenovo.com, follow us on LinkedIn, Facebook, Twitter, YouTube, Instagram, Weibo and read about the latest news via our StoryHub.

Contents

Transform without compromise

ThinkPad X1 Yoga

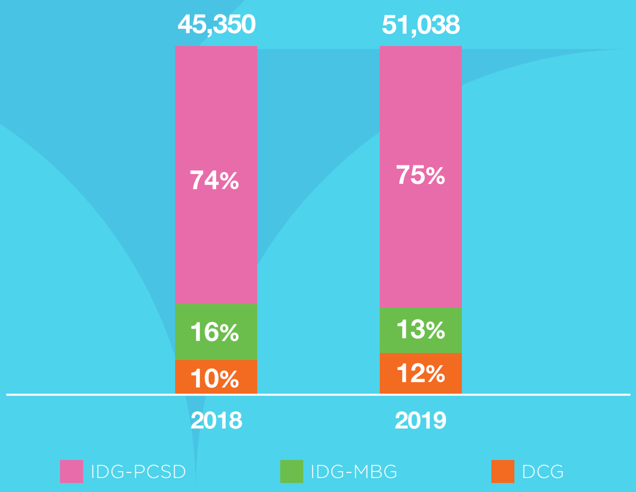
Financial Highlights

For the year ended March 31	**2019 US$ million**	2018 US$ million	Year-on-year Change
Group Results			
Revenue	**51,038**	45,350	13%
Gross profit	**7,371**	6,272	18%
Gross profit margin (%)	**14.4**	13.8	0.6 pts
Operating expenses	**(6,193)**	(5,885)	5%
Expense-to-revenue ratio (%)	**12.1**	13.0	(0.9) pts
EBITDA[1]	**2,191**	1,325	65%
Pre-tax income	**856**	153	459%
Pre-tax income margin (%)	**1.7**	0.3	1.4 pts
Profit/(loss) attributable to equity holders of the Company	**597**	(189)	N/A
EPS – basic (US cents)	**5.01**	(1.67)	N/A
EPS – diluted (US cents)	**4.96**	(1.67)	N/A
Interim dividend per share (HK cents)	**6.0**	6.0	Nil
Final dividend per share (HK cents)[2]	**21.8**	20.5	1.3
Total dividend per share (HK cents)	**27.8**	26.5	1.3
Cash and Working Capital			
Bank deposits and cash and cash equivalents	**2,733**	1,932	41%
Total borrowings	**(4,380)**	(3,815)	15%
Net debt	**(1,647)**	(1,883)	13%
Cash conversion cycle (days)	**(11)**	(16)	5

Notes:
1 Excluding "other income - net".
2 Subject to shareholders' approval at the forthcoming annual general meeting.

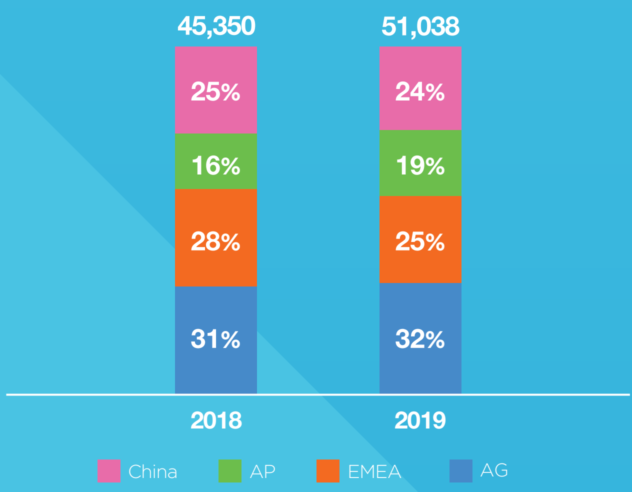
Revenue Analysis by Business Group

for the year ended March 31 (US$ million)



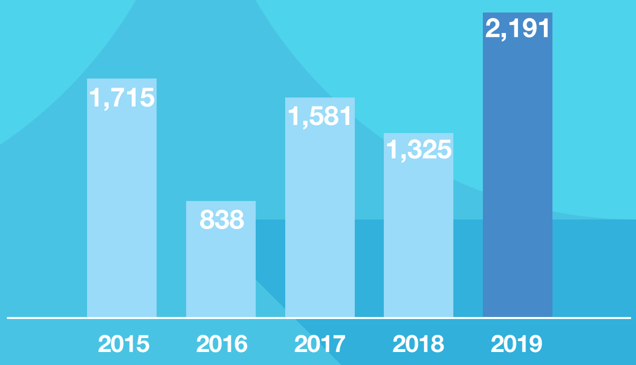
Revenue Analysis by Geography

for the year ended March 31 (US$ million)



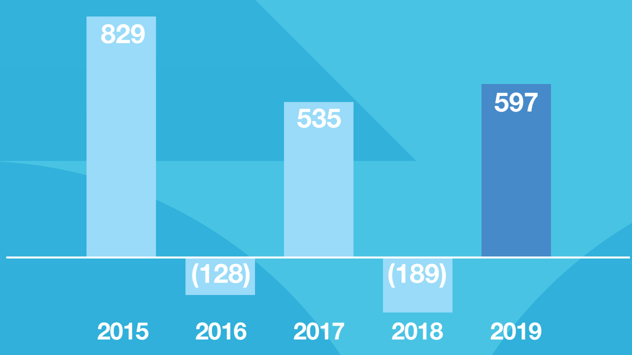
EBITDA[1]

for the year ended March 31 (US$ million)



Profit/(Loss) Attributable to Equity Holders of the Company

for the year ended March 31 (US$ million)



Note:
[1] Excluding "other income - net".


Transform
the way we
connect
moto z3 with 5G moto mod
11:35
motorola
5G

Chairman & CEO Statement

Without question fiscal year 18/19 has been Lenovo's best yet. Record revenue fueled by strong execution and unfaltering tenacity – and our ambition to repeat this success continues unabated.

As I look back over the past year I am extremely proud of Lenovo's progress and achievements and incredibly positive about our future. I say this knowing that we are in a time of great global transformation – economically, socially and environmentally, and that for businesses to thrive in today's fast paced, uncertain and changing world they too have to transform.

In fact our history has been – and continues to be – one of transformation. From opening up China to PCs in the early 1990s, to how we have driven device transformation with new form factors. From the multiple acquisitions we've made to fuel our global depth and breadth, to how our data center technology is powering work that is designed to solve some of humanity's biggest challenges. Transformation is our new normal.

Which is why with the world as it is today we are focusing on how we 'intelligently transform' ourselves as well as how we enable our customers around the world to do the same.

This year Lenovo led the way across every part of the business.

Our **Intelligent Devices Group** continued to lead the **PC and Smart Devices** industry. For our fiscal year 18/19 we are the #1 PC company in the world (IDC), using our scale and innovation to redefine the category. We achieved record market share of 23.4% in our fiscal year and remain the fastest growing among the top five players. We lead in terms of size and scale, but more importantly profitability, delivering the industry's highest profitability in the PC sector. However, what stands out is our continued leadership in customer-led innovation – something that has always been at the heart of Lenovo. Not only do I believe we have a wider and deeper portfolio than any other company, it is our attitude about innovation that makes

Yoga C930

us stand out. Challenging the status quo, changing what's possible and rethinking form factors that change what we do, how we do it and most importantly why. We have created dual screens that can literally be written on (our Yoga Book C930) and a hinge that incorporates the world's first rotating sound bar (our Yoga C930). We have continued to supercharge the evolution of the iconic ThinkPad line, recently previewing the industry's first foldable PC screen technology and debuted ThinkReality and ThinkIoT solutions for smarter businesses of the future. Great innovation might wow and win awards but we push the boundaries of innovation for one reason only – so that we can create better, smarter tech experiences for all.

Our **Mobile Business Group (MBG)** has thrived too. We were first to market with 5G – launching the world's first 5G upgradeable phone, the Moto Z³. In addition, fiscal year Q3 saw us post our first worldwide profit since the Motorola acquisition in October 2014. These notable achievements came from masterful execution of our strategy to reduce expenses, create a more competitive product portfolio and focus on core markets. This business continues to innovate with the year ahead set to bring even more exciting products. Globally this business is now right-sized for future growth.

Chairman & CEO Statement

moto z3

In the last 12 months our **Data Center Business Group (DCG)** has truly transformed from a one dimensional traditional server business into a complete portfolio data center organization – while at the same time hitting record revenue of over $6BN. This evolution has included joint ventures such as the one in China with NetApp, new global strategic partnerships, technology breakthroughs and numerous industry accolades and recognition. We are the #1 provider of TOP500 supercomputer systems with installations tackling society's toughest computational challenges; we power 17 of the top 25 research universities in the world and have been in the number one position in x86 server reliability globally for the last six years and number one in customer satisfaction for the last five. These major milestones have positioned us for even faster growth and make us encouraged about the opportunities we see from this business.

Our **Lenovo Capital and Incubator Group** underpins our business today by identifying and investing in some of the most exciting and game-changing technologies of the future that support our ongoing transformations across each of our business units.

STRATEGIC FOCUS FY19/20 AND BEYOND

As we look to the future, our vision is to bring smarter technology to all – through **Smart IoT, Smart Infrastructure and Smart Verticals**. This is the next chapter in the Lenovo story – where we see our greatest opportunity for future growth and industry leadership.

Smart IoT – this is the touchpoint for the connected world we live in. Firstly, it is about making current devices smarter – always connected, easy to collaborate with other new devices, adaptive to a customer's needs, seamlessly connecting to the cloud etc – like Lenovo's Smart Clock, Smart Camera and Smart Lock. This always on/always connected view of the world has unlimited potential meaning ordering a pizza through a speaker or unlocking a door with "a look" is a reality. Beyond that it is about embedding smart computing power into hundreds of devices that are not yet smart – in schools, homes, factories, hospitals and much more.

Smart Infrastructure – this foundation provides the computing, storage and networking power to support intelligence. The number of smart devices worldwide will reach 20 billion by 2020, more than double the number in 2017, which in turn means data is doubling in volume every two years. It is this infrastructure engine that powers public cloud companies, high-performance computing for scientific computing and AI companies and is the backbone of every organization today.

Smart Verticals – the combination of big data harnessed from smart devices and the computing power of smart infrastructure is already seeing Lenovo create models that provide insights for customers that can dramatically improve business processes, decision-making and financial return – ultimately solving tangible business problems. As a result, we are transforming industries that have not yet been able to realize the benefits of what technology can bring.

A WIDER RESPONSIBILITY

But business results are just one measure of our success. As a company with 57,000 employees, doing business in 180 markets across the globe we have a critical role and responsibility in the world today and a belief, in line with the World Economic Forum's objectives, that in our shared digital future no one should be left behind.

For Lenovo this means **being diverse and inclusive in all that we do**. It means being able to stretch and adapt to the values, policies,

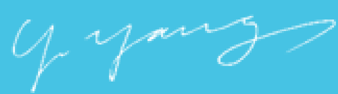
ThinkAgile CP Series

and culture of the countries where we do business; to look like, sound like, and reflect our entire customer base no matter where they are; and to understand the once-in-a-lifetime opportunity technology presents to us to create a greater and more inclusive society for us all. As a leader, we have a responsibility to add our voice to this important discussion and is one of the reasons why in this past fiscal year we took the opportunity to reflect on our progress with our first global diversity and inclusion report.

Beyond that, we also have a **duty to operate a globally sustainable business**. From innovative packaging solutions using bamboo and sugar cane to releasing our first products made from closed-loop post-consumer recycled content. Equally, we need to not only inspire future generations about technology, but give them **access and opportunity** so they can thrive in a digital world – something we do through our Lenovo Foundation.

Lastly it is about **trust**. The most important measure of our success. Trust in who we are as a company, how we do business, our transparency, how sustainable we are, our security and supply chain, our leaders, the quality of our products and so much more. Millions of customers small and large in every corner of the world put their trust in us every day and it is why I believe we are one of FORTUNE's Most Admired Companies and why Thomson Reuters ranked as one of the Top 100 Global Tech Leaders.

As I look ahead to the next decade for Lenovo it will be our business success coupled with the responsibility we have as an industry leader and global business that drives our mission. A mission to **deliver smarter technology for all so that we can play our part in building an inclusive, trustworthy and sustainable digital society - for everyone, everywhere.**



Yang Yuanqing
Chairman and Chief Executive Officer

Smart Tab P10

Lenovo Management Team

YANG Yuanqing
Chairman and Chief Executive Officer

Gianfranco LANCI
Corporate President and Chief Operating Officer

GAO Lan
Senior Vice President, Human Resources

George HE
Senior Vice President and President of Lenovo Capital and Incubator Group

Gina QIAO
Senior Vice President and Chief Strategy Officer and Chief Marketing Officer

Yong RUI
Senior Vice President and Chief Technology Officer

Kirk SKAUGEN
Executive Vice President and President of the Data Center Group

WONG Wai Ming
Executive Vice President and Chief Financial Officer

Laura QUATELA
Senior Vice President and Chief Legal Officer

Transform your daily routines

Lenovo Smart Clock

Management's Discussion & Analysis

BUSINESS REVIEW

During the fiscal year ended March 31, 2019, Lenovo (the Group) achieved a record-breaking revenue of US$51 billion and its pre-tax profit is 5.6 times of last fiscal year through strong execution of its Intelligent Transformation strategy. Lenovo has entered a new phase of growth, as it successfully transformed from a single-business to a multi-business company. Product innovation remains critical to long-term growth and the Group is forging a customer-centric business model to further accelerate growth.

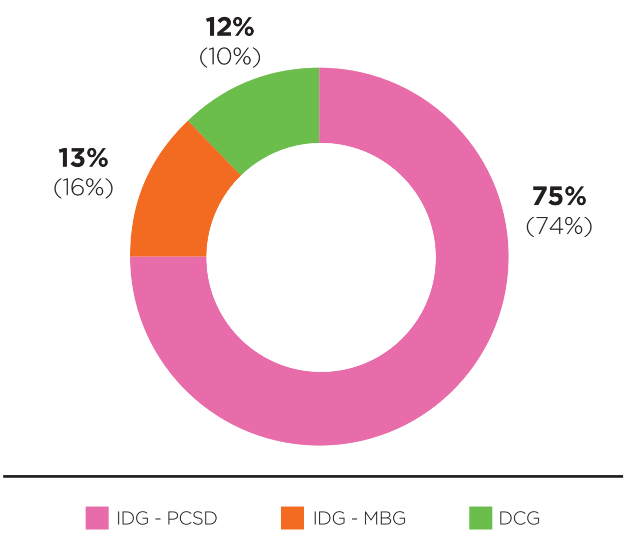
During the fiscal year, despite a more challenging macro environment, Lenovo succeeded in many ways in creating significant values for its stakeholders on all fronts, including the return of consistent dividends to its shareholders, and the more recent naming by Fortune as one of the "Most Admired Companies" in 2019. The Group also made it to the 2019 Q1 "Carbon Clean 200" list and "Working Mother 100 Best Companies" in 2018 respectively for its efforts in clean energy and promoting social equality to all its employees.

FINANCIAL PERFORMANCE

For the fiscal year, the Group's total revenue grew by 12.5 percent year-on-year to US$51,038 million as both PC and Smart Device (PCSD) business and Data Center Group (DCG) scored record revenue. The Group's gross profit jumped by 18 percent year-on-year to US$7,371 million. Gross margin advanced by 0.6 percentage points year-on-year to 14.4 percent, largely attributable to margin expansion of its PCSD business and Mobile Business Group (MBG). The expense-to-revenue ratio dropped 0.9 percentage points to 12.1 percent on the back of disciplined cost control across all business groups.

The Group's pre-tax profit was US$856 million for the fiscal year, a significant improvement from US$153 million pre-tax profit in the previous fiscal year. Profit attributable to equity holders reached US$597 million, reversing a loss of US$189 million in the previous fiscal year, when a one-time non-cash write-off of US$400 million on deferred income tax assets weighed on earnings.

Revenue by Business Group (%)



Lenovo Smart Tab M10

All of the three business groups achieved stellar results during the fiscal year. In the PCSD business, Lenovo regained the world's number one spot in PC in the fiscal year with record revenue and maintained its industry-leading profitability. The MBG business staged a successful turnaround and became profitable on pre-tax profit level in the second half of the fiscal year while revenue growth resumed in the fourth fiscal quarter. In DCG, the strategy in place to win in high-growth segments enabled DCG to grow 37 percent in revenue year-on-year. The greater economy of scale and improvement in in-house design/manufacturing and efficiency resulted in a significant loss reduction in the fiscal year.

The enhanced operational performances in the three business groups, along with better working capital management, led to a US$2.2 billion year-on-year improvement in operating cash flow during the fiscal year. The Group ended the fiscal year with US$1.5 billion operating cash flow and net debt was down to US$1.6 billion, representing a 13 percent year-on-year reduction.

On January 24, 2019, the Group issued US$675 million 3.375% convertible bonds due 2024, listed on The Stock Exchange of Hong Kong S.A.R. of China Limited, which were mainly used for the repayment of the Group's 4.700% Senior Unsecured Note due in May 2019. For details of the convertible bond, please refer to Note 26 to the Financial Statements.

ThinkSystem DM Series DM7000F

Management's Discussion & Analysis

motorola one

PERFORMANCE BY PRODUCT BUSINESS GROUPS

Intelligent Devices Group (IDG)

IDG, consisting of PCSD and MBG businesses, has reaped much benefit from operational synergies including the shared use of common global supply chain and services. IDG's revenue grew 10 percent year-on-year to US$45,013 million and its pre-tax profit more than doubled the year before to reach US$1,843 million. The key growth driver for IDG's top-line is the strong performance of PCSD, with the highest growth seen among the global top-5 vendors. The growth strategy of PCSD focusing on commercial, high-growth and premium segments has paid off in delivering record revenue for the fiscal year. Meanwhile, IDG's solid expansion of pre-tax profit was supported by enhanced profitability of PCSD and MBG's success in turning profitable in the second half of the fiscal year.

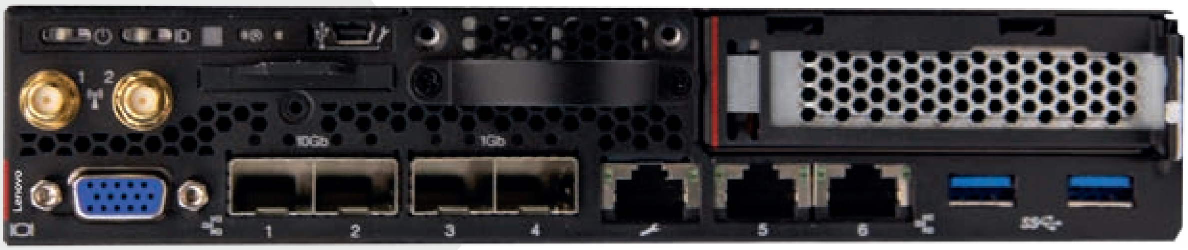
Intelligent Devices Group – PC and Smart Device (PCSD) Business

Lenovo regained the world's number one spot in PC during the fiscal year while maintaining its industry-leading margin, with record revenue and pre-tax profit. Despite an industry-wide processor supply shortage in the second half of the fiscal year, the PCSD business was up 14 percent year-on-year to a record revenue of US$38,475 million for the fiscal year, representing approximately 75 percent of the Group's total revenue. Performances even exclude the Fujitsu contribution, which became operational in May 2018, outperformed the market both in revenue and shipment. Pre-tax profit of the PCSD business also reached a record of US$1,982 million, up 34 percent year-on-year, owing to a well-executed strategy in driving product mix improvement. Pre-tax profit margin edged up 0.8 percentage points year-on-year to 5.2 percent in the fiscal year.

With record market share of 23.4%, Lenovo was the fastest growing PC player among the global top-5 OEMs, according to industry data. The stellar market share gain was a testament to the well-orchestrated strategy to drive growth in the premium and high-growth segments. With the success in shifting the product segment mix, Lenovo has been able to expand its average selling price to outpace industry growth not only in unit shipment but also in revenue. Lenovo took the top spot in the US$800 and above price segments in commercial notebook for the fiscal year.

The Group also achieved premium-to-market revenue growth in each of the following market segments: Workstation, Thin & Light, Visuals, and Gaming PC. The market share gain was consistent across all major geographical markets, a strong evidence of the Group's strength in global sales channel, supply chain management and product innovation.

From the geographic perspective, the stellar market share gain and revenue growth were mainly driven by Asia Pacific (AP) and North America (NA). China and Europe-Middle East-Africa (EMEA) both grew premium to market in revenue but the Group was more focused in margin protection in these regions.



ThinkSystem SE350

Intelligent Devices Group – Mobile Business Group (MBG)
At the start of the fiscal year, MBG initiated a set of strategic shifts to reduce expenses, simplify its product portfolio, and focus on core markets in Latin and North America. The annual expense for MBG was reduced from roughly US$1.5 billion to US$1 billion, resetting the baseline of the business group to pursue a sustainable growth path. In the second half of the fiscal year, the Mobile business delivered pre-tax profit for the first time since the Group's acquisition of Motorola Mobility. In the fourth quarter of the fiscal year, MBG saw its top-line advancing annually, as it entered the next growth phase.

The strategic focus on core markets required a shift in resource allocation of the business unit's global operation to selected regions and countries where the Mobile business has substantial competitive advantages to capture market share. The change in strategy temporarily caused the business's revenue – accounting for approximately 13 percent of the Group's total revenue – to skid by 11 percent year-on-year to US$6,460 million in the fiscal year. Nevertheless, in the fourth quarter, MBG delivered 15 percent year-on-year growth in revenue, a clear evidence that the market share gain in its core markets, together with the successful launch of 7th Gen Moto G and strong momentum of its Motorola One Franchise, are now more than enough to offset the negative impact from the readjusted business model.

The Group also took actions to simplify its product portfolio and improve scale on per model basis by more than 60%. All of these initiatives led to an improved expense-to-revenue ratio while maintaining efficiency and competitiveness in marketing, research and development spending. MBG registered US$139 million loss before taxation in the fiscal year, a significant improvement from a loss of US$603 million in the previous fiscal year. The lower expense structure, coupled with reviving revenue growth, has established an important milestone for MBG to realize profitable long-term growth.

In MBG's core markets, the business in Latin America has been profitable with continued share gains in the fiscal year. Shipments in North America also saw remarkable growth of 48 percent year-on-year in the fiscal year, thanks to successful channel expansion and launch of new products. The Mobile business in North America turned profitable on pre-tax profit level in the second half of the fiscal year. In China, the Group further capitalized on its established brand equity and new model launches, resulting in revenue and bottom line improvements.

Management's Discussion & Analysis

Data Center Group (DCG)

DCG further strengthened its business model, product leadership, and sales and marketing, and concluded the fiscal year with a record revenue of US$6,025 million, representing approximately 12 percent of the Group's total revenue. The annual revenue growth of 37.1 percent was the highest in last three years, driven by strong momentum in hyperscale, software-defined infrastructure and high performance computing. Loss from DCG also considerably narrowed year-on-year to US$231 million in the fiscal year, compared to US$425 million loss in the previous fiscal year, as the Group aims to build a more sustainable and profitable business model.

Market share gain in the high-growth segments is a key driver to DCG's fast growth. The hyperscale business yielded triple-digit growth in revenue and margin improvement. DCG's investments continued to bear fruit with improvements seen in in-house design, manufacturing capabilities and customer mix. Software-defined infrastructure business almost doubled its revenue and margin improved in the fiscal year. The Group also further solidified its global leading position on the High Performance Computing Top 500 List. Together, these high-growth segments now contributed nearly half of DCG's top-line.

DCG ratcheted up its efforts to expand in other growing segments. In storage, Lenovo's global strategic partnership with NetApp, including a new joint venture in China that operationalized in the fourth fiscal quarter, has enabled the Group to address demand of nearly the entire storage and data management market. The Group now boasts the most compelling ThinkSystem and ThinkAgile product line along with its largest storage portfolio in history.

The strong revenue growth was evident across all geographies, especially in NA and EMEA in the high-growth segments, including hyperscale, software-defined infrastructure and high performance computing.

OUTLOOK

Some of the global economies are starting to see the negative impact arising from geopolitical uncertainties. Operating in this complex global environment, management of Lenovo will leverage its extensive experience in managing a multitude of macro risks including policy changes and exercise sound judgement in evaluating options to further improve its worldwide manufacturing capabilities and supply chain flexibility. The Group also strives to be the industry leader in cost competitiveness leveraging its strength in in-house manufacturing and outsourcing. The Group is well poised to navigate the turbulence in the geopolitical and macro-economic environment.

The Group targets to secure its premium-to-market revenue growth with industry-leading profitability in its PCSD business, while channeling investments to build capabilities in smart devices and drive software & service revenue. Lenovo will promptly act on industry consolidation opportunities, particularly in the premium and high-growth segments. For its Mobile business, the Group will continue to strengthen its competitiveness in its target markets to sustain profitable growth.

In fiscal quarter four, despite customers await for the new x86 server platform, DCG revenue still managed to grow moderately in fiscal quarter four and margin improved year-on-year. Lenovo will continue to drive premium-to-market growth, especially in high-growth segments. In hyperscale, the Group will continue to strengthen its in-house design and manufacturing capabilities, bring superior solutions to global hyperscalers, and build a profitable business model for this segment. In storage and networking, its strategic partnerships, including that with NetApp, are paving the road towards building a global franchise. Lenovo will also further enhance capabilities in professional services and solution-based expertise.

STRATEGIC HIGHLIGHTS

The Group strives to be the leader and the enabler of the global trend towards intelligent transformation. During the fiscal year, Lenovo accelerated its strategic transformation and further sharpened its investment focus in five key areas: smart internet of things (IoT), edge computing, cloud, big data and artificial intelligence (AI) in vertical industries. These investments aim to strengthen Lenovo's capability as a competitive end-to-end solution provider in the era of Intelligent Transformation. This strategic direction, coupled with its customer-centric strategy, contributed to a higher software & services attach rate. During the fiscal year, the software & services revenue grew double-digit year-on-year to make up almost 5 percent of total Group revenue.

Looking forward, Lenovo has a vision to bring smarter technology to all – through Smart IoT, Smart Infrastructure and Smart Verticals – where the Group sees greatest opportunity for future growth and industry leadership.

Smart IoT is the network of touchpoints for the connected world we live in. Under its Smart IoT strategy, Lenovo will build intelligence in its PC and smart devices offerings, especially for commercial use. As such, the Group is investing substantially to make its existing devices including PC and tablet smarter, more adaptive to customer's needs, and with seamless connection to the cloud and other devices. The Group has also embraced new technologies to create award-winning smart solutions, including Lenovo's Smart Clock, Smart Camera and Smart Lock, which together brought home 75 awards at the Consumer Electronics Show (CES) in January 2019.

Smart Infrastructure provides the computing, storage and networking power to support smart devices, which will more than double in number in 2020 from 2017 creating enormous amount of data. It is the development of smart infrastructure that powers public cloud companies, high-performance computing for scientific computation and AI companies. Smart Infrastructure is gradually becoming the backbone of every organization today. Lenovo has been investing to become a world-class, next-generation data center solutions provider, specifically in the area of software-defined infrastructure, hyperscale, storage and high-performance computing.

Smart Verticals combines big data harnessed from smart devices and the computing power of smart infrastructure to provide more insights and improve processes for customers. Lenovo is creating vertical solutions that equip customers with unparalleled insights, ones that can dramatically improve business processes, facilitate decision-making, enhance financial return, and ultimately solve tangible business problems. Lenovo's big data solutions are already helping its customers make a difference in business processes in manufacturing, healthcare, and retail industries. During the fiscal year, the Group saw big data & vertical solution business triple year-on-year.

The Group will continue to leverage LCIG (Lenovo Capital and Incubator Group) to enhance our corporate investments to drive innovation. LCIG in the fiscal year has been actively building capabilities in five key areas of the Smart Internet value chain, including IoT (Internet of Things), edge computing, cloud, big data and artificial intelligence. It is our corporate strategy to integrate these investments to facilitate our vertical solutions and ecosystem. The collaboration of LCIG investments went deeper with Lenovo in terms of strategy, business and human resources.

Management's Discussion & Analysis

HUMAN RESOURCES

At March 31, 2019, the Group had a headcount of more than 57,000 worldwide.

The Group implements remuneration policy, bonus, employee share purchase plan and long-term incentive scheme 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.

MATERIAL RISKS OF THE GROUP

The following are key risks that the Group considers to be of great significance to the Group as it stands today. They have the potential to affect the Group's business adversely and materially.

For each risk there is a description of the possible impact of the risk on the Group should it occur, and the mitigation plan to manage the risk.

The Group also faces risk and uncertainties in common with other businesses. These have not been set out as key risks below.

This list is likely to change over time as different risks take on larger or smaller significance. The size, complexity and spread of the business and the continually changing environment in which the Group operates also mean that the list cannot be an exhaustive list of all significant risks that could affect the Group.

Risk Description	Key Risk Mitigations
Business Risk	
The Group operates in a highly competitive industry which faces rapid changes in market trends, consumer preferences and constantly evolving technological advances in hardware performance, software features and functionality. It faces aggressive product and price competition from new entrants and existing competitors. In this competitive environment, brand recognition and awareness and good customer experiences are important success factors to the Group. Failure to engage and resonate with the customers, including the Millennials, may adversely affect the Group's results with the loss of customer loyalty or damaged brand reputation from bad publicity.	Continual reviews of competition and market trends. Maintain a competitive position through commitments to innovate and build a broad product portfolio, grow brand name and drive customer-experience transformations to differentiate the Group and gain market share and recognition. Execution of clear strategy to protect and drive profitability in the core PC business, while continuing to attack the faster growing Mobile and Data Center businesses.

Risk Description	Key Risk Mitigations
The industry continues to experience consolidation. Failure to respond effectively to changes in market trends or consumer preferences through timely launches of new products, or through competitive prices against the backdrop of global slowdown in the traditional PC market could harm its competitive position. The Group faces risks associated with implementing its strategic initiatives as the scale and breadth of its business and operations expand. It may not invest as much financial, technical, marketing and other resources in certain areas of its business as compared to the corresponding competitors, and as a result, may not be able to gain the competitive advantage in those areas.	The Group's strategic planning process incorporates prioritization and focus on strategic objectives to guide effective allocation of resources required to execute plans.
The Group operates globally and as such its results could be impacted by global and regional changes in macro-economic, geopolitical and social conditions and regulatory environments. Adverse economic conditions may result in postponements or decreased spending amid concern over weak economic conditions. In addition, they may contribute to potential supply chain volatility, causing potential product shortages. Increase uncertainty driven by growing concerns over political conditions and changes in regulatory or legal regulations in one or several countries may increase the cost of operations and expose the Group to potential liability.	The Group has diversified its geographic sources of revenue and profit to reduce its dependency on any single country or region. It vigilantly tracks and monitors the developments of the political conditions and legal and regulatory changes, and maintains compliance programs.

Risk Description	Key Risk Mitigations
The Group offers products that are complex. Failure to maintain an effective quality management system, including at the Group's development and manufacturing facilities and its supply chain, may have a material adverse effect on its business and operations, brand image and customers' loyalty. Addressing quality issues can be expensive and may result in product recalls, production interruption, additional warranty, repair, replacement and other costs and adversely affecting the Group's financial results. The Group may also face product liability claims from its customers or distributors in the event that the use of its products results in bodily injury, property damage or other loss, regardless of whether it is at fault. It may have to spend significant resources and time to defend itself if legal proceedings for product liability are instituted against it. Successful assertion of product liability claims may require it to pay significant monetary damages.	The Group adopts a proactive quality management approach, which includes identifying risks throughout all aspects of the business. The Group has a robust internal Quality Management System, (QMS) integrated within its business management system. The Group is ISO 9001 certified by Bureau Veritas (BVC) and in China by the Electronics Standardization Institute, (CESI). It is committed to maintaining a QMS to ensure it meets customer, social, legal and environmental responsibilities.
Merger & Acquisition Risk	
As part of the Group's expansion plan, we acquire companies or businesses, enter into strategic alliances and joint ventures and make investments. The Group faces risk such as economy, political and regulatory uncertainty, market volatility, and other challenges associated with our acquisitions. Our due diligence process may fail to identify significant issues, resulting in an overly optimistic valuation forecasts. We may not fully realise all of the anticipated synergies/benefits, and may result in significant cost and expenses and charges to earnings.	Drive a rigorous due diligence and financial forecasting process to ensure assets are appropriately valued.

Risk Description	Key Risk Mitigations
Cyber Attack and Security Risk	
The Group may be impacted negatively if it sustains cyber-attacks and other data security breaches that disrupt its operations or damage its reputation. The Group manages and stores various proprietary information and sensitive or confidential data relating to its operations. In addition, the Group's cloud computing business routinely processes, stores and transmits large amounts of data for its customers, including sensitive and personally identifiable information. The Group may be subject to attack from hackers and other malicious software programs that attempt to penetrate its networks and exploit any security vulnerability in its system and products. Hardware, operating system software, product software and applications that the Group produces or procures from third parties may contain "bugs" that may unexpectedly interfere with the operation of the system or may present unidentified security risk. Breaches of the Group's security measures and misappropriation of proprietary information, sensitive or confidential data about the Group and its customers may lead the Group to loss of reputation, disruption in business operations, exposure to potential litigation and liability and result in a loss of revenue and increased cost. The Group is subject to law and regulation in countries where it operates relating to the collection, use, and security of customer, consumer and employee data. The Group needs to conduct normal business activities which includes the collection, use and retention of personal data pursuant to these activities. The Group is required to notify individuals or regulators of a data security breach.	The Group will continue to invest in the following: a) Continue to develop and maintain a robust cyber security culture by developing sound policies and processes and by training our employees to follow vital data protection practices. b) Enhanced cyber security controls and information security, product security and privacy awareness. c) Compliance with mandatory privacy and security standards and protocols imposed by law, regulation, industry standards, or contractual obligations. d) Policies and processes to ensure hardware, operating system software, product software and applications that the Group produces or procures from third parties protects and responsibly uses customer data.

Risk Description	Key Risk Mitigations
Financial Risk	
As the Group operates globally, significant or prolonged economic instability or financial market deterioration may materially and adversely impact the Group's financial condition. The Group is exposed to a variety of financial risks, such as foreign currency risk, cash flow risk, credit risk and liquidity risks.	The Group Treasury department has put in place a financial risk management programme that focuses on the unpredictability of financial markets and seeks to minimize the potential adverse impact on the Group's financial performance. For more analysis, see "Notes To The Financial Statements" (pages 214 to 223)
Due to the international nature of its business and continuous changes in local and international tax rules and regulations, the application of such rules and regulations to its operations and transactions involves inherent uncertainty and may affect its tax position and the value of tax assets and liabilities carried in the balance sheet.	The Group Tax department carefully monitors developments in our business and in the global tax environment in order to make sure rules and regulations are applied appropriately and risks are mitigated where possible.

Risk Description	Key Risk Mitigations
Intellectual property risk (IP risk)	
The Group could suffer if it does not develop and protect its own intellectual property or its suppliers are not able to develop or protect desirable technology or obtain any necessary technology licenses.	Take appropriate legal measures to protect know-how and trade secrets, apply for and enforce patents, and register and protect trademarks and copyrights.
The risks include:	Licensed IP as appropriate and monitor its continued validity and value to the Group.
• higher business cost as a result of increased licensing demands from patent holders;	Obtain IP indemnification from, or otherwise transfer responsibility for IP coverage to suppliers.
• loss or diminished value of intellectual property as an asset, as a result of legal findings of unenforceability and challenges to title or ownership;	Monitor, develop and execute IP litigation defense strategy. Use Lenovo patent portfolio if appropriate to decrease potential damages.
• higher legal costs to defend against claims of intellectual property infringement and potential settlement or damages;	
• product design-around costs and negative impacts to customer or supplier relationships;	
• risk of interruption of Lenovo's ability to ship products due to injunctions or exclusion orders in particular countries resulting from adverse judgments in IP infringement cases filed against Lenovo;	
• Lenovo reputational harm if found to infringe a third party's valid patents.	

Risk Description	Key Risk Mitigations
Supply Risk	
The Group has a broad base of suppliers globally. Given its wide range of products, some products may be reliant on a few component suppliers. The disruption of the supply of any of its products, component parts, systems or services may affect product availability. The disruption may be due to many factors, among which, financial failure of a supplier, the damage of its own or its suppliers' manufacturing activities or logistics hubs arising from catastrophic events, unfavourable business, political or economic factors, etc. Substantial recovery expenditure or prolonged recovery time may result. If it is unable to source for alternative supplies during the period of shortage at a favourable pricing, its revenues, profitability and competitive position may be adversely affected.	Utilise cost and operational analysis to understand potential impacts. Ensure broad supplier sourcing (i.e. avoidance of sole/single sources), financial/business stability tracking and disaster recovery planning to minimize impact of regional catastrophes and ensure adaptation plans in place. To focus on the Group's ongoing efforts to optimise the efficiency of its supply chain.

Risk Description	Key Risk Mitigations
Human Capital Risk	
The Group faces intense competition of skilled and experienced workers due to fast-changing market dynamics and an increasingly diversified business landscape. For ongoing success, the Group must continue to attract, develop, retain and motivate key talent across the enterprise while ensuring smooth transitions throughout the ongoing business transformation.	Build up employer brand that is aligned with intelligent transformation to attract talent with new skills and experience. Continuously implement newly refreshed compensation strategies and evolve compensation and benefits programs to be performance driven, competitive, and flexible to support an increasingly diverse business landscape and employee population. Further invest in talent and leadership development programs to build talent capability, accelerate the internal movement of top talent, and ensure strength of the leadership pipeline.

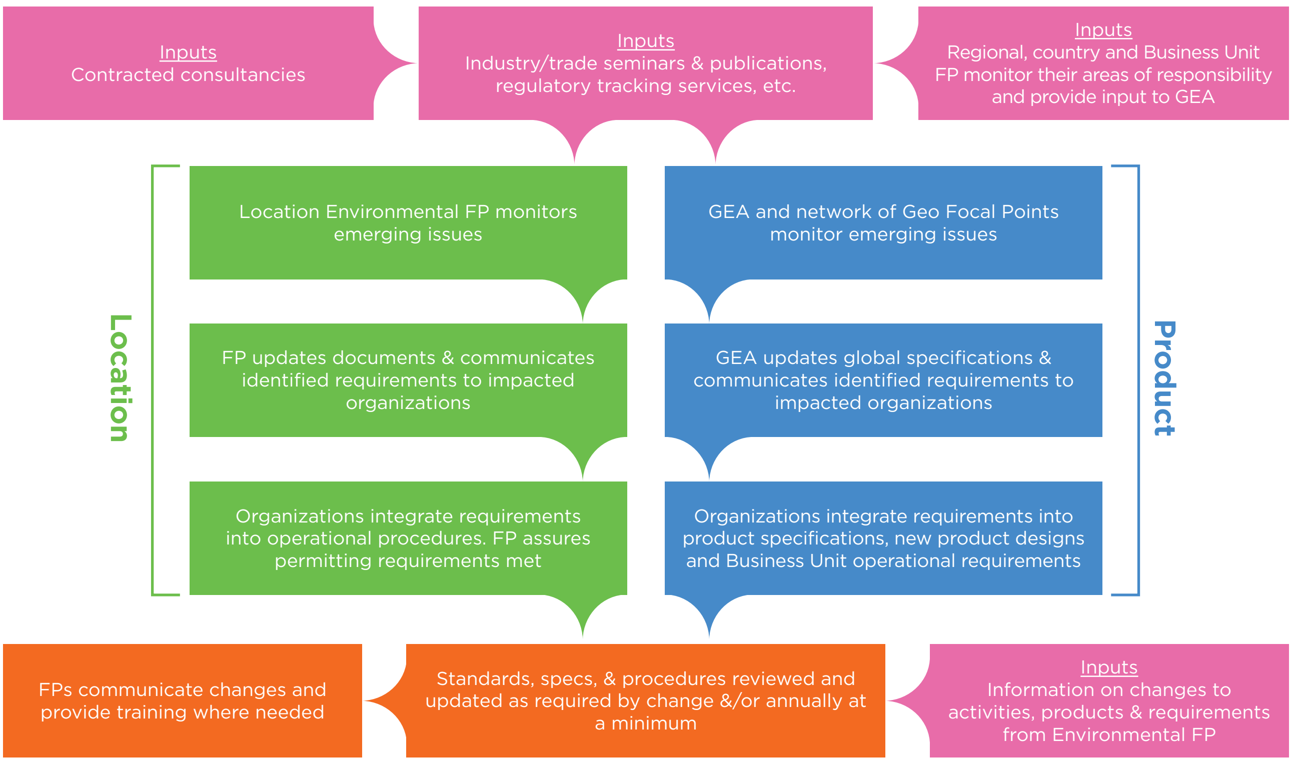
Risk Description	Key Risk Mitigations
Operational Risk	
Due to rapidly changing market conditions and customer demands, the Group must continually introduce new products, services and technologies, and successfully manage the transition to the new and upgraded products. The competitive environment demands high level of speed and efficiency. If the Group's cross functional support and team collaboration processes are dysfunctional, the Group's strategy execution may be compromised. The Group's ongoing success is dependent on the smooth running of all aspects of its operations, including but not limited to demand forecasting, manufacturing resources planning, order fulfillment, inventory management. This includes the usage of an effective and reliable IT infrastructure to facilitate operations. Disruptions in operations may impede the manufacturing and shipping of products and adversely impact the Group's ability to fulfill orders, delivery of online services, respond to customer requests and interrupt other processes such as transactions processing and financial reporting in a timely manner. These in turn may damage its reputation.	Establish cross-functional engagement and integrate activities across functions to support the strategy execution. To focus on the Group's ongoing efforts to optimise the effectiveness and efficiency of its operations.

ENVIRONMENT

Lenovo believes in responsible environmental stewardship and is committed to complying with all applicable laws and regulations wherever we do business. Lenovo's Environmental Affairs Policy focuses on compliance across all global operations, employees, and contractors performing work on behalf of Lenovo. This policy forms the foundation for Lenovo's ISO 14001-certified Environmental Management System (EMS), which includes processes for evaluating legal and voluntary requirements and ensuring compliance across Lenovo's global development and manufacturing operations for personal computers, workstations, servers, storage, mobile device hardware, and smart devices including monitors and accessories.

The Global Environmental Affairs (GEA) organization drives compliance, supported by a global network of Lenovo Environmental Affairs Focal Points (EAFPs), Environmentally Conscious Products Focal Points (ECP FPs), and external partners. We use reliable, established processes with defined roles to ensure that Lenovo continues to remain in compliance. Below details the process for ensuring environmental compliance for Lenovo products and locations.

Process for Establishing, Monitoring & Maintaining Compliance



Management's Discussion & Analysis

As part of Lenovo's ISO 14001 Environmental Management System and OHSAS 18001 Occupational Health and Safety Management System, all Lenovo manufacturing and development sites are audited to these standards internally every year and by our external certification body at least once every three years.

Lenovo's Robust EMS Ensures Environmental Compliance

	FY2018/19	FY2017/18	FY2016/17	FY2015/16	FY2014/15
Total monetary value of significant environmental fines	**0**	0	0	0	0
Number of environmental fines paid	**0**	0	0	0	0
Total number of non-monetary environmental performance-related sanctions	**0**	0	0	0	0

Lenovo's official Enterprise Risk Management (ERM) process details climate, environmental, and sustainability risks and includes environmental, social, governance, and other risk categories. We require each business unit annually to identify risks, assess their impacts on executing Lenovo's strategy, and develop risk mitigation plans. The results of this assessment are included in our Sustainability Reporting Materiality Assessment.

In addition, Lenovo conducts a Significant Environmental Aspect evaluation at least annually as part of Lenovo's ISO 14001 EMS. This process evaluates Lenovo's significant or material environmental aspects and includes a consideration of risks and opportunities. Under the EMS, after we identify the significant environmental aspects, we establish objectives and targets with Key Performance Indicators addressing site operations, product, and global supply chain. We then monitor and measure progress on objectives and targets. We will publish details on our FY18/19 objectives and targets in our 2018/19 Sustainability Report.

STAKEHOLDERS

Lenovo actively manages its relationships with customers, employees, suppliers, investors, regulators, members of the communities in which it operates, and other stakeholders whose actions can affect the Company's performance and value. We engage our stakeholders in several ways, including:

- Customer focus groups, surveys, and direct customer interaction
- Employee surveys and Lenovo-organized community service events
- Supplier audits, conferences, and quarterly business reviews
- Phone conferences and meetings with industry trade groups on regulatory issues
- Ongoing interactions with local communities
- Responding to investor, analyst, and non-governmental organization (NGO) surveys and inquiries

In addition to these and other formal stakeholder interactions, we talk with individual stakeholder groups on an ad-hoc basis as needed.

Find more information about Lenovo's sustainability programs in the Sustainability Overview on pages 127 to 140 of this Annual Report.

TALENT AND CULTURE

We are Lenovo

The "We Are Lenovo" cultural principles of Customer Focus, Teamwork and Trust, Entrepreneurship, and Innovation are the heart of Lenovo's talent management practices.

"...As we aim higher, ownership and entrepreneurship within the context of One Company are now much needed – in fact, more than ever." – Yuanqing Yang

Employee Performance and Compensation

Lenovo continues to leverage its performance management and compensation programs to reinforce a strong commitment and customer culture. This approach includes annual goal setting and review, calibration of individual ratings across organizations to ensure a fair assessment, and recognition of individual and team performance.

The integration of customer experience metrics into the individual goal setting process and the annual incentive programs helps accelerate the transformation of Lenovo from a product to a customer centric organization.

The Lenovo Compensation Philosophy emphasizes our focus on pay for performance and supports flexibility in the design of business specific programs within a consistent One Lenovo Compensation framework as part of our multi-business operating model.

A review of our targeted market position for critical roles allows us to more aggressively pursue the skills we need for the transformation of our organization and ensures that top talent is paid competitively in light of contributions and relevant market practices.

Management's Discussion & Analysis

Talent Management and Succession Planning

"...We have been driving two transformations – from single business to multiple, and from product centricity to customer centricity. Both delivered positive initial results, and the new foundation of the company is starting to take shape." – Yuanqing Yang

Lenovo's transformation from a single to multiple-line business was at the forefront of the company's Organizational and Human Resource Planning (OHRP) process in 2018. Step by step, the company has taken shape to align with its overall strategic prioritization and position in the global market. In the Spring of 2018, the Intelligent Devices Group (IDG) was created through a combination of the PC & Smart Devices Group (PCSD) and Mobile Business Group (MBG). **As a result of this change, the Intelligent Devices Group (IDG), Data Center Group (DCG) and Lenovo Capital and Incubator Group (LCIG) now comprise the company's three major business units.** In the coming months, leadership from across the enterprise will continue to focus on refining the structure, building the right mix of organizational capabilities, and securing the best talent to drive Lenovo's success now and into the future.

Talent Acquisition

"Integrity, Learning Ability, Persistence and Ambition are not only the fundamental for success in career development, but also the compulsory talent requirement in Lenovo. Only if you have these four elements you can grow up into big tree!" – Yuanqing Yang

Lenovo uses Tree model to vividly describe our talent concept. The growing big tree symbolizes lofty ambitions; the Leaves represent learning ability, continuously acquiring new knowledge and mastering new skills; the Trunk represents persistence, tenacity and perseverance; the Root represents fundamental of human being – integrity.

Lenovo's long-term talent acquisition strategy remains steadily focused on building the employer brand and investing in the attraction of next generation talent for intelligent transformation and future growth.

Training and Development

At Lenovo our commitment to developing employees begins with New Employee Orientation and continues throughout their career with the Company. Every employee is responsible for creating and maintaining an Individual Development Plan (IDP), which includes an assessment of strengths and skill gaps, and actions needed for future development and career growth. We have enhanced our management and leadership development program to provide support for managers during their leadership progression at Lenovo by offering specific training experiences, for example Executive Director Accelerator Program (EDAP), Director Accelerator Program (DAP), Manager Accelerator Program (MAP), Leading Innovative Teams (LIT), Women Leadership Development Program (WLDP) etc at key points in their careers. Instructor-led professional development courses and forums are made available throughout the year, in addition to rich online learning resources provided on demand via our global learning management system. Besides formal training, Lenovo's 70-20-10 approach to employee development recognizes that employees learn through three distinct types of experiences: on-the-job training and assignments (70%), developmental coaching and mentoring relationships (20%), and coursework and training (10%). Lenovo also places a high priority on executive development, bringing senior leaders together once a year to share best practices, learn from external experts and drive strategic alignment across the enterprise through Global Leadership Meeting (GLT) and Lenovo Executive Accelerator Program (LEAP).

BRAND BUILDING

Lenovo once again ranked as a top brand on major indexes, including BrandZ China Top 50 and Fortune's Most Admired Companies. Users' experiences with our products continue to drive our reputation as an innovative technology provider, and now we're building on these accomplishments with significant investments to further strengthen our digital marketing, PR capabilities, events and corporate marketing to promote Lenovo's advances in intelligent transformation.

This year, Lenovo made a significant investment in brand building with the expansion of its in-house brand creative and strategy function. This in-house team pairs deep company insights with world-class creative to drive clarity, consistency, and resonance for customers. A strengthened brand governance function will drive internal alignment on these messages.

The group saw early indicators of its potential, with a prestigious Graphis design award for ThinkPad communications, and the successful "Love on" campaign. Using an acronym of 'Lenovo', "Love on" launched the Lenovo Foundation, giving us an occasion to talk about the heart behind our community engagement and rally employees around the world to become active volunteers.

The "Love on" campaign represents the closely overlapping roles of corporate citizenship and brand reputation. This focus on citizenship joins our twin brand objective to drive Lenovo's reputation for innovation and establish greater global awareness for our intelligent transformation mission.

Lenovo continued to demonstrate its technological leadership to customers and partners through world class events such as Tech World, where more than 18 million online viewers watched us unveil our latest technology and key partnerships. Lenovo will continue to tell its intelligent transformation story at this year's Tech World, as well as through a major presence at events such as the Consumer Electronics Show and Mobile World Congress.

Lenovo will extend the reach and effectiveness of its message through enhanced digital capabilities in platforms, tools, and strategy, which represent further strengthening of channels to connect with audiences more effectively and personally through the customer journey. These investments will inspire customers to have a deeper connection to our brand while helping us provide an even better customer experience. When combined with investments in PR to increase worldwide share of voice and in corporate marketing to increase brand awareness, Lenovo is committed to building a leading global brand that enhances our intelligent transformation journey.

The combined strengths of a focused brand message, world-class design, and expanded digital capability will be brought together this year in significant multi-region investment to promote brand awareness and engagement in key countries, further solidifying our position as a leader in intelligent transformation.

Management's Discussion & Analysis

FINANCIAL HIGHLIGHTS

RESULTS

For the year ended March 31	**2019 US$'000**	2018 US$'000
Revenue	**51,037,943**	45,349,943
Gross profit	**7,370,644**	6,272,131
Gross profit margin	**14.4%**	13.8%
Operating expenses	**(6,192,827)**	(5,885,408)
Operating profit	**1,177,817**	386,723
Other non-operating expenses - net	**(321,153)**	(233,521)
Profit before taxation	**856,664**	153,202
Profit/(loss) for the year	**657,204**	(126,775)
Profit/(loss) attributable to equity holders of the Company	**596,343**	(189,323)
Earnings/(loss) per share attributable to equity holders of the Company (US cents)		
- Basic	**5.01**	(1.67)
- Diluted	**4.96**	(1.67)
EBITDA*	**2,191,259**	1,324,723
Dividend per ordinary share (HK cents)		
- Interim dividend	**6.0**	6.0
- Proposed final dividend	**21.8**	20.5

* Excluding "other income – net"

For the year ended March 31, 2019, the Group achieved total sales of approximately US$51,038 million. Profit attributable to equity holders for the year was approximately US$597 million, as compared with loss attributable to equity holders of US$189 million reported last year. The loss attributable to equity holders reported last year was mainly attributable to the write off of deferred income tax assets of US$400 million, pursuant to the Tax Cuts and Jobs Act enacted by the government of the United States ("US") on December 22, 2017, with the US corporate tax rate reduced for tax years beginning after December 31, 2017. Gross profit margin for the year was 0.6 points up from 13.8 percent reported last year. Basic and diluted earnings per share were US5.01 cents and US4.96 cents respectively, as compared with basic and diluted loss per share of US1.67 cents reported last year.

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

Operating expenses analyzed by function for the years ended March 31, 2019 and 2018 are as follows:

For the year ended March 31	**2019** **US$'000**	2018 US$'000
Other income - net	**-**	301
Selling and distribution expenses	**(2,657,965)**	(2,833,253)
Administrative expenses	**(2,209,340)**	(1,757,319)
Research and development expenses	**(1,266,341)**	(1,273,729)
Other operating expenses - net	**(59,181)**	(21,408)
	(6,192,827)	(5,885,408)

Operating expenses for the year increased by 5 percent as compared with last year, of which US$151 million was related to Fujitsu PC across all functions since the completion of the acquisition on May 2, 2018. During the year, employee benefit costs increased by US$239 million mainly due to the higher bonus accrual as a result of the outperformance this year as opposed to the less satisfactory results under the challenging market conditions last year. The Group has reduced the advertising and promotional expenses by US$135 million by simplifying portfolio and focusing on core markets of the mobile business, and recorded gains on fair valuation of certain financial assets of US$126 million. The impact of currency fluctuations during the year presented a challenge, and the Group recorded a net exchange loss of US$112 million (2018: US$56 million). In last year, the Group announced resource actions and incurred US$101 million severance costs to further enhance efficiency and competitiveness in view of industrial challenges; and recorded gain of US$61 million on monetizing the Wuhan R&D property. Key expenses by nature comprise:

For the year ended March 31	**2019 US$'000**	2018 US$'000
Depreciation of property, plant and equipment and amortization of prepaid lease payments	**(171,961)**	(148,177)
Amortization of intangible assets	**(479,118)**	(443,809)
Employee benefit costs, including	**(3,460,520)**	(3,222,012)
- *long-term incentive awards*	***(214,822)***	*(199,779)*
- *severance and related costs*	**-**	*(100,775)*
Rental expenses under operating leases	**(114,538)**	(131,858)
Net foreign exchange loss	**(111,529)**	(55,735)
Advertising and promotional expenses	**(707,706)**	(842,365)
Impairment of property, plant and equipment	**-**	(4,608)
(Loss)/gain on disposal of property, plant and equipment, prepaid lease payments and construction-in-progress	**(4,970)**	50,937
Fair value gain on financial assets at fair value through profit or loss	**125,550**	-
Dilution gain on interest in associates and a joint venture	**24,189**	2,499
Gain on deemed disposal of a subsidiary	**22,811**	-
Others	**(1,315,035)**	(1,090,280)
	(6,192,827)	(5,885,408)

Other non-operating expenses (net) for the years ended March 31, 2019 and 2018 comprise:

For the year ended March 31	**2019 US$'000**	2018 US$'000
Finance income	**27,399**	32,145
Finance costs	**(337,027)**	(263,160)
Share of losses of associates and joint ventures	**(11,525)**	(2,506)
	(321,153)	(233,521)

Finance income mainly represents interest on bank deposits.

Finance costs for the year increased by 28 percent as compared with last year. The change is a combined effect of the increase in interest expense on bank loans of US$48 million, factoring costs of US$25 million and interest on contingent considerations and written put option liabilities of US$14 million, partly offset by the decrease in interest on the promissory note issued to Google Inc. of US$12 million that was fully repaid last year.

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

Management's Discussion & Analysis

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"). Please refer to Note 5 to the Financial Statements for the measurement basis of segment information. Segment revenue and pre-tax income/(loss) for reportable segments are as follows:

	2019		2018	
	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	**45,013,362**	**1,842,840**	40,955,583	880,406
DCG	**6,024,581**	**(230,600)**	4,394,360	(424,866)
Segment total	**51,037,943**	**1,612,240**	45,349,943	455,540
Unallocated:				
Headquarters and corporate (expenses)/income – net		**(640,312)**		(204,540)
Depreciation and amortization		**(136,263)**		(100,654)
Finance income		**4,121**		5,349
Finance costs		**(142,496)**		(65,236)
Share of losses of associates and joint ventures		**(11,525)**		(2,506)
(Loss)/gain on disposal of property, plant and equipment, prepaid lease payments and construction-in-progress		**(1,651)**		62,750
Fair value gain on financial assets at fair value through profit or loss		**125,550**		–
Dilution gain on interest in associates and a joint venture		**24,189**		2,499
Gain on deemed disposal of a subsidiary		**22,811**		–
Consolidated profit before taxation		**856,664**		153,202

Headquarters and corporate (expenses)/income for the year comprise various expenses, after appropriate allocation to business groups, attributable to headquarters and corporate of US$527 million (2018: US$208 million) such as employee benefit costs, legal and professional fees, and research and technology expenses. Employee benefit costs increased by US$90 million which is mainly due to higher bonus accrual of US$110 million (comprising breakthrough bonus accrual in anticipation of outperformance) made as a result of the outperformance this year as opposed to the less satisfactory results under the challenging market conditions last year. The Group also recorded a net exchange loss of US$86 million (2018: US$53 million) as a result of balance sheet hedges, and central research and technology expenses of US$68 million which were not allocated to a business group (2018: nil).

Moreover, the Group recognized fair value loss on bonus warrants of US$19 million during the year (2018: fair value gain of US$3 million), and certain additional one-time charges, in connection with the execution of the resource actions announced in last year, at the corporate level including the disposal of certain inventories as a result of product portfolio simplification of US$67 million, and onerous lease contracts and claims of US$27 million.

FINANCIAL POSITION

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

Non-current assets	**2019 US$'000**	2018 US$'000
Property, plant and equipment	**1,430,817**	1,304,751
Prepaid lease payments	**463,996**	507,628
Construction-in-progress	**232,097**	382,845
Intangible assets	**8,324,575**	8,514,504
Interests in associates and joint ventures	**79,061**	35,666
Deferred income tax assets	**1,862,902**	1,530,623
Available-for-sale financial assets	**–**	373,077
Financial assets at fair value through profit or loss	**449,363**	–
Financial assets at fair value through other comprehensive income	**71,486**	–
Other non-current assets	**187,985**	181,759
	13,102,282	12,830,853

Management's Discussion & Analysis

Property, plant and equipment
Property, plant and equipment comprise mainly the Group's freehold land and buildings, leasehold improvements, plant and machinery and office equipment. Increase of 10 percent is mainly attributable to the Group's further investments in headquarters in China, plant and machinery and office equipment.

Prepaid lease payments
Prepaid lease payments represent the land use rights in respect of the manufacturing sites and headquarters in China. Decrease of 9 percent is mainly due to the exchange adjustment.

Construction-in-progress
Construction-in-progress comprises mainly the Group's investments in headquarters in China, internal use software and research and development laboratories. Decrease of 39 percent is mainly attributable to the transfer of completed assets to property, plant and equipment and intangible assets.

Intangible assets
Intangible assets comprise goodwill and other intangible assets including trademarks and trade names, customer relationships, patent and technology and internal use software. Decrease of 2 percent is mainly attributable to current year amortization and exchange adjustment, partly offset by goodwill, customer relationships and an exclusive right acquired through business combinations.

Interests in associates and joint ventures
Interests in associates and joint ventures increased by 122 percent, which is mainly due to the dilution gain on interest in associates and the reclassification of a subsidiary to an associate resulting from loss of control.

Deferred income tax assets
Deferred income tax assets amounted to US$1,863 million as at current year end, representing an increase of 22 percent over last year, which is mainly attributable to tax losses and temporary differences in relation to provisions and accruals arising in the normal course of business.

Available-for-sale financial assets
Upon the adoption of the new accounting standard that is effective at the beginning of the year, available-for-sale financial assets have been reclassified to either financial assets at fair value through profit or loss or financial assets at fair value through other comprehensive income.

Financial assets at fair value through profit or loss
Financial assets at fair value through profit or loss have been reclassified from available-for-sale financial assets. Increment during the year is mainly attributable to net fair value gain and additional investments, partly offset by exchange adjustment.

Financial assets at fair value through other comprehensive income
Financial assets at fair value through other comprehensive income have been reclassified from available-for-sale financial assets. Decrement during the year is mainly attributable to net fair value loss, partly offset by additional investments through acquisition of subsidiaries.

Other non-current assets

Other non-current assets amounted to US$188 million as at current year end, representing an increase of 3 percent over last year.

Current assets	2019 US$'000	2018 US$'000
Inventories	3,434,660	3,791,691
Trade receivables	6,661,484	4,972,722
Notes receivable	46,454	11,154
Derivative financial assets	70,972	24,890
Deposits, prepayments and other receivables	3,753,926	4,703,335
Income tax recoverable	185,643	227,203
Bank deposits	70,210	84,306
Cash and cash equivalents	2,662,854	1,848,017
	16,886,203	15,663,318

Inventories

Inventories decreased by 9 percent which is mainly due to the improvement in inventory management.

Trade receivables and Notes receivable

Trade receivables and notes receivable increased by 35 percent, which is in line with increase in business activities during the fourth quarter of the current year and attributable to the amount brought in from Fujitsu PC.

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 parts and components sold in the ordinary course of business. Decrease is mainly due to the increment of factoring volume during the fourth quarter of the current year and receipt of indirect tax refund.

Total equity

Total equity decreased from US$4,546 million to US$4,097 million during the year. The decrease is mainly due to dividends paid and put option written on non-controlling interests, partly offset by profit for the year.

Non-current liabilities	2019 US$'000	2018 US$'000
Borrowings	2,426,770	2,648,725
Warranty provision	254,601	278,908
Deferred revenue	678,137	583,405
Retirement benefit obligations	434,246	413,482
Deferred income tax liabilities	359,679	230,609
Other non-current liabilities	1,247,646	333,332
	5,401,079	4,488,461

Borrowings

Borrowings (classified as non-current) decreased by US$222 million mainly attributable to the reclassification of a note from non-current to current as it will be due within the next 12 months after the year end date, offset by the issuance of convertible bonds during the year.

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 labour associated with warranty repair and service actions. The period ranges from one to three years. The Group revaluates 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. Increase of 56% over last year is mainly attributable to accelerated tax depreciation arising from the normal course of business and acquisition of subsidiaries during the year.

Other non-current liabilities
Other non-current liabilities mainly comprise liabilities arise from written put options granted, contingent consideration, deferred rent for offices and government incentives and grants received in advance. The increase of 274 percent is mainly due to the recognition of liabilities arising from written put options granted to non-controlling interests and contingent consideration.

Current liabilities	**2019 US$'000**	2018 US$'000
Trade payables	**6,429,835**	6,450,792
Notes payable	**1,272,840**	801,974
Derivative financial liabilities	**74,426**	62,694
Other payables and accruals	**8,942,336**	9,217,764
Provisions	**738,688**	858,475
Deferred revenue	**780,951**	732,552
Income tax payable	**298,224**	168,779
Borrowings	**1,953,043**	1,166,692
	20,490,343	19,459,722

Management's Discussion & Analysis

Trade payables and Notes payable

Increase in trade payables and notes payable is due to more purchases during the fourth quarter of the current year and attributable to the amount brought in from Fujitsu PC.

Other payables and accruals

Other payables and accruals comprise 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. The balances decreased is mainly due to the termination of written put option with Compal during the year.

Provisions

Provisions comprise warranty liabilities (due within one year), environmental restorations and restructuring provision. The decrease of 14 percent over last year is due to the utilization of the warranty provision, settlement of severance costs and exchange adjustment during the year.

Borrowings

Borrowings (classified as current) increased by 67 percent, which is mainly due to the reclassification of a note from non-current to current as it will be due within the next 12 months after the year end date.

Capital Expenditure

The Group incurred capital expenditure of US$701 million (2018: US$671 million) during the year ended March 31, 2019, mainly for the acquisition of property, plant and equipment, prepaid lease payments, additions in construction-in-progress and intangible assets.

Liquidity and Financial Resources

At March 31, 2019, total assets of the Group amounted to US$29,988 million (2018: US$28,494 million), which were financed by equity attributable to owners of the Company of US$3,396 million (2018: US$3,519 million), perpetual securities of US$994 million (2018: US$994 million) and negative balance of other non-controlling interests (net of put option written on non-controlling interests) of US$293 million (2018: positive balance of US$33 million), and total liabilities of US$25,891 million (2018: US$23,948 million). At March 31, 2019, the current ratio of the Group was 0.82 (2018: 0.80).

At March 31, 2019, bank deposits and cash and cash equivalents totaled US$2,733 million (2018: US$1,932 million) analyzed by major currency as follows:

	2019 %	2018 %
US dollar	**41.1**	28.8
Renminbi	**32.0**	45.6
Japanese Yen	**6.8**	7.4
Euro	**5.4**	6.1
Other currencies	**14.7**	12.1
Total	**100.0**	100.0

The Group adopts a conservative policy to invest the surplus cash generated from operations. At March 31, 2019, 78.6 (2018: 99.6) percent of cash are bank deposits, and 21.4 (2018: 0.4) 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.

The Group has the following banking facilities:

Type	**Date of agreement**	**Principal amount US$ million**	**Term**	**Utilization amount at March 31, 2019 US$ million**	Utilization amount at March 31, 2018 US$ million
Loan facility	May 26, 2015	300	5 years	**300**	300
Revolving loan facility	March 28, 2018	1,500	5 years	**825**	–

Notes, perpetual securities and convertible bonds issued by the Group and outstanding as at March 31, 2019 are as follows:

	Issue date	Principal amount	Term	Interest rate/ dividend per annum	Due date	Use of proceeds
2019 Note	May 8, 2014	US$786 million	5 years	4.70%	May 2019	For general corporate purposes including working capital and acquisition activities
2020 Note	June 10, 2015	RMB4 billion	5 years	4.95%	June 2020	
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 for general corporate purposes including working capital
Perpetual securities	March 16, 2017	US$850 million	N/A	5.375%	N/A	
	April 6, 2017	US$150 million	N/A	5.375%	N/A	
2023 Note	March 29, 2018	US$750 million	5 years	4.75%	March 2023	For repayment of the principal amount of US$714 million of the 2019 Note, and for general corporate purpose including working capital
Convertible bonds	January 24, 2019	US$675 million	5 years	3.375%	January 2024	For repayment of the 2019 Note and general corporate purposes

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

Credit facilities	Available amount at March 31 2019 US$ million	Available amount at March 31 2018 US$ million	Drawn down amount at March 31 2019 US$ million	Drawn down amount at March 31 2018 US$ million
Trade lines	**2,195**	1,730	**1,637**	1,090
Short-term and revolving money market facilities	**701**	796	**56**	70
Forward foreign exchange contracts	**9,525**	8,706	**9,525**	8,645

Net debt position and gearing ratio of the Group as at March 31, 2019 and 2018 are as follows:

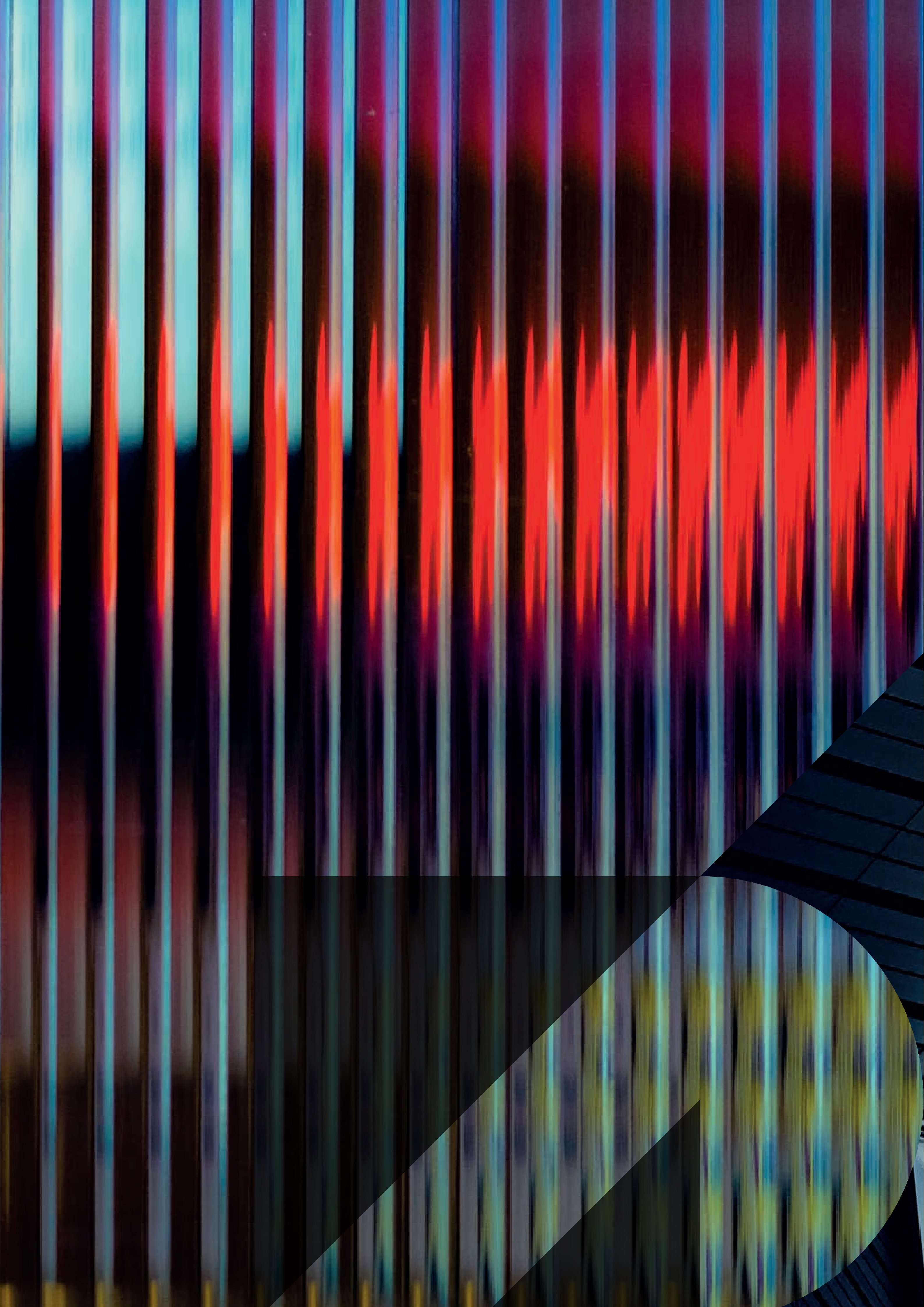
	2019 US$ million	2018 US$ million
Bank deposits and cash and cash equivalents	**2,733**	1,932
Borrowings		
– Short-term bank loans	**1,167**	1,166
– Notes	**2,622**	2,649
– Convertible bonds	**591**	–
Net debt position	**(1,647)**	(1,883)
Total equity	**4,097**	4,546
Gearing ratio (Borrowings divided by Total equity)	**1.07**	0.84

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 March 31, 2019, the Group had commitments in respect of outstanding forward foreign exchange contracts amounting to US$9,525 million (2018: US$8,645 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.



Transform infrastructure solutions

ThinkSystem SE350

Corporate Governance Report

01	**Corporate Governance Principles and Structure**	• Compliance with Corporate Governance Code • Governance Structure
02	**Leadership** How the Board leads from the front	• Board Roles • Board Composition • Appointment and Election • Directors' Securities Transactions • Induction and Continuous Professional Development • Remuneration of Directors and Senior Management • Company Secretary
03	**Effectiveness** How the Board operates	• Board's Responsibilities and Delegation • Board Process • Board Activities • Board Committees • Board and Board Committees' Effectiveness Review
04	**Accountability and Audit** How the Board fulfils its oversight responsibilities	• Financial Reporting • Risk Management and Internal Control • External Auditor
05	**Investor Relations** How we maintain relations with our investors	• Communications with Investors • Market Recognitions • Index Recognition
06	**Shareholders** How we communicate with our shareholders and their rights	• Communications with Shareholders • Shareholders' Rights • Shareholding Structure
07	**Key Shareholders Information**	

CORPORATE GOVERNANCE PRINCIPLES AND STRUCTURE

The board of directors (the "**Board**") and the management of Lenovo Group Limited (the "**Company**", together with its subsidiaries, the "**Group**") strive to attain and uphold a high standard of corporate governance and to maintain sound and well-established corporate governance practices for the interest sake of shareholders and other stakeholders including customers, suppliers, employees and the general public. The Company abides strictly by the governing laws and regulations of the jurisdictions where it operates and observes the applicable guidelines and rules issued by regulatory authorities. It regularly undertakes review of its corporate governance system to ensure it is in line with international and local best practices.

Compliance with Corporate Governance Code

Throughout the year ended March 31, 2019, the Company has complied with the code provisions of the Corporate Governance Code and Corporate Governance Report (the "**CG Code**") set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong S.A.R. of China Limited (the "**Stock Exchange**") (the "**Listing Rules**"), and where appropriate, met the recommended best practices in the CG Code, 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.

Since November 3, 2011, Mr. Yang Yuanqing ("**Mr. Yang**") has been performing both the roles as the Chairman and the CEO. The Board has recently 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 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.

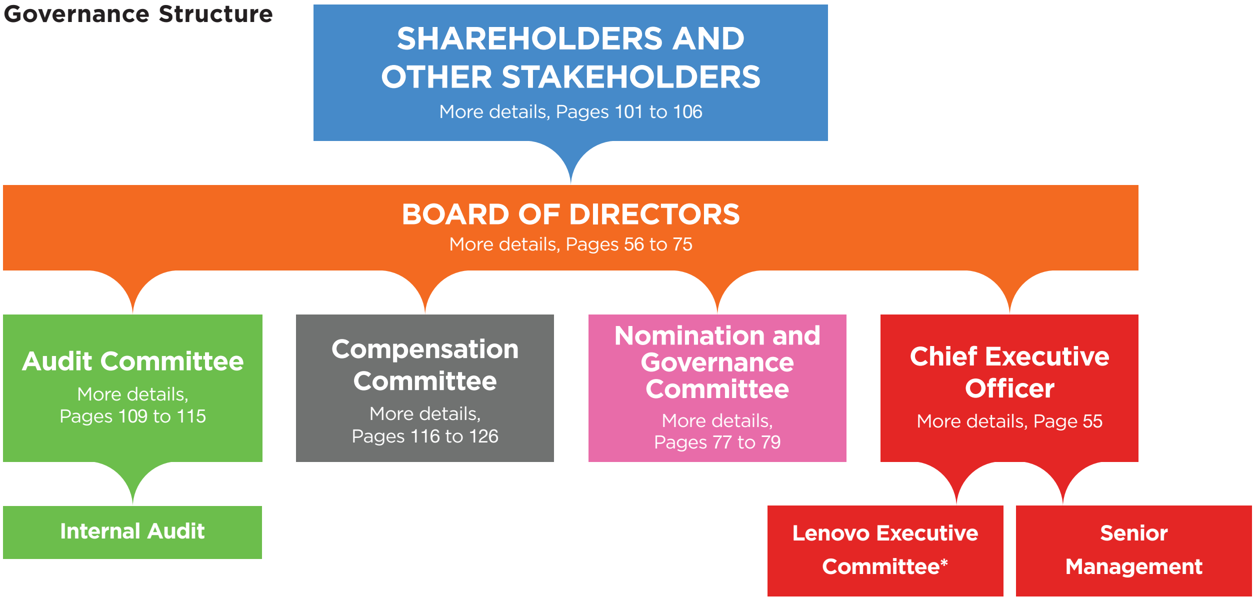
The Board also appointed Mr. William O. Grabe ("**Mr. Grabe**") as the lead independent director (the "**Lead Independent Director**") with broad authority and responsibility. Among other responsibilities, the Lead Independent Director chairs the Nomination and Governance Committee meeting and/or the 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 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.

Apart from the foregoing, the Company met the recommended best practices in the CG Code as disclosed in the respective sections of this report. Particularly, the Company published quarterly financial results and business reviews in addition to interim and annual results. Quarterly financial results enhanced the shareholders' ability to assess the performance, financial position and prospects of the Company. The quarterly financial results were also prepared using the accounting standards consistent with the policies applied to the interim and annual financial statements.

Corporate Governance Report

The Board has established a clear governance structure and the overall approach has been designed to support and work within our organizational structure to meet the challenges of the future.

Governance Structure



* *a management committee comprising the CEO and certain members of the senior management*

KEY MATTERS RESERVED TO THE BOARD DECISION

The Board has adopted a schedule of key matters relating to the strategy, finance and governance which are for decision by the Board. The table on page 69 sets out these key matters reserved by the Board for decision.

BOARD COMMITTEES STRUCTURE

The Board has delegated authority for its key governance functions to three main committees with the responsibilities outlined on page 76. Details of the activities and decisions taken by these committees during the year are shown in the relevant committees reports.

CEO, LENOVO EXECUTIVE COMMITTEE AND DELEGATED AUTHORITIES

CEO who manages the business in line with the strategy agreed by the Board and is accountable to it. Details of the responsibilities of CEO are set out on page 55.

The CEO is supported by the Lenovo Executive Committee which helps to implement strategy and manage operational performance. The CEO has also established authority framework adopted by the Group through which he delegates certain management decisions to specific individuals and management.

LEADERSHIP

Board Roles

As of the date of this annual report, there are twelve Board members consisting of one executive director, two non-executive directors and nine independent non-executive directors. The Board has a coherent framework with clearly defined responsibilities and accountabilities designed to safeguard and enhance long-term shareholder values and provide a robust platform to realise the strategy of the Group. A summary of responsibilities of leadership of the Company and those of the Lead Independent Director is given in the diagram below.

CHAIRMAN

Mr. Yang Yuanqing

- leads the Board in the determination of its strategy and in the achievement of its objectives
- provides leadership and manages the Board to ensure that all directors are properly briefed on issues arising at Board meetings and receive adequate, complete and reliable information in a timely manner
- approves the Board's agenda, taking full account of the issues and concerns of Board members. Board agendas are structured to allow adequate and sufficient time for the discussion of the items on the agenda, in particular, strategic matters
- facilitates and encourages active engagement of Board members, particularly on matters of the Group's strategy or other major proposals, by drawing on directors' skills, experience and knowledge
- ensures good corporate governance practices and procedures are established and effective communication with shareholders and other stakeholders

NON-EXECUTIVE DIRECTORS

Independent non-executive directors:

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
Mr. Gordon Robert Halyburton Orr
Mr. Woo Chin Wan Raymond

Non-executive directors:

Mr. Zhu Linan
Mr. Zhao John Huan

- participate in Board meetings to bring an independent judgement to bear on issues of strategy, policy, performance, accountability, resources, key appointments and standards of conduct
- take the lead where potential conflicts of interests arise
- scrutinise the Group's performance in achieving agreed corporate goals and objectives, and monitor performance reporting
- make a positive contribution to the development of the Group's strategy and policies through independent, constructive and informed comments
- engage with senior management and other relevant parties, such as the external or internal auditors as well as the Company's legal department, to ensure that the various concerns and issues relevant to the management and oversight of the business and operations of the Company and the Group are properly addressed

LEAD INDEPENDENT DIRECTOR

Mr. William O. Grabe

- chairs 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
- calls and chairs meeting(s) with all independent non-executive directors at least once a year on such matters as are deemed appropriate and provides feedbacks to Chairman and/or CEO
- serves a key role in the Board evaluation process
- responds directly to shareholders and other stakeholders' questions and comments that are directed to the Lead Independent Director or to the independent non-executive directors as a group, when appropriate
- if requested by major shareholders, ensures that he is available, when appropriate, for consultation and direct communication
- performs other duties as the Board may designate

CHIEF EXECUTIVE OFFICER

Mr. Yang Yuanqing

- formulates and recommends the strategy of the Group to the Board
- executes the strategy agreed by the Board
- makes and implements operational decisions and manages the business day-to-day
- leads the business and the management team

Corporate Governance Report

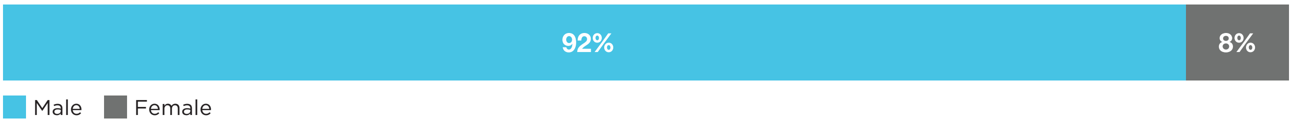
Board Composition

The structure, size and composition (including, for example, gender, age, and length of service) of the Board will be reviewed from time to time by the Nomination and Governance Committee to ensure that the Board has a balance of skills and expertise for providing effective leadership to the Company and meeting the needs of the Group.

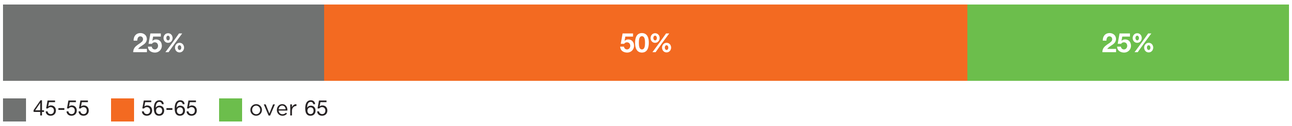
The Board diversity mix is shown below while the detailed biographies and snapshot of the Board's experience are set out on pages 147 to 151 of this annual report.

Designation

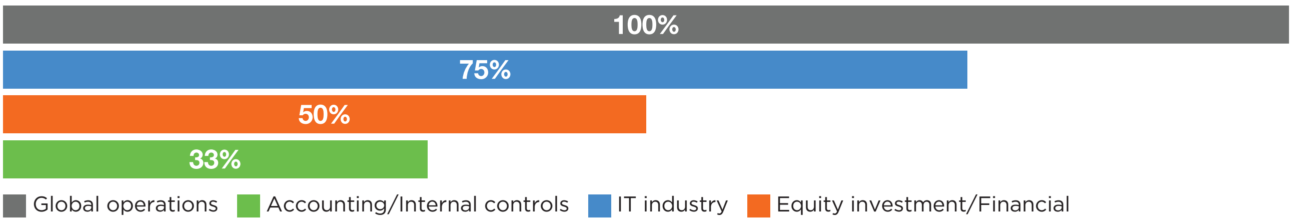
Gender



Age Group



Areas Of Experience



Key Features of the Board Composition	
Diversity	The Board adopted a Board diversity policy (the "**Board Diversity Policy**") which relates to the selection of candidates for the Board. A summary of the Board Diversity Policy including the views and measurable objectives is set out on page 58 of this report.
Independence	The current composition of the Board exceeds the requirements under rule 3.10A of the Listing Rules, as more than half of its members are independent non-executive directors, thus exhibiting a strong independent element which enhances independent judgement.
	Mr. Grabe, an independent non-executive director of the Company was appointed as Lead Independent Director for enhancing corporate governance of the Company. The roles and responsibilities of the Lead Independent Director are set out on page 55 of this report.
	The Company has maintained on its website and Hong Kong S.A.R. of China Exchanges and Clearing Limited's website (the "**HKEx's website**") an updated list of its directors identifying their roles and functions and whether they are independent non-executive directors.
	Independent non-executive directors are also identified as such in all corporate communications that disclose the names of directors of the Company.
Professional qualification	Mr. Nicholas C. Allen and Mr. Woo Chin Wan Raymond, both independent non-executive directors of the Company, have the appropriate professional qualifications, or accounting or related financial management expertise, as required under the Listing Rules.
Relationship among directors	Mr. Zhu Linan and Mr. Zhao John Huan, non-executive directors of the Company, also serve on the board of directors of Legend Holdings Corporation, which company held approximately 29.102% of the total number of shares in issue of the Company as of March 31, 2019 according to the interest as recorded in the register maintained under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong S.A.R. of China) (the "**SFO**"). The details are set out on page 106 of this report.
	To the best knowledge of the Board members, there is no other relationship among the members of the Board as of the date of this annual report except for the relationships (including financial, business, family, and other material and relevant relationships) as mentioned in this report and in the biographies of directors set out on pages 147 to 151 of this annual report.

Corporate Governance Report

Appointment and Election

Nomination Policy

During the year, the Board adopted a Nomination Policy which guides the Nomination and Governance Committee and the Board on nomination of candidates for the Board. This Policy sets out the selection criteria, the tenure, the election/re-election requirements and the nomination procedure, details of which are set out below.

Diversity

The Board values diversity as a factor in selecting candidates to serve on the Board, and believes that the diversity which exists in its composition provides significant benefits to the Board and the Company and forms an important part of the Nomination Policy.

The Board believes that a key success factor of an effective Board is that it comprises a range and balance of skills, experience, knowledge and independence, with individuals that work as a team. The Board Diversity Policy which relates to the selection of candidates for the Board was adopted to ensure that diversity in its broadest sense continues to remain a feature of the Board. All Board appointments are made on merit, in the context of the skills and experience the Board as a whole requires being effective. The details of the appointment process can be found on page 59 of this report.

The Nomination and Governance Committee has been delegated with the responsibilities for the review of the Board Diversity Policy on an annual basis. During the fiscal year 2018/19, the Nomination and Governance Committee reviewed the below measurable objectives and the progress in achieving these objectives:

Measurable Objectives		Progress for Achieving Objectives
Objective 1	Consider candidates for appointment as independent non-executive directors from a wide pool of backgrounds, skills, experience and perspectives that would complement the existing Board	• On-going search for appropriate candidates to be appointed as independent non-executive directors • In the ordinary course of the Board succession process
Objective 2	Report annually against the objectives and other initiatives taking place within the Company which promote diversity	• The Board evaluation process includes an assessment of the Board's diversity helping to objectively consider the Board composition and effectiveness • FY2019/20 and ongoing
Objective 3	Report annually on the outcome of the composition and structure of the Board as well as any issues and challenges the Board is facing when considering the diverse make-up of the Company	• Make use of the Board evaluation process as an important means of monitoring the progress • Remain committed to getting the right balance of the composition of the Board and work towards understanding and managing some of the challenges we face in the global information technology sector, particularly in internet, mobile, software, data center, artificial intelligence and clouds areas • FY2019/20 and ongoing

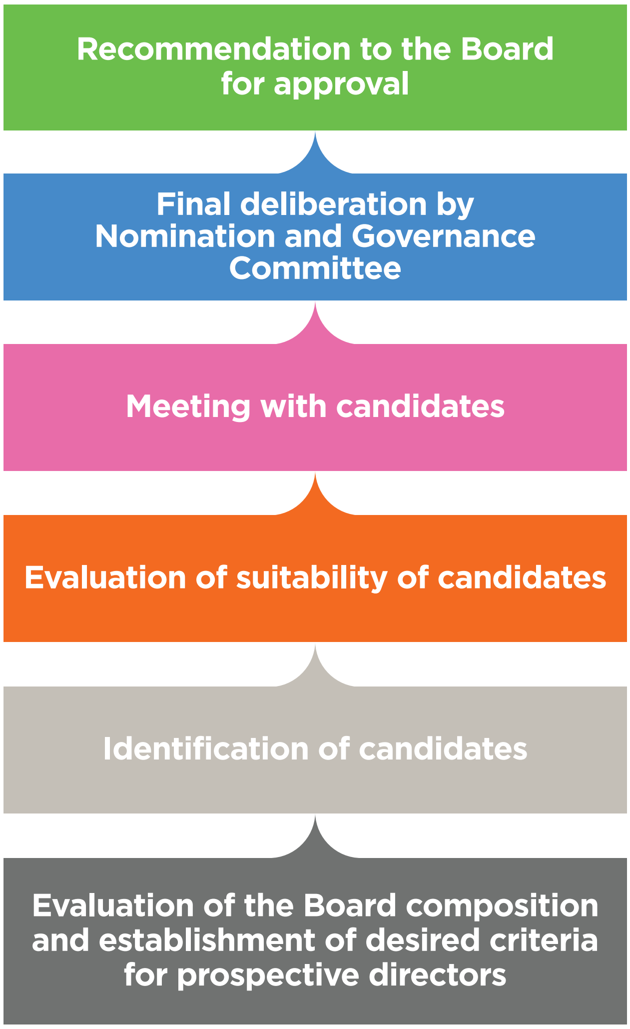
Appointment process

The Board recognises the need to ensure the Board and senior management are always well resourced, with the suitable people in terms of skills and experience to deliver the Group's strategy.

There is a formal and transparent procedure for the appointment of new directors to the Board, the primary responsibility of which has been delegated to the Nomination and Governance Committee. The Nomination and Governance Committee is composed of the Chairman and three independent non-executive directors. This composition ensures that any decisions made are impartial and are in the best interest of the Company.

The Nomination and Governance Committee's assessment of the candidates includes, but is not limited to, consideration of the relevant knowledge and diversity of backgrounds, skills, experience and perspectives that would complement the existing Board.

The Nomination and Governance Committee also ensures that candidates satisfy the requisite skills and core competencies to be deemed fit and proper, and to be appointed as director. The nomination process involves the following six stages:



Corporate Governance Report

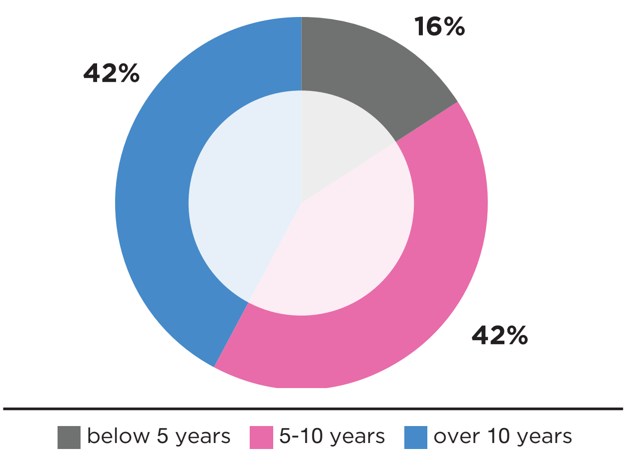
Succession

The Nomination and Governance Committee regularly reviews the structure, size and composition (including the skills, knowledge and experience) required of the Board and makes recommendations to the Board as appropriate. The Board has satisfied itself that the appropriate plan has been in place for orderly succession to the Board as well as procedures to ensure an appropriate balance of skills on the Board and its committees. The Board and the Nomination and Governance Committee have regularly discussed and reviewed Board composition and succession planning during the year and this will continue in the fiscal year 2019/20.

Tenure

In accordance with the articles of association of the Company (the "**Articles of Association**"), all directors are subject to retirement by rotation. At each annual general meeting, one-third of the directors for the time being shall retire from office. The retiring directors shall be eligible for re-election. New appointments either to fill a casual vacancy or as an addition to the Board are subject to re-election by shareholders of the Company at the next following annual general meeting of the Company. The chart below this paragraph shows the tenure of the Board members as of March 31, 2019.

Board Tenure



All non-executive directors (including independent non-executive directors) have entered into letters of appointment with the Company for a term of three years. Their terms of appointment shall be subject to retirement from office by rotation and re-election at the annual general meeting in accordance with the Articles of Association.

The Company agreed that the independence of directors is an important principle of the Company. In line with the best practices on corporate governance, the Board adopted the principle that each term of an independent non-executive director of the Company shall not be more than three years and shall, subject to re-election by shareholders at any subsequent annual general meeting of the Company, be renewable for additional three-year terms up to a total of nine years. At the recommendation of the Nomination and Governance Committee, the Board may invite an independent non-executive director to serve for an additional three-year term extending up to a total of twelve years subject to re-election at any subsequent annual general meeting of the Company.

Independence

The independent non-executive directors do not participate in the day-to-day management of the Company and do not engage in any business dealing or other relationships with the Group (other than in situations permitted by the applicable regulations) in order to ensure that they remain truly capable of exercising independent judgement and act in the best interests of the Company and its shareholders.

Each of the independent non-executive directors has made a confirmation of independence pursuant to rule 3.13 of the Listing Rules. On May 22, 2019, the Nomination and Governance Committee conducted an annual review of the independence of all independent non-executive directors of the Company for the year ended March 31, 2019. Having taken into account the factors as set out in rule 3.13 of the Listing Rules in assessing the independence of independent non-executive directors, the Nomination and Governance Committee (with the relevant committee member abstaining from voting on the resolutions concerning his own independence) concluded that all of the independent non-executive directors satisfied the criteria of independence as set out in the Listing Rules.

In addition, the Nomination and Governance Committee affirmed that all independent non-executive directors of the Company provided a strong independent element on the Board, were free from any business or other relationship which could materially interfere with the exercise of their judgement, and remained independent for the year ended March 31, 2019.

Independence Assessment

Before and on appointment

- Nomination and Governance Committee will evaluate the suitability of the candidates, including an assessment of their independence
- Upon his/her appointment, he/she is required to confirm with the Stock Exchange his/her independence having regard to the criteria under rule 3.13 of the Listing Rules

Ongoing process

- Each of the independent non-executive directors is required to inform the Stock Exchange and the Company as soon as practicable if there is any change in his/her own personal particulars that may affect his/her independence
- The independent non-executive directors are required to confirm with the Company whether he/she has any financial, business, family or other material/relevant relationship with each other on a semi-annual basis
- All directors have continuing duty to update the Company on any changes to their other appointments which will be reviewed by the Company

Annual assessment

- Each of the independent non-executive directors is required to confirm with the Company his/her independence having regard to the criteria under rule 3.13 of the Listing Rules
- Nomination and Governance Committee assesses and reviews the independence of independent non-executive directors annually

Conflicts of interest

Directors have a statutory duty to avoid situations in which they have or may have interests that conflict with those of the Company. The Board has a set procedure and guidance to deal with the actual or potential conflicts of interest of directors as follows:

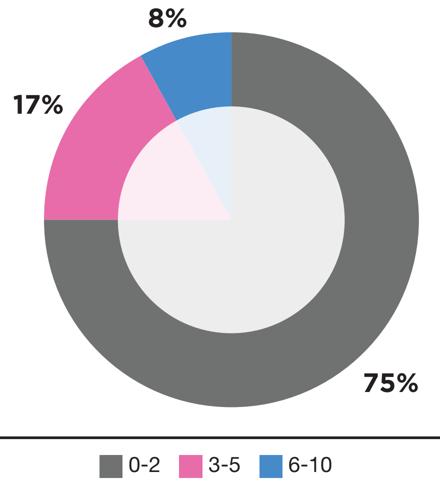
- The Board deals with each appointment on its individual merit and takes into consideration all the circumstances.
- Prior to taking additional responsibilities or external appointments, directors are obliged to ensure that they will be able to meet the time commitment expected of them in their role at the Company and do not have any potential conflicts that may arise when taking up a position with another company.
- Decisions regarding transactions with directors and their related parties are always dealt with by other directors, such as matter regarding the remuneration of executive director is handled by the Compensation Committee.
- Under the Articles of Association, directors are also required to declare their direct or indirect interests, if any, in any proposal, transaction, arrangement or contract that is significant in relation to the Company's business and the director's interest or his/her associate's interest or the interest of the entity connected with the director is material.

All potential conflicts of interest will be recorded, which are reviewed on an annual basis by the Nomination and Governance Committee to ensure that the procedures are working effectively.

Commitments

All directors are committed to devote sufficient time and attention to the affairs of the Company. Directors are given guidelines on their time commitments to the affairs of the Company and corresponding confirmations were received from the directors in their letters of appointment. Directors have also disclosed to the Company the number and nature of offices held in Hong Kong S.A.R. of China or overseas listed public companies or organisations and other significant commitments, with the identity of the public companies or organisations. Directors are reminded to notify the Company in a timely manner and bi-annually confirm to the Company of any changes of such information. The chart below shows the number of directorship of the directors with other listed public companies as at March 31, 2019.

Directorship with other listed public companies



With respect to those directors who stand for election or re-election at the forthcoming annual general meeting, all of their directorships held in listed public companies in the past three years are also set out in the document accompanying the notice of the forthcoming annual general meeting.

Share ownership

The Board has adopted stock ownership guidelines for non-employee directors. The Board believes that share ownership aligns the interests of its directors with the long-term interests of the shareholders and further promotes the Company's commitment to sound corporate governance. In general, these guidelines require non-employee directors to maintain a certain level of equity awards granted to them for so long as he/she is a director of the Company.

Directors' Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") set out in Appendix 10 to the Listing Rules from time to time and devised based on the principles of the Model Code a comprehensive and operative company policy to govern securities transactions by directors and designated senior management of the Company. All directors of the Company have confirmed, after specific enquiry, their compliance with the required standard during the year ended March 31, 2019.

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.

Induction and Continuous Professional Development

The Company is aware of the requirement to regularly review and agree with each director their training needs. Keeping up-to-date with key business developments is essential for directors to maintain and enhance their effectiveness.

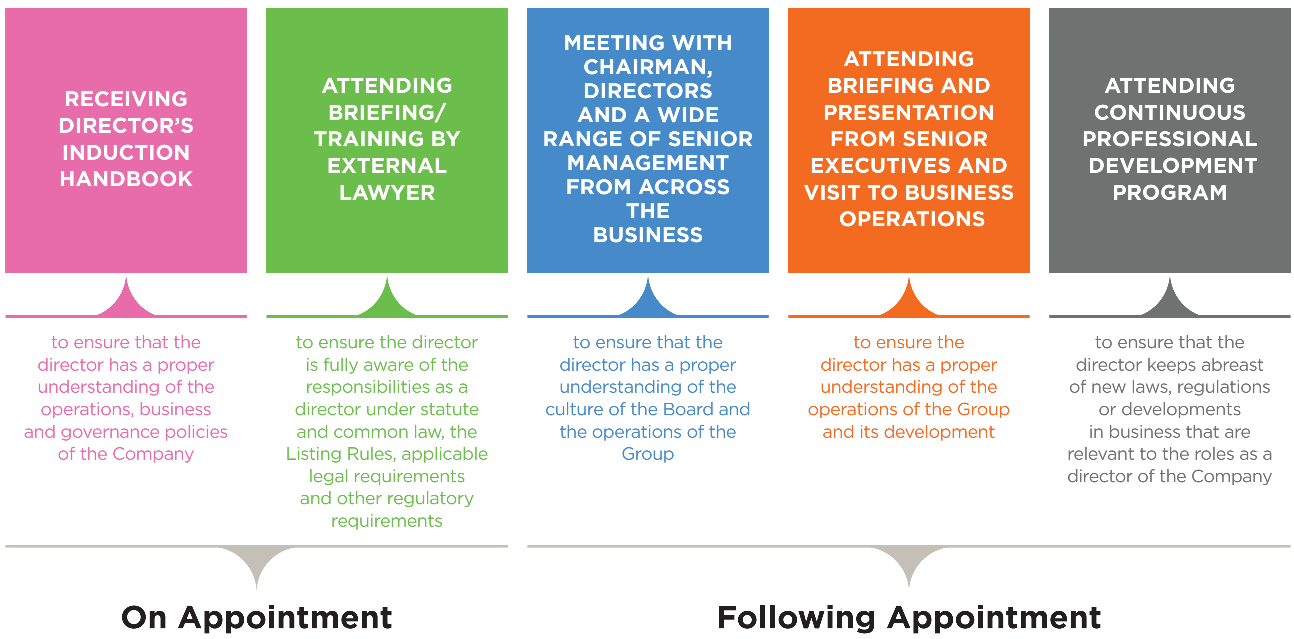
Induction program

For new director

Upon joining the Company, directors are provided with a bespoke induction program to further their understanding of the nature of the Company, its business and the markets in which it operates, and also enhance their knowledge of the Group, its operation and staff. Induction program is tailored to each new director, depending on the experience and background of the director. Normally, a comprehensive, formal and tailored induction program covering amongst other things:

For new Board committee members

Directors to be appointed to the Board committee are provided with an induction handbook which is designed to provide Board committee members with information regarding the roles of a committee member, making the most of their time on the committee, meeting annual agendas, and general information about the respective Board committee of the Company.



Continuous professional development program

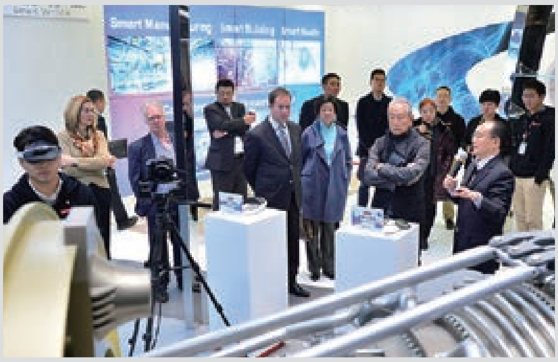
As part of the continuous professional development program, the Board members from time to time receive presentations from senior executives in the business on matters of significance. Financial plans, including budgets and forecasts, are regularly discussed at Board meetings. The Company would arrange appropriate visits and seminars covering the Group's operations, the industry and governance matters for directors to facilitate their understanding of the Group's businesses and have a better awareness of the risks associated with the Group's operations.

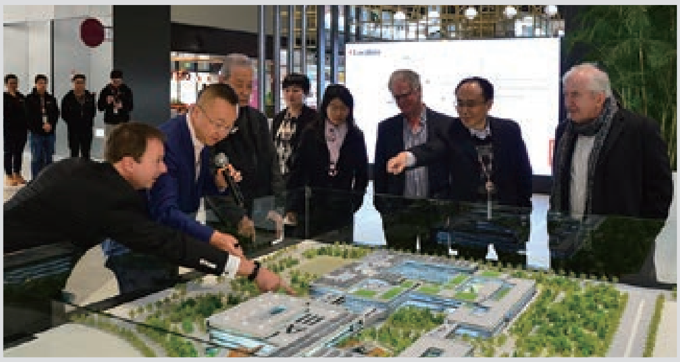
During the year ended March 31, 2019, the trainings and activities for the Board were set out below:

Site Visit

In order to enhance greater interaction between Board members and senior management, the Company arranged directors to attend the Global Leadership Team ("GLT") annual meeting in Vancouver, Canada. The GLT meeting presented an excellent opportunity for Lenovo's leaders on the one hand to work together, share ideas, identify challenges and, most importantly, develop solutions; and on the other hand, to build cross-functional networking.

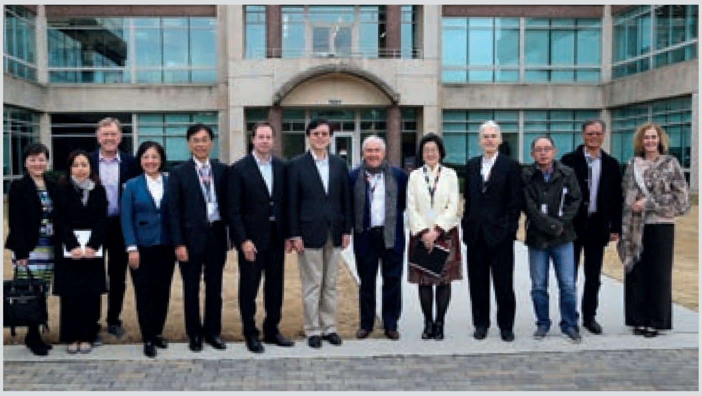
On November 8, 2018, taking the opportunity of meeting in Lenovo Beijing new campus, directors visited Lenovo Enterprise Innovation Center in which directors were presented with the latest technologies of the enterprise business including Internet of Things (IoT), Cloud, Data Center and High-Performance Computing (HPC). Directors also visited Lenovo Innovation Technology Experience Center, a hub showcasing the various concepts of and the use of technologies in Big Data and Smart Vertical including Smart Manufacturing, Smart Building, Smart Home, Smart Health, Commercial AR and Unmanned Store. The visit provided the Board insights into the new businesses of the Company and the technologies development of the market.





Site Visit

During the third quarter Board meeting in Raleigh, Lenovo key operating center in US, directors visited the Data Center Executive Briefing Center in which directors were given presentations and live demonstration on the business challenges, the evolving industry trends, Lenovo technology strategy and data center offerings. A tour was also arranged for directors to visit the thermal lab and the performance lab to see the demonstrations of the latest technologies of the enterprise business. Before closing the visit, directors visited the customers' call-center and the award-winning green building and smart workplace in the center.



Industry Congress

Lenovo operates in an industry which is rapidly changing in terms of market trends, consumer preferences and technologies. In order to keep directors updated with the latest technologies and products development in the industry, the Company invited directors to attend Consumer Electronics Show ("**CES**") and Mobile World Congress (the "**MWC**") in Las Vegas and Barcelona respectively. During the year, directors who visited the MWC were given the best product reviews, product demos and displays that showcased the technologies of the Company and also those of other players in the market. These events provided excellent opportunities for directors not only to acquire the most advanced technological knowledge in the market, but also to meet with the senior management of the Company and other innovators, builders, technologists and customers there.

Experts Briefing and Seminar

The Company has arranged in-house seminars for directors to keep them abreast of the affairs relating to the Company. The directors are also encouraged to attend relevant external professional programs at the Company's expense to keep abreast of issues facing the changing business environment within which the Group operates.

During the year, the Company arranged experts briefing and in-house seminar for directors on topics relating to Blockchain, China and US Relations and SAS -Business Intelligence.

Dr. Jim Goodnight, a Co-Founder and the CEO of SAS Institute, the world's leading business analytics software vendor, gave directors a presentation on SAS and its intelligence.

Dr. Elizabeth Economy, the C. V. Starr senior fellow and director for Asia studies at the Council on Foreign Relations was invited to be a guest speaker to give directors an update of US and China relations.

Regulatory Updates

Directors are updated on a continuing basis by the Company Secretary on any new regulations and guidelines, as well as any amendments thereto issued by the Stock Exchange and other regulatory authorities, particularly the effects of such new or amended regulations and guidelines on directors specifically, and the Company and the Group.

In addition, director's induction handbook which contains organization structure, Board policies, corporate rules and policies, and other legal reference information will be updated regularly and made available on internal electronic platform of the Company for directors' review.

The Board considers the aforementioned training attended and/or participated in by the directors, and the continuing legal updates provided to the directors, as adequate to enhance the directors' skills and knowledge to carry out their duties as directors.

All directors are required to provide the Company with their training records on an annual basis and such records are maintained by the Company Secretary for regular review by the Nomination and Governance Committee. The Nomination and Governance Committee will, on a continuing basis, evaluate and determine the training and development needs of the directors, particularly on relevant new laws and regulations and essential practices for effective corporate governance, to enable the directors to sustain their active participation in Board deliberations and effectively discharge their duties.

Corporate Governance Report

In addition to directors' attendance at meetings and review of relevant materials provided by senior management during the year, the professional trainings attended by the directors are set out as follows:

Type of training / Name of directors	Reading regulatory updates/ Company policies	Visiting the place of operations, Company's facilities and meeting with local management	Attending experts briefing/ seminar/ conference relevant to the Company's business or director's duties
Executive director			
Mr. Yang Yuanqing	√	√	√
Non-executive directors			
Mr. Zhu Linan	√	–	√
Mr. Zhao John Huan	√	√	√
Independent non-executive directors			
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	√	√	√
Mr. Gordon Robert Halyburton Orr	√	√	√
Mr. Woo Chin Wan Raymond (appointed on February 22, 2019)	√	√	√

Remuneration of Directors and Senior Management

A formal and transparent procedure for fixing the remuneration packages of directors and senior management is in place. Details of remuneration policies, remuneration payable to senior management and other relevant information are set out in the Compensation Committee Report of this annual report on pages 116 to 126.

Company Secretary

The Company Secretary, Mr. Mok Chung Fu, Eric is responsible for facilitating the Board process, as well as communications among Board members with shareholders and management. During the year, the Company Secretary undertook appropriate professional training to update his skills and knowledge.

EFFECTIVENESS

Board's Responsibilities and Delegation

The Group is controlled through the Board who is responsible for steering the success of the Group by overseeing the overall strategy and directing and supervising its affairs in a responsible and effective manner. The Board also sets the Group's core values and adopts proper standards to ensure that the Company operates with integrity and complies with the relevant rules and regulations.

The Company has a formal schedule of matters specifically reserved to the Board and those delegated to management. The management is responsible for the daily operations and administration function of the Group under the leadership of the CEO. The Board has given clear directions to management as to the matters that must be approved by the Board before decisions are made on behalf of the Company or entering into any commitments on behalf of the Group. The types of decisions to be delegated by the Board to management include implementation of the strategy and direction determined by the Board, operation of the Group's businesses, preparation of financial statements and operating budgets, and compliance with applicable laws and regulations. These arrangements will be reviewed periodically to ensure that they remain appropriate to the Company's needs. A list of senior management and their biographies are set out on pages 151 to 153 of this annual report.

Key Matters Reserved for Board Approval	
Group strategy and management	**Financial**
• formulation of the Group's strategy and long term objectives • approval of changes to capital structure • approval of major capital and equity transactions • approval of major disposals and acquisitions	• approval of the Group's financial statements and results announcements • recommendation on appointment or reappointment of external auditor • recommendation or declaration of dividend • monitoring the Group's businesses against plan and budget
Board membership and committees	**Corporate governance and sustainability**
• appointment to the Board • setting of terms of reference of Board committees	• review the performance of Board and its committees • approval of shareholder communications, circular and notices of meetings • review sustainability practices and approval of sustainability report of the Group • review and approval of certain Group's policies, for example, Nomination Policy, Board Diversity Policy, Dividend Policy, Continuous Disclosures Policy and Shareholders Communication Policy

Corporate Governance Report

Board Process

The Board recognises the importance of providing timely and appropriate information to directors so as to enable them to make informed decisions and to perform their duties and responsibilities effectively.

Regular Board Meeting

Meeting dates are set 2 years in advance

- To facilitate maximum attendance

The Board meets at least 4 times a year at approximately quarterly intervals

- To review financial performance, strategy and operations

Meeting agenda and notice

- Finalized by the Chairman in consultation with Board members
- Notice of not less than 30 days be given

Dispatch Board papers to directors

- Agenda and supporting documents 7 days, with updated financial figures 3 days (or other reasonable period) prior to the meeting

✓ Minutes of Board meeting recorded in sufficient detail the matters considered by the Board and decisions reached, including any concerns raised by directors or dissenting views expressed.

✓ Minutes of Board meeting were circulated to the respective Board members for comment where appropriate and duly kept in minute book for inspection by any director.

Other Board Meeting

- To consider ad hoc matters

Convene Board Meeting

- Notice of not less than 7 days (or other reasonable period) be given

Dispatch Board papers to directors

- Generally, not less than 3 days (or other reasonable period) before the meeting
- If appropriate, one-on-one briefing offered to each director prior to the meeting

BOARD MEETING

Other Key Features of Board Process	
Timely updates and discussion	The directors are supplied in a timely manner with all relevant documentation and financial information to assist them in the discharge of their duties. Monthly updates of the financial performance of the Company are furnished to the Board between regular Board Meetings.
	In addition to standing agenda items, there may be discussions on "deep-dive" topics. During the year "deep-dive" presentations included the Group's specific strategy, business unit and function. In addition to the quarterly regular Board meetings (earnings), Board meetings focusing on the Group's strategy will be held on the day before each regular Board meeting (earnings) starting from the fiscal year 2017/18. During the year, four Board meetings on strategy were held.
	Senior management are invited to attend Board meetings, where appropriate, to report on matters relating to their areas of responsibility, and also to brief and present details to the directors on recommendations submitted for the Board's consideration. Additional information or clarification may be required to be furnished, particularly with respect to complex and technical issues tabled to the Board.
	The Company has established continuous disclosure policy (the "**Continuous Disclosure Policy**") and its implementation guideline on monitoring, reporting and disseminating inside information. The critical concerns of the Group's operations and developments are communicated and addressed to the Board in a timely manner.
Executive sessions	As a good corporate governance practice, separate executive sessions were arranged for (i) the Chairman to meet with non-executive directors in the absence of management; and (ii) the Lead Independent Director to meet with other independent non-executive directors in the absence of executive director and management to discuss matters relating to any issue or other matters such persons would like to raise.
	To enhance communication with and contribution from all the directors, the Chairman meets with each non-executive director on a one-on-one basis at least once a year. As a follow up action item from FY2017/18 Board evaluation, the Company has started to arrange one-on-one meeting at least once a year for (1) the Lead Independent Director to meet with each independent non-executive director; and (2) the Committee Chairman to meet with each Committee member.

Other Key Features of Board Process	
Professional advices	All directors have direct access to the Chief Legal Officer and the Company Secretary of the Company who are responsible for advising the Board on corporate governance and compliance issues.
	Written procedures are in place for directors to seek, at the Company's expense, independent professional advice in performing directors' duties. No request was made by any director for such advice during the year.
Access to information	All directors were provided with a tablet and a notebook to gain access to meeting materials of the Board and Board committees meetings through an electronic platform.
Communication with senior management	To enhance the communication between directors and senior management and have an understanding of management planning, directors are invited to attend Lenovo's GLT event and participate in small group discussions with relevant senior management.
Indemnification and insurance	As permitted by the Articles of Association, a director or a former director of the Company may be indemnified out of the Company's assets against any liability incurred by the director to a person other than the Company or an associated company of the Company that attaches to such director in his or her capacity as a director of the Company, to the extent permitted by law.
	The Company has arranged appropriate insurance to cover the liabilities of the directors arising from corporate activities. The insurance coverage is reviewed on an annual basis.

Board Activities

Board activities are structured to assist the Board in achieving its goal to support and advise senior management on the delivery of the Group's strategy within a transparent governance framework. The diagram below shows the key areas of focus for the Board, which appear as items on the Board's agenda at relevant times throughout the financial year. Concentrated discussion of these items assists the Board in making the most appropriate decision based on the long-term opportunities for the business.

FINANCIAL AND OPERATIONAL PERFORMANCE

- CEO and Chief Financial Officer reports
- Financial and operational updates
- Annual budget
- Treasury items

STRATEGY AND RISKS

- Discussion of main strategic issues relating to commercial, geographic and structural areas
- Review of processes and controls for strategic and operational risks
- Customer experience

GOVERNANCE AND SUSTAINABILITY

- Review and discussion of the practices of governance and sustainability matters
- Board and Board Committees' effectiveness review
- Board diversity and succession planning
- Board Committees' reports

OTHERS

- Employee engagement survey
- Ad hoc projects

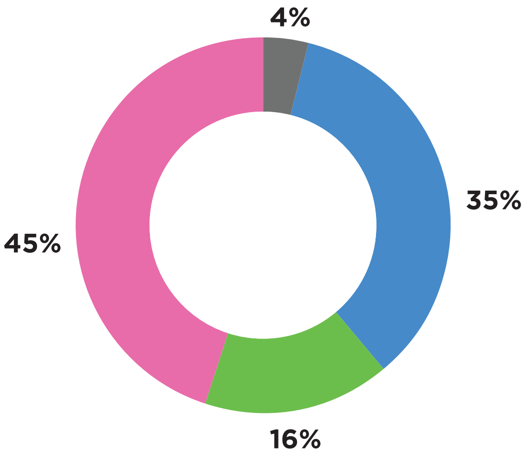
Corporate Governance Report

Main activities during FY2018/19

During the fiscal year 2018/19, a total of eight Board meetings were held, of which four Board meetings were primarily to review quarterly business performance and strategy execution and four Board meetings were for reviewing strategy in the business or other relevant areas. Given the geographical spread of the Group's businesses, the Company held meetings in Hong Kong S.A.R. of China, New York, Beijing and Raleigh during the year. Offsite Board meetings give the Board further insights into the businesses of the Group. The below chart shows how the Board allocated its agenda time during the year.

THE BOARD

Allocation of agenda time



	FY2018/19	FY2017/18
Financial and operational performance	**16%**	19%
Strategic matters	**45%**	29%
Governance, sustainability, training and Board Committee's reports	**35%**	29%
Others matters (including Ad hoc projects and human resources matters)	**4%**	23%

Directors are expected to attend all meetings of the Board and the Committees on which they serve and to devote sufficient time to the Company to perform their duties. Where directors are unable to attend a meeting they receive papers for that meeting giving them the opportunity to raise any issues with the Chairman in advance of the meeting.

At each scheduled meeting the Board receives updates from the CEO and Chief Financial Officer on the financial and operational performance of the Group and any specific developments in their areas of the businesses for which they are directly responsible and of which the Board should be aware. Chairpersons of the respective Board committees would also report on matters discussed and/or approved at the relevant Board committees' meetings held prior to the Board meetings. Meetings are structured so as to allow for consideration and debate of all matters.

The main matters and areas that the Board reviewed and considered at its eight meetings (including four specific meetings focusing on strategy) during the year were as follows:

FY1819/ Matters considered by the Board	Financial and Operational Performance	Strategic Items	Governance and Sustainability	HR/Ad hoc projects
April / May	• CEO and CFO Reports • Annual results announcement and annual report • Final dividend • Reports from Committee Chairs of Audit, Compensation and Nomination & Governance • Re-appointment of external auditor • Board composition, diversity and other follow-up actions of Board evaluation	• Corporate strategy update • Investor Relations • Treasury	• Sustainability update • Executive session for Board Chairman to meet with all Directors without management	• Organization human resources planning • Hefei joint venture • Fujitsu continuing connected transactions • Lenovo new launched products and technology
August	• CEO and CFO Reports • Quarterly results announcement • Reports from Committee Chairs of Audit and Nomination & Governance	• Mobile business • Data Center Group strategy	• Sustainability report • Executive sessions (a) for Board Chairman to meet with all Directors without management (b) for Lead Independent Director to meet with all Non-Executive Directors without management • External speaker presentations – (1) Blockchain (2) Government relations	• Government relations • Hefei joint venture
November	• CEO and CFO Reports • Interim results announcement and interim report • Interim dividend • Reports from Committee Chairs of Audit, Compensation and Nomination & Governance	• Data Center Group strategy • Mobile business • Intelligent Device Group – China • Government relations	• Executive session for Board Chairman to meet with all Directors without management • Corporate policies: delegation policy, nomination policy and dividend policy • Audit committee terms of reference	• Findings on Lenovo-Listen Survey, an employee engagement survey • Funding activities • Lenovo new launched products and technology
February	• CEO and CFO Reports • Quarterly results announcement • FY1920 budget • Reports from Committee Chairs of Audit and Compensation	• Data Center Group strategy • Corporate strategy FY1920	• Executive session for Board Chairman to meet with all Directors without management • Business intelligence – external speaker presentation	• Lenovo new launched products and technology

Corporate Governance Report

Board Committees

As at the date of this annual report, the Company has preserved three Board committees (the "**Board Committees**") with defined terms of reference (which are posted on the Company's website and HKEx's website) – Audit Committee, Compensation Committee, and Nomination and Governance Committee. The terms of reference of the Audit Committee, Compensation Committee, and Nomination and Governance Committee reference those set out in the CG Code prevailing from time to time.

BOARD OF DIRECTORS

Key Responsibilities

- Set strategy, mission and values
- Provide leadership of the Company and direction for management
- Collective responsibility and accountability to shareholders for the long term success of the Group
- Review the performance of management and the operating and financial performance of the Group

AUDIT COMMITTEE

Key responsibilities

- Assist the Board in carrying out its oversight responsibilities in relation to financial reporting, risk management and internal control, and in maintaining a relationship with external auditors

COMPENSATION COMMITTEE

Key responsibilities

- Assist the Board to assess and making recommendation on the compensation policy; and to determine the compensation level and package for the Chairman of the Board, CEO, other directors and senior management

NOMINATION AND GOVERNANCE COMMITTEE

Key responsibilities

- Assist the Board in overseeing Board organization, succession planning, and developing the corporate governance principles and policy and responsible for the assessment of the performance of the Chairman of the Board and/or the CEO and the independence of independent non-executive directors

The Board may also establish committees on an ad hoc basis to approve specific projects as deemed necessary. Should the need arise, the Board will authorize an independent board committee comprising the independent non-executive directors to review, approve and monitor connected transactions (including continuing connected transactions) that should be approved by the Board. During the year, an independent board committee was formed to review and approve the continuing connected transactions with Fujitsu.

All Board Committees follow the same principles and procedures as those of the Board and are provided with sufficient resources to perform their duties. The Board Committees will report to the Board on a regular basis, including their decisions or recommendations to the Board, unless there are legal or regulatory restrictions on their ability to do so. The member list of the Board Committees is also posted on the Company's website and HKEx's website.

Audit Committee

The Audit Committee is delegated by the Board to perform its duties within its terms of reference. Details of the Audit Committee, including its membership, responsibilities and main activities during the fiscal year 2018/19, are summarized in the Audit Committee Report as stated on pages 109 to 115 of this annual report.

Compensation Committee

The Compensation Committee is delegated by the Board to perform its duties within its terms of reference. Details of the Compensation Committee, including its membership, responsibilities and work done during the fiscal year 2018/19, are summarized in the Compensation Committee Report as stated on pages 116 to 126 of this annual report.

Nomination and Governance Committee

Membership

The Nomination and Governance Committee (defined as "Committee" in this section) of the Board of the Company as at the date of this annual report is comprised of four members, a majority of whom are independent non-executive directors of the Company.

The members who held office during the year and up to the date of this annual report are:

Chairman	Mr. Yang Yuanqing	Chairman, CEO and executive director
Member	Mr. Nobuyuki Idei	Independent non-executive director
Member	Mr. William O. Grabe	Independent non-executive director and Lead Independent Director
Member	Dr. Tian Suning	Independent non-executive director

More information on the skills and experience of the members of the Committee may be found in the directors' biographies set out on pages 147 to 151 of this annual report.

Responsibilities

The Committee is delegated by the Board with responsibility to review the composition of the Board and Board Committees to ensure they are properly constituted and balanced in terms of skills, experience and diversity. In addition to this, it is also responsible for:

- making recommendation to the Board on succession planning for directors and CEO;
- assessment of the performance of the Chairman and/or CEO and making proposals to the Compensation Committee;
- monitoring corporate governance issues and developments to ensure that the Company is in line with the international best practices;
- reviewing and determining the director induction and continuous professional development programs; and
- reviewing and monitoring the annual Board and Board Committees' evaluation and the progress of the implementation actions.

Key Features

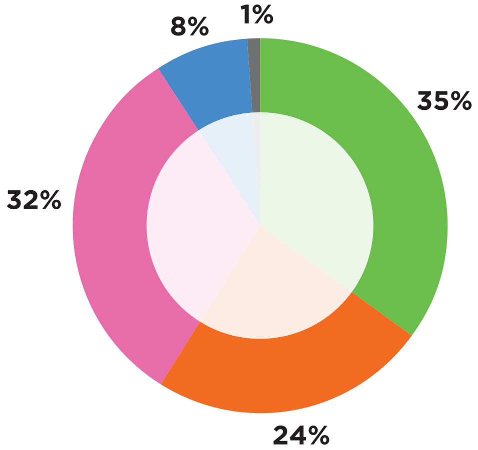
- The Committee's terms of reference which clearly deal with its membership, authority, duties and frequency of meetings are published on the Company's website and HKEx's website.
- The Committee is provided with sufficient resources to perform its duties.
- The Committee is authorised to obtain outside legal or other independent professional advice in performing its duties at the Company's expense. No request was made by any member for such advice during the year.
- Chief Legal Officer and Company Secretary are invited to attend the Committee meetings in order to provide insight and enhance the Committee's awareness of corporate governance issues and developments.
- The chairman of the Committee being also the Chairman and CEO, is required to excuse himself from the agenda items relating to succession planning of the Chairman and/or CEO and the assessment of performance of the Chairman and/or CEO.

Main Activities During FY2018/19

In the fiscal year ended March 31, 2019, the Committee held three meetings. The attendance record of the Committee's members is set out on page 80 in this report and the chart below shows how the Committee allocated its time during the fiscal year 2018/19.

NOMINATION AND GOVERNANCE COMMITTEE

Allocation of agenda time



	FY2018/19	FY2017/18
Board and Board Committees' compositions	35%	5%
Assessment of the performance of the Chairman and CEO	24%	20%
Corporate Governance	32%	53%
Board and Board Committees' evaluation	8%	15%
Others	1%	7%

The main matters and areas that the Committee reviewed and considered during the year were as follows:

Board and Board Committees' compositions	• Reviewed and recommended to the Board on the structure, size and composition of the Board including the diversity and balance of skills, knowledge and experience of the directors. • Considered and recommended the appointment of Professor Zhang Shoucheng and Mr. Woo Chin Wan, Raymond as independent non-executive directors. • Reviewed and discussed the progress against Board diversity targets.
Assessment of the performance of the Chairman and CEO	• Assessed the performance of the Chairman and CEO for the fiscal year 2017/18 and provided recommendation to the Compensation Committee. • Reviewed the arrangement of same person acting as Chairman and CEO.
Corporate Governance	• Reviewed corporate governance disclosures in 2017/18 annual report and 2018/19 interim report. • Reviewed and assessed the independence of independent non-executive directors and affirmed the Committee's view over their independence. • Reviewed and discussed the continuous professional development programs for the directors of the Company. • Reviewed the policies and practices on corporate governance, and the compliance with legal and regulatory requirements of the Group.
Board and Board Committees' evaluation	• Discussed the progress of the follow-up actions of the Board evaluation.

Corporate Governance Report

Board and Board Committees Meetings

During the year ended March 31, 2019, the overall attendance rate of directors at Board and Board Committees meetings was 93% (2017/18: 94%).

The individual attendance records of each director at the meetings of the annual general meeting, Board, Audit Committee, Compensation Committee and Nomination and Governance Committee during the year ended March 31, 2019 are set out below:

	Meetings attended/held				
Name of directors	**Board** *(Notes 1 & 2)*	**Audit Committee** *(Notes 1 & 4)*	**Compensation Committee** *(Note 1)*	**Nomination and Governance Committee** *(Notes 1 & 5)*	**Annual General Meeting** *(Notes 3 & 4)*
Executive director					
Mr. Yang Yuanqing *(Chairman & CEO)*	8/8	–	–	3/3	1/1
Non-executive directors					
Mr. Zhu Linan	7/8	–	–	–	0/1
Mr. Zhao John Huan	8/8	–	3/3	–	0/1
Independent non-executive directors					
Dr. Tian Suning	6/8	–	–	3/3	1/1
Mr. Nicholas C. Allen	8/8	4/4	–	–	1/1
Mr. Nobuyuki Idei	8/8	–	–	3/3	0/1
Mr. William O. Grabe *(Lead Independent Director)*	8/8	–	3/3	3/3	1/1
Mr. William Tudor Brown	7/8	3/4	2/3	–	0/1
Ms. Ma Xuezheng	8/8	4/4	3/3	–	1/1
Mr. Yang Chih-Yuan Jerry	8/8	–	–	–	0/1
Mr. Gordon Robert Halyburton Orr	7/8	4/4	3/3	–	0/1
Professor Shoucheng Zhang	1/3	–	–	–	–
Mr. Woo Chin Wan, Raymond	1/1	–	–	–	–

Notes:

(1) The attendance figure represents actual attendance/the number of meetings a director is entitled to attend.

(2) The Board held four regular meetings and four strategic meetings during the year.

(3) The Company held the annual general meeting on July 5, 2018.

(4) Representatives of the external auditor participated in every Audit Committee meeting and the annual general meeting held during the year.

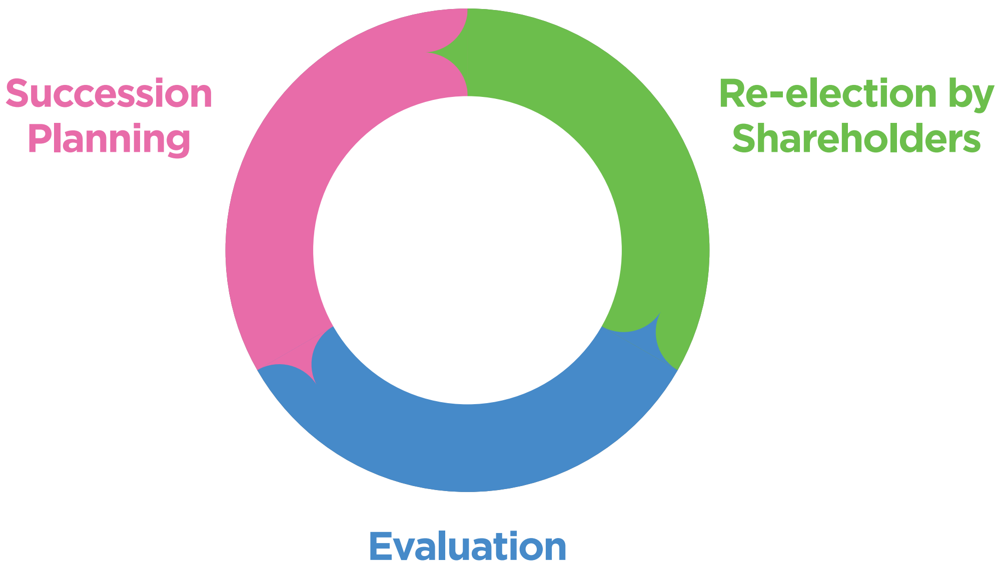
(5) For corporate governance reasons, Mr. Yang Yuanqing was required to excuse himself from the agenda item relating to assessment of the performance of the Chairman and CEO of the Nomination and Governance Committee meeting to avoid conflict of interest.

(6) Professor Shoucheng Zhang was appointed as an independent non-executive director of the Company on August 17, 2018. Professor Zhang passed away on December 1, 2018 and ceased to be a director of the Company from the same day.

(7) Mr. Woo Chin Wan, Raymond was appointed as an independent non-executive director of the Company and a member of the Audit Committee on February 22, 2019.

Board and Board Committees' Effectiveness Review

The Board is aware of the importance of continually assessing its own performance in support of the leadership of the Group. The Board has a formal process, led by the Nomination and Governance Committee, for the evaluation of the performance of the Board and Board Committees, to ensure that they continue to act effectively and efficiently and to fulfill their respective duties. The process involves the following ways:



Succession Planning

The Board is ultimately responsible for succession planning for directorships and key management roles. During the year, the Board and the Nomination and Governance Committee have discussed and reviewed Board composition and succession planning to ensure that the successors for key roles are identified and their performance are also assessed.

Evaluation

The Board believes that the evaluation is helpful and provides a valuable opportunity for continuous improvement. The objectives of the evaluation were to build on the improvements made since the last evaluation, thereby improving the collective contribution of the Board as a whole and also the competence and effectiveness of each individual director.

Mr. Grabe, the Lead Independent Director, is delegated with authority to take a key role in the Board evaluation process. Mr. Grabe, in consultation with the Chairman and supported by the Chief Legal Officer and the Company Secretary, will compile and circulate a comprehensive electronic questionnaire for completion by all directors, the aim of which is to evaluate the performance and effectiveness of the Board and its committees.

The evaluation covered:

- Board processes and their effectiveness
- Time management of Board meetings
- Board composition and dynamics
- Strategic and operational oversight
- Succession planning
- Board support
- Communications with shareholders and stakeholders

Corporate Governance Report

Evaluation process

The evaluation process involves the following three stages:

Stage 1

DETERMINE THE SCOPE

- Board and its Committees

DETERMINE THE APPROACH

- Conducted by completing a comprehensive questionnaire

Stage 2

DISCUSS AND REVIEW THE RESULTS

- Preparing the draft results report
- Discussing the draft results report between the Lead Independent Director and the chairpersons of Audit Committee and Compensation Committee
- Review of the results report by the Nomination and Governance Committee
- Finalizing the results report
- Reporting to the Board in a manner that did not identify individuals' specific responses, ensuring that these responses could be as open, frank and informative as possible

Stage 3

ACTION PLAN AGREED

- Following review of the results, the Board drew conclusions and agreed proposed implementation or action plan

MONITOR AND FOLLOW-UP MEETINGS

- Monitoring the progress of the implementation or action taken semi-annually
- Reporting back to the Board on the progress by Nomination and Governance Committee

Evaluation results

A consolidated report of the outputs from the evaluation will be prepared by Nomination and Governance Committee for review and consideration by the Board. The results of the evaluation and the implementation or action plan will be thoroughly discussed at a Board meeting.

Re-election by Shareholders

Pursuant to the Articles of Association, one-third of the directors for the time being shall retire from office at each annual general meeting. The retiring directors shall be eligible for re-election. New appointments either to fill a casual vacancy or as an addition to the Board are also subject to re-election by shareholders at the next following annual general meeting of the Company. The Nomination and Governance Committee has conducted a review of each director seeking re-election. The sufficient biographical and other information on those directors seeking re-election are provided in the annual report and the circular to enable shareholders to make an informed decision.

ACCOUNTABILITY AND AUDIT

Financial Reporting

The Board acknowledges its responsibility for presenting a balanced, clear and comprehensive assessment of the Group's performance, position and prospects. The Board is also responsible for the preparation of financial statements for each financial year which gives a true and fair view of the state of affairs of the Group on going concern basis while the external auditor's responsibilities to shareholders are set out in the Independent Auditor's Report on pages 173 to 178 of this annual report.

The practices of the Company on the timeline for publication of financial results and the related reports are set out below:

Annual Results

- Announced within 2 months
- Published the annual report within 14 days following the annual results announcement

Interim Results

- Announced within 1.5 months
- Published the interim report within 14 days following the interim results announcement

Quarterly Results

- Announced within 8 weeks following quarter end

Risk Management and Internal Control

At Lenovo, risk is defined as a potential action, event or circumstance that could impact the Company's ability, favorably or unfavorably, to meet its strategic goals. Risk is an inherent part of the Company and needs to be understood and managed properly to provide a foundation for the Company's sustained growth.

In line with the commitment to deliver sustainable value, Lenovo adopts a holistic risk management and internal controls framework to proactively manage risks. This framework is put into effect by Lenovo's Board of Directors and the Audit Committee to support the Board in monitoring risk exposures, the design and operating effectiveness of the underlying risk management and internal controls systems.

Board	• Has overall responsibility for the Lenovo's risk management and internal control system. • Oversees and monitors the overall effectiveness of the risk management system and internal audit function through the Audit Committee.
Audit Committee	• Supports the Board in reviewing and monitoring the performance of the risk management system and key risks and internal control systems. • Reviews the process for identifying, assessing and reporting key risks and control issues of the Company. • Reviews the adequacy and efficiency of the Company's internal audit function. • Reviews the enterprise risk management approach. • Reviews risks raised during annual risk registration exercise, and other risks and concerns. • Approves Company's risk tolerance.
Internal Audit (IA)	• Supports the Audit Committee in reviewing effectiveness of internal controls system. • Capitalizes on the audit processes to independently assess the effectiveness of established system of controls. • Independent investigations regarding certain allegations of fraud and violations of Lenovo's Code of Conduct ("**the Code**") and other company policies.
Senior Management	• Provide leadership and guidance for the balance of risk and return. • Designs, implements and reviews Lenovo's risk management framework. • Ensures that salient risks are highlighted to the Audit Committee, along with the status of actions taken to manage these risks.
Enterprise Risk Management (ERM)	• Responsible to design, implement, review and update Lenovo ERM framework. • Coordinates the risk identification and assessment process, highlights identified risks to the Audit Committee, along with the status of actions taken to manage these risks. • Risk projects.
Business Functions	• ERM Risk Champions are appointed in each functions where risk ownership is established. • Identify risk, assess and initiate control and mitigation measures in their areas of responsibility. • Establish group-wide policies and guidelines where appropriate. • Quarterly management disclosure and certification process trigger reporting of unusual items, occurring in of the ordinary course of our business, which raise significant financial or business risks.

This risk management and internal control framework is in place to improve communication of identified risks with management, measure the impact of the identified risk and facilitate implementation of coordinated mitigating measure.

Internal Control

For many years, the Company has had an integrated approach for internal control which is consistent with the Committee of Sponsoring Organizations of the Treadway Commission (COSO) internal control framework.

Monitoring:

The internal control process is continually monitored. Modifications are made to improve internal control activities as a result of the monitoring process.

Control Environment:

The internal organizational environment driven by the management operating philosophy, risk appetite, integrity, and ethical values.

Information and Communication:

Relevant information is communicated in an acceptable format and timely fashion to enable the organization to meet its objectives.

Control Activities:

Policies and procedures are implemented to ensure organizational objectives and risk-mitigation activities are effectively implemented.

Risk Assessment:

Risks are identified and the likely impact on the organization is assessed.

Within this framework, management is responsible for setting the appropriate tone from the top, performing risk assessments, and owning the design, implementation and maintenance of internal control. Other teams such as Finance, Legal, and Human Resources provide assistance and expertise to management to assist it in undertaking its responsibilities. The Board and its Audit Committee oversee the actions of management and monitor the effectiveness of the established controls, assisted by assurance provided by the external and internal auditors. Lenovo's internal control framework is designed to manage rather than eliminate the risk of failure to achieve business objectives, and as such, provides reasonable (rather than absolute) assurance against material misstatement or loss.

Management of internal control

Essential to this internal control system are well defined policies and procedures that are properly documented and communicated to employees. The corporate policies form the basis of all the Company's major guidelines and procedures and set forth the control standards required for the functioning of the Company's business entities.

Additionally, Lenovo has a strong corporate culture based on ethical business conduct. Lenovo's Code of Conduct (the "**Code**"), is the cornerstone of our commitment to conducting business legally, ethically, and with integrity. The Code, by its terms, applies to all employees (including full-time, part-time, and supplemental or temporary), consultants and contractors working for Lenovo. As the Code is not intended to describe every law, policy, procedure or business process that applies to Lenovo, the Code also provides employees guidance on when and how to seek additional guidance or report potential concerns.

All Lenovo employees are required to comply with the Code, which is available in multiple languages on the Company's publicly-facing website and our internal intranet. Regular training on the Code and related policies is provided to reinforce the Company's commitment to compliance and conducting business with integrity. Lenovo is committed to investigating all reported concerns. Lenovo regards any violation of the Code as a serious matter. Failure to follow the code, or violation of the policies described in the Code, can result in disciplinary action, including termination of employment or relationship.

In keeping with best practices, Lenovo has also developed and implemented numerous policies to provide more detailed guidance to employees regarding compliance with rules and laws related to the prevention and detection of bribery and corruption. Additional policies include an Anti-Bribery and Anti-Corruption Policy, a Conflict of Interest Policy, and a Gift, Entertainment, Corporate Hospitality and Travel Policy.

Lenovo recognizes that an environment where employees feel empowered to bring concerns to management is required to make the Company's internal control system successful. Lenovo provides employees with confidential and anonymous methods for raising concerns or reporting suspected misconduct, as permitted by applicable law. Lenovo's commitment to maintaining the confidentiality of reports, investigating all alleged misconduct and non-retaliation is incorporated in our Code. Lenovo does not tolerate retaliation against any employee, consultant or contractor for reporting an issue or raising a concern he or she believes to be true, cooperating with an investigation or audit, or refusing to participate in activities that violate the Code, laws or company policies.

Another feature of Lenovo's internal control system is the execution of key control self-testing by management to reasonably assure that internal controls are working as intended and that necessary actions have been taken to address control weaknesses. Specific employees with controls knowledge and expertise have been identified within the business to further assist management with designing, executing, and monitoring controls. The Group Controller oversees controls related activities of these individuals across organizations and process owners.

This comprehensive internal control framework established by the Company covers all activities and transactions. Management performs periodic enterprise wide risk assessments and continuously monitors and reports progress of action plans to address these key risks. Management also assesses business risks when formulating corporate strategies, and tracks and reports on the implementation of strategic initiatives, business plans, budgets and financial results regularly to the Board. Additionally, as part of Lenovo's commitment to financial integrity, all relevant senior executives regularly verify the accuracy and completeness of the quarterly financial statements and confirm compliance with key internal controls.

To assist the Audit Committee in its oversight and monitoring activities, the Company maintains an independent, worldwide Internal Audit function. Internal Audit provides objective assurance to the Audit Committee that the system of internal controls is effective and operating as intended. The mission of Internal Audit is to provide the Board and Lenovo management with:

- Independent and objective assessment of Lenovo's system of internal controls;
- Guidance to Lenovo stakeholders for improving risk management;

- Proactive support to improve Lenovo's control posture; and

- Independent investigations regarding certain allegations of fraud and violations of the Code and other company policies.

To enable it to fulfill its mission, Internal Audit has unrestricted access to all corporate operations, records, data files, computer programs, property, and personnel. To preserve the independence of the Internal Audit function, the Head of Internal Audit reports directly to the Audit Committee on all audit matters and to the Chief Financial Officer on administrative matters. The Head of Internal Audit is authorized to communicate directly with the Chairman of the Board, the Chairman of the Audit Committee and other Board members as deemed necessary. To help ensure the quality of the Internal Audit function and provide assurance that the Internal Audit function is in conformity with the standards of the Institute of Internal Auditors, Internal Audit has implemented a comprehensive and continuous quality assurance program covering all Internal Audit activities. In addition, the Audit Committee periodically commissions an independent, external quality assurance review of the Internal Audit function.

In selecting the audits to perform each year, Internal Audit performs a risk assessment using information collected from process owners, the enterprise risk management team, senior executives, the external auditor and the Board along with an analysis of prior audit issues and other data. Internal Audit develops an audit plan that prioritizes areas with significant risks or deemed to be strategic in nature to the business. The audit plan is reviewed by the Audit Committee, which is also given quarterly updates on the performance of the plan and key findings. As necessary throughout the year, the audit plan will be modified to reflect emerging risks or changes to business plans. Ad hoc reviews of areas of concern identified by management or the Audit Committee may also be performed. During the last year, Internal Audit issued multiple reports covering all significant operational and financial units worldwide. In keeping with best practices, Internal Audit regularly monitors the status of management action plans resulting from audit findings to ensure completion and reports progress each quarter to the Audit Committee.

Audit Committee reporting also includes identified key control issues to provide the Audit Committee full visibility to the status of Lenovo's control environment.

Furthermore, Internal Audit is responsible for investigating certain allegations of potential violations of the Code, or any other company policies as appropriate. Internal Audit partners with Legal, Ethics and Compliance, Human Resources, and other subject matter experts where necessary to ensure the appropriate expertise when performing these investigations. Management and the Audit Committee are informed of the results of these investigations, any resulting required actions, and status updates on actions.

Inside information

Regarding procedures and internal controls for the handling and dissemination of inside information, the Company:

(i) is aware of its obligations under the SFO and the Listing Rules and the overriding principle that inside information should be announced immediately if it is the subject to the requirements and the safe harbors as provided in SFO;

(ii) conducts its affairs with close regard to the applicable laws and regulations prevailing in Hong Kong S.A.R. of China;

(iii) has included in the Code a strict prohibition on the unauthorized use of non-public or inside information;

Corporate Governance Report

(iv) has established a Continuous Disclosures Policy along with its guidance notes for monitoring, reporting and disseminating inside information to our shareholders, investors, analysts and media. These policy and guidance notes also identify who are the Company's authorized spokespersons and their responsibilities for communications with stakeholders; and

(v) has communicated to all relevant staff regarding the implementation of the Continuous Disclosures Policy and the relevant trainings are also provided.

Control effectiveness

The Board, through the Audit Committee of the Company, conducts a continuous review of the effectiveness of the internal control system operating in the Company and considers it to be adequate and effective. The review covers all material controls, including financial, operational, information technology, and compliance controls, and risk management functions. The Board is not aware of any significant areas of concern which may affect the shareholders. The Board is satisfied that the Company has fully complied with the code provisions on internal controls as set forth in the CG Code.

Enterprise Risk Management

Lenovo's ERM framework is effected by Lenovo's Board of Directors and management team, and is applied in strategy setting and across all major functions of the Company. It involves:–

- The ERM team, who is responsible to design, implement, review, and update Lenovo ERM framework.

- All Lenovo major functions, where risk ownership is established via the appointment of ERM Champions in each function.

Lenovo recognizes that risk management is the responsibility of everyone within Lenovo, and that risk is best managed when business functions take responsibility and are accountable for risks. Rather than being a separate and standalone process, risk management is therefore incorporated as part of Lenovo annual strategic planning process across all major functions of the Company. During strategy planning, all business functions are required to identify material risks that may impact their strategy objectives. They also identify, assess and evaluate operational risks. Many aspects of risks are considered, including but not limited to these listed below.

Plans to mitigate the identified risks are, at the same time, developed for implementation, to continuously deliver sustainable value.

With this practical and effective framework, risk management features are integrated into each function. Critical and major risks of the business functions, especially in view of the changing business environment, are identified and assessed based on risk assessment matrix that helps to rank the risks and prioritize risk management effort to determine the appropriate risk mitigation plans.

Risk Rating Matrix

IMPACT					
4	Extreme	H	H	VH	VH
3	High	M	M	H	H
2	Moderate	L	L	M	M
1	Low	L	L	L	L
		Remote	Unlikely	Possible	Almost Certain
		1	2	3	4
		LIKELIHOOD			

Risk Rating

VH	Very High
H	High
M	Moderate
L	Low

The risks are monitored and reviewed by each business function as well as at the group level. And at least annually, the ERM team coordinates the risk identification and assessment process and the identified risks are highlighted to the Audit Committee, along with the status of actions taken to manage these risks.

Risk Champions
- Identify risks
- Assess
- Manage
- Monitor
- Review

ERM Team
- Risk registration
- Report risks to Audit Committee
- Risk projects
- Engage actuarial work
- Recommend risk tolerance

Audit Committee
- Review risks
- Raise concerns
- Approve risk tolerance

Board of Directors

Details of some of these risks may be found under “Material Risks of the Group” on Page 22. This framework will continue to be strengthened to create a robust and holistic risk management culture to safeguard the value of the Company.

At the enterprise level, Lenovo’s risk tolerance is also reviewed periodically, and changes are approved by the Audit Committee. The ERM team engages actuarial studies to quantify risks, and the Company’s risk tolerance is adjusted when appropriate. The risk tolerance represents the amount of risk the Company is willing to undertake in the pursuit of its strategic and business objectives. Where necessary, ERM employs risk transfer strategies through insurance management. ERM also initiates risk projects to improve risk awareness.

External Auditor

Independence of external auditor

The Group's external auditor is PricewaterhouseCoopers ("**PwC**"), who is remunerated mainly for its audit services provided to the Group. The Company has adopted a policy on engagement of the external auditor for non-audit services, under which the external auditor is required to comply with the independence requirements under the Code of Ethics for Professional Accountants issued by the Hong Kong S.A.R. of China Institute of Certified Public Accountants. The external auditor may provide certain non-audit services to the Group given that these do not involve any management or decision making functions for and on behalf of the Group; do not perform any self-assessments; and do not act in an advocacy role for the Group. The engagement of the external auditor for permitted and approved non-audit services shall be approved by the Audit Committee if the value of such non-audit services is equal to or above US$320,000.

During the year, PwC provided audit and non-audit services to the Group.

Remuneration of external auditor

The fees paid or payable to PwC for audit and non-audit services for the financial year ended March 31, 2019 and the comparative figures for the financial year ended March 31, 2018 are as follows:

Nature of services	**2019 US$ million**	2018 US$ million
Audit services	**9.2**	8.4
Non-audit services		
– Tax	**0.9**	1.4
– IT	**2.8**	1.9
– Advisory	**0.3**	0.1
– Other services	**0.7**	0.5
Total	**13.9**	12.3

INVESTOR RELATIONS

Lenovo is devoted to develop an effective two-way communication with shareholders, investors and equity analysts to enhance the transparency of the Company. The investor relations team is committed to maintain interactive communications with the capital market to facilitate better understanding by investment community regarding Lenovo's Intelligent Transformation strategy, business operations, investments in responding to market opportunities and our initiatives in improving corporate governance. The team also proactively reaches out to the market and engages with investors to ensure timely, clear and reliable updates.

Communications with Investors

During the fiscal year 2018/19, the Company continued to facilitate effective communications with its shareholders, investors and analysts through multiple channels including investor day, lab tour, investor conferences, roadshows, one-on-one and group meetings, teleconferences, company visits, Investor Relations website, social media, IR newsletters and IR alerts, etc.

Lenovo Investor Day

March 18, 2019 | Taipei City

During the fiscal year 2018/19, the IR team successfully hosted the first large-scale Investor Day on March 18, 2019 to meet with investors from different parts of the world. During the breakouts sessions, the senior management team highlighted the progress in our Intelligent Transformation strategy, the sector trends and the innovations we are driving to take opportunity of the market changes. A lab tour with product demonstration was also conducted for investors to learn about the product development initiatives and some of our intelligent properties.

Corporate Governance Report

Lenovo Investor Meetings in the PRC
January 15, 2019 | Shenzhen
March 26, 2019 | Shanghai

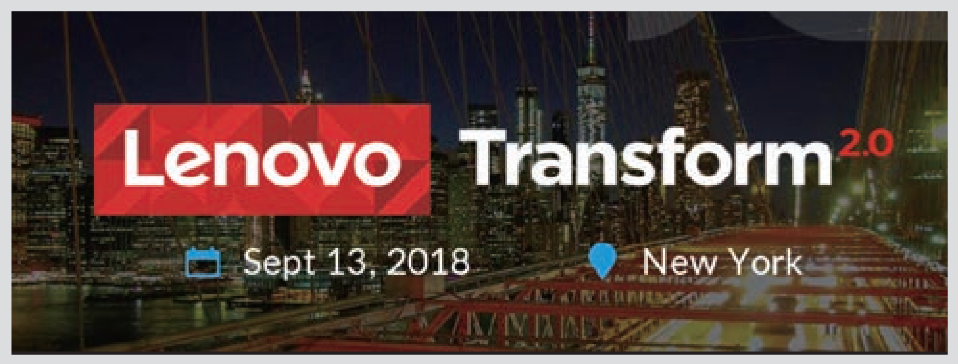
Lenovo respects investors from all over the world and has been proactively reaching out to investors at important capital markets including China. During the fiscal year 2018/19, the IR team hosted a number of investor meetings in major cities in China such as Shenzhen and Shanghai. The team met with buy-sell investors and analysts from large China fund houses and asset management companies to offer updates on Lenovo's latest business development.

Results Announcement
The senior management team presented the annual and quarterly earnings results through webcast, conference calls, social media and face-to-face meetings to communicate with shareholders, investors and analysts. The frequent communication enhanced the understanding of the capital market on the business strategy, development tactics and competitive edges of the Company.

Lenovo Transform 2.0
September 13, 2018 | New York City

Lenovo announced a series of new products, partnerships and solutions designed for business customers that demonstrate the company's ongoing Intelligent Transformation strategy. The strategy reflects Lenovo's unique business perspective on how to build end-to-end solutions with smart features that transform businesses and improve the user experience. Intelligent Transformation will reinvent and restructure the entire systems of production, management, and governance worldwide.

The annual event brings together technology professionals, Lenovo's latest products and insightful panels and presentations from major industry experts and influencers who are shaping the future of Artificial Intelligence and other transformative technologies.



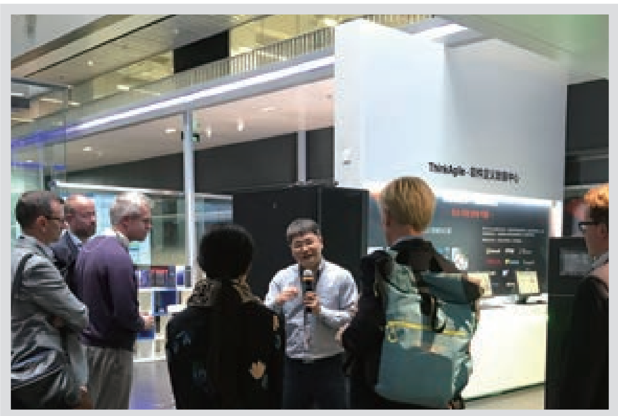
Lenovo Tech World
September 26 – 27, 2018 | Beijing, China

Lenovo organized its fourth Tech World event in Beijing in 2018 after the success of the events in Beijing, San Francisco and Shanghai in previous years. With the theme "Empowering Intelligent Transformation", Lenovo demonstrated what Intelligent Transformation means for partners, customers and consumers today-and for the future.

Corporate Governance Report

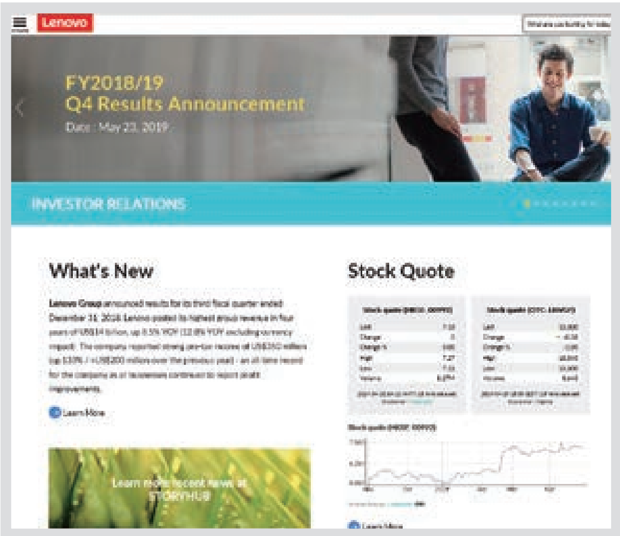
A group of global investors and equity analysts were invited to join the Tech World event. Breakout sessions were arranged for the participants to have a face-to-face interaction with the Company's C-suite management team and technology leaders, followed by a roundtable dinner with our top management. This event provides investors with a great opportunity to connect our innovations and new products with our long-term mission of becoming the Leader and Enabler in the age of Intelligent Transformation.

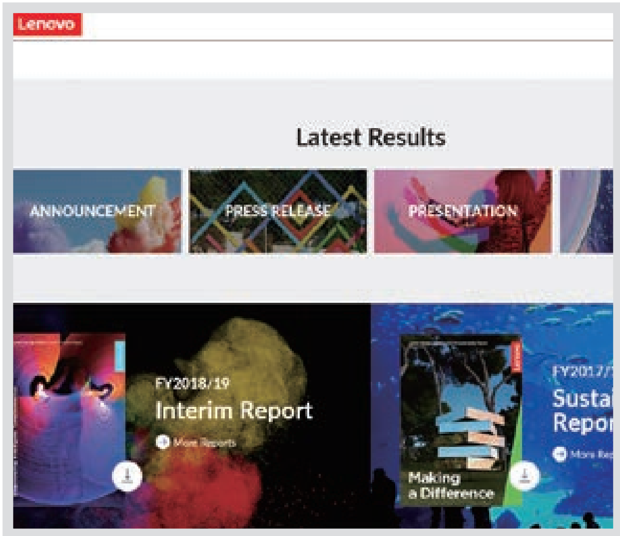
Site Visits
During the fiscal year 2018/19, the IR team continued to cooperate with different securities houses in organizing investor trips to our research labs around the world, including Lenovo's experience center in Beijing and innovation lab in Germany. The opportunity to visit these advanced research facilities and speak with our research professionals help the investor community gaining more colors of Lenovo's strategy and capability to grow the business through a different perspective.

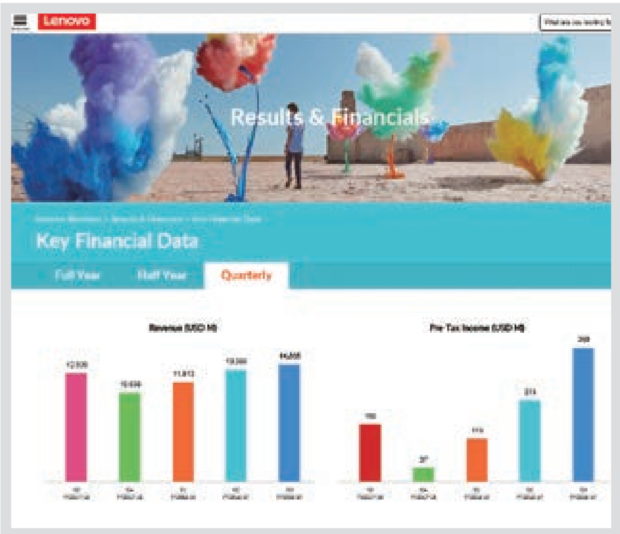


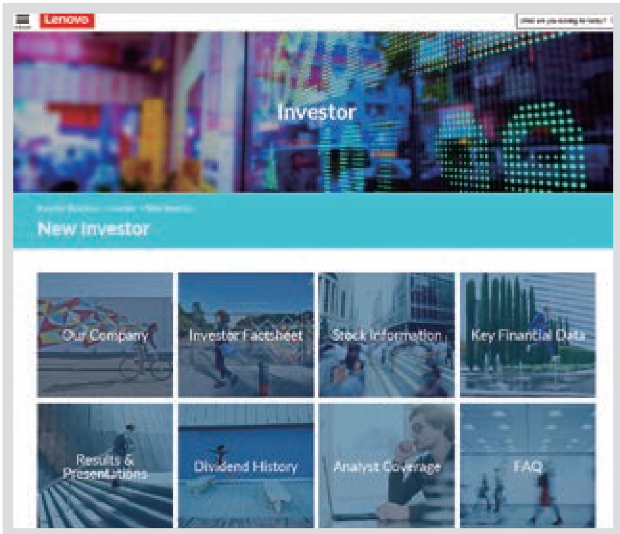
Investor Relations Website

During the fiscal year, our Investor Relations website was redesigned to provide enriched information disclosure and user-friendly navigation experience for shareholders and investors. With a more innovative design and informative content, the IR website keeps our investors up-to-date with corporate initiatives in a timely manner.



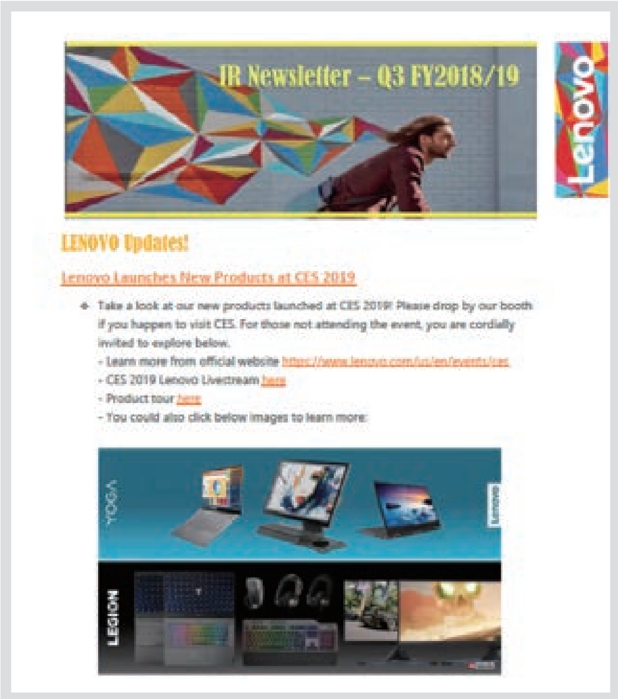






IR Newsletter and IR News Alert

During the fiscal year, the IR team issued a total of 9 regular newsletter and news alert to keep the capital market abreast of hot topics, key company events and major breakthroughs in business development of Lenovo.



IR Newsletter – Q3 FY2018/19

Lenovo

LENOVO Updates!

Lenovo Launches New Products at CES 2019

- Take a look at our new products launched at CES 2019! Please drop by our booth if you happen to visit CES. For those not attending the event, you are cordially invited to explore below.
  - Learn more from official website https://www.lenovo.com/us/en/events/ces
  - CES 2019 Lenovo Livestream here
  - Product tour here
  - You could also click below images to learn more:

YOGA

LEGION

IR News Alert

Lenovo

Feb 25, 2019

Lenovo NetApp

Lenovo NetApp is Officially Established to Deliver Localized Solutions for Fast Growing Storage Market in China

Today, Lenovo NetApp Technology Co., Ltd (the JV of Lenovo and NetApp) announced its official opening in Beijing of China.

- **Lenovo and NetApp partnership consists of 1) global OEM agreement**, where Lenovo OEMs NetApp's entry & mid-range products, and 2) Lenovo **NetApp JV in China**, where the JV will use Lenovo's go-to-market on top of NetApp's own sales routes to sell products and will have its own R&D capability to create localized product offerings in China.
- **NetApp is one of the leading players in the fast-growing All Flash Array:** NetApp ranked no. 2 in All Flash Array with around 25% share in 2018, and is the 2nd WW storage player with around 9% market share in 2018. (Data source: IDC)
- **Partnership is win-win:** Lenovo now has a leading storage partner with

Social Media

Lenovo is devoted in leveraging various social media platforms to keep our investors updated on results announcements and key company events, with an aim to have multi-point engagement via social media with the Company's stakeholders. The team also proactively sent updates and key event news wrap up, e.g. Lenovo Tech World, CES, MWC and results announcements, to provide an one-stop snapshot to investors. During the fiscal year, the followers of and mentions to the Company's social media platforms have continued to increase.

Please follow Lenovo at:

Investment Conferences

To maintain active communications with institutional investors around the world, the senior management team proactively participated in investor conferences at global locations. We are also frequent participants to the panel discussions at these investor conferences to provide in-depth discussions on popular tech topics with our investors.

Investor Conferences Attended FY2018/19

Date	Conference	Location
May 2018	Citi Regional Tech Conference 2018	Taipei
Jun 2018	Maybank Invest Asia Conference	London
Jun 2018	Citi 2018 Pan Asia Internet Investor Day	New York
Jun 2018	UBS Taiwan Conference	Taipei
Aug 2018	Citi Greater China TMT Corporate Day	Hong Kong S.A.R. of China
Sep 2018	Citi 2018 Global Technology Conference	New York
Sep 2018	Credit Suisse 19th Asian Technology Conference	Taipei
Sep 2018	25th CLSA Investor's Forum	Hong Kong S.A.R. of China
Nov 2018	Daiwa Investment Conference (Hong Kong S.A.R. of China) 2018	Hong Kong S.A.R. of China
Nov 2018	Citi China Investor Conference	Macau
Nov 2018	CGS-CIMB HK/China Smartphone & 5G Corporate Day	Hong Kong S.A.R. of China
Nov 2018	GF Securities Investor Conference	Shenzhen
Nov 2018	Morgan Stanley 17th Annual Asia Pacific Summit	Singapore

Corporate Governance Report

Date	Conference	Location
Jan 2019	Morgan Stanley China New Economy Summit	Beijing
Jan 2019	Nomura CES Investor Conference	Las Vegas
Jan 2019	UBS Greater China Conference	Shanghai
Jan 2019	Credit Suisse Greater China Technology & Internet Conference	Hong Kong S.A.R. of China
Jan 2019	DB China Conference	Shenzhen
Feb 2019	Morgan Stanley TMT Conference	San Francisco
Mar 2019	Daiwa Investment Conference 2019	Tokyo
Mar 2019	Bank of America Merrill Lynch 2019 AP TMT Conference	Taipei
Mar 2019	Morgan Stanley Annual Hong Kong S.A.R. of China Investor Summit	Hong Kong S.A.R. of China
Mar 2019	Credit Suisse Asian Investment Conference	Hong Kong S.A.R. of China

For example, Mr. Kirk Skaugen, President of the Data Center Group, was invited as the keynote speaker at Citigroup 2018 Global Technology Conference in September 2018 in New York City. Kirk presented the strong execution of Lenovo in intelligent transformation strategy and updated the investors with the latest development across the different business groups. He also highlighted the competitive edges of DCG business and the strategy going forward.

Market Recognitions

Lenovo has devoted continuous effort in investor relations and the Company was well-recognized by the investment community as well as the public.

Forbes 2018 Global Top Regarded Companies 2000

Lenovo was named one of the "Global 2000 – Best Regarded Companies" by the Forbes. The award is based on the results of an independent survey and the companies receiving the highest total scores are awarded as the Best Regarded Companies within the Global 2000 list. The evaluation was based on the dimensions "Trustworthiness/ Honesty", "Social Conduct", "Company as an Employer" and "Performance of the Product/ Services".

Zhitong Finance 2018 Golden Hong Kong S.A.R. of China Equities Awards – Grand Award of Golden Hong Kong S.A.R. of China Equities & The Best Value TMT Company Award

Lenovo won the awards of "Grand Award of Golden Hong Kong S.A.R. of China Equities" and "Best Value TMT Company" co-organized by the PRC leading financial media Zhitong Finance and Tonghuashun Finance. The judging included results from online polling and a review by a judging panel made up of renowned securities firms and economists.

2018 Golden Bauhinia Awards

Lenovo was entitled the "Best Investment Value Award for Listed Companies" in the 2018 Golden Bauhinia Awards by Ta Kung Wen Wei Media Group.

2018 Golden Lion Awards

Lenovo was entitled the "Best Investment Value Award for Listed Companies" in the 2018 Golden Lion Awards by Sina Finance.

HKMA Best Annual Reports Awards

Lenovo's fiscal year 2017/18 annual report with the theme "Different is Better" has won the "Excellence Award for H Share & Red Chip Entries" and "Citation for Environmental, Social and Governance Disclosure" in the Best Annual Reports Awards by The Hong Kong S.A.R. of China Management Association (HKMA). Such award fully demonstrates our leading international best practices of our Annual Report.

2018 Galaxy Awards

Lenovo's fiscal year 2017/18 annual report with the theme "Different is Better" was entitled a Bronze Winner in the 2018 Galaxy Awards in the category of printed annual reports.

2018 Mercury Awards

Lenovo's fiscal year 2017/18 annual report was also recognized as Sliver Winner in the 2018/19 Mercury Excellence Awards in the regard of overall presentation. Such Award again is a strong prove of International recognition of our Annual Reports.

Index Recognition

Lenovo has always been well recognized by the capital market and the Company is currently a constituent stock of the following indexes:

- Global Compact 100
- Hang Seng China (Hong Kong S.A.R. of China-listed) 100 Index
- Hang Seng Composite Index
- Hang Seng Composite Industry Index – Information Technology
- Hang Seng Composite LargeCap Index
- Hang Seng Corporate Sustainability Index
- Hang Seng Corporate Sustainability Benchmark Index
- Hang Seng (Mainland and HK) Corporate Sustainability Index
- Hang Seng High Dividend Yield Index
- Hang Seng Internet & Information Technology Index
- Hang Seng IT Hardware Index
- Hang Seng Stock Connect Hong Kong S.A.R. of China Index
- MSCI China Index
- MSCI China Information Technology Index
- MSCI Emerging Markets Value Index
- MSCI Emerging Markets Information Tech Index

SHAREHOLDERS

Communications with Shareholders

The Company is committed to safeguard shareholders' interests and believes that effective communication with shareholders and other stakeholders is essential for enhancing investor relations and investor understanding of the business performance and strategies of the Group. To achieve this, the Company has established the shareholders communication policy (the "**Shareholders Communication Policy**") setting out various formal channels of communication with shareholders and other stakeholders for ensuring fair disclosure and comprehensive and transparent reporting of the Company's performance and activities. The Nomination and Governance Committee of the Company reviews the Shareholders Communication Policy on a regular basis to ensure its effectiveness.

COMMUNICATION CHANNELS WITH SHAREHOLDERS AND OTHER STAKEHOLDERS

- Teleconferences and webcasts for analysts and media briefings
- Publication of financial reports, announcements, circulars and press releases
- Shareholders' meetings
- Investment community communications such as roadshow, site visits and annual analyst roundtable
- Company's website

Constructive use of the general meetings

The annual general meeting and other general meetings of the Company are the primary forum for communication by the Company with its shareholders and for shareholders' participation. The Board encourages shareholders to participate in general meetings as it provides a valuable opportunity to discuss the Company, its corporate governance and other important matters. Notice of the annual general meeting and related papers are sent to shareholders at least 20 clear business days prior to the date of the annual general meeting. The information sent to shareholders includes a summary of the business to be covered at the annual general meeting, where a separate resolution is prepared for each substantive matter.

The Company arranges a question and answer session in the annual general meeting for shareholders and media to communicate directly with Chairman and senior management.

Corporate Governance Report

2018 Annual General Meeting

The annual general meeting of the Company held on July 5, 2018 (the "**2018 Annual General Meeting**") was attended by, among others, the CEO, Chief Financial Officer, chairpersons of the Audit Committee, Compensation Committee and Nomination and Governance Committee or his/her delegates, the Lead Independent Director and representatives of the external auditor PwC to answer questions raised by shareholders at the meeting.

Separate resolutions were proposed on each issue, including the re-election of individual retiring directors. The matters resolved and the percentages of votes cast in favour of the resolutions are summarised below:

Matters Being Voted Upon	Percentage of Affirmative Votes
Received and considered the audited consolidated financial statements and the reports of the directors and the independent auditor for the year ended March 31, 2018	99.99%
Declaration of a final dividend for the issued shares of the Company for the year ended March 31, 2018	99.99%
Re-election of retiring directors and authorization of the Board to fix directors' fees	89.83% to 99.99% with respect to each individual resolution
Re-appointment of PwC as auditor and authorization of the Board to fix auditor's remuneration	99.51%
Approval of granting the general mandate to the directors to allot, issue and deal with additional shares not exceeding 20% of the aggregate number of shares in issue of the Company	75.88%
Approval of granting the general mandate to the directors to buy back shares not exceeding 10% of the aggregate number of shares in issue of the Company	99.94%
Approval of extending the general mandate to the directors to issue new shares by adding the number of shares bought back	75.67%

All of the resolutions proposed at the 2018 Annual General Meeting were decided by way of poll voting. Procedures for conducting the poll were explained by the Chairman at the commencement of the meeting. The poll was conducted by Tricor Abacus Limited, the Company's share registrar, as scrutineer and the details of poll voting results were posted on the Company's website (https://investor.lenovo.com/en/publications/news.php) and HKEx's website (www.hkex.com.hk) on July 5, 2018.

Corporate Governance Report

2019 Annual General Meeting

All shareholders are encouraged to attend and participate in the Company's 2019 annual general meeting. Details of the proposed resolutions for the 2019 annual general meeting are set out in the circular which will be dispatched to the Company's shareholders with this annual report.

Shareholders' Rights

Procedures for convening a general meeting

Shareholder(s) representing at least 5% of the total voting rights of the Company of all the shareholders having a right to vote at general meetings may, in accordance with the requirements and procedures set out in the Companies Ordinance (Chapter 622 of the Laws of Hong Kong S.A.R. of China) (the "**Companies Ordinance**"), request the Board to convene a general meeting by requisition, by stating the general nature of the business to be dealt at a general meeting and depositing the signed requisition at the registered office of the Company for the attention of the Company Secretary in hard copy form.

Procedures for putting forward proposals at an annual general meeting

(a) Shareholder(s) representing at least 2.5% of the total voting rights of all the shareholders of the Company having a right to vote on the resolution at the annual general meeting; or (b) at least 50 shareholders having a right to vote on the resolution at the annual general meeting may, in accordance with the requirements and procedures set out in the Companies Ordinance, requisition for the circulation of resolutions to be moved at annual general meetings and circulation of statements of not more than 1,000 words with respect to the matter referred to in the proposed resolution. Such written request must (i) state the resolution and be signed by all the requisitionists in one or more documents in like form; and (ii) be deposited in hard copy form at the registered office of the Company for the attention of the Company Secretary not less than six weeks before the annual general meeting; or if later, the time at which notice is given of that annual general meeting.

The detailed procedures for shareholders to convene and put forward proposals at an annual general meeting or general meeting, including proposing a person other than a retiring director for election as a director are set out in the Corporate Governance section of the Company's website. Shareholders may send their enquiries requiring the Board's attention to the Company at the registered address of the Company.

Constitutional documents

Rights of the shareholders are also provided under the Articles of Association. During the year under review, there are no changes in the Articles of Association. An up to date consolidated version of the Articles of Association is available on the Company's website and the HKEx's website.

Dividend Policy

The Company adopts a dividend policy of providing shareholders with sustainable dividends on a semi-annual basis. The level of dividends shall be determined in line with the growth in the Company's consolidated profit attributable to shareholders of the relevant financial period (after adjustments for restructuring or other one-off non-cash items, if any) after considering the factors including the Company's operations, business plans and strategies, cash flows, financial conditions, operating and capital requirements and other contractual or regulatory restrictions. Whilst the Company does not intend to set any pre-determined dividend distribution ratio in order to allow for financial flexibility, the Company endeavors to strike a proper balance between shareholders' interests and prudent capital management.

Shareholding Structure

Shareholding as recorded in the register of members of the Company as of March 31, 2019

According to the register of members of the Company as of March 31, 2019, there were 868 registered shareholders of whom 98.27% had their registered addresses in Hong Kong S.A.R. of China. However, the actual number of investors in the ordinary shares of the Company (the "**Shares**") may be larger than that as a substantial portion of the Shares are held through nominees, custodian houses and HKSCC Nominees Limited.

(i) Details of registered shareholders by domicile as of March 31, 2019 are as follows:

Domicile	Number of shareholders	Percentage of shareholders	Number of shares held	Percentage of the total number of shares in issue
Canada	2	0.23%	50,000	0.00%
China	7	0.81%	1,128,000	0.01%
Hong Kong S.A.R. of China	853	98.27%	12,013,545,614	99.99%
Macau	2	0.23%	40,000	0.00%
Malaysia	1	0.12%	10,000	0.00%
United Kingdom	3	0.35%	18,000	0.00%
Total	**868**	**100.00%**	**12,014,791,614**	**100.00%**

(ii) Details of registered shareholders by size of shareholding as of March 31, 2019 are as follows:

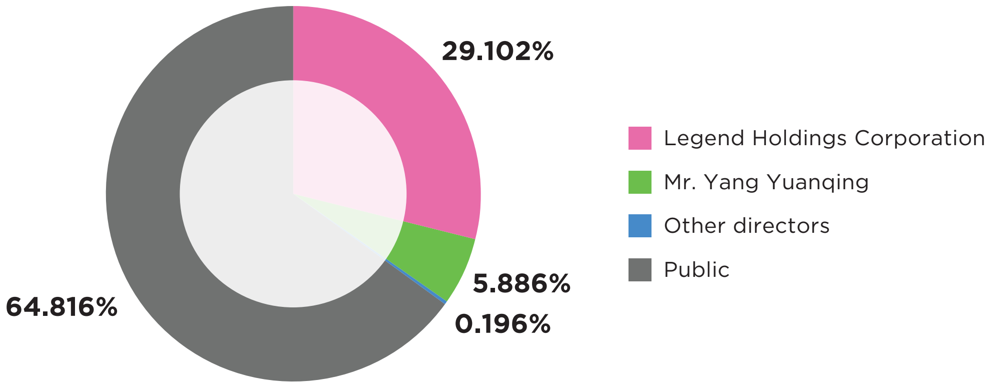
Size of shareholding	Number of shareholders	Percentage of shareholders	Number of shares held	Percentage of the total number of shares in issue
1-2,000	247	28.46%	336,493	0.01%
2,001-10,000	394	45.39%	2,714,001	0.02%
10,001-100,000	199	22.93%	6,523,695	0.05%
100,001-1,000,000	22	2.53%	8,338,000	0.07%
1,000,001 and above	6	0.69%	11,996,879,425	99.85%
Total	**868**	**100.00%**	**12,014,791,614**	**100.00%**

Remarks:
(i) A board lot size comprises 2,000 Shares.
(ii) According to the addresses registered/shown on the register of members of the Company.
(iii) 73.08% of all the issued Shares were held through HKSCC Nominees Limited.

Corporate Governance Report

Shareholding structure according to the interest disclosed under the Securities and Futures Ordinance as of March 31, 2019

SHAREHOLDING STRUCTURE AS OF MARCH 31, 2019



Remarks:
(i) The approximate percentage of shareholding is calculated based on the aggregate long positions held in the total number of shares in issue of the Company (other than the positions held in or pursuant to equity derivatives) by the relevant holder or group of holders as recorded in the registers maintained under the SFO.
(ii) The approximate percentage of shareholding is calculated on the basis of 12,014,791,614 Shares of the Company in issue as of March 31, 2019.

KEY SHAREHOLDERS INFORMATION

Listing Information

Lenovo Group Limited's shares are listed on the Stock of Exchange of Hong Kong S.A.R. of China. In addition, shares are traded in the United States through an American Depositary Receipt (ADR) Level 1 Programme.

Market Capitalization and Public Float

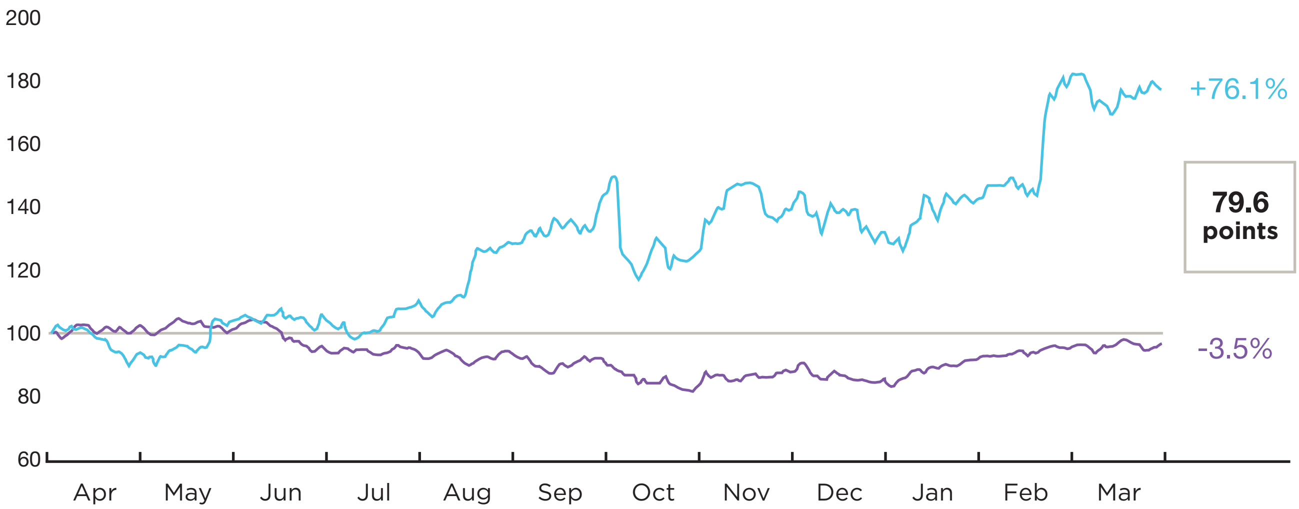
As at March 31, 2019, the market capitalization of listed shares of the Company was approximately HK$84.82 billion, based on the total number of 12,014,791,614 issued Shares of the Company and the closing price of HK$7.06 per share.

The daily average number of traded Shares was approximately 55.41 million Shares over an approximate free float of 7,787 million Shares in the fiscal year 2018/19. The highest closing price for the share was HK$7.26 per share on Mar 1, 2019 and the lowest was HK$3.60 per share on Apr 27, 2018 and May 7, 2018.

Ordinary Shares (as at 31 March 2019)	
Listing	Hong Kong S.A.R. of China Stock Exchange
Stock code	992
Board lot size	2,000 shares
Ordinary shares outstanding as of March 31, 2019	12,014,791,614 shares
Free float	approx. 7,787 million shares
Market capitalization as of March 31, 2019	HK$84.82 billion (Approx. US$10.81 billion)

Lenovo's share price from Apr 1, 2018 to Mar 31, 2019

During the fiscal year, Lenovo's share price outgrew the Hang Seng Index by 79.6 points, which showed the recognition of the capital market on the Company's intelligent transformation.



(source: Nasdaq)

Corporate Governance Report

American Depositary Receipts Level I Program	
Ordinary share to ADR	20:1
Stock code	LNVGY
Basic Earnings per Share	
Basic earnings per share for the year ended March 31, 2019	5.01 U.S. cents
Dividend per Share	
Dividend per ordinary share for the year ended March 31, 2019	
– Interim	6.0 HK cents
– Final[1]	21.8 HK cents
Financial Calendar 2018/19 (Hong Kong S.A.R. of China Time)	
First Quarter Results Announcement	August 16, 2018
Interim Results Announcement	November 8, 2018
Third Quarter Results Announcement	February 21, 2019
Annual Results Announcement	May 23, 2019
Annual General Meeting	July 9, 2019

The investor relations team values and is eager to hear suggestions and comments from shareholders and investors. For enquiries from institutional investors and equity analysts please contact ir@lenovo.com.

Note:
1 Subject to shareholders' approval at the forthcoming annual general meeting.

Audit Committee Report

THE AUDIT COMMITTEE

The audit committee (the "**Audit Committee**") of the board of directors (the "**Board**") of Lenovo Group Limited (the "**Company**") has been established since 1999 and as at the date of this annual report, is comprised of five members, all of whom including the Audit Committee chairman are independent non-executive directors.

The members who held office during the year and up to the date of this annual report are:

Chairman	Mr. Nicholas C. Allen	Independent non-executive director
Member	Ms. Ma Xuezheng	Independent non-executive director
Member	Mr. William Tudor Brown	Independent non-executive director
Member	Mr. Gordon Robert Halyburton Orr	Independent non-executive director
Member	Mr. Woo Chin Wan Raymond	Independent non-executive director (appointed as a member on February 22, 2019)

Both Mr. Allen and Mr. Woo, being the chairman and a member of the Audit Committee respectively, have appropriate professional qualifications and experience in accounting or related financial management expertise as required under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong S.A.R. of China Limited (the "Listing Rules"). More information on the skills and experience of the members of Audit Committee may be found in the directors' biographies set out on pages 147 to 151 of this annual report.

RESPONSIBILITIES

The Audit Committee is delegated by the Board with responsibility to provide an independent review of the financial reporting, and assess the effectiveness of risk management and internal control systems. It also reviews the adequacy of the Company's internal audit function and manages the Company's relationship with PricewaterhouseCoopers ("**PwC**"), the external auditor. The main responsibilities of the Audit Committee can be grouped into below different areas of competency:

AUDIT COMMITTEE
Main areas of oversight

FINANCIAL REPORTING
- The quality and acceptability of accounting policies and practices
- The clarity of the disclosures and compliance with financial reporting standards
- Material areas in which significant judgements have been applied

RISK MANAGEMENT AND INTERNAL CONTROL
- Effectiveness of risk management and internal control systems
- Internal audit plan and scope of the internal audit work
- Analysis of main areas of risk
- Adequacy and efficiency of internal audit function

EXTERNAL AUDIT
- Appointment or re-appointment and their remuneration
- Scope and status of the audit work
- Areas of key audit focus
- Independence and performance of external auditor

OTHERS
- Tax and treasury matters
- Key litigation and legal exposures
- Compliance with ethical rules and concerns

Audit Committee Report

Key Features
• The Audit Committee's terms of reference which clearly deal with its membership, authority, duties and frequency of meetings are published on the websites of the Company and Hong Kong S.A.R. of China Exchanges and Clearing Limited.
• The Audit Committee meets with external auditor, Chief Financial Officer, Chief Legal Officer, Chief Auditor and management of the accounting and financial reporting functions of the Company at least four times a year at quarterly intervals and is provided with sufficient resources to perform its duties.
• The Audit Committee is authorised to obtain outside legal or other independent professional advice in performing its duties at the Company's expense. No request was made by any member for such advice during the year.
• Other management from the business is also invited to attend certain meetings from time to time in order to provide insight and enhance the Audit Committee's awareness of key issues and developments.
• Separate executive sessions were arranged for the Audit Committee to meet with external auditor, Chief Auditor and Chief Legal Officer in the absence of management to discuss matters relating to any issues arising from the audit and any other matters such persons would like to raise.
• External auditor, Chief Auditor and Chief Legal Officer have direct access to the Audit Committee should they wish to raise any concerns outside formal meetings.
• In addition to standing agenda items, the Audit Committee may also request to discuss on particular "deep-dive" topics.
• The chairman will report back to the Board after each of the Audit Committee meeting on its decisions or recommendations.
• The company secretary will circulate a list of follow-up actions together with the minutes of the last meeting to management and the Audit Committee within a reasonable time after such meeting is held.

MAIN ACTIVITIES DURING FY2018/19

The work of the Audit Committee follows an agreed annual work plan and principally falls under three main areas: financial reporting; risk management and internal control; the oversight of external audit and the management of the Company's relationship with PwC, the external auditor. The timetable of the Audit Committee for the fiscal year 2018/19 is set out in the below diagram.

SPECIFIC ITEMS

MAY

- **Annual results, including review of:**
  - reports to the Audit Committee from Chief Financial Officer, Chief Auditor and external auditor
  - draft annual report incorporating directors' report, corporate governance report and financial statements
  - draft results announcement
- Review and assess of enterprise risk management
- Review of the performance and independence of external auditor
- Review of annual agenda of the Audit Committee
- Meeting with external auditor in the absence of management
- Meeting with Chief Auditor and Chief Legal Officer in the absence of management
- **Recommendations to the Board on:**
  - the annual results, annual report and related results announcement
  - re-appointment of external auditor

AUGUST/FEBRUARY

- **Quarterly results, including review of:**
  - reports to the Audit Committee from Chief Financial Officer, Chief Auditor and external auditor
  - draft results announcement
- Review of the Ethics and Compliance program of the Group including the whistleblowing arrangements
- **Recommendations to the Board on the quarterly results and related results announcement**

NOVEMBER

- **Interim results, including review of:**
  - reports to the Audit Committee from Chief Financial Officer, Chief Auditor and external auditor
  - draft interim report
  - draft results announcement
- Meeting with external auditor in the absence of management
- Meeting with Chief Auditor and Chief Legal Officer in the absence of management
- **Recommendations to the Board on the interim results, interim report and related results announcement**

STANDING ITEMS

FINANCIAL REPORTING

- Key accounting items
- Key assumptions, judgements and estimates
- Key litigation and legal exposures

RISK MANAGEMENT AND INTERNAL CONTROL

- Internal audit planning methodology/ approach
- Summary of internal audit and investigations
- Non-audit services provided by the external auditor
- Internal control of the Group including key control issues

EXTERNAL AUDIT

- Audit plan
- Scope and status of the audit work
- Area of key audit focus
- Significant accounting matters

OTHERS

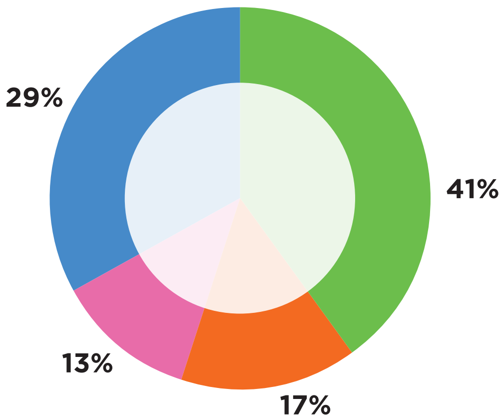
- Minutes of previous meeting
- Reports on actions taken or status of follow-up items arose from previous meetings
- Discuss on particular "deep-dive" topics

Audit Committee Report

In the fiscal year ended March 31, 2019, the Audit Committee held four meetings. The attendance record of the Audit Committee's members is set out in the Corporate Governance Report on page 80 and the chart below shows how the Audit Committee allocated its time during the fiscal year 2018/19.

AUDIT COMMITTEE

Allocation of agenda time



	FY2018/19	FY2017/18
Financial reporting	**41%**	32%
Risk management and internal control	**17%**	23%
External audit	**13%**	13%
Others (including compliance, tax and treasury matters)	**29%**	32%

At each meeting, the Audit Committee received reports and presentations on key financial reporting, internal control and audit matters from management who attend the meetings to report on significant issues and respond to queries raised by the Audit Committee. The main matters and areas that the Audit Committee reviewed and considered at its four meetings during the year and how the Audit Committee discharges its responsibilities were as follows:

Financial Reporting
With the support of the external auditor, the Audit Committee assessed whether suitable accounting policies had been adopted, whether management had made appropriate estimates and judgements and whether disclosures were in compliance with the financial reporting standards. The Audit Committee:

- Reviewed and recommended to the Board for approval the audited financial results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended March 31, 2018 together with the related annual results announcement and the annual report incorporating the directors' report and corporate governance report after discussion with the management and external auditor;

- Reviewed and recommended to the Board for approval the unaudited interim financial results of the Group for the six months ended September 30, 2018 together with the related interim results announcement and the interim report after discussion with the management and external auditor;

- Reviewed and recommended to the Board for approval the unaudited financial results of the Group for the three months ended June 30, 2018 and for the nine months ended December 31, 2018 together with its respective results announcements after discussion with the management and external auditor;

- Received reports from and met with external auditor and internal auditor to discuss the scope of their review and findings;

- Reviewed the impairment assessment of goodwill and other intangible assets with indefinite useful lives; and

- Reviewed and discussed with management on significant judgements and key assumptions together with presentational and disclosure issues associated with accounting standards and interpretive guidance affecting the Group's financial statements and financial results announcements; items reviewed and discussed included (a) net current liabilities position and deferred income tax assets; (b) the accounting treatment for business realignment plan; (c) the accounting treatment for disposals; (d) the accounting treatment on the Group's goodwill; and (e) the accounting provisions and treatments for indirect tax receivables, inventories, and employees benefit plans.

Risk Management and Internal Control

To discharge the responsibility of reviewing and monitoring the effectiveness of the Group's risk management and internal control systems, the Audit Committee received regular reports from the Chief Auditor and if required from management including legal and other business units. At each meeting, the Audit Committee reviewed the process for identifying, assessing and reporting key risks and control issues of the Group. The Audit Committee:

- Discussed the yearly internal audit plan of the Group to ensure adequate scope, coverage over the activities of the Group and the resource requirements of internal audit to carry out its functions and also reviewed the results of the internal audit work quarterly;
- Reviewed the effectiveness of the internal control system (including the adequacy of resources, staff qualification and experience, training programmes and budget of the Group's internal audit, accounting and financial reporting function) operating in the Group and reviewed the corrective actions taken by management;
- Reviewed the enterprise risk management (the "**ERM**") of the Group including Group ERM approach, risk management status and conclusion, risk registration results for fiscal year 2018/19, top 5 risks from 2010 to 2018 and risk management updates;
- Reviewed the management letter point status of the Group and reviewed the actions/processes undertaken by the Group; and
- Reviewed the cyber security concerns and actions taken/to be taken by the Group.

External Audit

To discharge the responsibility of overseeing the Board's relationship with the external auditor and monitoring the external auditor's performance, objectivity and independence and also the effectiveness of the audit process, the Audit Committee:

- Reviewed and considered the external auditor's statutory audit scope and results for the fiscal year 2017/18, including their plan and the terms of engagement, and the letter of representation to be given by the Board in respect of the financial year ended March 31, 2018;
- Reviewed and considered the external auditor's audit plan and scope for the fiscal year 2018/19;
- Reviewed the results of the audit and the reports submitted by external auditor, which summarised matters arising from their audit on the Group during the year ended March 31, 2019, together with management's responses and/or comments to the findings;
- Assessed the external auditor's independence and objectivity including a review of the non-audit services provided by the external auditor; and
- Evaluated the performance of PwC and recommended to the Board for approval of the re-appointment of PwC as the external auditor of the Group for the year ended March 31, 2019.

Audit Committee Report

Others
During the fiscal year 2018/19, the Audit Committee also:

- Reviewed the succession planning of the finance organization of the Group;
- Received and reviewed the reports from Chief Legal Officer regarding key litigation and other legal matters of the Group;
- Reviewed the Ethics and Compliance program including the whistleblowing procedure of the Group for employees to raise concerns about possible improprieties in financial reporting, internal control or other matters, and the enhancements to this program;
- Reviewed updates on treasury items, including hedging, liquidity and cash forecasts;
- Reviewed updates on tax model;
- Reviewed and approved the amendments to the terms of reference of the Audit Committee for submitting to the Board for consideration and approval;
- Reviewed and approved the Audit Committee report for incorporating into the annual report for the fiscal year 2017/18; and
- Reviewed and approved the annual agenda of the Audit Committee for the fiscal year 2018/19.

REVIEW OF FINANCIAL RESULTS

At the meeting held on May 22, 2019, the Audit Committee:

- reviewed the key accounting judgements and policies adopted by the Group and confirmed that these are appropriate. The significant areas of judgement identified by the Audit Committee, in conjunction with management and the external auditor, together with a number of other areas that the Audit Committee deemed to be significant in the context of the consolidated financial statements of the Group for the year ended March 31, 2019 are set out in the Independent Auditor's Report on pages 173 to 178;
- after discussion with management and the external auditor, and having considered the Group's financial position, the Audit Committee satisfied that the Group and the Company had adequate resources to continue in operational existence for the foreseeable future and confirmed to the Board that it was appropriate for the consolidated financial statements of the Group for the year ended March 31, 2019 to be prepared on a going concern basis; and
- reviewed the consolidated financial statement of the Group for the year ended March 31, 2019 in conjunction with the narrative sections of this annual report. The Audit Committee satisfied that, taken as a whole, this annual report was present a balanced, clear and comprehensible assessment of the Group's performance, position and prospects.

Based on the reviews and discussions referred to above, the Audit Committee recommended to the Board the approval of the audited consolidated financial statements of the Group for the year ended March 31, 2019 together with the related annual results announcement and this annual report incorporating the directors' report and corporate governance report.

REVIEW OF RISK MANAGEMENT AND INTERNAL CONTROL SYSTEMS

The Group's internal control system covers every activity and transaction. Within this framework, management performs periodic enterprise wide risk assessments and continuously monitors and reports the progress of actions plans to address the key risks. Further information about the risk management and internal control framework and control processes are set out in the Corporate Governance Report on pages 83 to 89.

Based on the information and confirmation received from management, external auditor and internal auditor, the Audit Committee concluded that for the year ended March 31, 2019, the Group's risk management and internal control systems were adequate and effective. The Audit Committee also confirmed that the Group had, in the fiscal year 2018/19, satisfactorily complied with the code provisions on risk management and internal control as set forth in the Corporate Governance Code and Corporate Governance Report in Appendix 14 to the Listing Rules.

RECOMMENDATION FOR RE-APPOINTMENT OF THE EXTERNAL AUDITOR

The Audit Committee recognizes the importance of maintaining the independence of the external auditor. Consistent with its terms of reference, the Audit Committee has evaluated PwC's qualifications, performance, and independence, including that of the lead audit partner. The Company has established a policy pursuant to which non-audit services, provided by the external auditor must be pre-approved by the Audit Committee. This policy is more fully described in the Corporate Governance Report on page 90. The Audit Committee has concluded that provision of the non-audit services described in that section was compatible with maintaining the independence of PwC. In addition, PwC has provided the Audit Committee an independence statement confirming that for the year ended March 31, 2019 and thereafter to the date of this annual report, they are independent of the Group in accordance with the independence requirements of the Hong Kong S.A.R. of China Institute of Certified Public Accountants.

Based on the review and discussions referred to above, the Audit Committee was satisfied with the external auditor's work, its independence and objectivity, and therefore recommended to the Board the re-appointment of PwC as the Group's external auditor for the financial year ending March 31, 2020 for shareholders' approval at the forthcoming annual general meeting to be held on July 9, 2019.

PRIORITIES FOR FY2019/20

Looking ahead, the priorities of the Audit Committee for the fiscal year 2019/20 are:

- To stay focused on financial accounting and reporting, audit quality, risk management and internal control.
- To remain vigilant on the impacts of the economic conditions on the Group.

Compensation Committee Report

THE COMPENSATION COMMITTEE

The compensation committee (the "**Committee**") of the board of directors (the "**Board**") of Lenovo Group Limited (the "**Company**") as of the date of this annual report is comprised of five members, all of whom are non-executive directors of the Company (the "**Non-executive Directors**") and majority of whom including the Committee chairman are independent non-executive directors of the Company (the "**Independent Non-executive Directors**").

The members who held office during the year and up to the date of this annual report are:

Chairman	Ms. Ma Xuezheng	Independent Non-executive Director
Member	Mr. William O. Grabe	Independent Non-executive Director and Lead Independent Director
Member	Mr. William Tudor Brown	Independent Non-executive Director
Member	Mr. Gordon Robert Halyburton Orr	Independent Non-executive Director
Member	Mr. Zhao John Huan	Non-executive Director

More information on the skills and experience of the members of the Committee may be found in the directors' biographies set out on pages 147 to 151 of this annual report.

RESPONSIBILITIES

The Committee is delegated by the Board with the responsibility to (i) review the Company's structure and aggregate value of compensation programs for the chairman of the Board ("**Chairman**"), chief executive officer ("**CEO**"), other directors and senior management; (ii) establish a formal and transparent procedure for developing policy on compensation; (iii) determine the compensation level and package paid to the Chairman, CEO, other directors and senior management; and (iv) review the recommendation from independent consultant on the compensation of Non-executive Directors.

Key Features
The Committee's terms of reference which clearly deal with its membership, authority, duties and frequency of meetings are published on the websites of the Company and Hong Kong S.A.R. of China Exchanges and Clearing Limited.
The Committee meets with management and external independent professional adviser at least four times a year at quarterly intervals and is provided with sufficient resources to perform its duties.
The Committee is authorised to obtain outside independent professional advice in performing its duties at the Company's expense.
The Committee shall ensure that no director is involved in deciding his or her own individual compensation.
Separate executive session was arranged for the Committee to meet with its independent consultant in the absence of executive director and management to discuss matters relating to any issues and any other matters such persons would like to raise.
The chairman will report back to the Board after each of the Committee meeting regarding decisions or recommendations.

SUMMARY OF WORK IN 2018/19

In the fiscal year ended March 31, 2019, the Committee held three meetings. The attendance record of the Committee's members is set out in the Corporate Governance Report on page 80.

The main matters and areas that the Committee reviewed and considered at its three meetings during the year were as follows:

Review of Company and Market Information

- Reviewed overall compensation strategy;
- Reviewed and approved the peer group for the Chairman & CEO and Corporate President & COO;
- Reviewed the market positioning for the compensation of CEO and senior management including pay levels and pay mix;
- Reviewed pay efficiency to support understanding of pay affordability and sustainability for entire company;
- Reviewed the compensation and remuneration trends and regulatory developments in technology industry;

Compensation Program

- Reviewed the CEO pay and performance evaluation process;
- Reviewed and approved FY2017/18 bonus, long-term incentive ("**LTI**") and FY2018/19 proposed target compensation for Chairman and CEO;
- Reviewed and approved FY2017/18 bonus, LTI and FY2018/19 proposed target compensation for senior management;
- Reviewed and approved the FY2019/20 bonus and LTI plans;
- Reviewed and approved the FY2019/20 LTI budget;
- Reviewed the holding power and share ownership positions of both senior management and Non-executive Directors;
- Reviewed the analysis and recommendations from an independent consultant on the FY2018/19 Non-executive Directors' compensation package;

Others

- Reviewed the Compensation Committee Report for incorporating into the annual report for the fiscal year 2017/18; and
- Reviewed and approved the annual agenda of the Committee for the fiscal year 2018/19.

Compensation Committee Report

COMPENSATION POLICY

Overall Principles

Lenovo recognizes the importance of attracting and retaining top-caliber talent and is strongly committed to effective corporate governance. Consistent with this philosophy, the Company has a formal, transparent and performance-driven compensation policy covering its directors, senior management and general employees.

Generally, Lenovo's compensation serves to support the Company's business strategy, assist in the attraction and retention of top talent, reinforce the Company's pay-for-performance culture, as well as reflecting market practices of other leading international IT enterprises, with particular focus on Lenovo's closest competitors.

The Committee makes regular reviews of Lenovo's compensation practices to ensure they reflect the five overall principles and objectives as presented below.

Balance short and long-term focus, ensuring alignment with shareholder value creation

Flexibility to adjust to diverse businesses and talent markets

Pay for Performance: Strong linkage between financial success, individual performance and employee reward

Pay competitiveness against peer companies, enabling the Company to recognize contribution of key talent

Support effective corporate governance practices

Non-executive Directors

The Committee regularly reviews the compensation of Non-executive Directors to ensure its appropriateness considering the Non-executive Directors' time commitment, workload, job requirements and responsibilities versus Lenovo's peer companies and the broader market. Details of the current package and the review carried out in this fiscal year are set out in the section headed "Remuneration Reviews" below.

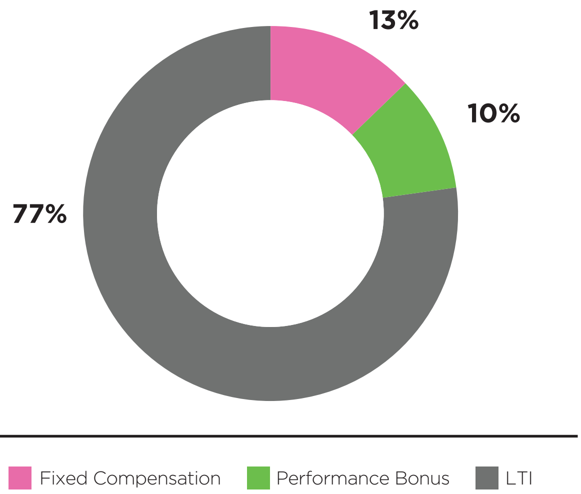
Chairman/CEO and Senior Management

To ensure Lenovo's compensation for the Chairman/CEO and senior management reflect the policy and principles described above, the Committee considers a number of relevant factors in the determination of their compensation. Such factors include: salaries and total compensation paid by peer companies, job responsibilities and scopes, the Company's business performance and individual performance.

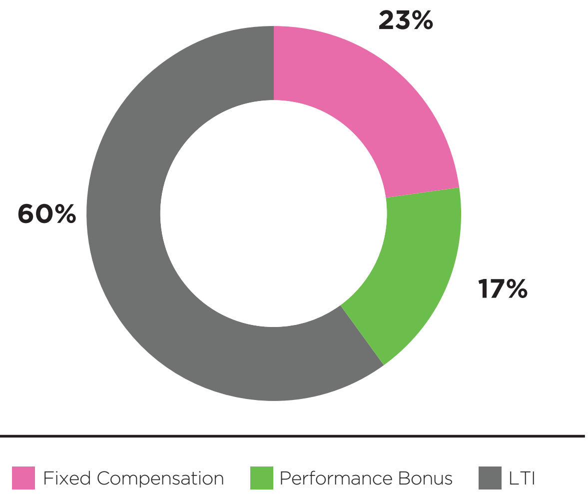
The compensation structure of Lenovo's Chairman/CEO and senior management consists of base salaries, allowances, performance-based bonuses, LTI, retirement benefits, and benefits-in-kind. These components and their mix are described below.

The Chairman/CEO pay mix chart reflects FY2018/19 emoluments disclosed in note 10 to the financial statements. The senior management pay mix chart reflects average FY2018/19 emoluments including LTI that were awarded in June 2018.

Chairman / CEO pay mix



Senior management pay mix (Average)



Fixed Compensation

Fixed compensation includes base salary, allowances and benefits-in-kind (e.g. medical, dental and life insurance, etc.). Base salary and allowances are set and reviewed annually for each position, reflecting competitive market positioning for comparable positions, market practices, as well as the Company's performance and individual contribution to the business. Allowances are provided to facilitate temporary and permanent staff relocations. Benefits-in-kind are reviewed regularly taking into consideration relevant industry and local market practices.

Performance Bonus

The Chairman/CEO and senior management are eligible to receive performance bonuses. The amounts paid under the plan are based on the performance of the Company, using selected financial and non-financial metrics, its subsidiaries, relevant performance groups and/or geographies as appropriate, as well as individual performance.

Long-Term Incentive Program ("LTI Program")

The Company operates a LTI Program which was adopted by the Company in 2005 and amended in 2008 and 2016 respectively. 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, while reinforcing direct alignment with shareholders.

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**")*

RSU is equivalent to the value of one ordinary share of the Company. Once vested, RSU is 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 settle 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, shares are due after exercise by the recipient. In the case of RSUs, shares are due after the employee satisfies any vesting conditions.

The number of units 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, role and level.

In fiscal year 2018/19, the Company did not issue any new shares under this program, and the program is currently operated through purchasing existing shares from the market.

Retirement Benefits
The Company operates a number of retirement schemes for its employees, including executive directors and senior management. These schemes are reviewed regularly and are intended to deliver benefit levels that are consistent with local market practices. Details of the retirement schemes are set out in the directors' report on pages 157 to 160.

General Employees
As at March 31, 2019, the Group had a headcount of more than 57,000 worldwide.

Lenovo believes that employees are its most important strategic resource and recognizes that each employee must be valued as an individual and treated fairly and equitably. Lenovo's compensation philosophy supports this value and targets compensation competitively within the relevant competitive market, with significant opportunity for increased pay based on performance. Through the compensation program, Lenovo seeks to identify and reward exceptional performance in ways that sends clear messages about the Company's priorities and values.

EMPLOYEE COMPENSATION PACKAGE	Fixed Compensation	Performance Bonus	Long-Term Incentive Program

Similar to senior management, employees at Lenovo are eligible for fixed compensation including base salary, allowances and benefits-in-kind. Eligible employees would also receive performance bonus based on individual and company performance. In addition, selected top-performing employees are eligible to participate in the LTI Program.

REMUNERATION REVIEWS

The Committee regularly reviews the Company's compensation programs to ensure alignment with its stated objectives as well as competitiveness in the talent market. Typically, reviews for base salary, performance bonus, and LTI award are conducted on an annual basis. Non-executive Directors' fees are reviewed for alignment with market practice on an annual basis as well.

Fiscal Year 2018/19 Non-executive Directors Review
In May 2018, the Committee engaged an independent international compensation consulting firm to conduct an analysis of the compensation package of the Non-executive Directors to ensure its appropriateness considering the Non-executive Directors' time commitment, workload, job requirements and responsibilities versus Lenovo's peer companies and the broader market. Overall, both cash retainer and annual LTI award remained constant at US$92,500 and US$200,000*, respectively. Final recommendations as subsequently approved by the Board (comprising executive director of the Company only) based on the delegation from shareholders of the Company are summarized in the table below:

Compensation Element	2018/19	2017/18
Cash Retainer	**$92,500 USD**	$92,500 USD
LTI Award	**$200,000 USD**	$200,000 USD
Total Remuneration	**$292,500 USD**	$292,500 USD

* The LTI award consists of SARs and RSUs, which can be settled in either Lenovo shares or cash equivalent upon exercise. SARs and RSUs are subject to a three-year vesting period and are otherwise subject to the same terms and conditions of the SAR and RSU schemes described above.

Consistent with prior practice, the chairman of the Audit Committee of the Company received an additional cash payment equal to US$27,500 (approximately HK$214,500), while the chairman of the Compensation Committee of the Company received an additional cash payment equal to US$20,000 (approximately HK$156,000), and the Lead Independent Director received an additional cash payment equal to US$35,000 (approximately HK$273,000) per year.

Further details of the compensation of the Non-executive Directors are included in note 10 to the financial statements. SAR and RSU awards outstanding for Non-executive Directors as of March 31, 2019 under this scheme are presented in the "Long-Term Incentive Scheme" section of this report.

Fiscal Year 2018/19 Chairman/CEO and Senior Management Review

Fixed Compensation

As a part of its annual review process, the Committee had reviewed and approved base pay for the Chairman/CEO and senior management in May 2018, effective July 1, 2018.

Base salary for the Chairman/CEO remained constant at RMB8,808,815 (approximately US$1,313,690 (Note: the translation of RMB into USD is based on the exchange rate of RMB1.00 to USD0.149134 and is for information purposes only) (actual pay delivered in local currency)). Base salaries for senior management were increased by an average of 1.3% to account for changes in role, scope and market pay levels and in consideration of individual performance and contributions.

Performance Bonus

Chairman/CEO and senior management's fiscal year 2018/19 performance bonus payouts were approved in the May 2018 Committee meeting. Final bonus payouts for Chairman/CEO and senior management were determined based on overall pre-tax income, total revenue, customer experience as well as individual performance.

Overall PTI	Total Revenue	Customer Experience	Individual Performance

Approved performance bonus payments for the fiscal year 2018/19 will be delivered in June 2019.

LTI Program

The most recent full cycle of LTI awards including both SARs and RSUs was made in June 2018. Selected executives, including the Chairman/CEO and senior management, received LTI awards based on Company's and individual's performance during fiscal year 2017/18. The next cycle of LTI awards including SARs and RSUs is expected to be in June 2019.

Employee Share Purchase Plan (ESPP)

The Company has launched an employee share purchase plan ("**Plan**") in October 2016. The purpose of the Plan is to facilitate and encourage Lenovo share ownership by the general employee population. Under the Plan, eligible employees are awarded one matching restricted share unit for every four ordinary shares of the Company purchased through qualified employee contributions. The matching restricted share units are subject to a vesting schedule of up to two years. Executive and Non-executive Director and senior management of the Company are not eligible to participate in the Plan.

For fiscal year 2018/19, the Company did not issue any new shares under this plan, and the plan is currently operated through purchasing existing shares from the market.

Compensation Committee Report

Remuneration of Senior Management

The remuneration of senior management fell within the following bands for the year ended March 31, 2019:

Remuneration bands	Number of senior management
US$1,657,735 to US$1,721,493	1
US$2,869,157 to US$2,932,915	1
US$3,124,193 to US$3,187,951	1
US$3,315,470 to US$3,379,228	1
US$3,825,542 to US$3,889,300	1
US$5,419,518 to US$5,483,276	1
US$8,862,506 to US$8,926,264	1
US$13,835,710 to US$13,899,468	1

Emoluments of Directors for FY2018/19 and Five Highest Paid Individuals

Details of the emoluments of directors and the five highest paid individuals are set out in note 10 to the financial statements.

Fiscal Year 2018/19 Employees Review

Fixed Compensation

Each year, management conducts a market review to ensure fixed compensation changes are aligned and competitive with market trends. The review incorporates input from several external survey providers and formal assessments of individual performance. Any approved market-based merit increases were effective from July 1, 2018.

Performance Bonus

Performance bonus for general employees is based on individual performance and performance of their respective business unit or "Performance Groups". For fiscal year 2018/19, there were a total of approximately 110 different Performance Groups within the Company each with its unique performance metrics and targets, which consist of a financial component and a customer experience component. For the fiscal year 2018/19 performance bonus, mid-year progress payment was made in December 2018, and full payment based on annual business outcomes will be trued-up in June 2019 based on approved final bonus funding.

Bonus Target	X	Performance Group Score	X	Individual Performance Modifier	=	Final Bonus Payout

Performance Group scores may range from 0% to 320% based on final results against targets. Individual Performance Modifiers range from 0% to 150% and are linked to the employee Performance Ratings and progress against established Key Performance Indicators (KPIs).

LTI Program

For fiscal year 2018/19, 24.3% of eligible employees (excluding executive directors) received an award under the LTI Program. These awards were granted in June 2018.

LONG-TERM INCENTIVE PROGRAM

The Company implemented the LTI Program to attract, retain, reward and motivate executive and Non-executive Directors, senior management and selected top-performing employees of the Company and its subsidiaries.

The movements in the share awards of the Executive and Non-executive Directors during the fiscal year are as follows:

				Number of units							
Name	Award type	Fiscal year of award	Effective price (HK$)	As at April 1, 2018 (Unvested)	Awarded during the period	Vested during the period	Exercised during the period	Lapsed/ nullified during the period *(Note 1)*	As at March 31, 2019 (unvested)	Total outstanding as at March 31, 2019	Vesting period (mm.dd.yyyy)
Mr. Yang Yuanqing	SAR	11/12	6.80	-	-	-	-	11,132,358	-	-	02.13.2013 - 02.13.2016
	SAR	12/13	8.22	-	-	-	-	-	-	14,059,573	02.04.2014 - 02.04.2017
	SAR	13/14	9.815	3,630,011	-	3,630,011	-	-	-	14,520,062	06.03.2015 - 06.03.2018
	SAR	15/16	12.29	6,351,832	-	3,175,916	-	-	3,175,916	12,703,664	06.01.2016 - 06.01.2019
	SAR	16/17	4.90	63,486,235	-	31,743,118	-	-	31,743,117	126,972,471	06.01.2017 - 06.01.2019
	SAR	17/18	4.95	45,893,773	-	15,297,924	-	-	30,595,849	45,893,773	06.01.2018 - 06.01.2020
	SAR	18/19	4.00	-	39,305,643	-	-	-	39,305,643	39,305,643	06.01.2019 - 06.01.2021
	RSU	13/14	9.815	1,332,396	-	1,332,396	-	-	-	-	06.03.2015 - 06.03.2018
	RSU	15/16	12.29	2,441,008	-	1,220,505	-	-	1,220,503	1,220,503	06.01.2016 - 06.01.2019
	RSU	17/18	4.95	11,895,664	-	3,965,221	-	-	7,930,443	7,930,443	06.01.2018 - 06.01.2020
	RSU	18/19	4.00	-	9,368,500	-	-	-	9,368,500	9,368,500	06.01.2019 - 06.01.2021
Mr. Zhu Linan	SAR	12/13	6.36	-	-	-	91,438	80,658	-	-	07.03.2013 - 07.03.2015
	SAR	13/14	7.88	-	-	-	-	-	-	242,723	08.16.2014 - 08.16.2016
	SAR	14/15	11.48	-	-	-	-	-	-	275,884	08.15.2015 - 08.15.2017
	SAR	15/16	7.49	134,656	-	134,656	-	-	-	403,970	08.14.2016 - 08.14.2018
	SAR	16/17	5.38	410,508	-	205,254	410,508	306,315	205,254	205,254	08.19.2017 - 08.19.2019
	SAR	17/18	4.74	955,316	-	318,439	318,439	209,348	636,877	636,877	08.21.2018 - 08.21.2020
	SAR	18/19	4.39	-	1,125,232	-	-	-	1,125,232	1,125,232	08.17.2019 - 08.17.2021
	RSU	15/16	7.49	34,499	-	34,499	-	-	-	-	08.14.2016 - 08.14.2018
	RSU	16/17	5.38	96,059	-	48,029	-	-	48,030	48,030	08.19.2017 - 08.19.2019
	RSU	17/18	4.74	165,079	-	55,026	-	-	110,053	110,053	08.21.2018 - 08.21.2020
	RSU	18/19	4.39	-	178,799	-	-	-	178,799	178,799	08.17.2019 - 08.17.2021
Mr. Zhao John Huan	SAR	11/12	5.78	-	-	-	103,913	103,645	-	-	11.03.2012 - 11.03.2014
	SAR	12/13	6.36	-	-	-	274,316	250,849	-	-	07.03.2013 - 07.03.2015
	SAR	13/14	7.88	-	-	-	-	-	-	364,084	08.16.2014 - 08.16.2016
	SAR	14/15	11.48	-	-	-	-	-	-	275,884	08.15.2015 - 08.15.2017
	SAR	15/16	7.49	134,656	-	134,656	-	-	-	403,970	08.14.2016 - 08.14.2018
	SAR	16/17	5.38	410,508	-	205,254	-	-	205,254	615,761	08.19.2017 - 08.19.2019
	SAR	17/18	4.74	955,316	-	318,439	-	-	636,877	955,316	08.21.2018 - 08.21.2020
	SAR	18/19	4.39	-	1,125,232	-	-	-	1,125,232	1,125,232	08.17.2019 - 08.17.2021
	RSU	15/16	7.49	34,499	-	34,499	-	-	-	-	08.14.2016 - 08.14.2018
	RSU	16/17	5.38	96,059	-	48,029	-	-	48,030	48,030	08.19.2017 - 08.19.2019
	RSU	17/18	4.74	165,079	-	55,026	-	-	110,053	110,053	08.21.2018 - 08.21.2020
	RSU	18/19	4.39	-	178,799	-	-	-	178,799	178,799	08.17.2019 - 08.17.2021

Compensation Committee Report

				Number of units							
Name	Award type	Fiscal year of award	Effective price (HK$)	As at April 1, 2018 (Unvested)	Awarded during the period	Vested during the period	Exercised during the period	Lapsed/ nullified during the period *(Note 1)*	As at March 31, 2019 (unvested)	Total outstanding as at March 31, 2019	Vesting period (mm.dd.yyyy)
Dr. Tian Suning	SAR	11/12	4.56	–	–	–	323,000	304,000	–	–	08.19.2012 – 08.19.2014
	SAR	12/13	6.36	–	–	–	274,316	253,952	–	–	07.03.2013 – 07.03.2015
	SAR	13/14	7.88	–	–	–	–	–	–	364,084	08.16.2014 – 08.16.2016
	SAR	14/15	11.48	–	–	–	–	–	–	275,884	08.15.2015 – 08.15.2017
	SAR	15/16	7.49	134,656	–	134,656	–	–	–	403,970	08.14.2016 – 08.14.2018
	SAR	16/17	5.38	410,508	–	205,254	–	–	205,254	615,761	08.19.2017 – 08.19.2019
	SAR	17/18	4.74	955,316	–	318,439	–	–	636,877	955,316	08.21.2018 – 08.21.2020
	SAR	18/19	4.39	–	1,125,232	–	–	–	1,125,232	1,125,232	08.17.2019 – 08.17.2021
	RSU	15/16	7.49	34,499	–	34,499	–	–	–	–	08.14.2016 – 08.14.2018
	RSU	16/17	5.38	96,059	–	48,029	–	–	48,030	48,030	08.19.2017 – 08.19.2019
	RSU	17/18	4.74	165,079	–	55,026	–	–	110,053	110,053	08.21.2018 – 08.21.2020
	RSU	18/19	4.39	–	178,799	–	–	–	178,799	178,799	08.17.2019 – 08.17.2021
Mr. Nicholas C. Allen	SAR	11/12	4.56	–	–	–	323,000	304,000	–	–	08.19.2012 – 08.19.2014
	SAR	12/13	6.36	–	–	–	–	–	–	274,316	07.03.2013 – 07.03.2015
	SAR	13/14	7.88	–	–	–	–	–	–	364,084	08.16.2014 – 08.16.2016
	SAR	14/15	11.48	–	–	–	–	–	–	275,884	08.15.2015 – 08.15.2017
	SAR	15/16	7.49	134,657	–	134,657	–	–	–	403,970	08.14.2016 – 08.14.2018
	SAR	16/17	5.38	410,508	–	205,254	–	–	205,254	615,761	08.19.2017 – 08.19.2019
	SAR	17/18	4.74	955,316	–	318,439	–	–	636,877	955,316	08.21.2018 – 08.21.2020
	SAR	18/19	4.39	–	1,125,232	–	–	–	1,125,232	1,125,232	08.17.2019 – 08.17.2021
	RSU	15/16	7.49	34,500	–	34,500	–	–	–	–	08.14.2016 – 08.14.2018
	RSU	16/17	5.38	96,059	–	48,029	–	–	48,030	48,030	08.19.2017 – 08.19.2019
	RSU	17/18	4.74	165,079	–	55,026	–	–	110,053	110,053	08.21.2018 – 08.21.2020
	RSU	18/19	4.39	–	178,799	–	–	–	178,799	178,799	08.17.2019 – 08.17.2021
Mr. Nobuyuki Idei	SAR	11/12	5.23	–	–	–	144,085	139,938	–	–	09.28.2012 – 09.28.2014
	SAR	12/13	6.36	–	–	–	–	–	–	274,316	07.03.2013 – 07.03.2015
	SAR	13/14	7.88	–	–	–	–	–	–	364,084	08.16.2014 – 08.16.2016
	SAR	14/15	11.48	–	–	–	–	–	–	275,884	08.15.2015 – 08.15.2017
	SAR	15/16	7.49	134,656	–	134,656	–	–	–	403,970	08.14.2016 – 08.14.2018
	SAR	16/17	5.38	410,508	–	205,254	–	–	205,254	615,761	08.19.2017 – 08.19.2019
	SAR	17/18	4.74	955,316	–	318,439	–	–	636,877	955,316	08.21.2018 – 08.21.2020
	SAR	18/19	4.39	–	1,125,232	–	–	–	1,125,232	1,125,232	08.17.2019 – 08.17.2021
	RSU	15/16	7.49	34,500	–	34,500	–	–	–	–	08.14.2016 – 08.14.2018
	RSU	16/17	5.38	96,059	–	48,029	–	–	48,030	48,030	08.19.2017 – 08.19.2019
	RSU	17/18	4.74	165,079	–	55,026	–	–	110,053	110,053	08.21.2018 – 08.21.2020
	RSU	18/19	4.39	–	178,799	–	–	–	178,799	178,799	08.17.2019 – 08.17.2021
Mr. William O. Grabe	SAR	11/12	4.56	–	–	–	323,000	304,000	–	–	08.19.2012 – 08.19.2014
	SAR	12/13	6.36	–	–	–	–	–	–	274,316	07.03.2013 – 07.03.2015
	SAR	13/14	7.88	–	–	–	–	–	–	364,084	08.16.2014 – 08.16.2016
	SAR	14/15	11.48	–	–	–	–	–	–	275,884	08.15.2015 – 08.15.2017
	SAR	15/16	7.49	134,657	–	134,657	–	–	–	403,970	08.14.2016 – 08.14.2018
	SAR	16/17	5.38	410,508	–	205,254	–	–	205,254	615,761	08.19.2017 – 08.19.2019
	SAR	17/18	4.74	955,316	–	318,439	–	–	636,877	955,316	08.21.2018 – 08.21.2020
	SAR	18/19	4.39	–	1,125,232	–	–	–	1,125,232	1,125,232	08.17.2019 – 08.17.2021
	RSU	15/16	7.49	34,500	–	34,500	–	–	–	–	08.14.2016 – 08.14.2018
	RSU	16/17	5.38	96,059	–	48,029	–	–	48,030	48,030	08.19.2017 – 08.19.2019
	RSU	17/18	4.74	165,079	–	55,026	–	–	110,053	110,053	08.21.2018 – 08.21.2020
	RSU	18/19	4.39	–	178,799	–	–	–	178,799	178,799	08.17.2019 – 08.17.2021
	RSU (Deferral)	17/18	3.84	–	65,104	65,104	–	–	–	–	Note 2
	RSU (Deferral)	18/19	4.18	–	59,809	59,809	–	–	–	–	Note 2
	RSU (Deferral)	18/19	5.40	–	46,260	46,260	–	–	–	–	Note 2
	RSU (Deferral)	18/19	5.40	–	46,260	46,260	–	–	–	–	Note 2

				Number of units							
Name	Award type	Fiscal year of award	Effective price (HK$)	As at April 1, 2018 (Unvested)	Awarded during the period	Vested during the period	Exercised during the period	Lapsed/ nullified during the period *(Note 1)*	As at March 31, 2019 (unvested)	Total outstanding as at March 31, 2019	Vesting period (mm.dd.yyyy)
Mr. William Tudor Brown	SAR	12/13	8.07	-	-	-	-	-	-	53,476	01.31.2014 - 01.31.2016
	SAR	13/14	7.88	-	-	-	-	-	-	364,084	08.16.2014 - 08.16.2016
	SAR	14/15	11.48	-	-	-	-	-	-	275,884	08.15.2015 - 08.15.2017
	SAR	15/16	7.49	134,657	-	134,657	-	-	-	403,970	08.14.2016 - 08.14.2018
	SAR	16/17	5.38	410,508	-	205,254	-	-	205,254	615,761	08.19.2017 - 08.19.2019
	SAR	17/18	4.74	955,316	-	318,439	-	-	636,877	955,316	08.21.2018 - 08.21.2020
	SAR	18/19	4.39	-	1,125,232	-	-	-	1,125,232	1,125,232	08.17.2019 - 08.17.2021
	RSU	15/16	7.49	34,500	-	34,500	-	-	-	-	08.14.2016 - 08.14.2018
	RSU	16/17	5.38	96,059	-	48,029	-	-	48,030	48,030	08.19.2017 - 08.19.2019
	RSU	17/18	4.74	165,079	-	55,026	-	-	110,053	110,053	08.21.2018 - 08.21.2020
	RSU	18/19	4.39	-	178,799	-	-	-	178,799	178,799	08.17.2019 - 08.17.2021
Ms. Ma Xuezheng	SAR	11/12	4.56	-	-	-	107,666	101,333	-	-	08.19.2012 - 08.19.2014
	SAR	12/13	6.36	-	-	-	-	-	-	182,877	07.03.2013 - 07.03.2015
	SAR	13/14	7.88	-	-	-	-	-	-	364,084	08.16.2014 - 08.16.2016
	SAR	14/15	11.48	-	-	-	-	-	-	275,884	08.15.2015 - 08.15.2017
	SAR	15/16	7.49	134,656	-	134,656	-	-	-	403,970	08.14.2016 - 08.14.2018
	SAR	16/17	5.38	410,508	-	205,254	-	-	205,254	615,761	08.19.2017 - 08.19.2019
	SAR	17/18	4.74	955,316	-	318,439	-	-	636,877	955,316	08.21.2018 - 08.21.2020
	SAR	18/19	4.39	-	1,125,232	-	-	-	1,125,232	1,125,232	08.17.2019 - 08.17.2021
	RSU	15/16	7.49	34,499	-	34,499	-	-	-	-	08.14.2016 - 08.14.2018
	RSU	16/17	5.38	96,059	-	48,029	-	-	48,030	48,030	08.19.2017 - 08.19.2019
	RSU	17/18	4.74	165,079	-	55,026	-	-	110,053	110,053	08.21.2018 - 08.21.2020
	RSU	18/19	4.39	-	178,799	-	-	-	178,799	178,799	08.17.2019 - 08.17.2021
Mr. Yang Chih-Yuan Jerry	SAR	12/13	8.63	-	-	-	-	-	-	24,593	02.20.2014 - 02.20.2016
	SAR	13/14	7.88	-	-	-	-	-	-	245,757	08.16.2014 - 08.16.2016
	SAR	14/15	11.48	-	-	-	-	-	-	186,221	08.15.2015 - 08.15.2017
	SAR	14/15	11.07	-	-	-	-	-	-	37,202	11.16.2015 - 11.16.2017
	SAR	15/16	7.49	134,657	-	134,657	-	-	-	403,970	08.14.2016 - 08.14.2018
	SAR	16/17	5.38	410,508	-	205,254	-	-	205,254	615,761	08.19.2017 - 08.19.2019
	SAR	17/18	4.74	955,316	-	318,439	-	-	636,877	955,316	08.21.2018 - 08.21.2020
	SAR	18/19	4.39	-	1,125,232	-	-	-	1,125,232	1,125,232	08.17.2019 - 08.17.2021
	RSU	15/16	7.49	34,501	-	34,501	-	-	-	-	08.14.2016 - 08.14.2018
	RSU	16/17	5.38	96,059	-	48,029	-	-	48,030	48,030	08.19.2017 - 08.19.2019
	RSU	17/18	4.74	165,079	-	55,026	-	-	110,053	110,053	08.21.2018 - 08.21.2020
	RSU	18/19	4.39	-	178,799	-	-	-	178,799	178,799	08.17.2019 - 08.17.2021
Mr. Gordon Robert Halyburton Orr	SAR	15/16	7.25	74,703	-	74,703	-	-	-	224,107	09.18.2016 - 09.18.2022
	SAR	16/17	5.38	410,508	-	205,254	-	-	205,254	615,761	08.19.2017 - 08.19.2023
	SAR	17/18	4.74	955,316	-	318,439	-	-	636,877	955,316	08.21.2018 - 08.21.2020
	SAR	18/19	4.39	-	1,125,232	-	-	-	1,125,232	1,125,232	08.17.2019 - 08.17.2021
	RSU	15/16	7.25	19,139	-	19,139	-	-	-	-	09.18.2016 - 09.18.2018
	RSU	16/17	5.38	96,059	-	48,029	-	-	48,030	48,030	08.19.2017 - 08.19.2019
	RSU	17/18	4.74	165,079	-	55,026	-	-	110,053	110,053	08.21.2018 - 08.21.2020
	RSU	18/19	4.39	-	178,799	-	-	-	178,799	178,799	08.17.2019 - 08.17.2021

Note 1: These units were nullified in accordance with the operation of the SAR plan rules.

Note 2: Proceeds in respect of quarterly deferral grants to be paid only at point of termination from the board of directors or unforeseen emergency.

Compensation Committee Report

OTHER SHAREHOLDER ORIENTED FEATURES

Share Ownership Guidelines

Lenovo maintains share ownership guidelines for selected executives, including the Chairman/CEO and senior management. The guidelines help to align executives with shareholders and focus executives on the long-term performance of Lenovo by requiring certain levels of share ownership. The guidelines (expressed as a multiple of base salary) vary by role and level and are expected to be achieved within 5 years of becoming an eligible executive. If the guidelines are not achieved, executives are required to retain a minimum portion of vested shares delivered through Lenovo's incentive plans until the guidelines are met. The guidelines are then expected to be maintained throughout the executives' remaining employment. As of fiscal year end, 97% of executives covered by the guidelines have achieved the targeted level of ownership, and with the upcoming annual LTI grant in June 2019, 100% of executives covered by the guidelines will achieve the targeted level of ownership. Additionally, the Non-executive Directors are subject to similar guidelines and are in full compliance.

Claw Back Policy

Lenovo maintains a claw back policy for selected executives, including the Chairman/CEO and senior management. The policy states that in the event of a restatement of the Company's previously issued financial statements as a result of errors, omission, fraud or non-compliance, the Board may, in its discretion, attempt to recover all or a portion of compensation, with respect to any fiscal year in which the Company's financial results are negatively affected by such restatement.

Sustainability Overview

SUSTAINABILITY

We define sustainability as a system of core beliefs, and also as a management discipline – one with increasingly sophisticated tools and processes for measuring corporate performance.

At Lenovo, we perpetuate the values of sustainability, and we're proud to be recognized by professionals worldwide as a sustainability leader. Prominent programs such as Bloomberg's Gender Equality Index and CDP have recognized our achievements in workplace equality, greenhouse gas emissions mitigation, resource use, corporate social responsibility, and supply chain management. Our inclusion in the 2018 Hang Seng Corporate Sustainability Index demonstrates Lenovo's excellence in sustainability performance.

Excellence in sustainability starts at the top, with the support and endorsement of the Chairman and CEO, Yuanqing Yang. Evidence of our commitment comes through our board-approved Enterprise Risk Management (ERM) framework and Sustainability Materiality Assessment, which guides our sustainability reporting. Every year, we provide a full accounting of the company's environmental and social responsibility performance in our annual Sustainability Report.

As one of the largest advanced-manufacturing companies globally, our focus on sustainability helps make a significant impact in markets around the world.

Lenovo uses its ERM framework and process to regularly evaluate and address sustainability and corporate social responsibility risks. The Company's Board of Directors and management team across all major functions of the Company use this same process. Lenovo's corporate governance framework includes a Corporate Sustainability Policy, signed by Chairman and CEO Yuanqing Yang, which outlines the social, environmental, and economic principles that guide the Company's operation. The policy is available at www.lenovo.com/sustainability.

In May and August 2018, the Lenovo Board of Directors reviewed updates on Lenovo's sustainability and corporate responsibility risks. The updates included a review of Lenovo's Annual Report Environmental, Social, and Governance content, Sustainability Report, and the Company's anti-slavery and human trafficking statement; the Board approved all these updates. The Board also received an update on Lenovo's Sustainability Highlights, including customer expectations and requirements; a progress report on Lenovo's climate change commitments and a request for continued support of Lenovo's climate and renewable energy investments; and an update on ESG Risks and Lenovo's responses to them.

Lenovo's annual Sustainability Report provides a full accounting of the Company's environmental and social responsibility performance for the previous fiscal year. We determine the scope of the report by a Sustainability Materiality Assessment, a process where Lenovo evaluates and determines its significant, or material, sustainability topics.

Lenovo has continued its role as a signatory to the United Nations Global Compact, a public-private strategic policy initiative for businesses committed to aligning operations and strategies with ten universally accepted principles in the areas of human rights, labor, environment, and anti-corruption. In addition, many of Lenovo's initiatives align with the United Nations Sustainable Development Goals (SDGs), which are detailed in our latest Sustainability Report.

Lenovo maintains strong commitments to ethical corporate citizenship and sustainability practices in all of its activities. These are important commitments critical for the future of the Company in meeting expectations from customers and the communities with which the Company interacts.

Below contains a selection of Lenovo's FY18/19 sustainability achievements. Find more information in Lenovo's Sustainability Report available at www.lenovo.com/sustainability.

Sustainability Overview

Key Recognitions from the Global Community:

- 2019 Bloomberg Gender Equality Index, recognizing commitments to transparency in gender reporting and advancing women's equality
- 2019 EcoVadis CSR Gold level rating
- 2018 Platinum Award in Corporate Governance and Sustainability and Social Responsibility Reporting Award from the Hong Kong S.A.R. of China Institute of Certified Public Accountants
- 2018 Hang Seng Corporate Sustainability Index
- 2018 CDP (formerly Carbon Disclosure Project) Climate Change
  - Lenovo scored B, "Management Level," on CDP's climate questionnaire and an A on the CDP Supplier Engagement Rating, assessing progress toward environmental stewardship through climate change mitigation and adaptation
  - Lenovo was recognized with the "China Influence Award on Climate Change Mitigation" award by CDP in March 2019.

Lenovo Chief Corporate Responsibility Officer, John Cerretani, accepted the '2018 CDP China Influence Award on Climate Change Mitigation' in Beijing in March 2019.

- 2018 – Human Rights Campaign – Corporate Equality Index
  - Lenovo achieved a 100% (perfect score)
- Fatherly's 50 Best Places to Work for new Dads
- 2018 Working Mother 100 Best Companies for Working Mothers
- 2018 Working Mother Best Companies for Dads

Lenovo received the 2018 Best Corporate Governance Award from the Hong Kong S.A.R. of China Institute of Certified Public Accountants.

In addition, several organizations have recognized Lenovo manufacturing and Research & Development sites for safety, including Lenovo Chengdu, China, which received the "2018 Recognition of Safety Culture Demonstration Enterprise" from the local government.

ETHICS AND COMPLIANCE

Trust and integrity form key cultural foundations for Lenovo. Lenovo promotes a culture that demands the highest ethical standards of business conduct and a commitment to compliance with all laws and regulations wherever it operates. Its policies and programs align with its objective to operate ethically in all Lenovo business activities.

Lenovo has an Ethics and Compliance Office (ECO) that works in partnership with its business units across the globe to ensure they operate within legal and ethical obligations. Led by Lenovo's Chief Corporate Responsibility Officer, ECO plays a critical role in providing the resources and information employees need to make well-informed choices and decisions.

The ECO continually reviews and assesses Lenovo's internal policies and procedures, conducts in-person training sessions, and provides communications to our business teams to improve employee education on ethics and compliance issues. Additionally, the ECO maintains and monitors confidential reporting lines that employees and third parties may use to report misconduct. The ECO also leads Lenovo's efforts to conduct ethics and reputational due diligence on Lenovo business partners.

Lenovo's Code of Conduct, an integral part of its ethics and compliance program, applies to all Lenovo employees worldwide.

The Code establishes clear expectations for employee compliance with policies related to lawful and ethical business conduct and behavior. We make the Code available to employees in nine languages and accessible on Lenovo's website along with other corporate policies at www.lenovo.com/csr_resources. Regular training on the Code and related policies is provided to reinforce the Company's commitment to compliance and conducting business with integrity.

Lenovo expects the highest standards of ethical conduct from its employees and has a clear non-retaliation policy that protects employees who seek guidance on ethical or compliance issues or report any information pertaining to potential violations of law, Company policy, or the Code of Conduct. Lenovo provides formal, confidential mechanisms for reporting such concerns, all of which are addressed and tracked to resolution.

Privacy

Lenovo recognizes the great importance of privacy to individuals everywhere – customers, website visitors, product users, employees…everyone. The responsible use and protection of personal and other information under the Company's care is a core value.

To ensure adherence to Lenovo privacy policies, principles and processes, the Company maintains a global Privacy Program led by the Legal Department and a cross-functional Privacy Working Group comprised of key partners drawn from Information Security, Product Security, Product Development, Marketing, E-Commerce, Service and Repair, Human Resources, and other groups.

Key projects of the Privacy Program include:

- Engagement with Lenovo's business teams on privacy due diligence and application of key privacy principles
- Development and governance of internal and external privacy policies
- Hold pre-launch privacy review processes for products, software, websites, marketing programs, internal applications, and vendor relationships
- Host employee privacy awareness and training initiatives
- Support for contracts
- Tracking and application of legal requirements and industry best practices
- Audit and assessment
- Incident response planning and processes

Questions or concerns about Lenovo's privacy policies and programs can be addressed to privacy@lenovo.com.

Sustainability Overview

PRODUCT RESPONSIBILITY

Lenovo provides high-quality products that are safe to operate throughout their lifecycle. Lenovo designed corporate strategies, policies, and guidelines to support this commitment. Our products meet all applicable legal requirements as well as voluntary safety and ergonomics practices to which Lenovo subscribes wherever our products are sold. See Lenovo's product safety priorities below.

Lenovo's Quality Policy forms the foundation of its Quality Management System, which is ISO (International Organization for Standardization) 9001:2015 certified. To maintain the highest level of quality in products, Lenovo employs an active, closed-loop process whereby feedback mechanisms provide quick resolution to customer issues. When we discover product issues we perform a root cause analysis and feed the results back into manufacturing, development, and test organizations to ensure similar issues do not arise with current or future products.

MANUFACTURING AND SUPPLY CHAIN OPERATIONS

Manufacturing Operations

Lenovo's manufacturing business model combines both Company-owned manufacturing capabilities with original design manufacturer (ODM) partnerships and joint-venture manufacturing. This hybrid model gives us a competitive advantage which allows us to bring new innovations to market fast while we maintain strong control over product development and supply chain operations. Given our global manufacturing operation, we can tailor our products to regional markets.

All Lenovo global manufacturing locations are ISO 9001 (Quality), ISO 14001 (Environmental) and OHSAS 18001 (Health and Safety) certified. As required by these globally accepted standards, we implemented objectives and targets annually at each Lenovo manufacturing facility for continual improvement and a safe and healthy work environment for our employees. In addition, Lenovo encourages its suppliers to achieve OHSAS 18001 certification through voluntary initiatives.

Occupational Health and Safety

We want to provide a safe and healthy working environment for all Lenovo employees. The Company's Global Occupational Health and Safety (OHS) organization creates and maintains world-class standards for employee workplace safety through our Occupational Safety and Health Management System. This System delivers health and safety programs and processes throughout our global manufacturing footprint through education, prevention, checks, and controls that are vital to achieving the Company's objectives for innovation, productivity and continual improvement. We quickly and fully integrate and measure new facilities into our system to our demanding health and safety standards. All Lenovo global manufacturing locations are OHSAS 18001 certified by Bureau Veritas, a leading independent certification body.

Countries with health & safety-certified (OHSAS 18001) Lenovo manufacturing locations

- Brazil
- China
- India
- Japan
- Mexico
- U.S.A.

Lenovo focuses on continually improving the sustainability performance of its manufacturing organizations guided by programs and tools of the Responsible Business Alliance (RBA). Lenovo upholds compliance with the RBA Code of Conduct by conducting regular occupational health, safety, and environmental assessments at all internal global manufacturing locations to provide high levels of regulatory and external management systems compliance.

Sustainability Overview

Supply Chain Operations

Lenovo expects its suppliers to provide the highest quality parts, products, and services, and to conduct business ethically, responsibly, and sustainably. We measure our top 100 suppliers, which constitute most of our procurement spend, across 25 key sustainability indicators. A large majority of our procurement spend suppliers are ISO 9001/ISO 14001/OHS 18001 certified, issue public sustainability reports, and receive quarterly scorecards from Lenovo which include sustainability performance.

First and foremost, we require suppliers contractually through purchase order terms and conditions and other formal agreements to comply with all legal, regulatory, and various additional sustainability requirements. We require them to implement and maintain documented quality and environmental management systems that meet ISO 9001 and ISO 14001 requirements, follow all laws regarding environmental and workplace conditions, comply with restricted materials requirements, and provide necessary declarations.

Lenovo also implements the RBA Code of Conduct contractually with its suppliers as well as the Lenovo Supplier Code of Conduct. The RBA code covers elements of labor, environmental, and health concerns. It specifically addresses child labor, forced labor, working hours, overtime, time off, recruitment fees, and ensuring these requirements are passed on to all levels of the supply chain. Lenovo works to make sure 95 percent of its Tier 1 suppliers and 50 percent of its Tier 2 suppliers by procurement spend comply with this directive through formal self-assessments and independent third-party audits.

Regarding supplier environmental impacts, Lenovo's Environmental Affairs Policy requires Lenovo's Procurement team to identify areas of environmental risk based on specific criteria and then to conduct prescribed actions to mitigate risk. We audit suppliers with the highest potential risk before we use them, and we audit them on a regular schedule. Additionally, we require suppliers to report their policy goals, greenhouse gas (GHG) emissions, water usage, waste generation, and renewable energy use annually, and we track how they're doing on their reduction efforts.

Lenovo recognizes the importance of concerns regarding the sourcing of materials containing tin, tantalum, tungsten, gold (3T/G), and cobalt. When we source these materials from regions experiencing political and social conflict, which may include the Democratic Republic of the Congo or surrounding countries, we refer to them as "conflict minerals." We support the efforts of the RBA, the Responsible Minerals Assurance Process (RMAP), NGOs, and governmental bodies to solve this complex issue. We have supported these efforts with our RBA membership dues since 2006 and direct participation in RBA programs. Also, Lenovo has joined the Responsible Minerals Initiative (RMI) to focus on conflict materials beyond 3T/G.

Lenovo's activities regarding conflict minerals include:

- A comprehensive Conflict Minerals Policy as well as a specific Cobalt Policy
- Working with suppliers through formal contracts and directly validating their due diligence efforts via independent third-party RBA audits
- Participating in RMI conflict mineral conferences, smelter engagement teams, and other work groups
- Holding regular education sessions for employees, publishing quarterly newsletters, and providing supplier training as needed
- Employing the RBA Conflict Minerals Reporting Template (CMRT) for Reasonable Country of Origin Inquiry (RCOI) efforts across 95 percent of our procurement spend and our supply chain
- Utilizing RMAP to audit and certify smelters as being conflict-free compliant
- Reporting the program status to Lenovo's Chief Corporate Responsibility Officer
- Reporting publicly our conflict minerals report, the smelters and refiners in our supply chain and their country of location as well as our list of suppliers

Supplier Diversity

We believe in providing equal opportunity for all suppliers while developing and advocating a diversified supplier base. We seek to provide the maximum practical opportunities for diverse suppliers to provide goods and services while also creating sustainable, mutually beneficial relationships. To that end, we are focusing on maximizing the inclusion of Minority-, Women-, Veteran-, Service Disabled Veteran-, Disabled-, Lesbian, Gay, Bisexual and Transgender (LGBT) – owned businesses as well as businesses located in Historically Underutilized Business Zones (HUBZones) and Small Businesses within our procurement activities.

Lenovo recognizes the impact that supplier diversity has on the community. We understand that when businesses with diverse ownership flourish and prosper, the communities they serve share the benefits. And when our communities succeed, we all win.

To increase diversity in our business relationships, Lenovo seeks to include the following suppliers:

Lenovo also partners with a variety of national and regional organizations, such as the National Minority Supplier Development Council (NMSDC), the Women's Business Enterprise National Council (WBENC) and Carolinas/Virginia Small Business Development Council (CVMSDC), to facilitate supplier identification and program development. Annually, Lenovo conducts more than US$190 million in business with certified small suppliers and more than US$300 million with certified diverse suppliers in the United States.

For more information, please visit our Supplier Diversity website at www.lenovo.com/supplierdiversity.

THE ENVIRONMENT

Lenovo's long-term, comprehensive approach to environmental management encompasses everything from site operations and product design to recycling and product end-of-life management. Lenovo's Environmental Affairs Policy, which applies to all operations and forms the foundation of Lenovo's EMS, provides the backbone for Lenovo's strategy. Find the Environmental Affairs Policy available at www.lenovo.com/environment.

We describe our approach to managing environmental risk and ensuring compliance in the Management Discussion & Analysis section on page 31 and Supply Chain Operations section on page 132.

Sustainability Overview

Climate Change
Lenovo has identified climate change as a significant environmental risk and opportunity. We evaluate it as part of the processes described below.

1) As part of Lenovo's ERM system process, we evaluate and prioritize climate change at least annually with regards to internal manufacturing and external supply chain risks.

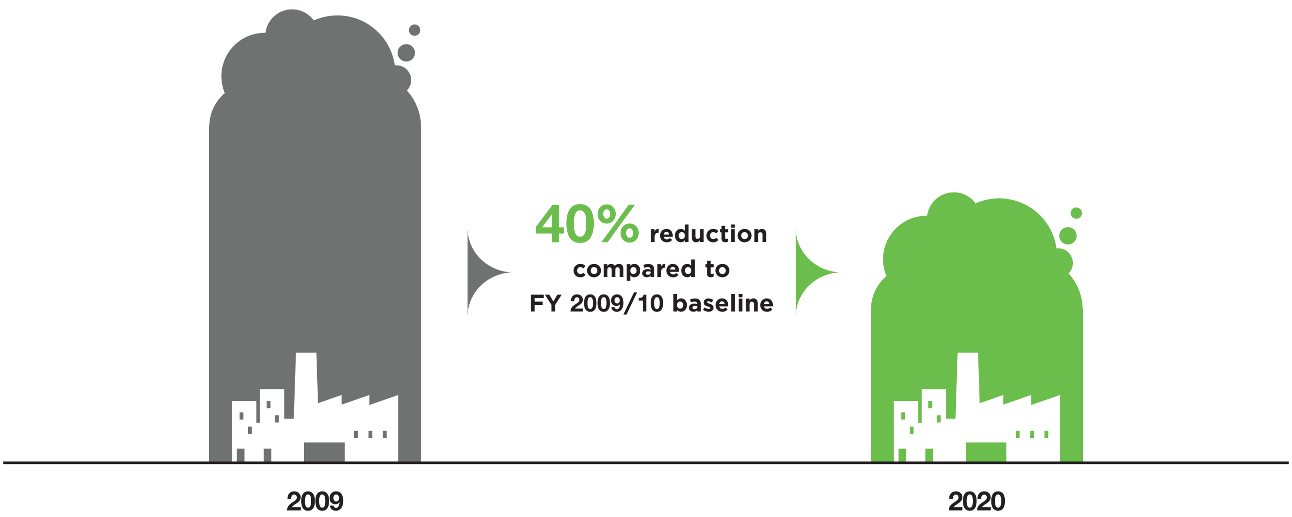
2) As part of Lenovo's ISO 14001 EMS, we evaluate and assign a quantified score at least annually for environmental risks including climate change for use in establishing objectives and targets under the EMS.

3) We consider climate change as part of Lenovo's Sustainability Reporting Materiality Assessment process.

Lenovo's Climate and Energy Policy forms the foundation of our climate change strategy. This Policy supports the conclusions as presented by the Fifth Assessment Report (AR5) of the Intergovernmental Panel on Climate Change (IPCC) – "Climate Change 2014." Lenovo concurs with the findings and agrees that specific actions are needed to stabilize atmospheric greenhouse gas (GHG) levels and hold global average temperatures to acceptable increases. Lenovo's actions include reducing global emissions by 40-to-70 percent between 2010 and 2050 and attaining zero emissions by 2100. These actions align with the global scientific community's recommendations for maintaining global warming below two degrees Celsius over the 21st century relative to pre-industrial levels.

Lenovo's climate change strategy receives input from the very highest levels of our organization. Lenovo's Executive Committee and Board of Directors directed Lenovo to establish a second-generation Scope 1 and 2 GHG emissions reductions goal. We released this new goal in FY15/16. It calls upon Lenovo to reduce Scope 1 and 2 GHG emissions by 40 percent by 2020 relative to our FY09/10 adjusted baseline. This second-generation target for GHG emission reductions aligns with our customers' and investors' expectations and follows the latest scientific findings of climate science. In support of this goal, in May 2015 the Lenovo Board of Directors recommended that Lenovo achieve 30 megawatts of direct renewable generation by 2020.

LENOVO GLOBAL GHG EMISSION TARGET



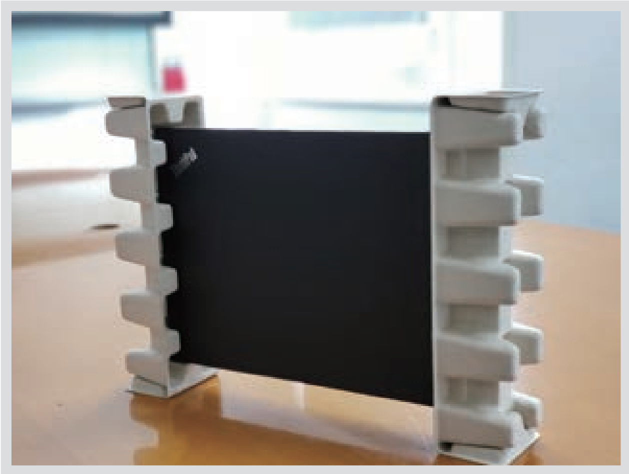
Solar panel installation at Lenovo Whitsett, North Carolina facility - March 2019.

While we have demonstrated good progress during the early stages of GHG reduction and renewable energy commitments, more work needs to be done. With a continued focus on energy efficiency, Lenovo's global teams continue to work to identify and implement energy reduction, renewable energy, and carbon offset opportunities to provide a cost-effective path to meeting our second-generation targets.

In FY18/19, Lenovo submitted preliminary third-generation targets for 2020 and beyond to the Science Based Targets Initiative for review. Based on feedback from the review, Lenovo will resubmit final targets for 2020 after we verify data for the new baseline year.

In addition to addressing these high-level corporate goals, Lenovo established more detailed climate change-related goals as part of Lenovo's EMS. We will discuss them in more detail in Lenovo's FY18/19 Sustainability Report. Lenovo responded to the 2018 CDP climate change survey and received a B, placing Lenovo in the management category. We make our annual climate change report, including a climate change risk and opportunities analysis, available at www.cdp.net. For additional details on Lenovo's GHG emissions inventory and management, see Lenovo's climate change web pages at www.lenovo.com/climate and Sustainability Reports at www.lenovo.com/sustainability.

Sustainability Overview



Lightweight and robust bamboo and bagasse fiber based packaging is 100% compostable, shown here on a 12" ThinkPad notebook.

Transport and Packaging
Lenovo considers transport and packaging to be among its significant environmental aspects. Emissions arise from different types of transportation and distribution activities throughout Lenovo's value chain, including emissions from product transport and the business travel of Lenovo employees. Lenovo works closely with its partners to ship products in the most environmentally responsible manner and encourages employees to utilize technology to reduce travel.

Packaging can affect transportation emissions in addition to the environmental impacts of when it is used and disposed. We are continually innovating to improve packaging to reduce size and weight and to use more environmentally responsible materials as part of our Environmentally Conscious Product Program.

We establish company-wide transport and packaging objectives and targets annually and publish them in Lenovo's Sustainability Report, along with results of the reporting year's objectives and targets.

Waste and Water
Reducing and recycling waste and conserving water represent key areas of commitment. Lenovo tracks waste metrics and works to identify and implement opportunities to reduce waste quantities. Lenovo operations generate minimal quantities of hazardous waste. Lenovo tracks and monitors water consumption and discharge in its operations even though it does not have any wet processes; water use only involves human consumption and sanitation. Lenovo developed a water risk map for Lenovo's sites in a scope of our EMS. Details on performance relative to waste and water are available in Lenovo's Sustainability Report. For additional details on Lenovo's waste and water inventory, see Lenovo's Sustainability Reports and website: www.lenovo.com/waterandwaste.

Lenovo's waste and water data are third-party verified by Bureau Veritas to a reasonable level of assurance. Please see verification statements at www.lenovo.com/waterandwaste.

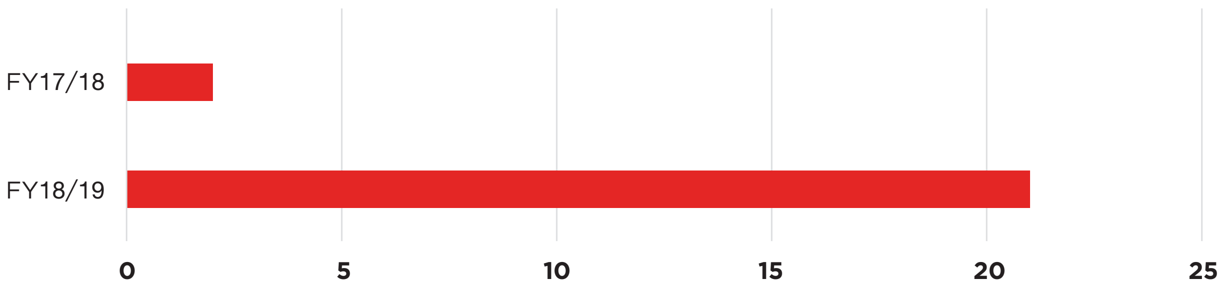
Environmentally Conscious Products Program
Lenovo includes its Environmentally Conscious Products Program in its EMS and incorporates an expectation for continual improvement. We reflect our commitment to product environmental leadership in our Environmental Affairs Policy, which includes product-specific commitments related to responsible materials usage, energy efficiency, and recycling. Lenovo's product environmental standards and specifications require the designers of all Lenovo products to consider certain environmentally conscious design practices to facilitate and encourage reuse and recycling and to minimize resource consumption.

Lenovo prioritizes using environmentally preferable materials whenever possible. Lenovo continues to drive innovation in using recycled content materials, and in FY17/18 we released our first products made with closed-loop post-consumer recycled content (CL-PCR), the V410z All-in-One desktop and the ThinkVision T22v-10 monitor. In FY18/19, we followed up this success with the release of numerous new models made with CL-PCR, including the following:

Product Type	Model Name	% CL-PCR
Desktop	M920z	24%
Accessories	Lenovo Essential Wireless Keyboard	50.6%
Accessories	Lenovo USB Numeric Keypad	84.6%
Monitors	TIO24Gen3-IR	55.97%
Monitors	L23i-18	24.60%
Monitors	ThinkVision X1 (2nd Gen)	34.34%
Monitors	T27i-10	37.50%
Monitors	S27i-10	44.80%
Monitors	L27i-28	44.50%
Monitors	L24e-20	43.57%
Monitors	S24e-10	43.39%
Monitors	L22e-20	43.70%
Monitors	S22e-10	49.03%
Monitors	S22e-19	43.60%
Monitors	L27m-28	43.10%
Monitors	K27i-10	33.20%
Monitors	K27i-16	33.20%
Monitors	K24e-10	30.31%
Monitors	T24m-10	53%
Monitors	T24i-10	53%
Monitors	P32u-10	47%

To date, Lenovo has used more than 2500 metric tonnes (net) of CL-PCR since we started using this material in 2017.

Products made with CL-PCR*



*24%-85% CL-PCR

Sustainability Overview

Product energy efficiency	Includes developing and offering tools such as Lenovo Efficiency Mode (LEM), which helps servers operate at peak efficiency when the OS is running
Product carbon footprint	Includes identifying hotspots for targeted emissions reductions on high-volume mainstream products in each business unit
Product packaging	Includes refining packaging design to increase pallet density
Environmentally preferred materials	Includes efforts to steadily increase the percentage of recycled plastic used in manufacturing Lenovo products

Take Back and Recycling

Lenovo offers product take-back and recycling programs for both consumer and business customers in most major markets where it does business, with many of those programs free to the consumer. For business customers, Lenovo's Asset Recovery Service (ARS) provides customizable solutions including computer take-back, data destruction, refurbishment, and recycling services.

OUR PEOPLE

Lenovo believes its employees are its most valuable strategic assets, differentiated by a strong company culture. Lenovo's global diversity helps us better serve our customers. Lenovo goes beyond diversity with a focus on creating an inclusive environment with the intended outcome of each employee feeling valued, respected, and a sense of belonging.

The foundation of our respect for employees comes in our commitment to non-discrimination and a work environment free from harassment regardless of race, color, religion, gender, gender identity or expression, national origin, ethnicity, sexual orientation, sex, age, disability, veteran status, or any other characteristic protected by law.

Lenovo's "Commitment to Diversity and Non-discrimination" Policy documents and formalizes Lenovo's commitments to ensuring equal opportunity and maintaining a diverse workforce. We are also an Affirmative Action – Equal Opportunity Employer in the United States.

Lenovo's employee-related standards, policies, and benefits are designed to be best-in-class, attracting and retaining top talent and enabling them to achieve their full potential.

Operating in a continually changing technology industry, we value a well-trained and educated workforce. As such, we focus heavily on training and education.

Being a successful employer and hiring/retaining employees fuels our business success. We design our human resource efforts and initiatives to make Lenovo a desirable place to work. Our ability to hire, train, and retain employees successfully ensures that we are making the correct investments in our human capital.

Lenovo measures employment success across five key elements: compensation and benefits; work-life balance; performance and recognition; development and career opportunities; and retention. Diversity factors into who we are, what we make, and nearly everything we do: we represent more than 60 countries; we work with suppliers of different types; we give back in different ways to local communities where our employees live and work; and customers across 160 countries count on our products. Since releasing our first Diversity and Inclusion (D&I) Report in November 2018, we've launched a D&I Board of 10 top executives and have committed to increasing women's representation among our leadership. For additional details on Lenovo's Diversity and Inclusion accomplishments, see https://www.lenovo.com/us/en/about/diversity.

We understand that an unhealthy or dangerous workplace could have significant negative implications for our employees, the quality of our products, and the Company's standing as a legally compliant and responsible corporate citizen. With this in mind, Lenovo's OHS organization is committed to ensuring the implementation of an effective health and safety management system. Please see the Manufacturing and Supply Chain Operations section for more information.

SOCIAL INVESTMENTS

We direct our social investments to empower diverse and minority populations with access to technology innovations and science, technology, engineering, and math (STEM) education. Lenovo provides social investments through the global work of Lenovo Corporate Philanthropy and the Lenovo Foundation, Lenovo's charitable and philanthropic arm launched on October 22, 2018.

We execute our social investments through strategic charitable partnerships specific to Lenovo's geographies around the world. In North America, Lenovo partners with NAF (National Academy Foundation), Boys & Girls Clubs of America, and the Smithsonian Center for Learning and Digital Access. Each partnership provides a unique approach to engaging diverse and minority individuals in STEM. Most notably, the NAF partnership is in its fifth year of providing the Lenovo Scholar Network, which offers more than 5,000 students at 118 public high schools across the United States the opportunity to learn to develop mobile applications.

Other strategic partnerships include United Way Europe, Laboratoria in Latin America, the Indigenous Reading Project in Asia Pacific, and ongoing community outreach through the Horizon Corporate Volunteer Consultancy in China.

In addition to STEM education, Lenovo engages with local communities and provides relief in times of natural disasters. Lenovo uses a metric based evaluation process to ensure an appropriate and consistent response to disasters around the world, regardless of the media attention that a disaster may or may not receive. The Lenovo natural disaster response team works with local employees to determine an appropriate response, implementing their response and providing ongoing aid through trusted disaster response partners, like American Red Cross and Save the Children.

Sustainability Overview

Employee Engagement in the Community
In addition to philanthropic initiatives, Lenovo empowers employees to give back to their communities through volunteerism. In April 2018, nearly 2,000 employees around the world were able to take a day to volunteer through Lenovo's 2018 global week of service, Make a Difference Week. Employees gave more than 10,000 hours in volunteer service focused on STEM education and the environment, through efforts that met the unique needs of their communities. The company grants employees in North America and China 32 hours of annual paid time off for volunteerism and offers employees in North America a 50 percent match for their charitable donations. Since 2005, North America employees have volunteered more than 150,000 hours, and Lenovo and its employees have contributed more than $20 million to charitable causes.

In April 2018, Lenovo held its second annual global service event, engaging nearly 2,000 employees around the world in local volunteerism. Employees gave more than 10,000 hours in volunteer service focused on STEM education and the environment, through efforts that met the unique needs of their communities.

For more information about social investments, please see Lenovo's Sustainability Report.

Lenovo volunteers in Shenzhen, China guide a student through STEM activities during 2018 Global Week of Service.

In addition to providing a technology donation for an indigenous population near Lima, Peru, volunteers interacted through traditional weaving and hand crafts.

Directors' Report

The directors of Lenovo Group Limited (the "**Company**") submit their report together with the audited consolidated financial statements of the Company and its subsidiaries (collectively the "**Group**") for the year ended March 31, 2019.

PRINCIPAL BUSINESS AND GEOGRAPHICAL ANALYSIS OF OPERATIONS

The principal activity of the Company is investment holding. The activities of its principal subsidiaries are set out in note 37 to the financial statements.

Details of the analyses of the Group's performance for the year by operating segment are set out in note 5 to the financial statements.

BUSINESS REVIEW

A discussion and analysis of the activities as required by Schedule 5 to the Companies Ordinance (Chapter 622 of the Laws of Hong Kong S.A.R. of China), including a fair review of the business and a discussion of the principal risks and uncertainties facing the Group, particulars of important events affecting the Group that have occurred since the end of the financial year 2018, and an indication of likely future development in the Group's business, can be found in the "Five-Year Financial Summary", "Chairman & CEO Statement", "Management's Discussion & Analysis" and "Sustainability Overview" sections of this annual report. These discussions form part of this directors' report.

RESULTS AND APPROPRIATIONS

The results of the Group for the year are set out in the consolidated income statement on page 179 of this annual report.

The state of affairs of the Group and of the Company as at March 31, 2019 is set out in the consolidated balance sheet on pages 181 and 182 of this annual report and the balance sheet of the Company in note 30(a) to the financial statements respectively.

The consolidated cash flows of the Group for the year are set out in the statement on pages 183 and 184 of this annual report.

An interim dividend of HK6.0 cents (2018: HK6.0 cents) per share, amounting to a total of approximately HK$720.9 million (approximately US$92.1 million) (2018: approximately HK$666.5 million (approximately US$85.4 million)), was paid to shareholders during the year.

The Board has resolved to recommend the payment of a final dividend of HK21.8 cents per share for the year ended March 31, 2019 (2018: HK20.5 cents). Subject to shareholders' approval at the forthcoming annual general meeting of the Company to be held on July 9, 2019 ("**AGM**"), the proposed final dividend will be payable on July 24, 2019 to the shareholders whose names appear on the register of members of the Company on July 15, 2019.

For the purposes of determining shareholders' eligibility to attend and vote at the AGM, and entitlement to the proposed final dividend, the register of members of the Company will be closed. Details of such closures are set out below:

(i) For determining shareholders' eligibility to attend and vote at the AGM:

Latest time to lodge transfer documents for registration	4:30 p.m. on July 2, 2019
Closure of register of members	From July 3 to July 9, 2019
Record date	July 3, 2019

RESULTS AND APPROPRIATIONS *(continued)*

(ii) For determining shareholders' entitlement to the proposed final dividend:

Latest time to lodge transfer documents for registration	4:30 p.m. on July 12, 2019
Closure of register of members	July 15, 2019
Record date	July 15, 2019

During the above closure periods, no transfer of shares will be registered. To be eligible to attend and vote at the AGM, and to qualify for the proposed final 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 not later than the aforementioned latest times.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results for the year and of the assets and liabilities of the Group as at March 31, 2019 and for the last four financial years are set out on page 291 of this annual report.

DISTRIBUTABLE RESERVES

As at March 31, 2019, the distributable reserves of the Company amounted to US$1,014,943,000 (2018: US$776,657,000).

BANK BORROWINGS

Particulars of bank borrowings as at March 31, 2019 are set out in note 26 to the financial statements.

DONATIONS

Charitable and other donations made by the Group during the year amounted to US$1,678,000 (2018: US$1,788,000).

SHARE CAPITAL

Details of movement of share capital of the Company during the year are set out in note 28 to the financial statements.

CONVERTIBLE BONDS

The Company issued US$675,000,000 3.375% convertible bonds ("**Bonds**") due 2024 to third party professional investors only and the Bonds were listed on The Stock Exchange of Hong Kong S.A.R. of China Limited (the "**Stock Exchange**") on January 25, 2019.

The Bonds are convertible into a maximum of 662,539,112 shares at the conversion price of HK$7.99 per share in accordance with the subscription agreement dated January 15, 2019 ("**Subscription Agreement**") ("**Conversion Shares**"), which represents (i) approximately 5.51% of the existing issued share capital of the Company as at the date of issue; and (ii) approximately 5.23% of the issued share capital of the Company, as enlarged by full conversion of the Bonds (assuming there will be no other changes in the Company's shares).

The Conversion Shares issued upon conversion of the Bonds will be fully paid and in all respects rank *pari passu* with the Company's shares in issue on the relevant registration date. The Conversion Shares (if and when issued) will be issued under the general mandate granted to the directors pursuant to an ordinary resolution of the Company passed at the annual general meeting held on July 5, 2018.

There had not been any exercise of the Bonds during the financial year ended March 31, 2019, and no redemption right had been exercised by the bondholders or the Company during the year ended March 31, 2019.

Assuming the Bonds were fully exercised on March 31, 2019, the shareholdings of the Company immediately before and after the full exercise of the Bonds are set out below for illustration purposes:

Shareholders	**Shareholding immediately before the full exercise of the Bonds**		**Upon full conversion of the Bonds at the initial conversion price of HK$7.99 each**	
	Number of Shares	**Approximate % of the total issued share capital**	**Number of Shares**	**Approximate % of the total issued share capital**
LHL(1)	2,867,636,724	23.87%	2,867,636,724	22.62%
RLL(2)	388,819,317	3.24%	388,819,317	3.07%
LEL(3)	240,100,000	2.00%	240,100,000	1.89%
SHL(4)	622,804,000	5.18%	622,804,000	4.91%
Union Star(5)	996,750,579	8.30%	996,750,579	7.86%
Directors of the Company(6)	107,948,913	0.89%	107,948,913	0.85%
Subscribers for the Bonds	–	–	662,539,112	5.23%
Other public Shareholders	6,790,732,081	56.52%	6,790,732,081	53.57%
Total	12,014,791,614	100.00%	12,677,330,726	100.00%

CONVERTIBLE BONDS *(continued)*

Notes:

(1) Legend Holdings Corporation ("**LHL**"), a company incorporated in the PRC, the H shares of which are listed on the Stock Exchange (stock code: 3396).

(2) Right Lane Limited ("**RLL**"), a company incorporated in Hong Kong S.A.R. of China with limited liability and a wholly owned subsidiary of LHL.

(3) Legion Elite Limited ("**LEL**"), a company incorporated in the British Virgin Islands and a wholly owned subsidiary of RLL.

(4) Sureinvest Holdings Limited ("**SHL**"), a company incorporated in the British Virgin Islands and an investment holding company held as to 86.99% by Mr. Yang Yuanqing, 4.66% by Mr. Wong Wai Ming (chief financial officer of the Company) and 8.34% by eight other individuals.

(5) Union Star Limited ("**Union Star**"), a company incorporated in the Cayman Islands and is held as to 21.00%, 32.00% and 47.00% by SHL, LHL (through LEL) and Red Eagle Group (PTC) Limited (through Harvest Star Limited), respectively. Harvest Star Limited is a company incorporated in the Cayman Island and a wholly owned subsidiary of Red Eagle Group (PTC) Limited (a company incorporated in the British Virgin Islands and a trust holding company of an employee benefit trust of the Company).

(6) Without taking into account of the share awards held by the Directors.

Based on the cash and cash equivalents as at March 31, 2019 and the cash flow from operating activities of the Company, the Company has the ability to meet its redemption obligation under the Bonds.

Further particulars of the Bonds are set out in note 26 to the consolidated financial statements.

EQUITY-LINKED AGREEMENTS

Pursuant to the Subscription Agreement, the Company issued and the subscriber subscribed for 90,613,689 units of bonus warrants ("**Bonus Warrants**") at the initial exercise price of HK$5.17 per Bonus Warrant on November 17, 2017. The exercise in full of the subscription rights attaching to the Bonus Warrants will result in the issue of 90,613,689 shares of the Company. As at March 31, 2019, all the units of Bonus Warrants remained outstanding. For further details of the Bonus Warrants, please refer to note 11 to the financial statements, and also the Company's announcements dated September 29, 2017 and November 17, 2017 and circular dated October 16, 2017 in relation to, among other things, issuance of the Bonus Warrants.

Save as disclosed above and the "Long-Term Incentive Program" and the "Employee Share Purchase Plan" as disclosed in the Compensation Committee Report and note 28 to the financial statements, no equity-linked agreements were entered into by the Company during the year or subsisted at the end of the year.

SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

Particulars of the Company's principal subsidiaries, associates and joint ventures as at March 31, 2019 are set out in notes 37 and 17 to the financial statements respectively.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the Group sold less than 11% of its goods and services to its five largest customers. The percentages of purchases for the year attributable to the Group's major suppliers are as follows:

The largest supplier	14%
Five largest suppliers combined	35%

None of the directors of the Company, their close associates or any shareholder (which to the knowledge of the directors own more than 5% of the number of issued shares of the Company) had an interest in the major suppliers noted above.

Directors' Report

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

During the year ended March 31, 2019, 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 226,487,041 shares from the market for award to employees upon vesting. Details of these program and plan are set out under sections headed "Long-Term Incentive Program" and "Employee Share Purchase Plan" in the Compensation Committee Report on page 119 and page 121 respectively of this annual report.

DIRECTORS

The directors during the year and up to the date of this report are:

Chairman and Executive Director
Mr. Yang Yuanqing

Non-executive Directors
Mr. Zhu Linan
Mr. Zhao John Huan

Independent Non-executive Directors
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
Mr. Gordon Robert Halyburton Orr
Mr. Woo Chin Wan Raymond (appointed on February 22, 2019)
Professor Shoucheng Zhang (appointed on August 17, 2018 and passed away on December 1, 2018)

In accordance with article 95 of the Company's articles of association, Mr. Woo Chin Wan Raymond who was appointed as a director during the year, shall hold office until the AGM and, being eligible, has offered himself for re-election.

In accordance with article 107 of the Company's articles of association, Mr. Zhu Linan, Dr. Tian Suning, Mr. Yang Chih-Yuan Jerry and Mr. Gordon Robert Halyburton Orr will retire by rotation at the AGM. Dr. Tian Suning will not stand for re-election at the AGM after having served as an independent non-executive director of the Company for more than 9 years. The other three retiring directors will offer themselves for re-election at the AGM.

The Company has received from each of the independent non-executive directors an annual confirmation of his/her independence pursuant to rule 3.13 of the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**"). The Nomination and Governance Committee has duly reviewed the independence of each of these directors. The Company considered that all independent non-executive directors meet the independence guidelines set out in rule 3.13 of the Listing Rules and are independent in accordance with the terms of the guidelines.

The list of directors who have served on the boards of directors of the subsidiaries of the Company during the year ended March 31, 2019 or during the period from April 1, 2018 to the date of this report is available on the Company's website (https://investor.lenovo.com/en/publications/list_directors.php).

BIOGRAPHY OF DIRECTORS AND SENIOR MANAGEMENT

Honorary Chairman

Mr. Liu Chuanzhi, 75, has been the Honorary Chairman and Senior Advisor of the Company since November 3, 2011. Mr. Liu is the founder of the Group and held the positions of executive director, non-executive director and chairman of the Board at different times from 1993 until his resignation from the Board on November 3, 2011. As our Honorary Chairman, Mr. Liu is not a director or an officer of the Company or of any subsidiary of the Company, and does not have any management role in the Company or any of its subsidiaries. In 1966, he graduated from the Radar Navigation Department of People's Liberation Army Institute of Telecommunication Engineering (中國人民解放軍軍事電信工程學院雷達導航系) (now known as Xidian University) in China and has substantial experiences in corporate management. Mr. Liu is the chairman of the board and executive director of Legend Holdings Corporation (HKSE listed), a company holding substantial interests in the issued shares of the Company.

Biography of directors

Chairman and executive director

Mr. Yang Yuanqing, 54, is the Chairman of the Board, Chief Executive Officer and an executive director of the Company. He is also a director and a shareholder of Sureinvest Holdings Limited which holds interests in the issued shares of the Company. Mr. Yang assumed the duties of chief executive officer of the Company on February 5, 2009. Prior to that, he was the chairman of the Board from April 30, 2005. Before taking up the office as chairman, Mr. Yang was the chief executive officer and has been an executive director of the Company since December 16, 1997.

Mr. Yang has 30 years of experience in IT industry. Under his leadership, Lenovo has been China's best-selling PC brand since 1997 and is the leading PC vendor, one of the major players in global smartphone and x86 server markets. Mr. Yang holds a master's degree from the Department of Computer Science at the University of Science and Technology of China. Mr. Yang is currently a director of Baidu, Inc. (NASDAQ listed) and an independent director of Taikang Insurance Group Inc. Mr. Yang is also a guest professor at the University of Science and Technology of China and a member of the International Advisory Council of Brookings Institute.

Non-executive directors

Mr. Zhu Linan, 56, has been a non-executive director of the Company since April 30, 2005. Mr. Zhu graduated with a master's degree in electronic engineering from Shanghai Jiao Tong University and has more than 20 years of management experience. He was previously a senior vice president of the Group. Mr. Zhu is currently an executive director, president and member of executive committee of Legend Holdings Corporation (HKSE listed), a company holding substantial interests in the issued shares of the Company and he also serves as director of its various members. He is a non-executive director of CAR Inc. (HKSE listed). He was previously a non-executive director of Peak Sport Products Co., Limited.

BIOGRAPHY OF DIRECTORS AND SENIOR MANAGEMENT *(continued)*

Biography of directors *(continued)*

Non-executive directors *(continued)*

Mr. Zhao John Huan, 56, has been a non-executive director of the Company since November 3, 2011. Mr. Zhao holds a master's degree in business administration from the Kellogg School of Management at Northwestern University, dual master's degrees in electric engineering and physics from Northern Illinois University and a bachelor's degree in physics from Nanjing University. He is currently an executive director, executive vice president and member of executive committee of Legend Holdings Corporation (HKSE listed), a company having substantial interests in the issued shares of the Company and the chairman and president of Hony Capital Limited.

In addition, he currently holds the following positions: non-executive director of China Glass Holdings Limited, the chairman of the board, executive director and chief executive officer of Best Food Holding Company Limited, chairman of the board and non-executive director of Hospital Corporation of China Limited, chairman and executive director of International Elite Ltd. (all HKSE listed), non-executive director of Shanghai Jin Jiang International Hotels Development Co., Ltd. 上海錦江國際酒店發展股份有限公司 and ENN Ecological Holdings Co., Ltd 新奧生態控股股份有限公司 (both listed on the Shanghai Stock Exchange), non-executive director of Zoomlion Heavy Industry Science and Technology Co., Ltd. 中聯重科股份有限公司(HKSE and Shenzhen Stock Exchange listed).

Mr. Zhao was previously a director of Wumart Stores, Inc., New China Life Insurance Company Ltd., CSPC Pharmaceutical Group Limited and Chinasoft International Limited, Fiat Industrial S.p.A. (subsequently merged into CNH Industrial N.V.) and the deputy chairman of Shanghai Chengtou Holding Co., Ltd. 上海城投控股股份有限公司 and Shanghai Environment Group Co., Ltd. 上海環境集團股份有限公司.

Independent non-executive directors

Dr. Tian Suning, 55, has been an independent non-executive director of the Company since August 2, 2007. He is the founder and chairman of a Chinese focused private equity fund China Broadband Capital Partners, L.P.. He is currently chairman and an executive director of AsiaInfo Technologies Limited (HKSE listed), an independent non-executive director of China Minsheng Banking Corp., Ltd (HKSE and Shanghai Stock Exchange listed). In 1993, he co-founded AsiaInfo Holdings LLC. He was previously a non-executive director of Huayi Tencent Entertainment Company Limited (formerly known as China Jiuhao Health Industry Corporation Limited), an independent non-executive director of MasterCard Incorporated, a vice chairman of PCCW Ltd. between 2005 and 2007, an independent director of Shanghai Pudong Development Bank Co., Ltd., a non-executive director of Taikang Insurance Group Inc. (formerly Taikang Life Insurance Company Ltd.). Dr. Tian holds a Ph.D. in natural resource management from Texas Tech University and a M.S. degree in ecology from Chinese Academy of Sciences.

Mr. Nicholas C. Allen, 64, has been an independent non-executive director of the Company since November 6, 2009. Mr. Allen received a bachelor of arts degree in economics/social studies from Manchester University, United Kingdom. He is a fellow of the Institute of Chartered Accountants in England and Wales and a member of the Hong Kong S.A.R. of China Institute of Certified Public Accountants. Mr. Allen has extensive experience in accounting and auditing and was a partner of PricewaterhouseCoopers until his retirement in June 2007. Mr. Allen is an independent non-executive director and the chairman of the board of directors of Link Real Estate Investment Trust (HKSE listed), an independent non-executive director of CLP Holdings Limited (HKSE listed). He was previously an independent non-executive director of Hysan Development Company Limited and VinaLand Limited.

Biography of directors *(continued)*

Independent non-executive directors *(continued)*

Mr. Nobuyuki Idei, 81, has been an independent non-executive director of the Company since September 28, 2011. Mr. Idei is the founder and chief executive officer of Quantum Leaps Corporation, an executive advisory company. Until retiring in June 2005, for more than a decade, Mr. Idei held a wide variety of leadership positions at Sony Corporation, including chairman and group chief executive officer. He was also the chairman of Sony's advisory board from June 2005 to June 2012.

Mr. Idei currently serves on the boards of directors of FreeBit Co., Ltd. and Monex Group, Inc. (both Tokyo Stock Exchange listed) and Stripe International Inc.. Mr. Idei is also the chairman of the National Conference on Fostering Beautiful Forests in Japan. Mr. Idei holds a bachelor's degree in political science and economics from Waseda University in Tokyo.

He has served on the boards of directors of Nestlé S.A., Electrolux, General Motors Company, Accenture plc and Baidu, Inc. and also served in a number of other advisory positions including as counselor to the Bank of Japan, vice chairman of Nippon Keidanren (Japan Business Federation) and chairman of the IT Strategy Council, an advisory committee to Japan's Prime Minister.

Mr. William O. Grabe, 81, has been an independent non-executive director of the Company since February 8, 2012 and was appointed as the lead independent director of the Company on May 23, 2013. Before that, he was a non-executive director of the Company since May 17, 2005. Mr. Grabe is currently a director of the following listed companies: Gartner Inc. and QTS Realty Trust, Inc. (both NYSE listed). He was previously an independent director of Compuware Corporation and a director of Covisint Corporation. Mr. Grabe is an advisory director of General Atlantic LLC. He formerly served as a managing director of General Atlantic LLC and has been associated with General Atlantic Group since 1992. Prior to that, he served as a corporate vice president and officer of IBM.

Mr. William Tudor Brown, 60, has been an independent non-executive director of the Company since January 30, 2013. Mr. Brown is a Chartered Engineer and holds an MA (Cantab) Degree in electrical sciences from Cambridge University. He is a fellow of the Institution of Engineering and Technology and a fellow of the Royal Academy of Engineering. He was awarded as Member of the Order of the British Empire (MBE) on June 15, 2013.

Mr. Brown was one of the founders of ARM Holdings plc ("**ARM**") (London Stock Exchange and NASDAQ listed). During the years with ARM, he held a broad range of leadership positions including engineering director, chief technical officer, executive vice president for global development, chief operating officer and president. He had responsibility for developing high-level relationships with industry partners and governmental agencies and for regional development. He also served as a director of ARM from October 2001 to May 3, 2012. Before joining ARM, he was the principal engineer at Acorn Computers Ltd., working exclusively on the ARM research & development programme since 1984.

Mr. Brown is currently an independent non-executive director of Semiconductor Manufacturing International Corporation (HKSE listed) and a director of Marvell Technology Group Ltd. (NASDAQ listed). He was previously an independent non-executive director of P2i Limited and Xperi Corporation. He also served on the UK Government Asia Task Force until May 2012.

BIOGRAPHY OF DIRECTORS AND SENIOR MANAGEMENT *(continued)*

Biography of directors *(continued)*

Independent non-executive directors *(continued)*

Ms. Ma Xuezheng, 66, was re-designated as an independent non-executive director of the Company on November 7, 2013. Prior to that, she was a non-executive Vice Chairman of the Company since 2007. Before becoming a non-executive director, she was an executive director and the chief financial officer of the Company at different times between 1997 and 2007 and held directorship in various subsidiaries of the Company. She is currently founding partner and senior adviser of Boyu Capital Advisory Company Limited and an independent non-executive director of Hong Kong S.A.R. of China Exchanges and Clearing Limited. In addition, she is also a non-executive director of Unilever N.V. (NYSE and Euronext Amsterdam listed), Unilever PLC (NYSE and London Stock Exchange listed) and an independent director of Schneider Electric SE (Euronext listed). She was formerly a non-executive director of Wumart Stores, Inc. and STELUX Holdings International Limited, an independent non-executive director of Standard Chartered Bank (Hong Kong S.A.R. of China) Limited and non-executive director of the Securities and Futures Commission. Ms. Ma holds a bachelor of arts degree from Capital Normal University.

Mr. Yang Chih-Yuan Jerry, 50, has been an independent non-executive director of the Company since November 6, 2014. Prior to that, he was the board observer of the Company since February 20, 2013. He holds a master's degree and a bachelor's degree of science in electrical engineering from Stanford University, where he served on the Board of Trustees from June 2005 until September 2016 and from October 2017 to the present.

Mr. Yang co-founded Yahoo! Inc. (NASDAQ listed) and served as its chief executive officer from June 2007 to January 2009. He also served as a member of the board of directors of Yahoo! Inc. until January 17, 2012. During such appointment, Mr. Yang focused on corporate strategy and technology vision. Mr. Yang was also instrumental in building strategic business partnerships, international joint ventures and recruiting key talent.

Mr. Yang also served as a director of Yahoo! Japan Corporation from January 1996 to January 2012, an independent director of Cisco Systems, Inc. from July 2000 to November 2012. Mr. Yang is currently an independent director of Workday Inc. (Nasdaq listed) and Alibaba Group Holding Limited (NYSE listed).

Mr. Gordon Robert Halyburton Orr, 56, was re-designated as an independent non-executive director of the Company on September 1, 2016. Prior to that, he was a non-executive director of the Company since 2015. He holds a Master of Arts degree in Engineering Science from Oxford University and a Master of Business Administration degree from Harvard University.

Mr. Orr joined McKinsey & Company ("**McKinsey**") in 1986 and held a broad range of senior positions in McKinsey until his retirement in August 2015. During the years with McKinsey, he was Greater China Managing Partner and subsequently Senior Partner (1999-2015), Managing Partner of McKinsey Asia (2008-2014) and Member of McKinsey's global Operating Committee (2008-2015). He also served on McKinsey's Global Shareholder's Board (2003-2015) and chaired the Governance and Risk Committee.

In the past 20 years, Mr. Orr has served a broad range of clients in Asia, with primary focus on China and technology related sectors across Asia. Mr. Orr is currently (i) an independent non-executive director of Swire Pacific Limited and Meituan Dianping (both HKSE listed) and (ii) the chairman of the audit committee of Meituan Dianping. He is also a Vice Chairman of the China-Britain Business Council.

BIOGRAPHY OF DIRECTORS AND SENIOR MANAGEMENT *(continued)*

Biography of directors *(continued)*

Independent non-executive directors *(continued)*

Mr. Woo Chin Wan Raymond, aged 64, has been appointed as an independent non-executive director since February 22, 2019. Mr. Woo is a retired partner of Ernst & Young ("**Ernst & Young**"). Before his retirement in June 2015, he had held various senior positions with Ernst & Young in the Greater China area. He was a director and the general manager of Ernst & Young Hua Ming CPA, a member of Ernst & Young's Greater China Leadership Team, and the managing partner of Ernst & Young's Greater China Operations. He has more than 30 years of professional experience, specializing in audit, corporate restructuring, IPO, risk management, and mergers and acquisitions. Mr. Woo is a Canadian Chartered Accountant and a Hong Kong S.A.R. of China Certified Public Accountant. He obtained his master's degree in Business Administration from York University (Canada) in 1982.

Mr. Woo is currently an independent non-executive director of Dah Chong Hong Holdings Limited and Bank of Communications Co., Ltd. (both HKSE listed). He was previously an independent non-executive director of Great Wall Pan Asia Holdings Limited.

Biography of senior management

Mr. Gianfranco Lanci, 64, joined the Group in April 2012 and is currently the Corporate President and Chief Operating Officer of the Company responsible for the principal operations of all the Group's five geographies, and the Intelligent Device Group, which includes the Company's PC, Smart Devices and Mobile Device businesses. Before taking up the office as Corporate President, Mr. Lanci was Chief Operating Officer and Executive Vice President of the Company and President of the PC Group, EMEA and AP. Mr. Lanci has substantial experience across the PC business, including leadership roles at Texas Instruments and Acer. He was appointed as President of Acer Inc. in 2005 and in 2008 became Chief Executive Officer and President. Under his leadership, he led Acer to the number two position globally and number one in EMEA while recording record profitability for three consecutive years. He holds a degree in engineering from the Politecnico of Turin.

Ms. Gao Lan, 53, joined the Group in 2009 and is currently the Senior Vice President of Human Resources of the Company, responsible for human resources, organizational development, global talent, compensation and benefits, as well as nurturing the Company's culture. Prior to this, Ms. Gao held several Vice President roles leading the HR functions of many teams, including Emerging Markets Group, APLA & China Geography, People & Organization Capability and HR Strategy & Operations. Before joining the Group, Ms. Gao held senior positions in HR in various multinational companies. Ms. Gao holds a bachelor degree of science from Nankai University, studied M.Phil. degree from Cambridge University in the UK, completed human resource management course at the Western Management Institute of Beijing and the Leadership Excellence for Business HR Program at Stanford University in the US.

BIOGRAPHY OF DIRECTORS AND SENIOR MANAGEMENT *(continued)*

Biography of senior management *(continued)*

Mr. He Zhiqiang, 56, joined the Group in 1986 and is currently the Senior Vice President of the Company and President of Lenovo Capital and Incubator Group. This group is responsible for driving innovation through investment in startups, spinning off new businesses and exploring new technologies. Prior to that, Mr. He held various leadership positions in the Group including the President of the Ecosystem and Cloud Services Business Group and was the Chief Technology Officer overseeing Lenovo's Research & Technology initiatives and systems. Mr. He holds a bachelor's degree in computer communication from Beijing University of Posts and Telecommunications and a master's degree in computer engineering from the Institute of Computing Technology of the Chinese Academy of Sciences.

Ms. Qiao Jian, 51, joined the Group in 1990 and is currently the Senior Vice President and Chief Strategy Officer and Chief Marketing Officer of the Company, overseeing Lenovo's strategy and planning, global brand, marketing, communications and customer engagement efforts. Before that, Ms. Qiao was Co-President of the Mobile Business Group focusing on Lenovo's Mobile business in China. Prior to that, Ms. Qiao was the Senior Vice President of Human Resources. Ms. Qiao held various senior positions in the Group including Senior Vice President of Strategy and Planning and Vice President of Human Resources in China – both before and after the acquisition of IBM's PC Division. Ms. Qiao has extensive experience in strategy, marketing and branding, and human resources. She holds a bachelor's degree in management science from Fudan University and holds an EMBA from the China Europe International Business School.

Ms. Laura G. Quatela, 61, joined the Group in October 2016 as a Senior Vice President and the Chief Legal Officer responsible for the Group's legal, IP, litigation, corporate governance, government relations and corporate social responsibility matters globally. Before joining the Group, Ms. Quatela had a 15-year career with Eastman Kodak Company ("**Kodak**") holding a broad range of leadership positions including Chief Intellectual Property Officer, General Counsel, Senior Vice President, Co-Chief Operating Officer and President of the company. She had responsibility for licensing Kodak's technology, patents and trademarks and leading Kodak's consumer film, photographic paper, retail photo kiosk, event imaging and OLED businesses. Prior to joining Kodak, Ms. Quatela worked for Clover Capital Management, Inc., SASIB Railway GRS, and Bausch & Lomb. In private law practice, she was a defense litigator specializing in mass tort cases. Ms. Quatela is a graduate of Denison University, B.A., International Politics and Case Western Reserve University School of Law, J.D., where she sponsors the Women in Law and Leadership Conference and was inducted into the Society of Benchers. Ms. Quatela is conversant in Mandarin.

Dr. Yong Rui, 49, joined the Group in November 2016 as Senior Vice President and Chief Technology Officer of the Company. He oversees Lenovo's corporate technical strategy, research and development directions, and leads the Lenovo Research organization. Before joining the Group, Dr. Rui had an 18-year career with Microsoft, where he held various leadership roles in R&D strategy, basic research, technology incubation and product development, most recently as Deputy Managing Director of Microsoft Research Asia. Dr. Rui is a world renowned technologist in computer science, and a fellow of ACM, IEEE, IAPR, and SPIE. He received his BS from Southeast University, his MS from Tsinghua University, and his PhD from University of Illinois at Urbana-Champaign (UIUC).

BIOGRAPHY OF DIRECTORS AND SENIOR MANAGEMENT *(continued)*

Biography of senior management *(continued)*

Mr. Kirk Skaugen, 48, joined the Group in November 2016 as an Executive Vice President of the Company and the President of the Data Center Group. In this capacity he leads the end-to-end data center business including Hyperscale & Cloud, High Performance Computing & Artificial Intelligence, Software Defined Infrastructure, Edge/IOT servers, Telecommunications, traditional servers, storage and networking and the related software and solutions. This includes strategic planning, architecture, hardware and software engineering, supply chain and procurement, quality, customer service, and the sales and marketing across Lenovo DCG's five geographies. Prior to Lenovo, Mr. Skaugen worked at Intel for 24 years where in his most recent positions he led the Data Center Group and Client Computing Group as senior vice president. As head of Client Computing, Mr. Skaugen was responsible for Intel's largest revenue and profit contributor including Intel's PC, tablet, and phone businesses. He has also served as general manager of Intel's Asia Pacific Solutions Group responsible for software development, system integrator and CIO relationships across the Asia region. Mr. Skaugen holds a bachelor of science in electrical engineering from Purdue University.

Mr. Wong Wai Ming, 61, is currently the Executive Vice President and the Chief Financial Officer of the Company. He was previously an investment banker for more than 15 years and also held senior management positions in listed companies in Hong Kong S.A.R. of China. He was an independent non-executive director of the Company from March 30, 1999 until his appointment to the position of Chief Financial Officer in 2007. Mr. Wong is a member of the Hong Kong S.A.R. of China Institute of Certified Public Accountants and the Institute of Chartered Accountants in England and Wales and holds a bachelor's degree in management sciences from the Victoria University of Manchester in the United Kingdom.

DIRECTORS' SERVICE CONTRACTS

There is no service contract, which is not determinable by the Company within one year without payment of compensation (other than statutory compensation), in respect of any director proposed for re-election at the AGM.

DIRECTORS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

No other transactions, arrangements or contracts that is significant in relation to the Group's business to which the Company, its holding company, any of its subsidiaries or fellow subsidiaries was a party and in which a director of the Company or his or her connected entities had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

DIRECTORS' INDEMNITIES AND INSURANCE

As permitted by the articles of association of the Company, a director or a former director of the Company may be indemnified out of the Company's assets against any liability incurred by the director to a person other than the Company or an associated company of the Company that attaches to such director in his or her capacity as a director of the Company, to the extent permitted by law. Such permitted indemnity provision is in force throughout the year and up to the date of this report.

The Company has also taken out and maintained directors' and officers' liability insurance throughout the year, which provides appropriate cover for certain legal actions brought against its directors and officers.

DIRECTORS' INTERESTS

As at March 31, 2019, 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 any of 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 pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") in the Listing Rules were as follows:

(i) Interests in the shares and underlying shares of the Company

	Capacity and number of shares/underlying shares held				
Name of director	**Interests in shares/ underlying shares** *(Note 1)*	**Personal interests**	**Corporate interests**	**Aggregate long position**	**Approximate percentage of interests** *(Note 2)*
Mr. Yang Yuanqing	Ordinary shares	84,424,413	622,804,000 *(Note 3)*	707,228,413	
	Share awards	271,974,632	–	271,974,632	
				979,203,045	8.15%
Mr. Zhu Linan	Ordinary shares	2,600,330	–	2,600,330	
	Share awards	3,226,821	–	3,226,821	
				5,827,151	0.05%
Mr. Zhao John Huan	Ordinary shares	603,437	–	603,437	
	Share awards	4,077,129	–	4,077,129	
				4,680,566	0.04%
Dr. Tian Suning	Ordinary shares	1,133,141	–	1,133,141	
	Share awards	4,077,129	–	4,077,129	
				5,210,270	0.04%
Mr. Nicholas C. Allen	Ordinary shares	1,005,761	–	1,005,761	
	Share awards	4,351,445	–	4,351,445	
				5,357,206	0.04%
Mr. Nobuyuki Idei	Ordinary shares	613,814	–	613,814	
	Share awards	4,351,445	–	4,351,445	
				4,965,259	0.04%
Mr. William O. Grabe	Ordinary shares	2,852,665	744,281	3,596,946	
	Share awards	4,351,445	–	4,351,445	
				7,948,391	0.07%
Mr. William Tudor Brown	Ordinary shares	512,055	–	512,055	
	Share awards	4,130,605	–	4,130,605	
				4,642,660	0.04%
Ms. Ma Xuezheng	Ordinary shares	10,603,007	2,240,000	12,843,007	
	Share awards	4,077,129	–	4,077,129	
				16,920,136	0.14%
Mr. Yang Chih-Yuan Jerry	Ordinary shares	402,930	–	402,930	
	Share awards	3,930,934	–	3,930,934	
				4,333,864	0.04%
Mr. Gordon Robert Halyburton Orr	Ordinary shares	213,079	–	213,079	
	Share awards	3,257,298	–	3,257,298	
				3,470,377	0.03%

DIRECTORS' INTERESTS *(continued)*

(ii) Interests in shares and underlying shares of the associated corporations of the Company

Name of director	Name of associated corporations	Long position/ short position	Capacity/ nature of interests	Number and class of shares/ underlying shares/ registered capital held	Approximate percentage of interests *(Note 4)*
Mr. Yang Yuanqing	SHAREit Technology Holdings Inc.	Long position	Personal interests held as beneficial owner	5,500,000 series A preferred shares	15.98%
	北京聯想智慧醫療信息技術有限公司	Long position	Personal interests held as beneficial owner	registered capital of RMB2,400,000	1.25% *(Note 5)*
	國民認證科技（北京）有限公司	Long position	Personal interests held as beneficial owner	registered capital of RMB1,097,144	4.72% *(Note 5)*
	北京聯想雲科技有限公司	Long position	Personal interests held as beneficial owner	registered capital of RMB3,200,000	5.33% *(Note 5)*
	深圳聯想懂的通信有限公司	Long position	Personal interests held as beneficial owner	registered capital of RMB2,584,615	3.93% *(Note 5)*
	聯想教育科技（北京）有限公司	Long position	Personal interests held as beneficial owner	registered capital of RMB1,000,000	2.00% *(Note 5)*

Notes:

1. Share awards represent underlying shares convertible into ordinary shares. Details of share awards are set out under the section headed "Long-Term Incentive Program" in the Compensation Committee Report.
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 voting power at its general meetings. Therefore, Mr. Yang is taken to have an interest in 622,804,000 shares under the SFO and such interest is also reported under the below section headed "Substantial Shareholders' and Other Persons' Interests".
4. The approximate percentage of interests is based on the shares comprising the interests held as a percentage of the total number of shares in issue of the associated corporation of the same class immediately after the relevant event and as recorded in the register maintained under section 352 of the SFO.
5. Mr. Yang Yuanqing holds the interests of RMB2,400,000 (being 1.25%), RMB1,097,144 (being 4.72%), RMB3,200,000 (being 5.33%), RMB2,584,615 (being 3.93%) and RMB1,000,000 (being 2%) in the registered capital in 北京聯想智慧醫療信息技術有限公司, 國民認證科技（北京）有限公司, 北京聯想雲科技有限公司, 深圳聯想懂的通信有限公司 and 聯想教育科技（北京）有限公司 respectively.

Save as disclosed above, as at March 31, 2019, 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.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Under the long-term incentive program of the Company, the Board or the trustee of the program shall select the employees (including but not limited to the directors) of the Group for participation in the program, and determine the number of shares to be awarded.

Details of the movements in the share awards for the year ended March 31, 2019 are set out under the section headed "Long-Term Incentive Scheme" in the Compensation Committee Report and in the note 28 to the financial statements.

Save as disclosed in the sections headed "Directors' Interests" of this report, and "Long-Term Incentive Program" of the Compensation Committee Report, at no time during the year ended March 31, 2019 was the Company or a specified undertaking of the Company a party to any arrangements to enable the directors of the Company to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS

As at March 31, 2019, the following persons (other than the directors and chief executive of the Company as disclosed above) had 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:

		Capacity and number of shares/ underlying shares held			
Name	**Long position/ Short position**	**Beneficial owner**	**Corporate interests**	**Aggregate long and short positions** *(Note 1)*	**Approximate percentage of interests**
Legend Holdings Corporation	Long position	2,867,636,724	628,919,317 *(Note 2)*	3,496,556,041	29.10%
Right Lane Limited	Long position	388,819,317	240,100,000 *(Note 3)*	628,919,317	5.23%
Red Eagle Group (PTC) Limited	Long position	–	996,750,579	996,750,579 *(Notes 4 & 6)*	8.30%
Harvest Star Limited	Long position	–	996,750,579	996,750,579 *(Notes 5 & 6)*	8.30%
Union Star Limited	Long position	996,750,579	–	996,750,579	8.30%
Sureinvest Holdings Limited	Long position	622,804,000	–	622,804,000 *(Note 7)*	5.18%
BlackRock, Inc.	Long position	–	784,543,830	784,543,830	6.53%
	Short position	–	10,000	10,000	0.00%

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS *(continued)*

Notes:

1. The interests or short positions include underlying shares as follows:–

Name	Long position	
	Convertible instruments unlisted equity derivatives	Cash settled unlisted equity derivatives
BlackRock, Inc.	–	5,346,000
Red Eagle Group (PTC) Limited	90,613,689	–
Harvest Star Limited	90,613,689	–
Union Star Limited	90,613,689	–

2. Out of 628,919,317 shares, 388,819,317 shares are directly held by Right Lane Limited ("Right Lane"), a direct wholly-owned subsidiary of Legend Holdings Corporation, and 240,100,000 shares are indirectly held by Right Lane through its wholly-owned subsidiary, Legion Elite Limited ("Legion Elite").
3. These shares are held by Legion Elite.
4. These shares/underlying shares of the Company are indirectly held by Harvest Star Limited through Union Star Limited ("Union Star").
5. These shares/underlying shares of the Company are directly held through Union Star.
6. The interests represent 906,136,890 shares and 90,613,689 units of bonus warrants issued to Union Star under the subscription agreement dated September 29, 2017 entered into between the Company and Union Star and as disclosed in the Company's announcements dated September 29, 2017 and November 17, 2017 and circular dated October 16, 2017.
7. Mr. Yang Yuanqing holds more than one-third of the voting power at general meetings of Sureinvest Holdings Limited ("Sureinvest"). Accordingly, Mr. Yang is deemed to have interests in those 622,804,000 shares of the Company held by Sureinvest under the SFO. This interest is also included as corporate interests of Mr. Yang in the above section headed "Directors' Interests".

Save as disclosed above, as at March 31, 2019, 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.

RETIREMENT SCHEME ARRANGEMENTS

The Company contributes toward retirement income protection for its employees through the provision of defined benefit pension plans, defined contribution plans, and/or contributions to various public retirement schemes in certain jurisdictions. These benefits form an important part of the Company's total compensation and benefits program that is designed to attract and retain highly skilled and talented employees.

Defined Benefit Pensions Plans

Chinese Mainland – Retirement Schemes

The Group participates in respective local municipal government retirement schemes in the mainland of China ("**Chinese Mainland**") whereby it is required to make an annual contribution of no more than 20% of three times the monthly average salaries as set out by the local municipal government each year. The local municipal governments undertake to assume the retirement benefit obligations of all retirees of the qualified employees in the Chinese Mainland. In July 2006, the Group has established a supplemental retirement program for its employees in Chinese Mainland. This is a defined contribution plan, with voluntary employee participation.

In addition to the above, the Group has defined benefit and/or defined contribution plans that cover substantially all regular employees, and supplemental retirement plans that cover certain executives. Information on the principal pension plans sponsored by the Group is summarized in this section.

RETIREMENT SCHEME ARRANGEMENTS *(continued)*

Defined Benefit Pensions Plans *(continued)*

United States of America ("US") – Lenovo Pension Plan

The Company provides US regular, full-time and part-time employees who were employed by IBM prior to being hired by the Company and who were members of the IBM Personal Pension Plan ("**PPP**") with non-contributory defined benefit pension benefits via the Lenovo Pension Plan. As of December 31, 2015, the plan was frozen.

The Lenovo Pension Plan consists of a tax-qualified plan and a non-tax-qualified (non-qualified) plan. The qualified plan is funded by Company contributions to an irrevocable trust fund, which is held for the sole benefit of participants and beneficiaries. The non-qualified plan, which provides benefits in excess of US Internal Revenue Service limitations for tax-qualified plans, is unfunded.

Pension benefits are calculated using a five year average final pay formula that determines benefits based on a participant's salary and years of service, including prior service with IBM. The benefit is reduced by the amount of the IBM PPP benefit accrued to May 1, 2005, which will be paid by IBM's trust.

For the year ended March 31, 2019, an amount of US$1,793,650 was charged to the income statement with respect to the qualified and non-qualified plans.

The principal results of the most recent actuarial valuation of the plan at March 31, 2019 were the following:

- The actuarial valuation was prepared by Fidelity. The actuaries involved are fully qualified under the requirements of US law.

- The actuarial method used was the Projected Unit Credit Cost method and the principal actuarial assumptions were:

– Discount rate:	3.25%
– Expected return on plan assets:	3.25%
– Future salary increases:	N/A

- The qualified plan was 63% funded at the actuarial valuation date.

- There was a net liability of US$36,791,089 under the qualified plan for this reason at the actuarial valuation date.

Japan – Pension Plan

The Company operates a hybrid plan that consists of a defined contribution up to the annual tax-deductible limit plus a cash balance plan with contributions of 7% of pay. The plan is funded by Company contributions to a qualified pension fund, which is held for the sole benefit of participants and beneficiaries.

For the year ended March 31, 2019, an amount of Yen 947,195,426 was charged to the income statement with respect to this plan.

RETIREMENT SCHEME ARRANGEMENTS *(continued)*

Defined Benefit Pensions Plans *(continued)*

Japan – Pension Plan *(continued)*

The principal results of the most recent actuarial valuation of the plan at March 31, 2019 were the following:

- The actuarial valuation was prepared by JP Actuary Consulting Co., Ltd. The actuaries involved are fully qualified under the requirements of Japanese law.

- The actuarial method used was the Projected Unit Credit Cost method and the principal actuarial assumptions were:

- Discount rate:	0.50%
- Expected return on plan assets:	0.50%
- Future salary increases:	Age-group based

- The plan was 67% funded at the actuarial valuation date.

- There was a net liability of Yen 8,482,143,438 under this plan at the actuarial valuation date.

Germany – Pension Plan

The Company operates a hybrid plan that provides a defined contribution for some participants and a final pay defined benefit for other participants, depending on which former IBM plan they were in. The Company also operates a defined benefit plan for Motorola Mobility employees.

Employees hired by IBM before January 1, 1992 have a defined benefit based on a final pay formula. Employees hired from 1992 to 1999 have a combination of a defined benefit based on a final pay formula and a defined contribution plan with employee required contributions of 7% of pay above the social security ceiling and a 100% company match. Employees hired in or after 2000 have a combination of a cash balance plan with an employer contribution of 2.95% of pay below the social security ceiling, and a voluntary defined contribution plan where employees can contribute specific amounts through salary sacrifice. Employees of Motorola Mobility have a defined benefit based on a final pay formula.

The plan is partially funded by Company and employee contributions to an insured support fund with DBV-Winterthur up to the maximum tax-deductible limits. In line with standard practice in Germany, the remainder is unfunded (book reserve).

For the year ended March 31, 2019, an amount of EUROS 3,511,196 was charged to the income statement with respect to this plan.

The principal results of the most actuarial valuation of the plan at March 31, 2019 were the following:

- The actuarial valuation was prepared by Kern, Mauch & Kollegen (Motorola Mobility valuation prepared by WillisTowersWatson). The actuaries involved are fully qualified under German law.

- The actuarial method used was the Projected Unit Credit Cost method and the principal actuarial assumptions were:

- Discount rate:	0.75%
- Future salary increases:	Age-group based
- Future pension increases:	2.00%

RETIREMENT SCHEME ARRANGEMENTS *(continued)*

Defined Benefit Pensions Plans *(continued)*

Germany – Pension Plan *(continued)*

- The plans were 27% funded at the actuarial valuation date.
- There was a net liability of EUROS 172,592,207 under this plan at the actuarial valuation date.

Defined Contribution Plans

United States of America ("US") – Lenovo Savings Plan

U.S. regular, full-time and part-time employees of Lenovo (United States) Inc., including employees of Motorola Mobility LLC, are eligible to participate in the Lenovo Savings Plan, which is a tax-qualified defined contribution plan under section 401(k) of the Internal Revenue Code. The Motorola Mobility 401(k) Plan merged into the Lenovo Savings Plan effective December 31, 2015. The Company matches 100% of the employee's contribution up to the first 6% of the employee's eligible compensation. Employee contributions are voluntary. All contributions, including the Company match, are made in cash, in accordance with the participants' investment elections. The Company match is immediately vested.

US Lenovo Executive Deferred Compensation Plan

The Company also maintains an unfunded, non-qualified, defined contribution plan, the Lenovo Executive Deferred Compensation Plan, which allows eligible executives to defer compensation, and to receive Company matching contributions, with respect to amounts in excess of Internal Revenue Service limits for tax-qualified plans. Compensation deferred under the plan, as well as Company matching contributions are recorded as liabilities.

Deferred compensation amounts may be directed by participants into an account that replicates the return that would be received had the amounts been invested in similar Lenovo Savings Plan investment options. Company matching contributions, are directed to participant accounts and fluctuate based on changes in the stock prices of the underlying investment portfolio.

United Kingdom ("UK") – Lenovo Stakeholders Plan

UK regular, full-time, part-time and fixed term Lenovo contract employees are eligible to participate in the Lenovo Stakeholders Plan, which is a tax-qualified defined contribution "stakeholder" plan. The Company contributes 8.7% of an employee's eligible salary to the employee's pension account each year and the employer contributions are dependent on employee contributing no less than 3% of their salary to the same fund.

Canada – Defined Contribution Pension Plan

Canadian regular, full-time and part-time employees are eligible to participate in the Defined Contribution Pension Plan, which is a tax-qualified defined contribution plan. The Company contributes 4% of the employee's eligible compensation, in addition the Company matches 50% of the employee's contribution up to the first 4% of the employee's eligible compensation. All contributions are made in cash, in accordance with the participants' investment elections. Employee contributions are voluntary.

Hong Kong S.A.R. of China – Mandatory Provident Fund

The Group operates a Mandatory Provident Fund Scheme for all qualified employees employed in Hong Kong S.A.R. of China. They are required to contribute 5% of their compensation (subject to the ceiling under the requirements set out in the Mandatory Provident Fund legislation). The employer's contribution will increase from 5% to 7.5% and 10% respectively after completion of five and ten years of service by the relevant employees.

CONTINUING CONNECTED TRANSACTIONS

During the year, the Group conducted certain continuing connected transactions with certain connected persons (as defined in the Listing Rules) which are required to be disclosed pursuant to rules 14A.49 and 14A.71 of the Listing Rules.

(i) Continuing connected transactions with NEC Corporation and its associates

During the year, the Group conducted the following continuing connected transactions with NEC Corporation and its associates, details of which are set out as follows:

Lenovo NEC Holdings B.V. ("**JVCo**", together with its subsidiaries the "**JVCo Group**"), is a joint venture company held as to 66.6% by the Company (through Lenovo International Coöperatief U.A. (formerly known as Lenovo (International) B.V.), an indirect wholly-owned subsidiary of the Company and 33.4% by NEC Corporation ("**NEC**", together with its subsidiaries the "**NEC Group**") to own and operate their respective personal computer businesses in Japan pursuant to the Business Combination Agreement entered into between the Company and amongst others, NEC dated January 27, 2011 and became effective on July 1, 2011 (the "**Closing Date**") and as amended on October 7, 2014.

At or prior to the Closing Date, NEC or other members of the NEC Group entered into various agreements (the "**CCT Agreements**") with the Company, the JVCo or other members of the JVCo Group in respect of the provision of certain services and products to or by the JVCo Group to facilitate the operation of its personal computer business in Japan. Details of the CCT Agreements are set out in the announcement dated April 21, 2011 and the circular issued by the Company to the shareholders on May 11, 2011. The continuing connected transactions under the NEC Mobiling Agreement ceased subsequently in June 2013 following NEC's disposal of the shares in NEC Mobiling, Ltd..

Upon the Closing Date, JVCo became an indirect non-wholly-owned subsidiary of the Company. As NEC is a substantial shareholder of the JVCo and therefore a connected person of the Company, the transactions contemplated under the CCT Agreements constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

On May 25, 2017, the annual caps for the CCTs were set for the period from May 25, 2017 to March 31, 2018 and for the two financial years ending March 31, 2019 and 2020 (the "**Revised Annual Caps**") given the established business relationship between the Company and NEC and the mutual business development needs and goals. It was contemplated that the term of the CCT Agreements be automatically renewed for an additional year until a prescribed date or unless either party gives notice to the other of its intention to terminate such agreements (the "**Automatic Renewal**").

CONTINUING CONNECTED TRANSACTIONS *(continued)*

(i) Continuing connected transactions with NEC Corporation and its associates *(continued)*

Details of the CCT Agreements are set out below:

Supply Agreement

Date:	February 28, 2011 and amended on October 7, 2014
Parties:	NEC and NEC Embedded Products, Ltd. ("**NECP**") (formerly known as NEC Personal Products, Ltd.), a wholly-owned subsidiary of NEC (whose rights and obligations were transferred to NEC Personal Computers, Ltd. ("**NECPC**"), a member of the JVCo Group, on and following the Closing Date)
Services provided/received:	The supply of certain "**NEC**" branded personal computer products to NEC.
Term:	Commenced from July 1, 2011 and continued until July 1, 2016, subject to Automatic Renewal thereafter.
Revised Annual Cap*(Note)*:	25/5/2017 – 31/3/2018: JPY122,897 million (US$1,106,073,000) 1/4/2018 – 31/3/2019: JPY147,476 million (US$1,327,284,000) 1/4/2019 – 31/3/2020: JPY147,476 million (US$1,327,284,000)

NEC Fielding Agreement

Date:	January 15, 2004
Parties:	NEC Fielding, Ltd., a subsidiary of NEC, and NECP (whose rights and obligations were transferred to NECPC, a member of the JVCo Group, on and following the Closing Date)
Services provided/received:	NEC Fielding, Ltd. agreed to provide maintenance and other ancillary services for certain equipment sold or leased and used by the NECPC following the Closing Date.
Term:	The initial term ended on March 31, 2004 and had been automatically renewed for an additional one-year term until July 1, 2016, subject to Automatic Renewal thereafter.
Revised Annual Cap*(Note)*:	25/5/2017 – 31/3/2018: JPY2,370 million (US$21,330,000) 1/4/2018 – 31/3/2019: JPY3,009 million (US$27,081,000) 1/4/2019 – 31/3/2020: JPY3,009 million (US$27,081,000)

CONTINUING CONNECTED TRANSACTIONS *(continued)*

(i) Continuing connected transactions with NEC Corporation and its associates *(continued)*

NESIC Agreement

Date:	August 18, 2003
Parties:	NEC Networks & System Integration Corporation ("**NESIC**"), an associate of NEC, and NECP (whose rights and obligations were transferred to NECPC, a member of the JVCo Group, on and following the Closing Date)
Services provided/received:	NESIC agreed to provide NECPC with operation and maintenance services for intranet and other internal communication systems of NECPC following the Closing Date.
Term:	The initial term ended on March 31, 2004 and had been automatically renewed for an additional one-year term until July 1, 2016, subject to Automatic Renewal thereafter.
Revised Annual Cap*(Note)*:	25/5/2017 – 31/3/2018: JPY113 million (US$1,017,000) 1/4/2018 – 31/3/2019: JPY121 million (US$1,089,000) 1/4/2019 – 31/3/2020: JPY121 million (US$1,089,000)

NEC Newco Brand Licence Agreement and Ancillary Agreements

Date:	July 1, 2011 and amended on October 7, 2014
Parties:	NEC and NECPC (a member of the JVCo Group on and following the Closing Date)
Services provided/received:	NEC agreed to grant NECPC, JV Co and Lenovo (Japan) Ltd. (a member of JVCo Group) a licence to use certain rights in connection with the letters and the mark "NEC" at royalty payable to NEC by NECPC.
Revised Term:	Commenced from July 1, 2011 to June 30, 2018 and is subject to Automatic Renewal until up to June 30, 2026.
Revised Annual Cap*(Note)*:	25/5/2017 – 31/3/2018: JPY253 million (US$2,277,000) 1/4/2018 – 31/3/2019: JPY349 million (US$3,141,000) 1/4/2019 – 31/3/2020: JPY368 million (US$3,312,000)

CONTINUING CONNECTED TRANSACTIONS *(continued)*

(i) Continuing connected transactions with NEC Corporation and its associates *(continued)*

Transitional Services Agreement

Date:	May 30, 2011
Parties:	The Company and NEC
Services provided/received:	Services to be provided by NEC Group to JVCo Group and vice versa including business infrastructure related services, development & production services, sales related services, maintenance & support services, real estate services and information technology services.
Revised Term:	Commenced from July 1, 2011 and expired after June 30, 2016 but extended to June 30, 2017, subject to Automatic Renewal thereafter.
Revised Annual Cap(Note):	Annual fees for services provided to JVCo Group by NEC Group (payable to NEC): 25/5/2017 – 31/3/2018: JPY13,516 million (US$121,644,000) 1/4/2018 – 31/3/2019: JPY18,343 million (US$165,087,000) 1/4/2019 – 31/3/2020: JPY18,343 million (US$165,087,000) Annual fees for services provided to NEC Group by JVCo Group (payable from NEC): 25/5/2017 – 31/3/2018: JPY775 million (US$6,975,000) 1/4/2018 – 31/3/2019: JPY1,128 million (US$10,152,000) 1/4/2019 – 31/3/2020: JPY1,179 million (US$10,611,000)

Note: The translation of Japanese yen into United States dollars is based on the exchange rate of JPY1.00 to US$0.0090 for information purposes only.

Full details of the above continuing connected transactions are set out in the announcements and circulars published by the Company on January 27, 2011, April 21, 2011, May 11, 2011, January 20, 2014, February 24, 2014, October 7, 2014 and May 25, 2017 and on the websites of Hong Kong S.A.R. of China Exchanges and Clearing Limited and the Company.

CONTINUING CONNECTED TRANSACTIONS *(continued)*

(ii) Continuing connected transactions with Compal Electronics, Inc. and it associates

During the period from April 1 to August 31, 2018, the Group engaged in certain continuing connected transactions with Compal Electronics, Inc. ("**Compal**", together with its affiliates the "**Compal Group**"), the then substantial shareholder of LC Future Center Limited ("**LCFC**"), a company owned as to 51% by the Company and 49% by Compal. As LCFC is a non-wholly owned subsidiary of the Company and Compal was then a substantial shareholder of LCFC, Compal was a connected person of the Company at subsidiary level under the Listing Rules.

The Group and the Compal Group had, prior to the setting up of LCFC, entered into master agreements in relation to (i) the supply of components from the Group to the Compal Group; and (ii) the purchase of products and services from the Compal Group by the Group (together the "**Existing CCT Agreements**"). Details of the Existing CCT Agreements are set out in the announcements published by the Company on May 22, 2015, September 9, 2015, April 1, 2016, March 31, 2017 and March 29, 2018 and on the websites of the Company and Hong Kong S.A.R. of China Exchanges and Clearing Limited and are summarized below.

Details of the Existing CCT Agreements are set out below:

OEM Components Purchase Agreement

Date:	June 20, 2006
Parties:	Lenovo (Singapore) Pte. Ltd., a wholly-owned subsidiary of the Company and Compal
Services provided/received:	The Group shall supply certain components (including but not limited to, electronic components and/or assemblies specified by Compal) to the Compal Group.
Annual cap:	(i) 22/5/2015 – 31/3/2016 (ii) 1/4/2016 – 31/3/2017 (iii) 1/4/2017 – 31/3/2018 (iv) 1/4/2018 – 31/3/2019

The estimated value of the transactions will not exceed US$16,000 million in aggregate under the Existing CCT Agreements or will not exceed US$8,000 million under OEM Components Purchase Agreement for each of the above period.

CONTINUING CONNECTED TRANSACTIONS *(continued)*

(ii) Continuing connected transactions with Compal Electronics, Inc. and it associates *(continued)*

System Purchase Agreement

Date:	January 19, 2006
Parties:	Lenovo (Singapore) Pte. Ltd. (whose rights and obligations were assigned to Lenovo PC HK Limited pursuant to an assignment and novation agreement) and Compal
Services provided/received:	The Compal Group shall supply to the Group: (i) certain products, including but not limited to, (a) computer system units and the associated documentation, packaging, software packages; (b) any component when separately purchased from the system unit; (c) other materials, such as hard drives, memory cards and modems; and (d) other related computer and mobile products; and (ii) certain services, including but not limited to, activities, tasks and work items related to the manufacture and support of the products.
Annual cap:	(i) 22/5/2015 – 31/3/2016 (ii) 1/4/2016 – 31/3/2017 (iii) 1/4/2017 – 31/3/2018 (iv) 1/4/2018 – 31/3/2019

The estimated value of the transactions will not exceed US$16,000 million in aggregate under the Existing CCT Agreements or will not exceed US$8,000 million under System Purchase Agreement for each of the above period.

The Existing CCT Agreements were entered into by the Company prior to Compal becoming a connected person of the Company and do not have a fixed period as required under rule 14A.52 of the Listing Rules. The Stock Exchange has granted a waiver from strict compliance with rule 14A.52 of the Listing Rules so as to allow the duration of each of the Existing CCT Agreements to exceed three years.

As Compal has disposed of its entire interest in LCFC and ceased to be a substantial shareholder of LCFC on August 31, 2018, Compal is no longer a connected person of the Company and the transactions contemplated under the Existing CCT Agreements are no longer connected transactions of the Company as from September 1, 2018.

CONTINUING CONNECTED TRANSACTIONS *(continued)*

(iii) Continuing connected transactions with Fujitsu Limited and its associates

During the year, the Group conducted the following continuing connected transactions with Fujitsu Limited and its associates, details of which are set out as follows:

Fujitsu Client Computing Limited ("**FCCL**"), is a joint venture company held as to 51% by the Company (through Lenovo International Coöperatief U.A.) and 44% by Fujitsu Limited ("**Fujitsu**", together with its subsidiaries the "**Fujitsu Group**") to engage in the business of personal computers and their related products pursuant to the Joint Venture Agreement entered into between the Company and amongst others, Fujitsu dated November 2, 2017 and became effective on May 2, 2018 (the "**Completion Date**").

At or prior to the Completion Date, Fujitsu or other members of the Fujitsu Group entered into various agreements (the "**Fujitsu CCT Agreements**") with FCCL in respect of the provision of certain services and products to or by FCCL to facilitate the operation of its personal computer business in Japan. Details of the Fujitsu CCT Agreements are set out in the announcement published by the Company on May 2, 2018.

Upon the Completion Date, FCCL became an indirect non -wholly-owned subsidiary of the Company. As Fujitsu is a substantial shareholder of FCCL and therefore a connected person of the Company, the transactions contemplated under the Fujitsu CCT Agreements constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules and are subject to reporting requirements under the Listing Rules.

Details of the Fujitsu CCT Agreements are set out below:

Transitional Services Agreement

Date:	May 2, 2018
Parties:	FCCL and Fujitsu
Services provided/received:	Transitional services provided by Fujitsu to FCCL and vice versa including research and development, sales and marketing, information technology support, development and management, customer care support, manufacturing support, supply chain management, procurement and corporate management.
Term:	Commenced from May 2, 2018 and continues until the earlier of last date of terms of the Transitional Services Agreement or the fifth anniversary of May 2, 2018.
Annual cap:	Expenses incurred from the use of services provided by Fujitsu to FCCL: JPY21,300 million (approximately US$195 million) in each of the financial years ending March 31, 2019, 2020, 2021, 2022 and 2023 Incomes generated for services to Fujitsu by FCCL: JPY1,300 million (approximately US$12 million) in each of the financial years ending March 31, 2019, 2020, 2021, 2022 and 2023

CONTINUING CONNECTED TRANSACTIONS *(continued)*

(iii) Continuing connected transactions with Fujitsu Limited and its associates *(continued)*

Secondment Agreement

Date:	May 2, 2018
Parties:	FCCL and Fujitsu
Services provided/received:	Secondment by Fujitsu to FCCL of certain employees of Fujitsu.
Term:	Commenced from May 2, 2018 and continues until the earlier of employment of all the seconded employees being transferred from Fujitsu to FCCL (or otherwise terminated) or termination in accordance with the terms of the Joint Venture Agreement or the fifth anniversary of May 2, 2018.
Annual cap:	Expenses incurred from the use of services provided by Fujitsu to FCCL: JPY6,500 million (approximately US$60 million) in each of the financial years ending March 31, 2019, 2020, 2021, 2022 and 2023

Services Agreement

Date:	May 2, 2018
Parties:	FCCL, Fujitsu Technology Solutions GMBH ("**FTS**") and Fujitsu Technology Solutions IP GMBH
Services provided/received:	FTS agreed to provide FCCL product management services, VAT support services, purchasing and supply chain management services and IP support services.
Term:	Commenced from May 2, 2018 and shall continue for a period of five years, subject to extension by mutual agreement.
Annual cap:	Expenses incurred from the use of services provided by FTS to FCCL: JPY400 million (approximately US$4 million) in each of the financial years ending March 31, 2019, 2020, 2021, 2022 and 2023

CONTINUING CONNECTED TRANSACTIONS *(continued)*

(iii) Continuing connected transactions with Fujitsu Limited and its associates *(continued)*

Manufacture Agreement (FPE)

Date:	May 2, 2018
Parties:	FCCL and Fujitsu Peripherals Limited ("**FPE**")
Services provided/received:	FPE agreed to provide manufacturing services to FCCL. FCCL agreed to provide component sourcing services to FPE.
Term:	Commenced from May 2, 2018 and shall continue for a period of five years. The term may be extended under same terms and conditions by agreement between the parties.
Annual cap:	Expenses incurred from the use of services provided by FPE to FCCL: JPY300 million (approximately US$3 million) in each of the financial years ending March 31, 2019, 2020, 2021, 2022 and 2023 Incomes generated for services to FPE by FCCL: JPY100 million (approximately US$1 million) in each of the financial years ending March 31, 2019, 2021, 2022 and 2023 JPY200 million (approximately US$2 million) in the financial year ending March 31, 2020

Manufacture Agreement (FIT)

Date:	May 2, 2018
Parties:	FCCL and Fujitsu Isotec Limited ("**FIT**")
Services provided/received:	FIT agreed to provide manufacturing services to FCCL. FCCL agreed to provide component sourcing services to FIT.
Term:	Commenced from May 2, 2018 and shall continue for a period of five years. The term may be extended under same terms and conditions by agreement between the parties.
Annual cap:	Expenses incurred from the use of services provided by FIT to FCCL in each of the financial years ending March 31: 2019: JPY53,200 million (approximately US$488 million) 2020: JPY55,700 million (approximately US$511 million) 2021: JPY49,200 million (approximately US$451 million) 2022: JPY50,800 million (approximately US$466 million) 2023: JPY52,400 million (approximately US$481 million) Incomes generated for services to FIT by FCCL in each of the financial years ending March 31: 2019: JPY22,000 million (approximately US$202 million) 2020: JPY23,100 million (approximately US$212 million) 2021: JPY20,400 million (approximately US$187 million) 2022: JPY21,000 million (approximately US$193 million) 2023: JPY21,700 million (approximately US$199 million)

CONTINUING CONNECTED TRANSACTIONS *(continued)*

(iii) Continuing connected transactions with Fujitsu Limited and its associates *(continued)*

Sales and Distribution Agreement

Date:	May 2, 2018
Parties:	FCCL and Fujitsu
Services provided/received:	FCCL agreed to supply Fujitsu-branded products and such other products and services as agreed between the parties and services to Fujitsu.
Term:	Commenced from May 2, 2018 and shall continue for a period of five years. The term may be extended under same terms and conditions by agreement between the parties.
Annual cap:	Incomes generated for services to Fujitsu by FCCL in each of the financial years ending March 31: 2019: JPY333,800 million (approximately US$3,062 million) 2020: JPY337,600 million (approximately US$3,097 million) 2021: JPY325,600 million (approximately US$2,987 million) 2022: JPY336,000 million (approximately US$3,083 million) 2023: JPY346,700 million (approximately US$3,181 million)

Fujitsu Trademark and Brand License Agreement

Date:	May 2, 2018
Parties:	FCCL and Fujitsu
Services provided/received:	Fujitsu granted FCCL licenses to use Fujitsu name and trademarks.
Term:	Commenced from May 2, 2018 and shall continue for a period of five years. The term may be extended under same terms and conditions by mutual agreement between the parties or for a period of three years at FCCL's option.
Annual cap:	Royalty payable to Fujitsu: JPY500 million (approximately US$5 million) in each of the financial years ending March 31, 2019, 2020, 2021, 2022 and 2023

CONTINUING CONNECTED TRANSACTIONS *(continued)*

(iii) Continuing connected transactions with Fujitsu Limited and its associates *(continued)*

Manufacturing and Services Agreement

Date:	May 2, 2018
Parties:	FCCL and FTS
Services provided/received:	FTS agreed to manufacture products and provide the purchasing and supply chain management services to FCCL. FCCL agreed to provide component sourcing services to FTS.
Term:	Commenced from May 2, 2018 and shall continue for a period of five years. The term may be extended under same terms and conditions by agreement between the parties.
Annual cap:	Expenses incurred from the use of services provided by FTS to FCCL in each of the financial years ending March 31: 2019: JPY130,400 million (approximately US$1,196 million) 2020: JPY139,700 million (approximately US$1,282 million) 2021: JPY125,700 million (approximately US$1,153 million) 2022: JPY129,700 million (approximately US$1,190 million) 2023: JPY133,900 million (approximately US$1,228 million) Incomes generated for services to FTS by FCCL in each of the financial years ending March 31: 2019: JPY52,400 million (approximately US$481 million) 2020: JPY55,500 million (approximately US$509 million) 2021: JPY45,600 million (approximately US$418 million) 2022: JPY47,000 million (approximately US$431 million) 2023: JPY48,500 million (approximately US$445 million)

R&D Services Agreement

Date:	May 2, 2018
Parties:	FCCL and FTS
Services provided/received:	FTS agreed to provide research and development services to FCCL.
Term:	Commenced from May 2, 2018 and remain in force for the Initial Business Plan Period. After Initial Business Plan Period, the terms shall be automatically renewed annually and expire at the fifth anniversary of May 2, 2018.
Annual cap:	Expenses incurred from the use of services provided by FTS to FCCL: JPY2,600 million (approximately US$24 million) in each of the financial years ending March 31, 2019, 2020, 2021, 2022 and 2023

CONTINUING CONNECTED TRANSACTIONS *(continued)*

In accordance with rule 14A.55 of the Listing Rules, the independent non-executive directors of the Company reviewed the continuing connected transactions as mentioned in sections (i) – (iii) above and confirmed that the transactions were entered into:

(1) in the ordinary and usual course of business of the Group;

(2) on normal commercial terms or better; and

(3) according to the relevant agreement governing them on terms that are fair and reasonable and in the interests of the shareholders of the Group as a whole.

Pursuant to rule 14A.56 of the Listing Rules, the Company's external auditor, PricewaterhouseCoopers ("**PwC**") was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong S.A.R. of China Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong S.A.R. of China Listing Rules" issued by the Hong Kong S.A.R. of China Institute of Certified Public Accountants. PwC has issued an unqualified letter containing findings and conclusions in respect of the continuing connected transactions disclosed by the Group in the paragraph above in accordance with rule 14A.56 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

SIGNIFICANT RELATED PARTY TRANSACTIONS

During the year, the Group entered into certain transactions with parties regarded as "related parties" under applicable accounting principles. Details of the significant related party transactions undertaken in the normal course of business are set out in note 31 to the financial statements. None of these transactions constitutes a discloseable connected transaction as defined under the Listing Rules.

AUDITOR

The financial statements for the year have been audited by PwC who retire and, being eligible, offer themselves for re-appointment.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the directors of the Company, as at the date of this report, there is sufficient public float of more than 25% of the Company's total number of issued shares as required under the Listing Rules.

On behalf of the Board

Yang Yuanqing
Chairman and Chief Executive Officer
May 23, 2019

Independent Auditor's Report

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF LENOVO GROUP LIMITED

(incorporated in Hong Kong S.A.R. of China with limited liability)

OPINION

What we have audited

The consolidated financial statements of Lenovo Group Limited (the "Company") and its subsidiaries (the "Group") set out on pages 179 to 290, which comprise:

- the consolidated balance sheet as at March 31, 2019;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated cash flow statement for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at March 31, 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong S.A.R. of China Financial Reporting Standards ("HKFRSs") issued by the Hong Kong S.A.R. of China Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong S.A.R. of China Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong S.A.R. of China Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

KEY AUDIT MATTERS *(continued)*

Key audit matters identified in our audit are summarised as follows:

- Impairment assessment of goodwill and other intangible assets with indefinite useful lives
- Recognition of deferred income tax assets

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment assessment of goodwill and other intangible assets with indefinite useful lives	
Refer to notes 4(a) and 16 to the consolidated financial statements As at March 31, 2019, the Group had goodwill and other intangible assets with indefinite useful lives totaling US$6,211 million. The Group tests at least annually whether goodwill and other intangible assets that have indefinite useful lives have suffered any impairment. For the purpose of assessing impairment, assets are grouped at the lowest level for which there are separately identified cash flows cash generating units ("CGUs"). The recoverable amount of each CGU was determined based on value in use calculations using cash flow projections. In carrying out the impairment assessments, significant management judgement was used to appropriately identify CGUs and to determine key assumptions, including revenue growth rates, operating margins and discount rates. Management are of the view that there was no evidence of impairment of goodwill or other intangible assets with indefinite useful lives as at March 31, 2019. We focused on this area because the value in use calculations required significant management judgements with respect to revenue growth rates, operating margins and discount rates.	Our procedures in relation to the Group's impairment assessment included: • Assessing management's identification of CGUs based on the Group's accounting policies and our understanding of the Group's business. • Assessing the value in use calculation methodology adopted by management. • Challenging the reasonableness of key assumptions such as revenue growth rates, operating margins and discount rates with reference to the business and industry circumstances. • Reconciling input data to supporting evidence, such as approved forecasts of future profits and strategic plans. • Considering the reasonableness of the forecasts of future profits and strategic plans by comparing them against past results achieved. • Assessing management's sensitivity analysis around the key assumptions, to ascertain the extent to which adverse changes, both individually or in aggregate, might impact on the outcome of the impairment assessment of the goodwill and other intangible assets with indefinite useful lives. We found the judgements made by management in relation to the impairment assessment to be supportable based on the available evidence.

KEY AUDIT MATTERS *(continued)*

Key Audit Matter	How our audit addressed the Key Audit Matter
Recognition of deferred income tax assets	
Refer to notes 4(b) and 19 to the consolidated financial statements	Our procedures in relation to the recognition of deferred income tax assets included:
As at March 31, 2019, the Group had deferred income tax assets of US$1,863 million. Deferred income tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and expected to apply when the related deferred income tax asset is realized. Recognition of the deferred income tax assets involves judgement regarding the future financial performance of the entity in which the deferred income tax asset has been recognized. A number of factors are evaluated in considering whether there is evidence that it is probable the deferred income tax assets will be realized, including whether there will be sufficient taxable profits available during the utilization periods, existence of taxable temporary differences, group relief and tax planning strategies. Management has performed its assessment on the recognition of these deferred income tax assets and considers that the realization of these assets is probable as at March 31, 2019.	• Evaluating management's assessment as to whether there will be sufficient taxable profits in future periods by reference to forecasts of future profits/strategic plans and future reversals of taxable temporary differences to support the recognition of deferred income tax assets. • Assessing the underlying assumptions used in management's approved forecasts of future profits such as revenue growth rates and operating margins by comparison to historical results and future strategic and tax plans and with reference to the business and industry circumstances. • Testing management's reconciliations of forecast profits to forecast taxable profits to supporting evidence on a sample basis. • Validating available tax losses, including the respective expiry periods to tax returns and tax correspondence of the relevant subsidiaries. • Testing the calculation of deferred income tax assets by reference to tax rates enacted or substantively enacted by the balance sheet date.
We focused on this area because of the inherent uncertainties involved in forecasting future taxable profits and future reversals of taxable temporary differences.	We found the judgements made by management in relation to recognition of deferred income tax assets to be supportable based on the available evidence.

Independent Auditor's Report

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THE AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the Hong Kong S.A.R. of China Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit Committee is responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, in accordance with Section 405 of the Hong Kong S.A.R. of China Companies Ordinance and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Independent Auditor's Report

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Shia Yuen Yee.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong S.A.R. of China, May 23, 2019

Consolidated Income Statement

For the year ended March 31, 2019

	Note	2019 US$'000	2018 US$'000
Revenue	5	**51,037,943**	45,349,943
Cost of sales		**(43,667,299)**	(39,077,812)
Gross profit		**7,370,644**	6,272,131
Other income – net		**-**	301
Selling and distribution expenses		**(2,657,965)**	(2,833,253)
Administrative expenses		**(2,209,340)**	(1,757,319)
Research and development expenses		**(1,266,341)**	(1,273,729)
Other operating expenses – net		**(59,181)**	(21,408)
Operating profit	6	**1,177,817**	386,723
Finance income	7(a)	**27,399**	32,145
Finance costs	7(b)	**(337,027)**	(263,160)
Share of losses of associates and joint ventures	17	**(11,525)**	(2,506)
Profit before taxation		**856,664**	153,202
Taxation	8	**(199,460)**	(279,977)
Profit/(loss) for the year		**657,204**	(126,775)
Profit/(loss) attributable to:			
Equity holders of the Company		**596,343**	(189,323)
Perpetual securities holders		**53,760**	53,680
Other non-controlling interests		**7,101**	8,868
		657,204	(126,775)
Earnings/(loss) per share attributable to equity holders of the Company			
Basic	11(a)	**US5.01 cents**	US(1.67) cents
Diluted	11(b)	**US4.96 cents**	US(1.67) cents
Dividends	12	**425,764**	399,284

Consolidated Statement of Comprehensive Income

For the year ended March 31, 2019

	Note	2019 US$'000	2018 US$'000
Profit/(loss) for the year		**657,204**	(126,775)
Other comprehensive (loss)/income:			
Item that will not be reclassified to profit or loss			
Remeasurements of post-employment benefit obligations, net of taxes	8, 35	**(25,641)**	(19,797)
Items that have been reclassified or may be subsequently reclassified to profit or loss			
Fair value change on available-for-sale financial assets, net of taxes	8, 20	**-**	224
Fair value change on financial assets at fair value through other comprehensive income, net of taxes	8, 20	**(15,978)**	–
Fair value change on cash flow hedges from foreign exchange forward contracts, net of taxes	8		
– Fair value gain/(loss), net of taxes		**284,542**	(233,651)
– Reclassified to consolidated income statement		**(244,396)**	222,073
Currency translation differences		**(434,816)**	288,711
Other comprehensive (loss)/income for the year		**(436,289)**	257,560
Total comprehensive income for the year		**220,915**	130,785
Total comprehensive income attributable to:			
Equity holders of the Company		**160,845**	68,237
Perpetual securities holders		**53,760**	53,680
Other non-controlling interests		**6,310**	8,868
		220,915	130,785

Consolidated Balance Sheet

At March 31, 2019

	Note	2019 US$'000	2018 US$'000
Non-current assets			
Property, plant and equipment	13	**1,430,817**	1,304,751
Prepaid lease payments	14	**463,996**	507,628
Construction-in-progress	15	**232,097**	382,845
Intangible assets	16	**8,324,575**	8,514,504
Interests in associates and joint ventures	17	**79,061**	35,666
Deferred income tax assets	19	**1,862,902**	1,530,623
Available-for-sale financial assets	20	**-**	373,077
Financial assets at fair value through profit or loss	20	**449,363**	–
Financial assets at fair value through other comprehensive income	20	**71,486**	–
Other non-current assets		**187,985**	181,759
		13,102,282	12,830,853
Current assets			
Inventories	21	**3,434,660**	3,791,691
Trade receivables	22(a)	**6,661,484**	4,972,722
Notes receivable	22(b)	**46,454**	11,154
Derivative financial assets		**70,972**	24,890
Deposits, prepayments and other receivables	22(c)	**3,753,926**	4,703,335
Income tax recoverable		**185,643**	227,203
Bank deposits	23	**70,210**	84,306
Cash and cash equivalents	23	**2,662,854**	1,848,017
		16,886,203	15,663,318
Total assets		**29,988,485**	28,494,171

Consolidated Balance Sheet

At March 31, 2019

	Note	**2019 US$'000**	2018 US$'000
Share capital	28	**3,185,923**	3,185,923
Reserves		**210,530**	332,697
Equity attributable to owners of the Company		**3,396,453**	3,518,620
Perpetual securities	29	**993,670**	993,670
Other non-controlling interests		**473,178**	246,598
Put option written on non-controlling interests	25(a)(ii), 27(b)	**(766,238)**	(212,900)
Total equity		**4,097,063**	4,545,988
Non-current liabilities			
Borrowings	26	**2,426,770**	2,648,725
Warranty provision	25(b)	**254,601**	278,908
Deferred revenue		**678,137**	583,405
Retirement benefit obligations	35	**434,246**	413,482
Deferred income tax liabilities	19	**359,679**	230,609
Other non-current liabilities	27	**1,247,646**	333,332
		5,401,079	4,488,461
Current liabilities			
Trade payables	24(a)	**6,429,835**	6,450,792
Notes payable	24(b)	**1,272,840**	801,974
Derivative financial liabilities		**74,426**	62,694
Other payables and accruals	25(a)	**8,942,336**	9,217,764
Provisions	25(b)	**738,688**	858,475
Deferred revenue		**780,951**	732,552
Income tax payable		**298,224**	168,779
Borrowings	26	**1,953,043**	1,166,692
		20,490,343	19,459,722
Total liabilities		**25,891,422**	23,948,183
Total equity and liabilities		**29,988,485**	28,494,171

On behalf of the Board

Yang Yuanqing

Chairman and Chief Executive Officer

Ma Xuezheng

Director

Consolidated Cash Flow Statement

For the year ended March 31, 2019

	Note	2019 US$'000	2018 US$'000
Cash flows from operating activities			
Net cash generated from/(used in) operations	34	**2,115,996**	(61,991)
Interest paid		**(324,427)**	(243,584)
Tax paid		**(318,996)**	(450,718)
Net cash generated from/(used in) operating activities		**1,472,573**	(756,293)
Cash flows from investing activities			
Purchase of property, plant and equipment		**(234,682)**	(217,849)
Purchase of prepaid lease payments		**-**	(10,908)
Sale of property, plant and equipment, prepaid lease payments and construction-in-progress		**129,683**	40,525
Interest acquired in associates and a joint venture		**(5,349)**	(2,205)
Acquisition of subsidiaries, net of cash acquired	36	**(99,298)**	–
Deemed disposal of a subsidiary, net of cash disposed		**(21,106)**	–
Net proceeds from disposal of a joint venture		**-**	160,564
Payment for construction-in-progress		**(303,045)**	(285,447)
Payment for intangible assets		**(163,094)**	(156,390)
Purchase of available-for-sale financial assets		**-**	(100,466)
Purchase of financial assets at fair value through profit or loss		**(73,836)**	–
Purchase of financial assets at fair value through other comprehensive income		**(4,739)**	–
Net proceeds from sale of financial assets at fair value through profit or loss		**33,996**	–
Net proceeds from sale of available-for-sale financial assets		**-**	165
Repayment of deferred consideration		**-**	(686,301)
Decrease in bank deposits		**14,096**	112,414
Dividends received		**230**	286
Interest received		**27,399**	32,145
Net cash used in investing activities		**(699,745)**	(1,113,467)

Consolidated Cash Flow Statement

For the year ended March 31, 2019

	Note	2019 US$'000	2018 US$'000
Cash flows from financing activities			
Net proceeds from issue of ordinary shares	11(b)	**-**	496,041
Capital contribution from other non-controlling interests		**77,769**	1,823
Contribution to employee share trusts		**(157,343)**	(61,211)
Issue of perpetual securities		**-**	149,625
Dividends paid		**(404,350)**	(380,750)
Dividends paid to other non-controlling interests		**(4,758)**	(4,937)
Distribution to perpetual securities holders		**(53,760)**	(53,312)
Issue of convertible bonds		**675,000**	–
Issuing costs of convertible bonds		**(10,107)**	–
Proceeds from borrowings		**5,700,215**	7,425,740
Repayments of borrowings		**(5,700,000)**	(6,724,406)
Issue of notes		**-**	749,119
Repayment of notes		**-**	(723,389)
Net cash generated from financing activities		**122,666**	874,343
Increase/(decrease) in cash and cash equivalents		**895,494**	(995,417)
Effect of foreign exchange rate changes		**(80,657)**	88,835
Cash and cash equivalents at the beginning of the year		**1,848,017**	2,754,599
Cash and cash equivalents at the end of the year	23	**2,662,854**	1,848,017

Consolidated Statement of Changes in Equity

For the year ended March 31, 2019

	Attributable to equity holders of the Company											
	Share capital US$'000	Investment revaluation reserve US$'000	Employee share trusts US$'000	Share-based compensation reserve US$'000	Hedging reserve US$'000	Exchange reserve US$'000	Other reserve US$'000	Retained earnings US$'000	Perpetual securities US$'000	Other non-controlling interests US$'000	Put option written on non-controlling interests US$'000	Total US$'000
At April 1, 2017	2,689,882	(2,965)	(111,228)	123,493	(5,328)	(1,226,618)	62,751	1,693,614	843,677	240,844	(212,900)	4,095,222
(Loss)/profit for the year	-	-	-	-	-	-	-	(189,323)	53,680	8,868	-	(126,775)
Other comprehensive income/(loss)	-	224	-	-	(11,578)	288,711	-	(19,797)	-	-	-	257,560
Total comprehensive income/(loss) for the year	-	224	-	-	(11,578)	288,711	-	(209,120)	53,680	8,868	-	130,785
Transfer to statutory reserve	-	-	-	-	-	-	15,097	(15,097)	-	-	-	-
Vesting of shares under long-term incentive program	-	-	70,737	(91,528)	-	-	-	-	-	-	-	(20,791)
Deferred tax charge in relation to long-term incentive program	-	-	-	(2,196)	-	-	-	-	-	-	-	(2,196)
Share-based compensation	-	-	-	202,088	-	-	-	-	-	-	-	202,088
Contribution to employee share trusts	-	-	(61,211)	-	-	-	-	-	-	-	-	(61,211)
Dividends paid	-	-	-	-	-	-	-	(380,750)	-	-	-	(380,750)
Issue of perpetual securities (Note 29)	-	-	-	-	-	-	-	-	149,625	-	-	149,625
Issue of ordinary shares	496,041	-	-	-	-	-	-	-	-	-	-	496,041
Issue of bonus warrants	-	-	-	-	-	-	(6,399)	-	-	-	-	(6,399)
Capital contribution from other non-controlling interests	-	-	-	-	-	-	-	-	-	1,823	-	1,823
Dividends paid to other non-controlling interests	-	-	-	-	-	-	-	-	-	(4,937)	-	(4,937)
Distribution to perpetual securities holders (Note 29)	-	-	-	-	-	-	-	-	(53,312)	-	-	(53,312)
At March 31, 2018	3,185,923	(2,741)	(101,702)	231,857	(16,906)	(937,907)	71,449	1,088,647	993,670	246,598	(212,900)	4,545,988

Consolidated Statement of Changes in Equity

For the year ended March 31, 2019

	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
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
At April 1, 2018	3,185,923	(2,741)	(101,702)	231,857	(16,906)	(937,907)	71,449	1,088,647	993,670	246,598	(212,900)	4,545,988
Change in accounting policy	-	(17,376)	-	-	-	-	-	5,746	-	-	-	(11,630)
Restated total equity	3,185,923	(20,117)	(101,702)	231,857	(16,906)	(937,907)	71,449	1,094,393	993,670	246,598	(212,900)	4,534,358
Profit for the year	-	-	-	-	-	-	-	596,343	53,760	7,101	-	657,204
Other comprehensive (loss)/income	-	(15,978)	-	-	40,146	(434,025)	-	(25,641)	-	(791)	-	(436,289)
Total comprehensive (loss)/income for the year	-	(15,978)	-	-	40,146	(434,025)	-	570,702	53,760	6,310	-	220,915
Acquisition of subsidiaries	-	-	-	-	-	-	-	-	-	151,167	-	151,167
Vesting of shares under long-term incentive program	-	-	118,836	(137,317)	-	-	-	-	-	-	-	(18,481)
Deferred tax credit in relation to long-term incentive program	-	-	-	2,178	-	-	-	-	-	-	-	2,178
Deemed disposal of a subsidiary	-	-	-	-	-	-	-	-	-	(1,371)	-	(1,371)
Share-based compensation	-	-	-	214,822	-	-	-	-	-	-	-	214,822
Termination of put option written on non-controlling interests	-	-	-	-	-	-	11,913	-	-	-	212,900	224,813
Put option written on non-controlling interests	-	-	-	-	-	-	-	-	-	-	(766,238)	(766,238)
Contribution to employee share trusts	-	-	(157,343)	-	-	-	-	-	-	-	-	(157,343)
Dividends paid	-	-	-	-	-	-	-	(404,350)	-	-	-	(404,350)
Capital contribution from other non-controlling interests	-	-	-	-	-	-	-	-	-	77,769	-	77,769
Change of ownership of subsidiaries without loss of control	-	-	-	-	-	-	2,537	-	-	(2,537)	-	-
Dividends paid to other non-controlling interests	-	-	-	-	-	-	-	-	-	(4,758)	-	(4,758)
Distribution to perpetual securities holders (Note 29)	-	-	-	-	-	-	-	-	(53,760)	-	-	(53,760)
Issue of convertible bonds	-	-	-	-	-	-	77,342	-	-	-	-	77,342
At March 31, 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

Notes to the Financial Statements

1 GENERAL INFORMATION AND BASIS OF PREPARATION

Lenovo Group Limited (the "Company") and its subsidiaries (together, the "Group") develop, manufacture and market reliable, high-quality, secure and easy-to-use technology products and services. Its product lines include legendary Think-branded commercial personal computers and Idea-branded consumer personal computers, as well as servers, workstations, and a family of mobile internet devices, including tablets and smartphones.

The Company is a limited liability company incorporated in Hong Kong S.A.R. of China. The address of its registered office is 23rd Floor, Lincoln House, Taikoo Place, 979 King's Road, Quarry Bay, Hong Kong S.A.R. of China. The Company has its primary listing on The Stock Exchange of Hong Kong S.A.R. of China Limited.

The consolidated financial statements have been prepared in accordance with Hong Kong S.A.R. of China Financial Reporting Standards ("HKFRS"). 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, as explained in the significant accounting policies set out below.

The preparation of the consolidated financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

Changes in accounting policies and disclosures

The Group has adopted the following new standards, interpretation and amendments to an existing standard that are mandatory for the year ended March 31, 2019 which the Group considers is appropriate and relevant to its operations:

- HKFRS 9, Financial instruments

- HKFRS 15, Revenue from contracts with customers

- HK (IFRIC) – Int 22, Foreign currency transactions and advance consideration

- Amendments to HKFRS 2, Share-based payment

Except for the two new standards, the adoption of the newly effective interpretation and the amendments to an existing standard did not result in substantial changes to the Group's accounting policies or financial results. The following describes the key changes arising from the adoption of the two new standards that impact the consolidated financial statements of the Group.

1 GENERAL INFORMATION AND BASIS OF PREPARATION *(continued)*

Changes in accounting policies and disclosures *(continued)*

HKFRS 9, Financial instruments

The new standard addresses the classification, measurement and de-recognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.

HKFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortized cost, fair value through other comprehensive income ("FVOCI") and fair value through profit or loss ("FVPL"). The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at FVPL with the irrevocable option at inception to present changes in fair value in other comprehensive income in which case the accumulated fair value changes in other comprehensive income will not be recycled to the profit or loss in the future.

For financial liabilities there were no changes to classification and measurement, except for the recognition of changes in own credit risk in other comprehensive income for liabilities designated at FVPL. The new impairment model requires the recognition of impairment provisions based on expected credit losses ("ECL") rather than only incurred credit losses as is the case under HKAS 39.

Under HKFRS 9, trade receivables of the Group are to be classified as FVOCI instruments with earlier recognition of loss expected, and the amount of any relevant impairment provision may be revised when ECL is referenced. The Group currently holds certain investments in equity instruments which are classified as FVOCI instruments. Gains or losses realized on the sale of financial assets at FVOCI will no longer be transferred to profit or loss on sale, but instead will be reclassified below the line from the investments revaluation reserve to retained earnings.

The Group continues to apply HKAS 39 for hedge accounting.

Impact of adoption

The adoption of HKFRS 9 resulted in changes in accounting policies and adjustments to the amounts recognized in the financial statements. In accordance with the transitional provisions in HKFRS 9, comparative figures have not been restated.

The total impact on the Group's retained earnings as at April 1, 2018 is as follows:

	US$'000
Closing retained earnings at March 31, 2018	1,088,647
Reclassify investments from available-for-sale financial assets to financial assets at FVPL	17,376
Bond refinancing	(11,630)
Opening retained earnings at April 1, 2018	1,094,393

1 GENERAL INFORMATION AND BASIS OF PREPARATION *(continued)*

Changes in accounting policies and disclosures *(continued)*

HKFRS 9, Financial instruments *(continued)*

Impact of adoption *(continued)*

(i) Classification and measurement

On April 1, 2018, the Group's management has assessed which business models apply to the financial assets held by the Group and has classified its financial instruments into the appropriate HKFRS 9 categories. The main effects resulting from this reclassification are as follows:

(a) *Reclassification from available-for-sale financial assets to financial assets at FVPL*

Certain investments were reclassified from available-for-sale financial assets to financial assets at FVPL (US$294,601,000 as at April 1, 2018). They do not meet the HKFRS 9 criteria for classification at amortized cost, because their cash flows do not represent solely payments of principal and interest. Related fair value gains of US$17,376,000 were transferred from the investment revaluation reserve to retained earnings on April 1, 2018. During the year, net fair value gains of US$125,550,000 relating to financial assets at FVPL were recognized in profit or loss.

(b) *Equity investments previously classified as available-for-sale financial assets*

The Group elected to present in other comprehensive income the changes in fair value of certain of its equity investments previously classified as available-for-sale financial assets, because these investments are held as long-term strategic investments that are not expected to be sold in the short to medium term. As a result, assets with a fair value of US$78,476,000 as of April 1, 2018 were reclassified from available-for-sale financial assets to financial assets at FVOCI.

(c) *Bond refinancing*

Following the adoption of HKFRS 9, the Group could no longer defer the recognition of a loss from the refinancing of a borrowing. Under the Group's previous accounting policies, this loss would have been recognized over the remaining life of the borrowing by adjusting the effective interest rate, on the basis that the terms and conditions of the facility remained largely unchanged. A related loss of US$11,630,000 was adjusted to retained earnings on April 1, 2018.

(d) *Impairment of financial assets*

The Group applies the HKFRS 9 simplified approach to measuring ECL which uses a lifetime expected loss allowance for all trade receivables. The Group has concluded that there is no material variance between the ECL and the allowance recorded as at April 1, 2018.

HKFRS 15, Revenue from contracts with customers

This standard replaced HKAS 18 which covers contracts for goods and services and HKAS 11 which covers construction contracts. The new standard is based on the principle that revenue is recognized when control of a good or service transfers to a customer. The standard permits either a full retrospective or a modified retrospective approach for the adoption. Under HKFRS 15, revenue arising from channel sales of the Group may be subject to a different timing of recognition, which may impact the amount of revenue recognized by the Group for a given period.

The Group has assessed the effects of applying the new standard on the consolidated financial statements and has not identified any significant impact to the Group.

1 GENERAL INFORMATION AND BASIS OF PREPARATION *(continued)*

Changes in accounting policies and disclosures *(continued)*

New standard, interpretation and amendments to existing standards not yet effective

The following new standard, interpretation 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 ended March 31, 2019 and have not been early adopted:

	Effective for annual periods beginning on or after
HKFRS 16, Leases	January 1, 2019
HK (IFRIC) – Int 23, Uncertainty over income tax treatments	January 1, 2019
Amendments to HKFRS 9, Prepayment features with negative compensation	January 1, 2019
Amendments to HKAS 28, Long-term interests in associates and joint ventures	January 1, 2019
Amendments to HKAS 19, Plan amendment, curtailment or settlement	January 1, 2019
Annual improvements to HKFRS Standards 2015-2017 Cycle – various standards	January 1, 2019
Amendments to HKFRS 3, Definition of a business	January 1, 2020
Amendments to HKAS 1 and HKAS 8, Definition of material	January 1, 2020
Amendments to HKFRS 10 and HKAS 28, Consolidated financial statements and investments in associates	Date to be determined

Among the above, HKFRS 16 is of higher relevancy to the Group's operations. The following describes the key changes that may impact the consolidated financial statements of the Group.

HKFRS 16, Leases

HKFRS 16 requires almost all leases of lessees to be recognized on the balance sheet, as the distinction between operating and finance leases is removed. The accounting for lessors will not significantly change. Under the new standard, the right to use the leased item and the obligation to pay rent are recognized as an asset and a financial liability respectively. The only exceptions are short-term and low-value leases. The standard will affect primarily the accounting for operating leases of the Group. The standard permits either a full retrospective or a modified retrospective approach for the adoption.

At March 31, 2019, the Group had operating lease commitments of US$473 million. Upon adoption of HKFRS 16 the majority of operating lease commitments will be recognized in the consolidated balance sheet as lease liabilities and right-of-use assets. The lease liabilities would subsequently be measured at amortized cost and the right-of-use asset will be depreciated on a straight-line basis over the lease term.

The Group does not intend to adopt the standard before its effective date. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption.

Other than the impacts discussed above, the Group is in the opinion that the adoption of the other interpretation and amendments to existing standards will not result in a significant effect on its consolidated financial statements.

2 SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Principles of consolidation and equity accounting

(i) Subsidiaries

The consolidated financial statements include the financial statements of the Company and all of its subsidiaries made up to March 31.

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group (refer to (ii)).

Intra-group transactions, balances, income and expenses on transactions are eliminated. Profits and losses resulting from intra-group transactions that are recognized in assets are also eliminated.

Adjustments have been made to the financial statements of subsidiaries when necessary to align their accounting policies to ensure consistency with the policies adopted by the Group.

For subsidiaries which adopted December 31 as their financial year end date for statutory reporting purposes, their financial statements for the years ended March 31, 2018 and 2019 have been used for the preparation of the Group's consolidated financial statements.

(ii) Business combinations

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognizes any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognized amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(a) Principles of consolidation and equity accounting *(continued)*

(ii) Business combinations *(continued)*

If the business combination is achieved in stages, the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognized in profit or loss.

Any contingent consideration to be transferred by the Group is recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognized in the consolidated income statement. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

Goodwill is initially measured as the excess of the aggregate of the consideration transferred, the amount of any non-controlling interest in the acquiree and, in a business combination achieved in stages the acquisition-date fair value of any previous equity interest in the acquiree over the net identifiable assets acquired and liabilities assumed (Note 2(g)(i)). If it is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized directly in the consolidated income statement.

(iii) Changes in ownership interests

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognized in a separate reserve within equity attributable to owners of the Company.

When the Group ceases to consolidate or equity account for an investment because of a loss of control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognized in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized in other comprehensive income are reclassified to profit or loss or transferred to another category of equity as specified/ permitted by applicable HKFRSs.

If the ownership interest in a joint venture or an associate is reduced but joint control or significant influence is retained, only a proportionate share of the amounts previously recognized in other comprehensive income are reclassified to profit or loss where appropriate.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(a) Principles of consolidation and equity accounting *(continued)*

(iii) Changes in ownership interests *(continued)*

The potential cash payments related to put options issued by the Group over the equity of a subsidiary are accounted for as financial liabilities. The amount that may become payable under the option on exercise is initially recognized at present value of redemption amount as a written put option liability with a corresponding charge directly to equity.

A written put option liability is subsequently 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 option expires unexercised, the written put option liability is derecognized with a corresponding adjustment to equity.

(iv) Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognized in the consolidated income statement. The fair value is the initial carrying amount for the purposes of subsequent accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognized as other comprehensive income or loss in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized as other comprehensive income or loss are reclassified to the consolidated income statement.

(v) Separate financial statements

Investments in subsidiaries in the Company's balance sheet are accounted for at cost less impairment. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

(b) Associates and joint arrangements

Associates are entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights.

Investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor, rather than the legal structures of the joint arrangements. The Group has assessed the nature of its joint arrangements and applied HKFRS 11 in preparing the consolidated financial statements.

Notes to the Financial Statements

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(b) Associates and joint arrangements *(continued)*

Associates and joint ventures

Interests in associates and joint ventures are accounted for using the equity method of accounting and are initially recognized at cost. The Group's interests in associates and joint ventures include goodwill identified on acquisition, net of any accumulated impairment losses.

The Group's share of its associates' and joint ventures' post-acquisition profits or losses is recognized in the consolidated income statement, and its share of post-acquisition movements in other comprehensive income or loss is recognized as other comprehensive income or loss with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate or a joint venture equals or exceeds its interest in the associate or the joint venture including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate or the joint venture.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate and joint venture is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value and recognizes the amount adjacent to share of profit/(loss) of associates and joint ventures in the consolidated income statement.

Profits and losses resulting from upstream and downstream transactions between the Group and its associates or joint ventures are recognized in the Group's consolidated financial statements only to the extent of unrelated investor's interests in the associates or the joint ventures. Unrealized losses are eliminated unless the transaction provides evidence of an impairment of the assets transferred.

Accounting policies of associates and joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

For associates and joint ventures which adopted December 31 as their financial year end date for statutory reporting purposes, their financial statements for the years ended March 31, 2018 and 2019 have been used for the preparation of the Group's consolidated financial statements.

Joint operation

Joint operations arise where the investors have rights to the assets and obligations for the liabilities of an arrangement. Investments in joint operations are accounted for such that each joint operator recognizes its assets (including its share of any assets jointly held), its liabilities (including its share of any liabilities incurred jointly), its revenue (including its share of revenue from the sale of the output by the joint operation) and its expenses (including its share of any expenses incurred jointly). Each joint operator accounts for the assets and liabilities, as well as revenues and expenses, relating to its interest in the joint operation in accordance with the applicable standards.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(c) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Lenovo Executive Committee (the "LEC") that makes strategic decisions.

(d) Translation of foreign currencies

(i) Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The financial statements of the Company and of the Group are presented in United States dollars, which is the Company's functional and the Group's presentation currency.

(ii) Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognized in the income statement. They are deferred in equity if they are related to qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

All foreign exchange gains and losses that relate to monetary assets and liabilities denominated in foreign currency are presented in the income statement within "Other operating expenses – net".

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on financial assets and liabilities carried at fair value are as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at FVPL are recognized in profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equities classified as FVOCI are recognized in other comprehensive income or loss.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(d) Translation of foreign currencies *(continued)*

(iii) The results and financial position of all the group entities that have a functional currency different from the Group's presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

- income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rates on the dates of the transactions); and

- all resulting exchange differences are recognized as other comprehensive income or loss.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognized as other comprehensive income or loss and included in the exchange reserve in equity.

(iv) On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary, loss of joint control of a joint venture, or loss of significant influence over an associate that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the equity holders of the Company are reclassified to the consolidated income statement.

In the case of a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognized in the consolidated income statement. For all other partial disposals (that is, reductions in the Group's ownership interest in an associate or a joint venture that do not result in the Group losing influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to the consolidated income statement.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(e) Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognized when replaced. All other repairs and maintenance are charged in the income statement during the financial period in which they are incurred.

Freehold land and buildings comprise mainly factories and office premises. All freehold lands are located outside Hong Kong S.A.R. of China and are not depreciated. Depreciation of buildings, buildings related equipment and leasehold improvements is calculated using the straight-line method to allocate their costs to their estimated residual values over the unexpired periods of the leases or their expected useful lives to the Group ranging from 10 to 50 years whichever is shorter.

Depreciation on other property, plant and equipment is calculated using the straight-line method to allocate their costs to their estimated residual values over their estimated useful lives to the Group. The principal annual rates used for this purpose are:

Plant and machinery	
Tooling equipment	50% – 100%
Other machinery	14% – 20%
Furniture and fixtures	20% – 25%
Office equipment	20% – 33%
Motor vehicles	20%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2(h)).

Gain or loss on disposal of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognized within "Other operating expenses – net" in the consolidated income statement.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(f) Construction-in-progress

Construction-in-progress represents buildings, plant and machinery and internal use software under construction and pending installation and is stated at historical cost, less any accumulated impairment losses. Historical cost comprises all direct and indirect costs of acquisition or construction or installation of buildings, plant and machinery or internal use software as well as interest expenses and exchange differences on the related funds borrowed during the construction, installation and testing periods and prior to the date when the assets were available for use. No depreciation or amortization is provided for on construction-in-progress. On completion, the carrying values of the buildings, plant and machinery or internal use software are transferred from construction-in-progress to property, plant and equipment or intangible assets.

Gain on disposal of construction-in-progress is the difference between the net sales proceeds and the carrying amount of the relevant assets, and is recognized within "Other operating expenses – net" in the consolidated income statement.

(g) Intangible assets

(i) Goodwill

Goodwill represents the excess of the consideration of an acquisition transferred over the Group's interests in the fair value of the acquiree's identifiable assets acquired and liabilities assumed at the acquisition date. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of associates and joint ventures is included in interests in associates and joint ventures.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("CGU"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs to sell. Any impairment is recognized immediately as an expense and is not subsequently reversed.

(ii) Trademarks and trade names

Separately acquired trademarks and trade names are shown at historical cost. Trademarks and trade names acquired in a business combination are recognized at fair value at the acquisition date.

Trademarks and trade names that have an indefinite useful life are tested annually for impairment and carried at cost less accumulated impairment losses. They are considered to have an indefinite useful life as there is no foreseeable limit to the period over which they are expected to generate net cash inflows.

(iii) Customer relationships

Customer relationships acquired in a business combination are recognized at fair value at the acquisition date. Customer relationships have a definite useful life and are carried at cost less accumulated amortization. Amortization is calculated using the straight-line method over their estimated useful lives of not more than 15 years.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(g) Intangible assets *(continued)*

(iv) Internal use software

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software.

Development costs that are directly attributable to the design and testing of identifiable and unique software controlled by the Group are recognized as intangible assets when the following criteria are met:

- it is technically feasible to complete the software so that it will be available for use;
- management intends to complete the software and use or sell it;
- there is an ability to use or sell the software;
- it can be demonstrated how the software will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software are available; and
- the expenditure attributable to the software during its development can be reliably measured.

Development costs include the employee costs incurred as a result of developing software and an appropriate portion of relevant overheads.

Other development expenditures that do not meet these criteria are recognized as an expense as incurred. Development costs previously recognized as an expense are not recognized as an asset in a subsequent period.

Costs associated with maintaining computer software are recognized as an expense as incurred.

Acquired computer software licenses costs and computer software development costs are amortized using the straight-line method over their estimated useful lives of not more than 8 years.

(v) Patents and technology

Expenditure on acquired patents and technology is capitalized at historical cost upon acquisition and amortized using the straight-line method over their estimated useful lives of not more than 10 years.

(vi) Exclusive right

An exclusive right acquired in a business combination is recognized at fair value at the acquisition date. An exclusive right has a definite useful life and is carried at cost less accumulated amortization. Amortization is calculated using the straight-line method over their estimated useful lives of not more than 15 years.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(h) Impairment of non-financial assets

Assets that have an indefinite useful life or are not yet available for use are not subject to depreciation or amortization and are tested annually for impairment. Assets that are subject to depreciation or amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest level for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

(i) Financial assets

(i) Classification

From April 1, 2018, the Group classifies its financial assets in the following measurement categories:

– those to be measured subsequently at fair value (either through other comprehensive income or through profit or loss), and

– those to be measured at amortized cost.

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investments at FVOCI.

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

(ii) Recognition and derecognition

Regular way purchases and sales of financial assets are recognized on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

(i) Financial assets *(continued)*

(iii) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at FVPL, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- Amortized cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. Interest income from these financial assets, impairment losses, foreign exchange gains and losses, and gain or loss arising on derecognition are recognized directly in profit or loss.

- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss.

- FVPL: Assets that do not meet the criteria for amortized cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognized in profit or loss in the period in which it arises.

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognized in profit or loss when the Group's right to receive payments is established. On disposal of these equity investments, any related balance within the investment revaluation reserve is reclassified to retained earnings. Changes in the fair value of financial assets at FVPL are recognized in the profit or loss as applicable.

Financial assets at FVOCI comprise equity investments which are not held for trading, and which the Group has irrevocably elected at initial recognition to recognize in this category. These are strategic investments and the Group considers this classification to be more relevant.

Financial assets at FVPL comprise equity investments which are held for trading, and which the Group has not elected to recognize fair value gains and losses through other comprehensive income.

Details on how the fair value of financial instruments is determined are disclosed in note 3(d).

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(i) Financial assets *(continued)*

(iv) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

(v) Accounting policies applied until March 31, 2018

The Group has applied HKFRS 9 retrospectively, but has elected not to restate comparative information. As a result, the comparative information provided continues to be accounted for in accordance with the Group's previous accounting policy.

Classification

The Group classifies its financial assets into: (i) at FVPL, (ii) loans and receivables; and (iii) available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Financial assets at FVPL

Financial assets at FVPL are financial assets held for trading, and those designated at FVPL at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Derivatives are also categorized as held for trading unless they are designated as hedges (Note 2(k)). Assets in this category are classified as current assets if expected to be settled within 12 months; otherwise, they are classified as non-current.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date which are classified as non-current assets. Loans and receivables comprise trade, notes and other receivables, deposits, bank deposits and cash and cash equivalents in the balance sheet (Note 2(n) and 2(o)).

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless mature or management intends to dispose of them within 12 months of the balance sheet date.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(i) Financial assets *(continued)*

(v) Accounting policies applied until March 31, 2018 *(continued)*

Recognition and measurement

Regular way purchases and sales of financial assets are recognized on the trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets not carried at FVPL are initially recognized at fair value plus transaction costs. Financial assets carried at FVPL are initially recognized at fair value, and transaction costs are expensed in the income statement. Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at FVPL are subsequently carried at fair value. Loans and receivables are subsequently carried at amortized cost using the effective interest method.

Gains or losses arising from changes in the fair value are recognized as follows:

- for financial assets at FVPL – in profit or loss within other income or other expenses.

- for available-for-sale financial assets that are monetary securities denominated in a foreign currency – translation differences related to changes in the amortized cost of the security are recognized in income statement and other changes in the carrying amount are recognized in other comprehensive income or loss.

- for other monetary and non-monetary securities classified as available-for-sale – in other comprehensive income or loss.

Dividends on financial assets at FVPL and available-for-sale financial assets are recognized in profit or loss as other income when the Group's right to receive payments is established.

Interest income from financial assets at FVPL and available-for-sale financial assets is recognized in the income statement.

(j) Impairment of financial assets

From April 1, 2018, the Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortized cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognized from initial recognition of the receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

Impairment losses on trade receivables are presented as net impairment losses in income statement. Subsequent recoveries of amounts previously written off are credited against the same line item.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(j) Impairment of financial assets *(continued)*

Accounting policies applied until March 31, 2018

(i) Assets carried at amortized cost

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The asset's carrying amount is reduced and the amount of the loss is recognized in the income statement. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as improvement in the debtor's credit rating), the reversal of the previously recognized impairment loss is recognized in the income statement.

(ii) Assets classified as available-for-sale

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired.

For debt securities, the Group uses the criteria referred to in (i) above. If, in a subsequent period, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in the income statement, the impairment loss is reversed through the income statement.

For equity investments, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists, the cumulative losses, measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in the income statement, is removed from equity and recognized in the income statement. Impairment losses recognized in the income statement on equity instruments are not reversed through the income statement.

(k) Derivative financial instruments and hedging activities

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. The method of recognizing the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as either: (i) hedges of the fair value of recognized assets or liabilities or a firm commitment (fair value hedge) or (ii) hedges of highly probable forecast transactions (cash flow hedges).

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months, and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or liability.

(i) Fair value hedge

Changes in the fair value of derivatives that are designated and qualified as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

(ii) Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualified as cash flow hedges is recognized as other comprehensive income or loss. The gain or loss relating to the ineffective portion is recognized immediately in the income statement.

Amounts accumulated in equity are reclassified to the income statement in the periods when the hedged item affects profit or loss (for example, when the forecast sale or purchase that is hedged takes place). The gain or loss relating to the effective portion of interest rate swaps hedging variable rate borrowings is recognized in the income statement within "Finance costs". The gain or loss relating to the ineffective portion is recognized in the income statement within "Other operating expenses – net".

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gains or losses on the hedging instrument that has been recognized as other comprehensive income from the period when the hedge was effective shall remain separately in equity until the forecast transaction occurs. When a forecast transaction is no longer expected to occur, the cumulative gains or losses on the hedging instrument that has been recognized as other comprehensive income from the period when the hedge was effective shall be reclassified from equity to the income statement immediately.

(iii) Derivatives that do not qualify for hedge accounting

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instruments that do not qualify for hedge accounting are recognized immediately in the income statement.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(l) Financial guarantee contracts

Financial guarantee contracts are recognized as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of:

- the amount determined in accordance with the expected credit loss model under HKFRS 9 and

- the amount initially recognized less, where appropriate, the cumulative amount of income recognized in accordance with the principles of HKFRS 15.

The fair value of financial guarantees is determined as the present value of the difference in net cash flows between the contractual payments under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

Where guarantees in relation to loans or other payables of associates are provided for no compensation, the fair values are accounted for as contributions and recognized as part of the cost of the investment.

(m) Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined on a weighted average basis. The cost of finished goods (except for trading products) and work-in-progress comprises direct materials, direct labour and an attributable proportion of production overheads. For trading products, cost represents invoiced value on purchases, less purchase returns and discounts. Net realizable value is determined on the basis of anticipated sales proceeds less estimated selling expenses.

(n) Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. Majority of other receivables are amounts due from subcontractors for part components sold in the ordinary course of business. Trade receivables are recognized initially at fair value and subsequently measured at FVOCI, less loss allowance. Other receivables are recognized initially at fair value and subsequently measures at amortized cost using the effective interest method, less provision for impairment. See Note 2(i) for further information about the Group's accounting for trade receivables and Note 2(j) for a description of the Group's impairment policies.

If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

(o) Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents mainly comprise cash on hand, deposits held at call with banks, other short-term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the consolidated balance sheet.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(p) Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Where any group company purchases the Company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes), is deducted from equity attributable to the Company's equity holders until the shares are cancelled or reissued. Where such shares are subsequently reissued, any consideration received (net of any directly attributable incremental transaction costs and the related income tax effects) is included in equity attributable to the Company's equity holders.

(q) Borrowings and borrowing costs

Borrowings are recognized initially at fair value, net of transaction costs incurred. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability, including fees and commissions paid to agents, advisers, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Borrowings are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the income statement over the period of the borrowings using the effective interest method.

The fair value of the liability portion of a convertible bond is determined using a market interest rate for an equivalent non-convertible bond. This amount is recorded as a liability 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. This is recognized and included in shareholders' equity, net of income tax effects.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

(r) Trade and other payables

Trade payables are obligations to pay for part components or services that have been acquired in the ordinary course of business from suppliers. Majority of other payables are obligations to pay for finished goods that have been acquired in the ordinary course of business from subcontractors. Trade and other payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

Trade and other payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Notes to the Financial Statements

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(s) Provisions

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

(i) 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 Group reevaluates its estimates on a quarterly basis to assess the adequacy of its recorded warranty liabilities and adjusts the amounts as necessary.

(ii) Other provisions

Provisions for environmental restoration, restructuring costs and legal claims are recognized when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Restructuring costs provision comprises lease termination penalties and employee termination payments. Provisions are not recognized for future operating losses.

(t) Current and deferred income tax

The tax expense for the period comprises current and deferred income tax.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries, joint ventures and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax liabilities are not recognized if they arise from the initial recognition of goodwill; deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(t) Current and deferred income tax *(continued)*

Deferred income tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, joint ventures and associates, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same tax authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

(u) Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognized because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognized but is disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that the outflow is probable, it will then be recognized as a provision.

(v) Revenue

Income is classified by the Group as revenue when it arises from the sales of goods and the provision of services in the ordinary course of the Group's business.

(i) Sale of goods and provision of services

Revenue from sale of hardware, software, peripherals and mobile devices and the provision of services is recognized when control over such products or services is transferred to the customer at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value-added tax, an allowance for estimated returns, rebates and discounts.

The Group enters into different shipping terms with customers. Control of hardware, software, peripherals and mobile devices is transferred when delivery has occurred. Delivery is generally considered as occurred once the goods are shipped. For certain transactions that the Group retains control during the course of shipment, the Group defers the recognition of revenue and cost of such products until they are delivered to the designated locations. The Group's obligation to repair or replace faulty products under the standard warranty terms is recognized as a provision.

Control of systems integration service, information technology technical service and extended warranty service is transferred over time during the contract period or when services are rendered.

No element of financing is deemed present as the sales are made with a credit term of 0 – 120 days, which is consistent with market practice. A receivable is recognized when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(v) Revenue *(continued)*

(ii) Interest income

Interest income is recognized using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired receivables is recognized using the original effective interest rate.

(iii) Dividend income

Dividend income is recognized when the right to receive payment is established.

(w) Non-base manufacturing costs

Non-base manufacturing costs are costs that are periodic in nature as opposed to product specific. They are typically incurred after the physical completion of the product and include items such as outbound freight for in-country finished goods shipments, warranty costs, engineering charges, storage and warehousing costs, and contribute to bringing inventories to their present location and condition. Non-base manufacturing costs enter into the calculation of gross margin but are not inventoriable costs.

(x) Employee benefits

(i) Pension 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.

A defined benefit plan is a pension plan which defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognized in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. Significant portion of the defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation. In countries where there is no deep market in such bonds, the market rates on government bonds are used.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is included in employee benefit expense in the income statement.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognized as other comprehensive income or loss in the year in which they arise. They are included in retained earnings in the statement of changes in equity and in the balance sheet.

(x) Employee benefits *(continued)*

(i) Pension obligations *(continued)*

Past service costs are recognized immediately in the income statement. Changes in the present value of the defined benefit obligation resulting from plan amendments or curtailments are recognized immediately in profit or loss as past service costs.

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. The contributions are recognized as employee benefit expense when they are due and are reduced by employer's portion of voluntary contributions forfeited by those employees who leave the scheme prior to vesting fully. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in the future payments is available.

The Group's contributions to local municipal government retirement schemes in connection with retirement benefit schemes in the Mainland of China ("Chinese Mainland") are expensed as incurred. The local municipal governments in the Chinese Mainland assume the retirement benefit obligations of the qualified employees.

(ii) Post-employment medical benefits

The Group operates a number of post-employment medical benefit schemes, the largest being in the United States. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment using an accounting methodology similar to that for defined benefit pension plans. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognized as other comprehensive income or loss in the period in which they arise. The obligations of these schemes in the United States are valued annually by independent qualified actuaries.

(iii) Long-term incentive program

The Group operates a long-term incentive program to recognize employees' individual and collective contributions, and includes two types of awards, namely share appreciation rights and restricted share units ("Long-term Incentive Awards"). The Company reserves the right, at its discretion, to pay the award in cash or ordinary shares of the Company. The fair value of the employee services received in exchange for the grant of the Long-term Incentive Awards is recognized as employee benefit expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the Long-term Incentive Awards granted, including any market performance conditions (for example, an entity's share price); excluding the impact of any service and non-market performance vesting conditions (for example, profitability and sales growth targets); and including the impact of non-vesting conditions. Non-market performance and service conditions are included in assumptions about the number of Long-term Incentive Awards that are expected to become exercisable/vested. The total expense is recognized over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(x) Employee benefits *(continued)*

(iii) Long-term incentive program (continued)

At each balance sheet date, the Group revises its estimates of the number of Long-term Incentive Awards that are expected to become exercisable. It recognizes the impact of the revision of original estimates, if any, in the income statement, with a corresponding adjustment to share-based compensation reserve under equity.

Employee share trusts are established for the purposes of awarding shares to eligible employees under the long-term incentive program. The employee share trusts are administered by independent trustees and are funded by the Group's cash contributions and recorded as contributions to employee share trusts, an equity component. The administrator of the employee share trusts buys the Company's shares in the open market for award to employees upon vesting.

Upon vesting, the corresponding amounts in the share-based compensation reserve will be transferred to share capital for new allotment of shares to employees, or to the employee share trusts for shares awarded to employees by the employee share trusts.

(iv) Termination benefit

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognizes termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the entity recognizes costs for a restructuring that is within the scope of HKAS 37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

(v) Share options

The proceeds received net of any directly attributable transaction costs are credited to share capital when the options are exercised.

(y) Government grants

Grants from the government are recognized at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognized as "Other operating expenses – net" in the consolidated income statement over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to property, plant and equipment are included in other non-current liabilities as deferred government grants and are credited to the consolidated income statement on a straight-line basis over the expected lives of the related assets.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(z) Operating leases (as the lessee)

Leases where substantially all the rewards and risks of ownership of assets remain with the leasing company are accounted for as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the lease term.

Interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated balance sheet and is amortized over the lease terms on a straight line basis, ranging from 10 to 50 years for the Group.

(aa) Related party transactions

A related party transaction is a transfer of resources, services or obligations between the Group and a related party of the Group, regardless of whether a price is charged.

(i) A person, or a close member of that person's family, is related to the Group if that person:

- has control or joint control over the Group;
- has significant influence over the Group; or
- is a member of the key management personnel of the Group or the Group's parent.

(ii) An entity is related to the Group if any of the following conditions applies:

- The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- Both entities are joint ventures of the same third party.
- One entity is a joint venture of a third entity and the other entity is an associate of the third party.
- The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.
- The entity is controlled or jointly controlled by a person identified in (i) above.
- A person, or a close member of that person's family, who has control or joint control over the Group, has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(ab) Dividend distribution

Dividend distribution to the Company's shareholders is recognized as a liability in the Group's and Company's financial statements in the period in which the dividends are approved by the Company's shareholders in case of final dividend and by the Company's directors in case of interim dividend.

Notes to the Financial Statements

3 FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks, such as market risk (including foreign currency risk and cash flow interest rate risk), credit risk, and liquidity risk. The Group's overall financial risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to hedge certain risk exposures. Financial risk management is carried out by the centralized treasury department ("Group Treasury").

(a) Financial risk factors

(i) Foreign currency risk

The Group operates internationally and is exposed to foreign currency risk arising from various currency exposures, primarily with respect to United States dollar, Renminbi and Euro. Foreign currency risk arises from future commercial transactions, recognized assets and liabilities and net investment in foreign operations denominated in a currency that is not the group companies' functional currency.

Management has set up a policy to require group companies to manage their foreign currency risk against their functional currency. The Group's forward foreign currency contracts are either used to hedge a percentage of anticipated cash flows (mainly export sales and purchase of inventories) which are highly probable, or used as fair value hedges for the identified assets and liabilities.

For segment reporting purposes, external hedge contracts on assets, liabilities or future transactions are designated to each operating segment, as appropriate.

The following tables detail the Group's exposure at the balance sheet date to currency risk arising from recognized assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate, except for the currency risk between United States dollar and Hong Kong S.A.R. of China dollar given the two currencies are under the linked exchange rate system. For presentation purposes, the amounts of the exposure are shown in United States dollar, translated using the spot rate at the balance sheet date. Differences resulting from the translation of the financial statements of foreign operations into the Group's presentation currency are excluded.

3 FINANCIAL RISK MANAGEMENT *(continued)*

(a) Financial risk factors *(continued)*

(i) Foreign currency risk *(continued)*

	2019			2018		
	United States dollar US$'000	**Renminbi US$'000**	**Euro US$'000**	United States dollar US$'000	Renminbi US$'000	Euro US$'000
Trade and other receivables	**271,290**	**12,181**	**11,172**	182,738	44,530	14,803
Bank deposits and cash and cash equivalents	**35,292**	**16,078**	**36,519**	24,478	9,132	20,554
Trade and other payables	**(352,175)**	**(67,591)**	**(12,420)**	(320,730)	(24,341)	(18,422)
Borrowings	**-**	**(594,747)**	**-**	–	(635,015)	–
Intercompany balances before elimination	**(3,506,479)**	**899,134**	**(413,895)**	(2,716,689)	1,136,490	(318,945)
Gross exposure	**(3,552,072)**	**265,055**	**(378,624)**	(2,830,203)	530,796	(302,010)
Notional amounts of forward exchange contracts used as economic hedges	**3,524,724**	**-**	**329,219**	3,118,896	–	269,936
Net exposure	**(27,348)**	**265,055**	**(49,405)**	288,693	530,796	(32,074)

3 FINANCIAL RISK MANAGEMENT *(continued)*

(a) Financial risk factors *(continued)*

(ii) Cash flow interest rate risk

The Group's interest rate risk mainly arises from short-term and long-term borrowings denominated in United States dollar. It is the Group's policy to mitigate interest rate risk through the use of appropriate interest rate hedging instruments. Generally, the Group manages its cash flow interest rate risk by using floating-to-fixed interest rate swaps. Such interest rate swaps have the economic effect of converting borrowings from floating rates to fixed rates. Under the interest rate swaps, the Group agrees with other parties to exchange, at specified intervals (primarily quarterly), the difference between fixed contract rates and floating-rate interest amounts calculated by reference to the agreed notional amounts.

The Group operates various customer financing programs. The Group is exposed to fluctuation of interest rates of all the currencies covered by those programs.

(iii) Credit risk

Credit risk is managed on a group basis. Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to customers and subcontractors, including outstanding receivables and committed transactions.

For banks and other financial institutions, the Group controls its credit risk through monitoring their credit rating and setting approved counterparty credit limits that are regularly reviewed.

The Group has no significant concentration of customer credit risk. The Group has a credit policy in place and exposures to these credit risks are monitored on an ongoing basis.

No credit limits were exceeded by any customers during the reporting period, and management does not expect any significant losses from non-performance by these counterparties.

3 FINANCIAL RISK MANAGEMENT *(continued)*

(a) Financial risk factors *(continued)*

(iii) Credit risk (continued)

The Group applies the simplified approach to provide for expected credit losses prescribed by HKFRS 9, which permits the use of the lifetime expected credit loss provision for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on the days past due. The gross carrying amount of the trade receivables and the loss allowance provision determined under the new accounting policies from April 1, 2018 analyzed by aging band are set out below:

March 31, 2019	**Gross carrying amount US$'000**	**Loss allowance US$'000**	**Expected credit loss rate**
Not past due	**5,774,882**	**(172)**	**0%**
Past due less than 31 days	**513,051**	**(80)**	**0%**
Past due within 31 to 60 days	**125,345**	**(1)**	**0%**
Past due within 61 to 90 days	**59,705**	**(191)**	**0%**
Past due over 90 days	**288,843**	**(99,898)**	**35%**
	6,761,826	**(100,342)**	

April 1, 2018	Gross carrying amount US$'000	Loss allowance US$'000	Expected credit loss rate
Not past due	4,110,780	(78)	0%
Past due less than 31 days	444,645	(268)	0%
Past due within 31 to 60 days	140,562	(4,189)	3%
Past due within 61 to 90 days	74,125	(6,719)	9%
Past due over 90 days	311,226	(97,362)	31%
	5,081,338	(108,616)	

(iv) Liquidity risk

Cash flow forecasting at least for next 12 months of the Group is performed by Group Treasury. It monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational, financing and investing needs while maintaining sufficient headroom on its undrawn committed borrowing facilities (Note 26) at all times so that the Group does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities. Such forecasting takes into consideration the Group's debt financing plans, net current liabilities position, covenant compliance, compliance with internal balance sheet ratio targets and, if applicable external regulatory or legal requirements, for example, currency restrictions.

Surplus cash held by the operating entities over and above balances required for working capital management are transferred to Group Treasury. Group Treasury invests surplus cash in interest bearing current accounts, time deposits, money market deposits and marketable securities, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient headroom as determined by the above-mentioned forecasts, At the balance sheet date, the Group held money market funds of US$583,924,000 (2018: US$8,393,000) (Note 23).

3 FINANCIAL RISK MANAGEMENT *(continued)*

(a) Financial risk factors *(continued)*

(iv) Liquidity risk *(continued)*

The tables below analyze the Group's non-derivative financial liabilities and derivative financial liabilities into relevant maturity groupings based on the remaining periods at the balance sheet date to the contractual maturity dates. Derivative financial liabilities are included in the analysis if their contractual maturities are essential for an understanding of the timing of the cash flows. The amounts disclosed in the tables are the contractual undiscounted cash outflows/(inflows).

	Repayable on demand or 3 months or less US$'000	Over 3 months to 1 year US$'000	Over 1 to 3 years US$'000	Over 3 to 5 years US$'000	Total US$'000
At March 31, 2018					
Borrowings	1,138,704	159,243	1,599,043	1,340,625	4,237,615
Trade, notes and other payables and accruals	14,225,510	385,920	-	-	14,611,430
Deferred consideration	-	-	25,072	-	25,072
Written put option liability	224,813	-	-	-	224,813
Others	-	-	106,906	53,409	160,315
Derivatives settled in net:					
Forward foreign exchange contracts	4,844	-	-	-	4,844
Derivatives settled in gross:					
Forward foreign exchange contracts					
- outflow	5,952,722	909,683	-	-	6,862,405
- inflow	(5,930,706)	(903,571)	-	-	(6,834,277)
At March 31, 2019					
Borrowings	**1,950,291**	**151,061**	**1,263,286**	**1,506,166**	**4,870,804**
Trade, notes and other payables and accruals	**14,308,820**	**685,965**	**-**	**-**	**14,994,785**
Deferred consideration	**-**	**-**	**25,072**	**-**	**25,072**
Contingent consideration	**-**	**-**	**115,093**	**-**	**115,093**
Written put option liabilities	**-**	**-**	**330,269**	**542,127**	**872,396**
Others	**-**	**-**	**63,924**	**127,179**	**191,103**
Derivatives settled in net:					
Forward foreign exchange contracts	**7,860**	**1,996**	**-**	**-**	**9,856**
Derivatives settled in gross:					
Forward foreign exchange contracts					
- outflow	**5,740,706**	**1,958,660**	**-**	**-**	**7,699,366**
- inflow	**(5,760,493)**	**(1,968,788)**	**-**	**-**	**(7,729,281)**

(b) Market risk sensitivity analysis

HKFRS 7 "Financial instruments: Disclosures" requires the disclosure of a sensitivity analysis for market risks that show the effects of a hypothetical change in the relevant market risk variable to which the Group is exposed to at the balance sheet date on profit or loss and total equity.

The sensitivity analysis for each type of market risks does not reflect inter-dependencies between risk variables. The sensitivity analysis assumes that a hypothetical change of the relevant risk variable had occurred at the balance sheet date and had been applied to the relevant risk variable in existence on that date. The bases and assumptions adopted in the preparation of the analyses will by definition, seldom equal to the related actual results.

The disclosure of the sensitivity analysis on market risks is solely for compliance with HKFRS 7 disclosure requirements in respect of financial instruments, and are for illustration purposes only; and it should be noted that the hypothetical amounts so generated do not represent a projection of likely future events and profits or losses of the Group.

(i) Foreign currency exchange rate sensitivity analysis

At March 31, 2019, if United States dollar had weakened/strengthened by one percent against the major currencies with all other variables held constant, pre-tax profit for the year would have been US$2.4 million higher/lower (2018: pre-tax profit for the year would have been US$2.1 million higher/lower), mainly as a result of foreign exchange gains/losses on translation of unhedged portion of receivable and payable balances.

The analysis above is based on the assumption that United States dollar weakened or strengthened against all other currencies in the same direction and magnitude, but it may not be necessarily true in reality.

(ii) Interest rate sensitivity analysis

At March 31, 2019, if interest rate on borrowings had been 25 basis points higher/lower with all other variables held constant, pre-tax profit for the year would have been US$5.9 million lower/higher (2018: pre-tax profit for the year would have been US$3.6 million lower/higher).

At March 31, 2019, if interest rates on customer financing programs had been 25 basis points higher/lower with all other variables held constant, pre-tax profit for the year would have been US$7.1 million lower/higher (2018: pre-tax profit for the year would have been US$6.0 million lower/higher). This analysis is based on the assumption that the interest rates of all the currencies covered by the customer financing programs go up and down at the same time and with the same magnitude; however, such assumptions may not be necessarily true in reality.

(c) Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

3 FINANCIAL RISK MANAGEMENT *(continued)*

(c) Capital risk management *(continued)*

Consistent with others in the industry, the Group monitors capital on the basis of gearing ratio. This ratio is calculated as total borrowings (including current and non-current borrowings) divided by total equity. The Group's strategy remains unchanged and the gearing ratios and net debt position of the Group as at March 31, 2019 and 2018 are as follows:

	2019 US$ million	2018 US$ million
Bank deposits and cash and cash equivalents	**2,733**	1,932
Less: total borrowings	**(4,380)**	(3,815)
Net debt position	**(1,647)**	(1,883)
Total equity	**4,097**	4,546
Gearing ratio	**1.07**	0.84

(d) Fair value estimation

The table below analyzes financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1 Quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices)
- Level 3 Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs)

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in Level 1.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3.

Specific valuation techniques used to value financial instruments include:

- The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves.
- The fair value of forward foreign exchange contracts is determined using quoted forward exchange rates at the balance sheet date, with the resulting value discounted back to present value.
- Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments.

3 FINANCIAL RISK MANAGEMENT *(continued)*

(d) Fair value estimation *(continued)*

The following table presents the assets and liabilities that are measured at fair value at March 31, 2019 and 2018.

	2019				2018			
	Level 1 US$'000	**Level 2 US$'000**	**Level 3 US$'000**	**Total US$'000**	Level 1 US$'000	Level 2 US$'000	Level 3 US$'000	Total US$'000
Assets								
Available-for-sale financial assets								
Listed equity investments	**-**	**-**	**-**	**-**	29,563	–	–	29,563
Unlisted equity investments	**-**	**-**	**-**	**-**	–	–	343,514	343,514
Financial assets at FVPL								
Listed equity investments	**196,225**	**-**	**-**	**196,225**	–	–	–	–
Unlisted equity investments	**-**	**-**	**253,138**	**253,138**	–	–	–	–
Financial assets at FVOCI								
Listed equity investments	**30,858**	**-**	**-**	**30,858**	–	–	–	–
Unlisted equity investments	**-**	**-**	**40,628**	**40,628**	–	–	–	–
Trade receivables	**-**	**6,661,484**	**-**	**6,661,484**	–	–	–	–
Derivative financial assets	**-**	**70,972**	**-**	**70,972**	–	24,890	–	24,890
	227,083	**6,732,456**	**293,766**	**7,253,305**	29,563	24,890	343,514	397,967
Liabilities								
Derivative financial liabilities	**-**	**74,426**	**-**	**74,426**	–	62,694	–	62,694
Contingent consideration	**-**	**-**	**113,283**	**113,283**	–	–	–	–
	-	**74,426**	**113,283**	**187,709**	–	62,694	–	62,694

Notes to the Financial Statements

3 FINANCIAL RISK MANAGEMENT *(continued)*

(d) Fair value estimation *(continued)*

During the year ended March 31, 2019, there was a transfer of US$145,866,000 relating to financial assets at FVPL from Level 3 to Level 1 as those financial assets became listed in active markets. There were no significant transfers of financial assets among Levels 1, 2 and 3 fair value hierarchy classification during the year ended March 31, 2018.

The movements in the financial assets and liabilities included in Level 3 fair value hierarchy for the years ended March 31, 2019 and 2018 are as follows:

Equity securities

	2019	
	Financial assets at FVPL US$'000	**Financial assets at FVOCI US$'000**
At the beginning of the year	**-**	**-**
Change in accounting policy	**294,601**	**48,913**
Exchange adjustment	**(7,770)**	**(1,852)**
Fair value change recognized in other comprehensive income	**-**	**(11,172)**
Fair value change recognized in profit or loss	**87,497**	**-**
Transfer to Level 1	**(145,866)**	**-**
Additions	**58,672**	**4,739**
Disposals	**(33,996)**	**-**
At the end of the year	**253,138**	**40,628**

Available-for-sale financial assets

	2018 US$'000
At the beginning of the year	231,755
Exchange adjustment	15,172
Fair value change recognized in other comprehensive income	(2,828)
Additions	100,466
Transfer to investment in a joint venture	(901)
Disposals	(150)
At the end of the year	343,514

3 FINANCIAL RISK MANAGEMENT *(continued)*

(d) Fair value estimation *(continued)*

Contingent consideration

	2019 US$'000
At the beginning of the year	-
Exchange adjustment	461
Additions	111,047
Recognized in profit or loss	1,775
At the end of the year	113,283
Total losses for the year included in profit or loss under "finance costs"	1,775

No sensitivity analysis for unlisted equity investments is presented as a reasonably possible change in key assumptions used in the sensitivity analysis would not result in any significant potential financial impact. Sensitivity analysis in respect of contingent consideration is disclosed in Note 27.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of financial statements often requires the use of judgment to select specific accounting methods and policies from several acceptable alternatives. Estimates and judgments used in preparing the financial statements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The following are the more significant assumptions and estimates, as well as the accounting policies and methods used in the preparation of the financial statements:

(a) Impairment of non-financial assets

The Group tests at least annually whether goodwill and other assets that have indefinite useful lives have suffered any impairment. Other assets that are subject to depreciation and amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset exceeds its recoverable amount. The recoverable amounts of an asset or a cash-generating unit have been determined based on value-in-use calculations. These calculations require the use of estimates.

The value-in-use calculations primarily use cash flow projections based on financial budgets, in general covered five years, were approved by management and estimated terminal values at the end of the five-year period. There are a number of assumptions and estimates involved for the preparation of cash flow projections for the period covered by the approved budget and the estimated terminal value. Key assumptions include the expected growth in revenues and operating margin, growth rates and selection of discount rates, to reflect the risks involved and the earnings multiple that can be realized for the estimated terminal value.

Notes to the Financial Statements

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS *(continued)*

(a) Impairment of non-financial assets *(continued)*

Management prepared the financial budgets reflecting actual and prior year performance and market development expectations. Judgment is required to determine key assumptions adopted in the cash flow projections and changes to key assumptions can significantly affect these cash flow projections and therefore the results of the impairment reviews.

(b) Income taxes

The Group is subject to income taxes in numerous jurisdictions. Significant judgment is required in determining the worldwide provision for income taxes. There are certain transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The tax liabilities recognized are based on management's assessment of the likely outcome.

The Group recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying values in the financial statements.

Deferred income tax assets are mainly recognized for temporary differences such as warranty provision, accrued sales rebates, bonus accruals, and other accrued expenses, and unused tax losses carried forward to the extent it is probable that future taxable profits will be available against which deductible temporary differences and the unused tax losses can be utilized, based on all available evidence. Recognition primarily involves judgment regarding the future financial performance of the particular legal entity or tax group in which the deferred income tax asset has been recognized. A variety of other factors are also evaluated in considering whether there is convincing evidence that it is probable that some portion or all of the deferred income tax assets will ultimately be realized, such as the existence of taxable temporary differences, group relief, tax planning strategies and the periods in which estimated tax losses can be utilized. The carrying amount of deferred income tax assets and related financial models and budgets are reviewed at each balance sheet date and to the extent that there is insufficient convincing evidence that sufficient taxable profits will be available within the utilization periods to allow utilization of the carry forward tax losses, the asset balance will be reduced and the difference charged to the income statement.

Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax provisions and deferred income tax assets and liabilities in the period in which such determination is made.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS *(continued)*

(c) Warranty provision

Warranty provision is based on the estimated cost of product warranties when revenue is recognized. Factors that affect the Group's warranty liability include the number of sold units currently under warranty, historical and anticipated rates of warranty claims on those units, and cost per claim to satisfy our warranty obligation. The estimation basis is reviewed on an on-going basis and revised where appropriate. Certain of these costs are reimbursable from the suppliers in accordance with the terms of relevant arrangements with the suppliers. These amounts are recognized as a separate asset, to the extent of the amount of the provision made, when it is virtually certain that reimbursement will be received if the Group settles the obligation.

(d) Revenue recognition

Application of various accounting principles related to the measurement and recognition of revenue requires the Group to make judgments and estimates. Specifically, complex arrangements with non-standard terms and conditions may require significant contract interpretation to determine the appropriate accounting, including whether the deliverables specified in a multiple element arrangement should be treated as separate performance obligations. Other significant judgments include determining whether the Group or a reseller is acting as the principal in a transaction and whether separate contracts are considered part of one arrangement.

The Group sells products to channels. Sales through channels are primarily made under agreements allowing for volume discounts, price protection and rebates, and marketing development funds. The Group monitors the channel inventory level with reference to historical data. Revenue recognition is also impacted by the Group's ability to estimate volume discounts, price protection and rebates, marketing development funds. The Group considers various factors, including a review of specific transactions, historical experience, market and economic conditions and channel inventory level when calculating these provisions and allowances. Revenue is only recognized to the extent that it is highly probable that a significant reversal will not occur.

Revenue from sales of goods is recognized when the control of the goods is transferred to customer, which are generally occurred upon shipment. For certain transactions that the Group retains control during the course of shipment, the Group defers the recognition of revenue and cost of such products until they are delivered to the designated locations.

(e) Retirement benefits

Pension and other post-retirement benefit costs and obligations are dependent on various assumptions. The Group's major assumptions primarily relate to discount rate, expected return on assets, and salary growth. In determining the discount rate, the Group references market yields at the balance sheet date on high quality corporate bonds. The currency and term of the bonds are consistent with the currency and estimated term of the benefit obligations being valued. The expected return on plan assets is based on market expectations for returns over the life of the related assets and obligations. The salary growth assumptions reflect the Group's long-term actual experience and future and near-term outlook. Actual results that differ from the assumptions are generally recognized in the year they occur.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS *(continued)*

(f) Fair value of derivatives and other financial instruments

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. The Group uses its judgment to select a variety of methods and make assumptions that are mainly based on market conditions existing at each balance sheet date. The Group has used discounted cash flow analyses for various available-for-sale financial assets that are not traded in active markets.

(g) Fair value of identifiable assets and liabilities acquired through business combinations

The Group applies the acquisition method to account for business combinations, which requires the Group to record assets acquired and liabilities assumed at their fair values on the date of acquisition. Significant judgment is used to estimate the fair values of the assets and liabilities acquired, including estimating future cash flows from the acquired business, determining appropriate discount rates, asset lives and other assumptions.

5 SEGMENT INFORMATION

The Group has formed the Intelligent Devices Group ("IDG"), combining PC and Smart Device Business Group ("PCSD") and Mobile Business Group ("MBG") together. The new business group structure, namely IDG and Data Center Group ("DCG"), replaces the Group's original segment by geography and is designed to align the Group more closely with its strategic direction and market dynamics to better serve customers.

The Group has adopted the new business group structure as the reporting format effective for the year ended March 31, 2019 and the comparative segment information has been reclassified to conform to the current organizational structure. 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 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.

5 SEGMENT INFORMATION *(continued)*

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

	2019		2018	
	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	**45,013,362**	**1,842,840**	40,955,583	880,406
DCG	**6,024,581**	**(230,600)**	4,394,360	(424,866)
Segment total	**51,037,943**	**1,612,240**	45,349,943	455,540
Unallocated:				
Headquarters and corporate (expenses)/income – net		**(640,312)**		(204,540)
Depreciation and amortization		**(136,263)**		(100,654)
Finance income		**4,121**		5,349
Finance costs		**(142,496)**		(65,236)
Share of losses of associates and joint ventures		**(11,525)**		(2,506)
(Loss)/gain on disposal of property, plant and equipment, prepaid lease payments and construction-in-progress		**(1,651)**		62,750
Fair value gain on financial assets at FVPL		**125,550**		–
Dilution gain on interest in associates and a joint venture		**24,189**		2,499
Gain on deemed disposal of a subsidiary		**22,811**		–
Consolidated profit before taxation		**856,664**		153,202

Notes to the Financial Statements

5 SEGMENT INFORMATION *(continued)*

(b) Segment assets for reportable segments

	2019 US$'000	2018 US$'000
IDG	**19,797,625**	18,955,347
DCG	**4,094,194**	4,729,617
Segment assets for reportable segments	**23,891,819**	23,684,964
Unallocated:		
Deferred income tax assets	**1,862,902**	1,530,623
Financial assets at FVPL	**449,363**	–
Financial assets at FVOCI	**71,486**	–
Derivative financial assets	**70,972**	24,890
Available-for-sale financial assets	**-**	373,077
Interests in associates and joint ventures	**79,061**	35,666
Bank deposits and cash and cash equivalents	**2,733,064**	1,932,323
Unallocated deposits, prepayments and other receivables	**166,874**	242,899
Income tax recoverable	**185,643**	227,203
Other unallocated assets	**477,301**	442,526
Total assets per consolidated balance sheet	**29,988,485**	28,494,171

5 SEGMENT INFORMATION *(continued)*

(c) Segment liabilities for reportable segments

	2019 US$'000	2018 US$'000
IDG	**19,045,230**	17,287,630
DCG	**1,456,268**	1,809,529
Segment liabilities for reportable segments	**20,501,498**	19,097,159
Unallocated:		
Deferred income tax liabilities	**359,679**	230,609
Derivative financial liabilities	**74,426**	62,694
Borrowings	**4,379,813**	3,815,417
Unallocated other payables and accruals	**246,467**	538,972
Unallocated provisions	**1,336**	1,399
Unallocated other non-current liabilities	**29,979**	33,154
Income tax payable	**298,224**	168,779
Total liabilities per consolidated balance sheet	**25,891,422**	23,948,183

(d) Analysis of revenue by geography

	2019 US$'000	2018 US$'000
China	**12,357,527**	11,525,321
AP	**9,764,456**	7,156,293
EMEA	**12,502,510**	12,481,897
AG	**16,413,450**	14,186,432
	51,037,943	45,349,943

(e) Analysis of revenue by timing of revenue recognition

	2019 US$'000	2018 US$'000
Point in time	**50,052,707**	44,408,850
Over time	**985,236**	941,093
	51,037,943	45,349,943

5 SEGMENT INFORMATION *(continued)*

(f) Revenue recognized in relation to deferred revenue and receipt in advance

Deferred revenue and receipt in advance (included in "other payables and accruals") amounting to US$1,675 million (2018: US$1,687 million) primarily relate to the Group's unfulfilled performance obligations for which consideration has been received at the reporting date. Revenue is recognized in the period when the performance obligations are fulfilled. US$1,103 million was recognized as revenue during the year that was included in such balance at the beginning of the year.

(g) Transaction price allocated to the remaining performance obligations

The following table includes revenue expected to be recognized in the future related to performance obligations that are unsatisfied or partially unsatisfied at the reporting date.

	2019 US$'000
Within one year	996,611
More than one year	678,137
	1,674,748

(h) Other segment information

	IDG		DCG		Total	
	2019 US$'000	2018 US$'000	2019 US$'000	2018 US$'000	2019 US$'000	2018 US$'000
Depreciation and amortization	452,511	422,590	209,846	215,278	662,357	637,868
Finance income	23,058	26,791	220	5	23,278	26,796
Finance costs	174,245	183,655	20,286	14,269	194,531	197,924
Additions to non-current assets (Note)	976,339	587,710	102,449	82,883	1,078,788	670,593

Note: Excluding other non-current assets and including non-current assets acquired through acquisition of subsidiaries (Note 36).

The total of non-current assets other than financial instruments, deferred income tax assets and post-employment benefit assets (there are no rights arising under insurance contracts) located in China and other countries is approximately US$4,357,099,000 (2018: US$4,245,626,000) and US$6,361,432,000 (2018: US$6,681,527,000) respectively.

6 OPERATING PROFIT

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

	2019 US$'000	2018 US$'000
Depreciation of property, plant and equipment and amortization of prepaid lease payments	**291,760**	259,121
Amortization of intangible assets	**506,860**	479,401
Employee benefit costs (Note 9) (a)	**4,006,967**	3,663,301
Cost of inventories sold	**41,580,106**	36,970,355
Inventories write down	**-**	60,534
Auditor's remuneration		
– Audit services (b)	**10,383**	9,252
– Non-audit services	**4,701**	3,856
Rental expenses under operating leases	**131,918**	147,133
Government grants (Note 27(c))	**(69,391)**	(161,820)
Net foreign exchange loss	**111,529**	55,735
Net (gain)/loss on foreign exchange forward contracts for cash flow hedges reclassified from equity	**(244,396)**	222,073
Impairment of property, plant and equipment	**-**	4,608
Loss/(gain) on disposal of property, plant and equipment, prepaid lease payments and construction-in-progress	**4,970**	(50,937)
Fair value gain on financial assets at FVPL	**(125,550)**	–
Dilution gain on interest in associates and a joint venture	**(24,189)**	(2,499)
Gain on deemed disposal of a subsidiary	**(22,811)**	–
Ineffectiveness on cash flow hedges	**(18,394)**	(7,807)

(a) During the year ended March 31, 2018, the Group announced resource actions to further enhance efficiency and competitiveness in view of industrial challenges. Severance costs of approximately US$101 million were recognized in "other operating expenses – net".

(b) Of the above audit services fees, US$9,211,000 (2018: US$8,421,000) is payable to the Company's auditor.

Notes to the Financial Statements

7 FINANCE INCOME AND COSTS

(a) Finance income

	2019 US$'000	2018 US$'000
Interest on bank deposits	**21,927**	27,672
Interest on money market funds	**5,472**	4,473
	27,399	32,145

(b) Finance costs

	2019 US$'000	2018 US$'000
Interest on bank loans and overdrafts	**92,103**	44,376
Interest on convertible bonds	**7,109**	–
Interest on notes	**123,428**	130,229
Interest on promissory note	**–**	11,589
Factoring costs	**96,730**	71,897
Commitment fee	**868**	779
Interest on contingent consideration and written put option liabilities	**14,758**	1,110
Others	**2,031**	3,180
	337,027	263,160

8 TAXATION

The amount of taxation in the consolidated income statement represents:

	2019 US$'000	2018 US$'000
Current tax		
– Hong Kong S.A.R. of China profits tax	**37,162**	16,997
– Taxation outside Hong Kong S.A.R. of China	**432,094**	332,795
Deferred tax (Note 19)		
– Credit for the year	**(269,796)**	(469,815)
– Effect of change in tax rate	**–**	400,000
	199,460	279,977

8 TAXATION *(continued)*

Hong Kong S.A.R. of China profits tax has been provided at the rate of 16.5% (2018: 16.5%) on the estimated assessable profit for the year. Taxation outside Hong Kong S.A.R. of China represents income and irrecoverable withholding taxes of subsidiaries operating in the Chinese Mainland and overseas, calculated at rates applicable in the respective jurisdictions.

Pursuant to the Tax Cuts and Jobs Act enacted by the government of the United States ("US") on December 22, 2017, the US corporate tax rate is reduced for tax years beginning after December 31, 2017. This rate change led to a write-off of US deferred income tax assets of approximately US$400 million for the year ended March 31, 2018.

The Group has been granted certain tax concessions by tax authorities in the Chinese Mainland and overseas whereby the subsidiaries operating in the respective jurisdictions are entitled to tax concessions.

The differences between the Group's expected tax charge, calculated at the domestic rates applicable to the countries concerned, and the Group's tax charge for the year are as follows:

	2019 US$'000	2018 US$'000
Profit before taxation	**856,664**	153,202
Tax calculated at domestic rates applicable in countries concerned	**283,106**	45,038
Income not subject to taxation	**(386,175)**	(282,563)
Expenses not deductible for taxation purposes	**237,604**	141,540
Recognition/utilization of previously unrecognized temporary differences/tax losses	**(914)**	(58,020)
Effect on deferred income tax assets due to change in tax rates	**-**	400,000
Deferred income tax assets not recognized	**61,930**	20,023
Under-provision in prior years	**3,909**	13,959
	199,460	279,977

The weighted average applicable tax rate for the year was 33.0% (2018: 29.4%). The increase is caused by changes in tax concessions and profitability of the Group's subsidiaries in respective countries they are operating.

8 TAXATION *(continued)*

The tax credit/(charge) relating to components of other comprehensive income is as follows:

	2019			2018		
	Before tax US$'000	**Tax credit US$'000**	**After tax US$'000**	Before tax US$'000	Tax charge US$'000	After tax US$'000
Fair value change on available-for-sale financial assets	**-**	**-**	**-**	224	–	224
Fair value change on financial assets at FVOCI	**(16,304)**	**326**	**(15,978)**	–	–	–
Fair value change on cash flow hedges	**39,480**	**666**	**40,146**	(11,538)	(40)	(11,578)
Remeasurements of post-employment benefit obligations (Note 35)	**(25,641)**	**-**	**(25,641)**	(19,797)	–	(19,797)
Currency translation differences	**(434,816)**	**-**	**(434,816)**	288,711	–	288,711
Other comprehensive (loss)/ income	**(437,281)**	**992**	**(436,289)**	257,600	(40)	257,560
Deferred tax (Note 19)		**992**			(40)	

9 EMPLOYEE BENEFIT COSTS

	2019 US$'000	2018 US$'000
Wages and salaries (2018: including severance and related costs of US$100,775,000)	**3,057,257**	2,778,153
Social security costs	**241,280**	247,117
Long-term incentive awards granted (Note 28)	**214,822**	199,779
Pension costs		
– Defined contribution plans	**192,184**	182,721
– Defined benefit plans (Note 35)	**23,302**	16,439
Others	**278,122**	239,092
	4,006,967	3,663,301

The Group contributes to respective local municipal government retirement schemes which are available to all qualified employees in the Chinese Mainland. Contributions to these schemes are calculated with reference to the monthly average salaries as set out by the local municipal government.

The Group participates in various defined contribution schemes, either voluntary or mandatory, for all qualified employees. The assets of those defined contribution schemes are held separately from those of the Group in independently administered funds.

The Group also contributes to certain defined benefit pension schemes, details of which are set out in Note 35.

Notes to the Financial Statements

10 EMOLUMENTS OF DIRECTORS AND HIGHEST PAID INDIVIDUALS

(a) Directors' and senior management's emoluments

Directors' emoluments comprise payments by the Group to directors of the Company in connection with the management of the affairs of the Company and its subsidiaries. The remuneration of each director and the chief executive who is also a director, for the years ended March 31, 2019 and 2018 is set out below:

	2019							
Name of Director	Fees US$'000	Salaries US$'000	Discretionary bonuses (note i) US$'000	Long-term incentive awards (note ii) US$'000	Retirement payments and employer's contribution to pension schemes US$'000	Housing allowance US$'000	Other benefits in-kind US$'000	Total US$'000
Executive director								
Mr. Yang Yuanqing (CEO)	-	1,314	1,478	11,833	140	-	606	15,371
Non-executive directors								
Mr. Zhu Linan	93	-	-	208	-	-	-	301
Mr. Zhao John Huan	93	-	-	208	-	-	-	301
Independent non-executive directors								
Dr. Tian Suning	93	-	-	208	-	-	-	301
Mr. Nicholas C. Allen	121	-	-	208	-	-	-	329
Mr. Nobuyuki Idei	93	-	-	208	-	-	-	301
Mr. William O. Grabe	128	-	-	208	-	-	-	336
Mr. William Tudor Brown	93	-	-	208	-	-	-	301
Ms. Ma Xuezheng	113	-	-	208	-	-	-	321
Mr. Yang Chih-Yuan Jerry	93	-	-	210	-	-	-	303
Mr. Gordon Robert Halyburton Orr	93	-	-	207	-	-	-	300
Professor Shoucheng Zhang	11	-	-	454	-	-	-	465
Mr. Woo Chin Wan Raymond	10	-	-	-	-	-	-	10
	1,034	1,314	1,478	14,368	140	-	606	18,940

10 EMOLUMENTS OF DIRECTORS AND HIGHEST PAID INDIVIDUALS *(continued)*

(a) Directors' and senior management's emoluments *(continued)*

	2018							
Name of Director	Fees US$'000	Salaries US$'000	Discretionary bonuses (note i) US$'000	Long-term incentive awards (note ii) US$'000	Retirement payments and employer's contribution to pension schemes US$'000	Housing allowance US$'000	Other benefits in-kind US$'000	Total US$'000
Executive director								
Mr. Yang Yuanqing (CEO)	-	1,404	1,213	15,286	149	-	700	18,752
Non-executive directors								
Mr. Zhu Linan	93	-	-	196	-	-	-	289
Mr. Zhao John Huan	93	-	-	196	-	-	-	289
Independent non-executive directors								
Dr. Tian Suning	93	-	-	196	-	-	-	289
Mr. Nicholas C. Allen	120	-	-	196	-	-	-	316
Mr. Nobuyuki Idei	93	-	-	196	-	-	-	289
Mr. William O. Grabe	128	-	-	196	-	-	-	324
Mr. William Tudor Brown	93	-	-	196	-	-	-	289
Ms. Ma Xuezheng	113	-	-	196	-	-	-	309
Mr. Yang Chih-Yuan Jerry	93	-	-	198	-	-	-	291
Mr. Gordon Robert Halyburton Orr	93	-	-	174	-	-	-	267
	1,012	1,404	1,213	17,226	149	-	700	21,704

Notes:

(i) Discretionary bonuses paid for the two years ended March 31, 2019 and 2018 represent the amounts in connection with the performance bonuses for the two years ended March 31, 2018 and 2017 respectively.

(ii) Details of the long-term incentive program of the Company are set out in Note 28. The fair value of the employee services received in exchange for the grant of the long-term incentive awards is recognized as an expense. The total amount to be amortized over the vesting period is determined by reference to the fair value of the long-term incentive awards at the date of grant. The amounts disclosed above represent the amortized amounts for the two years ended March 31, 2019 and 2018.

(iii) Mr. William O. Grabe has elected to defer his receipt of the cash of director's fee into fully vested share units under the long-term incentive program (Note 28) for the two years ended March 31, 2019 and 2018.

(iv) During the years ended March 31, 2019 and 2018, annual pension payment of US$1.5 million was made to Mr. Liu Chuanzhi, a retired director.

(v) Professor Shoucheng Zhang was appointed as an independent non-executive director on August 17, 2018. Professor Zhang passed away on December 1, 2018 and ceased to be a director of the Company from the same day. Mr. Woo Chin Wan Raymond was appointed as an independent non-executive director on February 22, 2019.

10 EMOLUMENTS OF DIRECTORS AND HIGHEST PAID INDIVIDUALS *(continued)*

(a) Directors' and senior management's emoluments *(continued)*

During the year, no retirement benefits, payments or benefits in respect of termination of directors' services were paid or made, directly or indirectly, to the directors; nor any are payable (2018: nil). No consideration was provided to or receivable by third parties for making available directors' service (2018: nil). There are no loans, quasi-loans or other dealings in favour of the directors, their controlled body corporate and connected entities (2018: nil).

No director of the Company had a material interest, directly or indirectly, in any significant transactions, arrangements and contracts in relation to the Company's business to which the Company was or is a party that subsisted at the end of the year or at any time during the year (2018: nil).

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include one (2018: one) director whose emoluments are reflected in the analysis presented above. The emoluments of the remaining four (2018: four) individuals during the year are as follows:

	2019 US$'000	2018 US$'000
Basic salaries, allowances, and other benefits-in-kind	**4,276**	5,349
Discretionary bonuses (note i)	**6,502**	4,987
Retirement payments and employer's contribution to pension schemes	**2,292**	2,062
Long-term incentive awards	**20,205**	18,375
Compensation for loss of office	**-**	6,680
Others	**962**	623
	34,237	38,076

Note:

(i) Discretionary bonuses paid for the two years ended March 31, 2019 and 2018 represent the amounts in connection with the performance bonuses for the two years ended March 31, 2018 and 2017 respectively.

10 EMOLUMENTS OF DIRECTORS AND HIGHEST PAID INDIVIDUALS *(continued)*

(b) Five highest paid individuals *(continued)*

The emoluments fell within the following bands:

	Number of individuals	
	2019	2018
Emolument bands		
US$5,164,482 – US$5,228,240	**–**	1
US$5,419,518 – US$5,483,276	**1**	–
US$5,993,349 – US$6,057,107	**1**	–
US$7,077,253 – US$7,141,011	**–**	1
US$8,862,506 – US$8,926,264	**1**	–
US$11,221,590 – US$11,285,348	**–**	1
US$13,835,710 – US$13,899,468	**1**	–
US$14,473,301 – US$14,537,059	**–**	1

11 EARNINGS/(LOSS) PER SHARE

(a) Basic

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

	2019	2018
Weighted average number of ordinary shares in issue	**12,014,791,614**	11,441,318,678
Adjustment for shares held by employee share trusts	**(121,750,794)**	(130,726,638)
Weighted average number of ordinary shares in issue for calculation of basic earnings/(loss) per share	**11,893,040,820**	11,310,592,040

	2019 US$'000	2018 US$'000
Profit/(loss) attributable to equity holders of the Company	**596,343**	(189,323)

11 EARNINGS/(LOSS) PER SHARE *(continued)*

(b) Diluted

Diluted earnings/(loss) per share is calculated by adjusting the weighted average number of ordinary shares outstanding due to the effect of all dilutive potential ordinary shares. The Company has three categories (2018: two categories) of dilutive potential ordinary shares, namely long-term incentive awards, bonus warrants and convertible bonds (2018: long-term incentive awards and bonus warrants). Long-term incentive awards were dilutive for the year ended March 31, 2019 and anti-dilutive for the year ended March 31, 2018. Bonus warrants were anti-dilutive for the years ended March 31, 2019 and 2018. Convertible bonds were anti-dilutive for the year ended March 31, 2019.

	2019	2018
Weighted average number of ordinary shares in issue for calculation of basic earnings/(loss) per share	**11,893,040,820**	11,310,592,040
Adjustments for long-term incentive awards	**136,193,366**	–
Weighted average number of ordinary shares in issue for calculation of diluted earnings/(loss) per share	**12,029,234,186**	11,310,592,040

	2019 US$'000	2018 US$'000
Profit/(loss) attributable to equity holders of the Company used to determine diluted earnings/(loss) per share	**596,343**	(189,323)

On September 29, 2017, the Company as issuer and Union Star Limited as subscriber ("the Subscriber") entered into a subscription agreement in relation to issuance of new shares and bonus warrants. On November 17, 2017, the Company issued and the Subscriber subscribed for 90,613,689 units of bonus warrants at exercise price of HK$5.17. The gross proceeds from the share subscription is approximately HK$3,905,450,000. Upon certain changes in the shareholding of the Subscriber immediately before or after the subscription, 32% of the Subscriber will be indirectly held by Legend Holdings Corporation (through Legion Elite Limited) and 68% of the Subscriber will be indirectly held by senior management of the Group.

11 EARNINGS/(LOSS) PER SHARE *(continued)*

(b) Diluted *(continued)*

The subscription and issuance of bonus warrants increase the total number of shares in issue of the Company ("the Company's shares"). Shares from the subscription represent (i) approximately 8.16% of the Company's shares and (ii) approximately 7.54% of the Company's shares as enlarged by the subscription. The exercise in full of the subscription rights attaching to the bonus warrants will result in the issue of 90,613,689 shares which represent (i) approximately 0.75% of the Company's shares as enlarged by the subscription and (ii) approximately 0.75% of the Company's shares as enlarged by the subscription and the full exercise of the bonus warrants (assuming there will be no other changes in the Company's shares). As at March 31, 2019, all of bonus warrants remains outstanding.

The calculation of the diluted earnings/(loss) per share amount is based on the profit/(loss) attributable to ordinary equity holders of the Company, adjusted to reflect the impact from any dilutive potential ordinary shares, as appropriate. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic earnings/(loss) 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.

12 DIVIDENDS

	2019 **US$'000**	2018 US$'000
Interim dividend of HK6.0 cents (2018: HK6.0 cents) per ordinary share, paid on November 30, 2018	**92,071**	85,434
Proposed final dividend – HK21.8 cents (2018: HK20.5 cents) per ordinary share	**333,693**	313,850
	425,764	399,284

13 PROPERTY, PLANT AND EQUIPMENT

	Freehold land and buildings	Leasehold improvements	Plant and machinery	Furniture and fixtures	Office equipment	Motor vehicles	Total
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
At April 1, 2017							
Cost	578,103	447,879	661,786	66,197	580,635	8,479	2,343,079
Accumulated depreciation and impairment losses	66,883	177,662	423,709	44,927	389,395	4,253	1,106,829
Net book amount	511,220	270,217	238,077	21,270	191,240	4,226	1,236,250
Year ended March 31, 2018							
Opening net book amount	511,220	270,217	238,077	21,270	191,240	4,226	1,236,250
Exchange adjustment	35,270	2,668	8,444	1,051	7,982	10	55,425
Additions	36,435	6,214	86,634	1,723	85,474	1,369	217,849
Transfers	60,777	3,614	5,546	516	2,570	447	73,470
Disposals	(907)	(1,633)	(7,836)	(282)	(6,453)	(340)	(17,451)
Depreciation	(20,631)	(41,266)	(98,339)	(7,473)	(87,051)	(1,424)	(256,184)
Impairment recognized	-	(4,608)	-	-	-	-	(4,608)
Closing net book amount	622,164	235,206	232,526	16,805	193,762	4,288	1,304,751
At March 31, 2018							
Cost	714,053	449,194	735,491	67,796	636,074	9,393	2,612,001
Accumulated depreciation and impairment losses	91,889	213,988	502,965	50,991	442,312	5,105	1,307,250
Net book amount	622,164	235,206	232,526	16,805	193,762	4,288	1,304,751
Year ended March 31, 2019							
Opening net book amount	**622,164**	**235,206**	**232,526**	**16,805**	**193,762**	**4,288**	**1,304,751**
Exchange adjustment	**(32,223)**	**(1,527)**	**(3,353)**	**(216)**	**(7,264)**	**(136)**	**(44,719)**
Acquisition of subsidiaries (Note 36)	**17,743**	**232**	**15,690**	**349**	**178**	**72**	**34,264**
Deemed disposal of a subsidiary	**-**	**-**	**(138)**	**-**	**-**	**-**	**(138)**
Additions	**14,394**	**14,146**	**100,462**	**7,111**	**95,481**	**3,088**	**234,682**
Transfers	**150,629**	**53,931**	**1,460**	**5,101**	**3,373**	**-**	**214,494**
Disposals	**(242)**	**(9,970)**	**(7,709)**	**(237)**	**(5,014)**	**(380)**	**(23,552)**
Depreciation	**(23,725)**	**(60,474)**	**(105,167)**	**(9,352)**	**(88,171)**	**(2,076)**	**(288,965)**
Closing net book amount	**748,740**	**231,544**	**233,771**	**19,561**	**192,345**	**4,856**	**1,430,817**
At March 31, 2019							
Cost	**858,096**	**479,171**	**788,336**	**76,589**	**650,985**	**9,736**	**2,862,913**
Accumulated depreciation and impairment losses	**109,356**	**247,627**	**554,565**	**57,028**	**458,640**	**4,880**	**1,432,096**
Net book amount	**748,740**	**231,544**	**233,771**	**19,561**	**192,345**	**4,856**	**1,430,817**

14 PREPAID LEASE PAYMENTS

	2019 US$'000	2018 US$'000
At the beginning of the year	**507,628**	473,090
Exchange adjustment	**(29,240)**	43,229
Additions	**-**	10,908
Disposals	**-**	(7,327)
Amortization	**(14,392)**	(12,272)
At the end of the year	**463,996**	507,628

Prepaid lease payments represent the payments for land use rights held by the Group in the Chinese Mainland under term leases between 10 to 50 years.

15 CONSTRUCTION-IN-PROGRESS

	Buildings under construction		Internal use software		Others		Total	
	2019 US$'000	2018 US$'000	2019 US$'000	2018 US$'000	2019 US$'000	2018 US$'000	2019 US$'000	2018 US$'000
At the beginning of the year	**218,025**	210,674	**153,242**	156,769	**11,578**	45,717	**382,845**	413,160
Exchange adjustment	**(29,326)**	19,544	**(6,607)**	4,928	**(8,395)**	7,066	**(44,328)**	31,538
Additions	**90,890**	104,621	**152,676**	180,826	**59,479**	-	**303,045**	285,447
Transfers	**(178,606)**	(45,608)	**(124,433)**	(187,016)	**(43,373)**	(41,205)	**(346,412)**	(273,829)
Disposals	**(62,927)**	(71,206)	**-**	(2,265)	**(907)**	-	**(63,834)**	(73,471)
Acquisition of subsidiaries	**-**	-	**-**	-	**781**	-	**781**	-
At the end of the year	**38,056**	218,025	**174,878**	153,242	**19,163**	11,578	**232,097**	382,845

During the year, the Group had capitalized borrowing costs amounting to US$3.1 million (2018: US$4.4 million) on qualifying assets. Borrowing costs were capitalized at the weighted average rate of its general borrowings of 4.69% (2018: 4.60%).

Notes to the Financial Statements

16 INTANGIBLE ASSETS

(a)

	Goodwill (Note (b))	Trademarks and trade names (Note (b))	Internal use software	Customer relationships	Patent and technology (Note (c))	Exclusive right	Total
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
At April 1, 2017							
Cost	4,855,738	1,305,073	910,972	1,387,483	1,709,761	-	10,169,027
Accumulated amortization and impairment losses	-	39,120	705,502	330,736	744,524	-	1,819,882
Net book amount	4,855,738	1,265,953	205,470	1,056,747	965,237	-	8,349,145
Year ended March 31, 2018							
Opening net book amount	4,855,738	1,265,953	205,470	1,056,747	965,237	-	8,349,145
Exchange adjustment	232,483	8,803	5,331	32,901	9,203	-	288,721
Additions	-	-	35,358	-	121,032	-	156,390
Transfer from construction-in-progress	-	-	197,716	-	2,643	-	200,359
Disposals	-	-	(683)	-	(27)	-	(710)
Amortization	-	(355)	(82,877)	(127,618)	(268,551)	-	(479,401)
Closing net book amount	5,088,221	1,274,401	360,315	962,030	829,537	-	8,514,504
At March 31, 2018							
Cost	5,088,221	1,313,745	1,171,245	1,433,773	1,846,553	-	10,853,537
Accumulated amortization and impairment losses	-	39,344	810,930	471,743	1,017,016	-	2,339,033
Net book amount	5,088,221	1,274,401	360,315	962,030	829,537	-	8,514,504
Year ended March 31, 2019							
Opening net book amount	**5,088,221**	**1,274,401**	**360,315**	**962,030**	**829,537**	**-**	**8,514,504**
Exchange adjustment	**(275,347)**	**(5,817)**	**(7,662)**	**(26,396)**	**(5,038)**	**-**	**(320,260)**
Acquisition of subsidiaries (Note 36)	**129,415**	**-**	**9,413**	**153,483**	**2,011**	**48,600**	**342,922**
Additions	**-**	**-**	**20,206**	**-**	**142,888**	**-**	**163,094**
Transfer from construction-in-progress	**-**	**110**	**128,814**	**-**	**2,994**	**-**	**131,918**
Disposals	**-**	**-**	**(363)**	**-**	**(380)**	**-**	**(743)**
Amortization	**-**	**(109)**	**(129,343)**	**(140,737)**	**(236,671)**	**-**	**(506,860)**
Closing net book amount	**4,942,289**	**1,268,585**	**381,380**	**948,380**	**735,341**	**48,600**	**8,324,575**
At March 31, 2019							
Cost	**4,942,289**	**1,307,330**	**1,288,725**	**1,544,885**	**1,988,698**	**48,600**	**11,120,527**
Accumulated amortization and impairment losses	**-**	**38,745**	**907,345**	**596,505**	**1,253,357**	**-**	**2,795,952**
Net book amount	**4,942,289**	**1,268,585**	**381,380**	**948,380**	**735,341**	**48,600**	**8,324,575**

16 INTANGIBLE ASSETS *(continued)*

(a) *(continued)*

Amortization of US$27,743,000 (2018: US$35,592,000), US$8,437,000 (2018: US$10,979,000), US$368,189,000 (2018: US$326,397,000) and US$102,491,000 (2018: US$106,433,000) are included in the 'cost of sales', 'selling and distribution expenses', 'administrative expenses' and 'research and development expenses' in the consolidated income statement respectively.

(b) Impairment tests for goodwill and intangible assets with indefinite useful lives

The carrying amounts of goodwill and trademarks and trade names with indefinite useful lives are presented below:

	China US$ million	**AP US$ million**	**EMEA US$ million**	**AG US$ million**	**Mature Market US$ million**	**Emerging Market US$ million**	**Total US$ million**
At March 31, 2019							
Goodwill							
- PCSD	**1,051**	**679**	**221**	**320**	**-**	**-**	**2,271**
- MBG	**-**	**-**	**-**	**-**	**679**	**905**	**1,584**
- DCG	**490**	**158**	**88**	**351**	**-**	**-**	**1,087**
Trademarks and trade names							
- PCSD	**209**	**59**	**104**	**67**	**-**	**-**	**439**
- MBG	**-**	**-**	**-**	**-**	**197**	**263**	**460**
- DCG	**162**	**54**	**31**	**123**	**-**	**-**	**370**

	China US$ million	AP US$ million	EMEA US$ million	AG US$ million	Mature Market US$ million	Emerging Market US$ million	Total US$ million
At March 31, 2018							
Goodwill							
- PCSD	1,117	574	247	334	-	-	2,272
- MBG	-	-	-	-	717	959	1,676
- DCG	503	161	123	353	-	-	1,140
Trademarks and trade names							
- PCSD	209	59	109	67	-	-	444
- MBG	-	-	-	-	197	263	460
- DCG	162	54	31	123	-	-	370

Notes to the Financial Statements

16 INTANGIBLE ASSETS *(continued)*

(b) Impairment tests for goodwill and intangible assets with indefinite useful lives *(continued)*

The Group completed its annual impairment test for goodwill allocated to the Group's various CGUs by comparing their recoverable amounts to their carrying amounts as at the reporting date. The recoverable amount of a CGU is determined based on value in use. These assessments use pre-tax cash flow projections based on financial budgets approved by management covering a five-year period with a terminal value related to the future cash flow of the CGU extrapolated using constant projection of cash flows beyond the five-year period. The estimated growth rates adopted do not exceed the long-term average growth rates for the businesses in which the CGU operates.

Future cash flows are discounted at the rate of 9%, 11% and 10% for PCSD, MBG and DCG respectively (2018: 9%, 11% and 10% respectively). The estimated compound annual growth rates used for value-in-use calculations under the five-year financial budgets period are as follows:

	2019			2018		
	PCSD	**MBG**	**DCG**	PCSD	MBG	DCG
China	**-1%**	**N/A**	**18%**	0%	N/A	11%
AP	**-1%**	**N/A**	**14%**	-1%	24%	6%
EMEA	**0%**	**N/A**	**12%**	-1%	32%	4%
AG	**0%**	**N/A**	**15%**	0%	7%	12%
Mature Market	**N/A**	**24%**	**N/A**	N/A	N/A	N/A
Emerging Market	**N/A**	**16%**	**N/A**	N/A	N/A	N/A

The Group announced a new organizational structure in May 2018 by combining PCSD and MBG under IDG, following the earlier creation of the new reporting business units for MBG based upon market structure, namely MBG Mature Market and MBG Emerging Market. MBG's goodwill and trademarks and trade names with indefinite useful lives have been reallocated to the CGU affected using a relative value approach. Management determined budgeted gross margins based on past performance and its expectations for the market development. The budgeted growth rates are based on management expectations, and where considered appropriate, with adjustments made with reference to industry reports which are more conservative for the purpose of goodwill impairment test. The discount rates are pre-tax and reflect specific risks relating to the relevant segments.

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 March 31, 2019 (2018: nil).

The Group has performed a sensitivity analysis on key assumptions used for the annual impairment test for goodwill. A reasonably possible change in key assumptions used in the impairment test for goodwill would not cause any CGU's carrying amount to exceed its respective recoverable amount.

(c) At March 31, 2019, patent and technology of US$48,029,000 (2018: US$34,459,000) is under development.

17 INTERESTS IN ASSOCIATES AND JOINT VENTURES

	2019 US$'000	2018 US$'000
Share of net assets		
– Associates	**66,672**	26,005
– Joint ventures	**12,389**	9,661
	79,061	35,666

The following is a list of the principal associates and joint ventures:

Company name	Place of incorporation/ establishment	Interest held indirectly 2019	Interest held indirectly 2018	Principal activities
Associates				
北京閃聯雲視信息技術有限公司 (Beijing Shanlian Yunshi Information Technology Limited) (Note ii)	Chinese Mainland	**23.7%**	23.7%	Distribution and development of IT technology
成都諦聽科技有限公司 (Chengdu Diting Technology Limited) (Note ii)	Chinese Mainland	**17.3%**	17.3%	Distribution and development of IT technology
茄子技術控股有限公司 (Shareit Technology Holdings Inc.) (Note ii)	Cayman Islands	**43.7%**	47.7%	Software development
深圳視見醫療科技有限公司 (Imsight Medical Technology Inc.) (Note ii)	Chinese Mainland	**16.5%**	17.8%	Development of techniques applied to clinical medical image analysis
北京聯想智慧醫療信息技術有限公司 (Beijing Lenovo Healthcare Information Technology Ltd.) (Note ii)	Chinese Mainland	**25.4%**	54.6%	Development of hospital and regional healthcare information system
河南聚聯智慧大數據科技有限公司 (Henan Ju Lian Smart Big Data Technology Limited) (Note ii)	Chinese Mainland	**19.9%**	-	Construction and operation of education-related informatization project
Joint ventures				
北京聯想金服科技有限公司 (Beijing Lenovo Fintech Co., Ltd.) (Note ii)	Chinese Mainland	**50.0%**	50.0%	Online payment platform development
聯想新視界（北京）科技有限公司 (Lenovo New Vision (Beijing) Technology Co., Ltd.) (Note ii)	Chinese Mainland	**35.1%**	35.1%	Software development
聯想教育科技（北京）有限公司 (Lenovo Education Technology (Beijing) Co., Ltd. (Note ii)	Chinese Mainland	**49.0%**	-	Talent development in vocational education

Notes:

(i) All the above associates and joint ventures operate principally in their respective places of incorporation or establishment.

(ii) The English name of the company is a direct translation or transliteration of its Chinese registered name.

17 INTERESTS IN ASSOCIATES AND JOINT VENTURES *(continued)*

The following sets out the aggregate amount of the Group's share of associates and joint ventures:

	2019 US$'000	2018 US$'000
Share of (losses)/profits of associates	**(10,677)**	1,323
Share of losses of joint ventures	**(848)**	(3,829)
	(11,525)	(2,506)

18 FINANCIAL INSTRUMENTS BY CATEGORY

	Financial assets at amortized cost US$'000	**Financial assets at FVPL US$'000**	**Derivatives used for hedging US$'000**	**Financial assets at FVOCI (non-recycling) US$'000**	**Other financial assets at FVOCI (recycling) US$'000**	**Total US$'000**
Assets						
At March 31, 2019						
Financial assets at FVPL	-	449,363	-	-	-	449,363
Financial assets at FVOCI	-	-	-	71,486	-	71,486
Derivative financial assets	-	-	70,972	-	-	70,972
Trade receivables	-	-	-	-	6,661,484	6,661,484
Notes receivable	46,454	-	-	-	-	46,454
Deposits and other receivables	2,602,071	-	-	-	-	2,602,071
Bank deposits	70,210	-	-	-	-	70,210
Cash and cash equivalents	2,662,854	-	-	-	-	2,662,854
	5,381,589	449,363	70,972	71,486	6,661,484	12,634,894

18 FINANCIAL INSTRUMENTS BY CATEGORY *(continued)*

	Loans and receivables US$'000	Assets at fair value through profit and loss US$'000	Derivatives used for hedging US$'000	Available-for-sale financial assets US$'000	Total US$'000
Assets					
At March 31, 2018					
Available-for-sale financial assets	–	–	–	373,077	373,077
Derivative financial assets	–	15,037	9,853	–	24,890
Other non-current assets	43,901	–	–	–	43,901
Trade receivables	4,972,722	–	–	–	4,972,722
Notes receivable	11,154	–	–	–	11,154
Deposits and other receivables	3,362,293	–	–	–	3,362,293
Bank deposits	84,306	–	–	–	84,306
Cash and cash equivalents	1,848,017	–	–	–	1,848,017
	10,322,393	15,037	9,853	373,077	10,720,360

18 FINANCIAL INSTRUMENTS BY CATEGORY *(continued)*

	Financial liabilities at amortized cost US$'000	Financial liabilities at FVPL US$'000	Derivatives used for hedging US$'000	Total US$'000
Liabilities				
At March 31, 2019				
Trade payables	**6,429,835**	**-**	**-**	**6,429,835**
Notes payable	**1,272,840**	**-**	**-**	**1,272,840**
Derivative financial liabilities	**-**	**23,423**	**51,003**	**74,426**
Other payables and accruals	**8,942,336**	**-**	**-**	**8,942,336**
Borrowings	**4,379,813**	**-**	**-**	**4,379,813**
Deferred consideration	**25,072**	**-**	**-**	**25,072**
Contingent consideration	**-**	**113,283**	**-**	**113,283**
Written put option liabilities	**783,505**	**-**	**-**	**783,505**
	21,833,401	**136,706**	**51,003**	**22,021,110**
At March 31, 2018				
Trade payables	6,450,792	-	-	6,450,792
Notes payable	801,974	-	-	801,974
Derivative financial liabilities	-	35,937	26,757	62,694
Other payables and accruals	8,992,951	-	-	8,992,951
Borrowings	3,815,417	-	-	3,815,417
Deferred consideration	25,072	-	-	25,072
Written put option liability	224,813	-	-	224,813
	20,311,019	35,937	26,757	20,373,713

19 DEFERRED INCOME TAX ASSETS AND LIABILITIES

Deferred income tax is calculated in full on temporary differences under the liability method using the rates applicable in the respective jurisdictions.

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 following amounts, determined after appropriate offsetting, are shown separately on the consolidated balance sheet:

	2019 US$'000	2018 US$'000
Deferred income tax assets:		
Recoverable within 12 months	**775,932**	635,386
Recoverable after 12 months	**1,086,970**	895,237
	1,862,902	1,530,623
Deferred income tax liabilities:		
Recoverable after 12 months	**(359,679)**	(230,609)
Net deferred income tax assets	**1,503,223**	1,300,014

The movements in the net deferred income tax assets are as follows:

	2019 US$'000	2018 US$'000
At the beginning of the year	**1,300,014**	1,213,655
Reclassification and exchange adjustment	**(33,864)**	18,780
Credited to consolidated income statement (Note 8)	**269,796**	469,815
Credited/(charged) to other comprehensive income (Note 8)	**992**	(40)
Credited/(charged) to share-based compensation reserve	**2,178**	(2,196)
Acquisition of subsidiaries (Note 36)	**(35,893)**	–
Effect of change in tax rate (Note 8)	**–**	(400,000)
At the end of the year	**1,503,223**	1,300,014

Notes to the Financial Statements

19 DEFERRED INCOME TAX ASSETS AND LIABILITIES *(continued)*

(a) The movements in deferred income tax assets (prior to offsetting of balances within the same tax jurisdiction), analyzed by major components, during the year are as follows:

	Provisions and accruals US$'000	Tax losses US$'000	Tax depreciation allowance US$'000	Deferred revenue US$'000	Share-based payment US$'000	Others US$'000	Total US$'000
At April 1, 2017	450,128	904,564	15,624	95,532	19,735	5,394	1,490,977
Reclassification and exchange adjustments	10,081	(303)	10,746	5,407	-	(1,527)	24,404
Credited/(charged) to consolidated income statement	99,193	394,009	2,760	(8,102)	7,942	846	496,648
Credited to other comprehensive income	-	-	-	-	-	488	488
Charged to share-based compensation reserve	-	-	-	-	(2,196)	-	(2,196)
Effect of change in tax rate	(56,580)	(351,713)	(836)	(11,210)	(8,851)	(823)	(430,013)
At March 31, 2018 and April 1, 2018	**502,822**	**946,557**	**28,294**	**81,627**	**16,630**	**4,378**	**1,580,308**
Reclassification and exchange adjustments	**(36,949)**	**(5,963)**	**8,211**	**8,698**	**-**	**(1,241)**	**(27,244)**
Credited/(charged) to consolidated income statement	**68,432**	**148,757**	**37,064**	**19,642**	**17,709**	**(1,589)**	**290,015**
Credited to share-based compensation reserve	**-**	**-**	**-**	**-**	**2,178**	**-**	**2,178**
Acquisition of subsidiaries	**25,898**	**-**	**-**	**-**	**-**	**-**	**25,898**
At March 31, 2019	**560,203**	**1,089,351**	**73,569**	**109,967**	**36,517**	**1,548**	**1,871,155**

Deferred income tax assets are recognized for deductible temporary differences and tax losses carried forward to the extent that realization of the related tax benefit through the future taxable profits is probable.

19 DEFERRED INCOME TAX ASSETS AND LIABILITIES *(continued)*

(a) *(continued)*

At March 31, 2019, the Group did not recognize deferred income tax assets in respect of deductible temporary differences of approximately US$1,324,199,000 (2018: US$1,036,897,000) and tax losses of approximately US$2,383,242,000 (2018: US$2,258,581,000) that can be carried forward against future taxable income, of which, tax losses of US$937,153,000 (2018: US$1,015,591,000) can be carried forward indefinitely. The remaining balances of tax losses will expire as follows:

	2019 US$'000	2018 US$'000
Expiring in		
– 2018	**–**	131,173
– 2019	**55,850**	16,911
– 2020	**125,895**	21,635
– 2021	**141,492**	199,549
– 2022	**403,808**	381,940
– 2023	**423,072**	396,743
– 2024	**227,102**	51,870
– 2025	**37,406**	23,177
– 2026	**11,530**	6,114
– 2027	**18,166**	13,878
– 2028	**1,768**	–
	1,446,089	1,242,990

19 DEFERRED INCOME TAX ASSETS AND LIABILITIES *(continued)*

(b) The movements in deferred income tax liabilities (prior to offsetting of balances within the same tax jurisdiction), analyzed by major components, during the year are as follows:

	Intangible valuation US$'000	Undistributed earnings US$'000	Property valuation US$'000	Accelerated tax depreciation US$'000	Others US$'000	Total US$'000
At April 1, 2017	129,263	57,677	3,116	87,128	138	277,322
Reclassification and exchange adjustments	8,485	(233)	472	(2,434)	(666)	5,624
(Credited)/charged to consolidated income statement	(25,256)	27,551	25	24,513	-	26,833
Charged to other comprehensive income	-	-	-	-	528	528
Effect of change in tax rate	(57)	-	-	(29,956)	-	(30,013)
At March 31, 2018 and April 1, 2018	**112,435**	**84,995**	**3,613**	**79,251**	**-**	**280,294**
Reclassification and exchange adjustments	**13,415**	**-**	**(1,460)**	**(6,538)**	**1,203**	**6,620**
(Credited)/charged to consolidated income statement	**(38,503)**	**(4,266)**	**11**	**63,222**	**(245)**	**20,219**
Credited to other comprehensive income	**-**	**-**	**-**	**-**	**(992)**	**(992)**
Acquisition of subsidiaries	**59,483**	**-**	**-**	**-**	**2,308**	**61,791**
At March 31, 2019	**146,830**	**80,729**	**2,164**	**135,935**	**2,274**	**367,932**

20 FINANCIAL ASSETS

(a) Financial assets at FVPL

	2019 US$'000
At the beginning of the year	-
Change in accounting policy (Note)	294,601
Exchange adjustment	(10,628)
Fair value change recognized in profit or loss	125,550
Additions	73,836
Disposals	(33,996)
At the end of the year	449,363
Listed equity securities:	
– In Hong Kong S.A.R. of China	56,226
– Outside Hong Kong S.A.R. of China	139,999
	196,225
Unlisted equity securities	253,138
	449,363

Note: These investments were classified as available-for-sale financial assets as at March 31, 2018, see Note 20(c).

20 FINANCIAL ASSETS *(continued)*

(b) Financial assets at FVOCI

	2019 US$'000
At the beginning of the year	-
Change in accounting policy (Note)	**78,476**
Exchange adjustment	**(3,940)**
Fair value change recognized in other comprehensive income	**(16,304)**
Additions	**4,739**
Acquisition of subsidiaries	**8,515**
At the end of the year	**71,486**
Listed equity securities:	
– In Hong Kong S.A.R. of China	**11,516**
– Outside Hong Kong S.A.R. of China	**19,342**
	30,858
Unlisted equity securities	**40,628**
	71,486

Note: These investments were classified as available-for-sale financial assets as at March 31, 2018, see Note 20(c).

20 FINANCIAL ASSETS *(continued)*

(c) Financial assets previously classified as available-for-sale financial assets

	2018 US$'000
At the beginning of the year	255,898
Exchange adjustment	17,540
Fair value change recognized in other comprehensive income	224
Additions	100,466
Transferred to investment in a joint venture	(901)
Disposals	(150)
At the end of the year	373,077
Listed equity securities:	
– In Hong Kong S.A.R. of China	12,108
– Outside Hong Kong S.A.R. of China	17,455
	29,563
Unlisted equity securities	343,514
	373,077

21 INVENTORIES

	2019 US$'000	2018 US$'000
Raw materials and work-in-progress	**1,796,880**	2,005,975
Finished goods	**1,016,132**	1,133,363
Service parts	**621,648**	652,353
	3,434,660	3,791,691

22 RECEIVABLES

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

	2019 US$'000	2018 US$'000
0 – 30 days	**4,560,771**	3,046,240
31 – 60 days	**1,332,471**	1,169,286
61 – 90 days	**430,207**	320,183
Over 90 days	**438,377**	545,629
	6,761,826	5,081,338
Less: loss allowance	**(100,342)**	(108,616)
Trade receivables – net	**6,661,484**	4,972,722

Trade receivables that are not past due are fully performing and not considered impaired.

At March 31, 2019, trade receivables, net of loss allowance, of US$886,774,000 (2018: US$862,020,000) were past due. The ageing of these receivables, based on due date, is as follows:

	2019 US$'000	2018 US$'000
Within 30 days	**512,971**	444,377
31 – 60 days	**125,344**	136,373
61 – 90 days	**59,514**	67,406
Over 90 days	**188,945**	213,864
	886,774	862,020

22 RECEIVABLES *(continued)*

(a) *(continued)*

Movements in the loss allowance of trade receivables are as follows:

	2019 US$'000	2018 US$'000
At beginning of the year	**108,616**	104,379
Exchange adjustment	**7,245**	(2,390)
Increase in loss allowance recognized in profit or loss	**43,858**	55,052
Uncollectible receivables written off	**(5,168)**	(18,002)
Unused amounts reversed	**(54,209)**	(30,423)
At the end of the year	**100,342**	108,616

(b) Notes receivable of the Group are bank accepted notes mainly with maturity dates within six months.

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

	2019 US$'000	2018 US$'000
Deposits	**14,632**	15,818
Other receivables	**2,587,439**	3,346,475
Prepayments	**1,151,855**	1,341,042
	3,753,926	4,703,335

Note: Majority of other receivables of the Group are amounts due from subcontractors for parts components sold in the ordinary course of business.

(d) The carrying amounts of trade receivables, notes receivable, deposits and other receivables approximate their fair values. The maximum exposure to credit risk at the balance sheet date is the fair value of each class of receivable mentioned above.

Notes to the Financial Statements

23 BANK DEPOSITS AND CASH AND CASH EQUIVALENTS

	2019 US$'000	2018 US$'000
Bank deposits		
– maturing between three to twelve months	**1,620**	11,013
– restricted bank balances	**68,590**	73,293
	70,210	84,306
Cash and cash equivalents		
– cash at bank and in hand	**2,078,930**	1,839,624
– money market funds	**583,924**	8,393
	2,662,854	1,848,017
	2,733,064	1,932,323
Maximum exposure to credit risk	**2,733,064**	1,932,323
Effective annual interest rates	**0%-6.5%**	0%-6.5%

24 PAYABLES

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

	2019 US$'000	2018 US$'000
0 – 30 days	**4,279,000**	3,694,507
31 – 60 days	**1,046,525**	1,793,380
61 – 90 days	**757,718**	727,029
Over 90 days	**346,592**	235,876
	6,429,835	6,450,792

(b) Notes payable of the Group are mainly repayable within three months.

(c) The carrying amounts of trade payables and notes payable approximate their fair values.

25 PROVISIONS, OTHER PAYABLES AND ACCRUALS

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

	2019 **US$'000**	2018 US$'000
Accruals	**1,969,914**	1,865,507
Allowance for billing adjustments (i)	**1,650,226**	1,634,287
Written put option liability (ii)	**-**	224,813
Other payables (iii)	**5,322,196**	5,493,157
	8,942,336	9,217,764

Notes:

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

(ii) Pursuant to the 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.

During the year, the Company entered into a put option termination agreement with Compal, while Compal signed a share purchase agreement with Hefei Zhi Ju Sheng Bao Equity Investment Co., Ltd. ("ZJSB") to dispose the 49% interest in JV Co to ZJSB. Please refer to note 27(b)(ii) for details of the put option granted.

The financial liability that may become payable under the put option 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 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.

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

(iv) The carrying amounts of other payables and accruals approximate their fair values.

25 PROVISIONS, OTHER PAYABLES AND ACCRUALS *(continued)*

(b) The components of provisions of the Group are as follows:

	Warranty US$'000	Environmental restoration US$'000	Restructuring US$'000	Total US$'000
Year ended March 31, 2018				
At the beginning of the year	1,061,906	8,390	89,652	1,159,948
Exchange adjustment	24,577	638	3,794	29,009
Provisions made	895,939	9,662	100,775	1,006,376
Amounts utilized	(901,204)	(9,771)	(140,168)	(1,051,143)
	1,081,218	8,919	54,053	1,144,190
Long-term portion classified as non-current liabilities	(278,908)	(6,807)	–	(285,715)
At the end of the year	802,310	2,112	54,053	858,475
Year ended March 31, 2019				
At the beginning of the year	**1,081,218**	**8,919**	**54,053**	**1,144,190**
Exchange adjustment	**(37,163)**	**(274)**	**(1,991)**	**(39,428)**
Provisions made	**807,636**	**14,545**	**-**	**822,181**
Amounts utilized	**(875,413)**	**(14,403)**	**(36,576)**	**(926,392)**
Acquisition of subsidiaries	**-**	**24,510**	**-**	**24,510**
	976,278	**33,297**	**15,486**	**1,025,061**
Long-term portion classified as non-current liabilities	**(254,601)**	**(31,772)**	**-**	**(286,373)**
At the end of the year	**721,677**	**1,525**	**15,486**	**738,688**

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.

26 BORROWINGS

	2019 US$'000	2018 US$'000
Current liabilities		
Short-term loans (i)	**1,166,907**	1,166,692
Note (ii)	**786,136**	–
	1,953,043	1,166,692
Non-current liabilities		
Notes (ii)	**1,836,264**	2,648,725
Convertible bonds (iii)	**590,506**	–
	2,426,770	2,648,725
	4,379,813	3,815,417

Notes:

(i) The majority of the short-term bank loans are denominated in United States dollar. As at March 31, 2019 the Group has total revolving and short-term loan facilities of US$2,501 million (2018: US$1,896 million) which has been utilized to the extent of US$1,181 million (2018: US$1,170 million).

(ii)

Issue date	Principal amount	Term	Interest rate per annum	Due date	2019 US$'000	2018 US$'000
May 8, 2014	US$786 million	5 years	4.7%	May 2019	**786,136**	774,341
June 10, 2015	RMB4 billion	5 years	4.95%	June 2020	**594,747**	635,015
March 16, 2017	US$500 million	5 years	3.875%	March 2022	**497,391**	496,590
March 29, 2018	US$750 million	5 years	4.75%	March 2023	**744,126**	742,779
					2,622,400	2,648,725

(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 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 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. The proceeds would be used to repay the outstanding 2019 notes and for the Company's working capital and general corporate purposes. Assuming full conversion of the Bonds at the initial conversion price of HK$7.99 per share, the Bonds will be convertible into 662,539,112 shares. The Group has sufficient unutilized bank facility to meet its redemption obligations of the Bonds.

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.

The liability and equity components of convertible bonds on initial recognition are presented as follows:

	US$'000
Face value of the convertible bonds on the issue date	675,000
Less: transaction costs	(10,107)
Net proceeds	664,893
Less: equity component	(77,342)
Liability component on initial recognition	587,551

26 BORROWINGS *(continued)*

The exposure of all the borrowings of the Group to interest rate changes and the contractual repricing dates as at March 31, 2019 and 2018 are as follows:

	2019 US$'000	2018 US$'000
Within 1 year	**1,953,043**	1,166,692
1 to 3 years	**1,092,138**	1,409,356
3 to 5 years	**1,334,632**	1,239,369
	4,379,813	3,815,417

The fair values of the notes and convertible bonds as at March 31, 2019 were US$2,626 million and US$779 million respectively (2018: fair value of the notes was US$2,659 million). The carrying amounts of other borrowings approximate their fair values as the impact of discounting is not significant.

Total bank facilities of the Group are as follows:

	Total facilities		**Utilized amounts**	
	2019 US$'000	2018 US$'000	**2019 US$'000**	2018 US$'000
Revolving loans	**1,800,000**	1,100,000	**1,125,000**	1,100,000
Short-term loans	**701,437**	795,637	**55,800**	70,000
Foreign exchange contracts	**9,525,182**	8,706,553	**9,525,182**	8,644,518
Other trade finance facilities	**2,194,695**	1,730,185	**1,636,823**	1,090,008
	14,221,314	12,332,375	**12,342,805**	10,904,526

All borrowings are unsecured and the effective annual interest rates at March 31, 2019 and March 31, 2018 are as follows:

	United States dollar	
	2019	2018
Short-term loans	**3.93%-6.44%**	3.38%-5.31%
Convertible bonds	**6.15%**	–

27 OTHER NON-CURRENT LIABILITIES

	2019 US$'000	2018 US$'000
Contingent consideration (a)	**113,283**	–
Deferred consideration (a)	**25,072**	25,072
Written put option liabilities (b)	**783,505**	–
Environmental restoration (Note 25(b))	**31,772**	6,807
Government incentives and grants received in advance (c)	**50,087**	58,988
Deferred rent liabilities	**83,977**	94,377
Others	**159,950**	148,088
	1,247,646	333,332

Notes:

(a) Pursuant to the completion of business combinations, the Group is required to pay in cash to the then respective sellers contingent consideration with reference to certain performance indicators as written in the respective agreements with the sellers; and deferred consideration. Accordingly, 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 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 carried at amortized cost.

As at March 31, 2019, the potential undiscounted amounts of future payments in respect of the contingent and deferred considerations that the Group could be required to make to the then respective sellers under such arrangements are as follows:

Joint venture with NEC Corporation	US$25 million
Fujitsu Limited ("Fujitsu")	JPY2.55 billion to JPY12.75 billion

With reference to the performance indicators, if the actual performance of FCCL had been 10% higher/lower than its expected performance, the contingent consideration would have been increased/decreased by approximately nil and US$23 million respectively with the corresponding loss/gain recognized in consolidated income statement.

27 OTHER NON-CURRENT LIABILITIES *(continued)*

Notes: *(continued)*

(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, 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) With reference to note 25(a)(ii), during the year, ZJSB acquired the 49% interest in JV Co from Compal. 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$343 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 incentive and grants are credited to the income statement upon fulfillment of those conditions and on a straight line basis over the expected life of the related assets respectively.

28 SHARE CAPITAL

	2019		2018	
	Number of shares	**US$'000**	Number of shares	US$'000
Issued and fully paid:				
Voting ordinary shares:				
At the beginning of the year	**12,014,791,614**	**3,185,923**	11,108,654,724	2,689,882
Issue of ordinary shares	**-**	**-**	906,136,890	496,041
At the end of the year	**12,014,791,614**	**3,185,923**	12,014,791,614	3,185,923

On November 17, 2017, the Company has issued 906,136,890 shares at price of HK$4.31 per share through a subscription agreement entered into by the Company and Union Star Limited (Note 11).

28 SHARE CAPITAL *(continued)*

Long-term incentive program

A performance-related long-term incentive program was approved on May 26, 2005 for the purpose of rewarding and motivating directors, executives and top-performing employees of the Company and its subsidiaries (the "Participants"). The long-term incentive program is designed to enable the Company to attract and retain the best available personnel, and encourage and motivate Participants to work towards enhancing the value of the Company and its shares by aligning their interests with those of the shareholders of the Company.

The Company also approved a share-based compensation package for non-executive directors.

Under the long-term incentive program, the Company may grant awards, at its discretion, using any of the two types of equity-based compensation: (i) share appreciation rights and (ii) restricted share units, which are described below:

(i) Share Appreciation Rights ("SARs")

An SAR entitles the holder to receive the appreciation in value of the Company's share price above a predetermined level.

(ii) Restricted Share Units ("RSUs")

An RSU equals to the value of one ordinary share of the Company. Once vested, an RSU is converted to an ordinary share.

Under the two types of compensation, the Company reserves the right, at its discretion, to settle the award in cash or ordinary shares of the Company.

Movements in the number of units of award granted during the year and their related weighted average fair values are as follows:

	Number of units	
	SARs	**RSUs**
Outstanding at April 1, 2017	555,262,485	360,682,279
Granted during the year	490,920,405	301,523,867
Vested during the year	(249,496,096)	(142,386,897)
Lapsed/cancelled during the year	(87,244,882)	(41,623,477)
Outstanding at March 31, 2018	709,441,912	478,195,772
Outstanding at April 1, 2018	**709,441,912**	**478,195,772**
Granted during the year	**669,166,505**	**381,949,708**
Vested during the year	**(307,893,000)**	**(208,171,494)**
Lapsed/cancelled during the year	**(81,211,905)**	**(51,594,394)**
Outstanding at March 31, 2019	**989,503,512**	**600,379,592**
Average fair value per unit (HK$)		
– At March 31, 2018	1.01	5.50
– At March 31, 2019	**0.76**	**4.57**

Notes to the Financial Statements

28 SHARE CAPITAL *(continued)*

Long-term incentive program *(continued)*

The fair values of the SARs awarded under the long-term incentive program were calculated by applying a Black-Scholes pricing model. For the year ended March 31, 2019, the model inputs were the fair value (i.e. market value) of the Company's shares at the grant date, taking into account the expected volatility of 31.47 percent (2018: 34.04 percent), expected dividends during the vesting periods of 5.49 percent (2018: 5.59 percent), contractual life of 4.4 years (2018: 4.5 years), and a risk-free interest rate of 1.85 percent (2018: 0.94 percent).

The remaining vesting periods of the awards under the long-term incentive program as at March 31, 2019 ranged from 0.14 to 2.92 years (2018: 0.41 to 2.92 years).

29 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 proceed 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.

30 BALANCE SHEET AND MOVEMENT OF RESERVES OF THE COMPANY

(a) Balance sheet of the Company

	At March 31 2019 US$'000	2018 US$'000
Non-current assets		
Property, plant and equipment	**1,080**	1,376
Intangible assets	**890**	1,581
Interest in an associate	**1,887**	1,887
Investments in subsidiaries	**9,017,668**	8,580,253
Available-for-sale financial assets	**-**	46,291
Financial assets at FVPL	**45,792**	–
Financial assets at FVOCI	**15,782**	–
Other non-current assets	**50,000**	–
	9,133,099	8,631,388
Current assets		
Deposits, prepayments and other receivables	**39,604**	52,050
Amounts due from subsidiaries	**5,626,654**	4,201,643
Cash and cash equivalents	**12,975**	15,936
	5,679,233	4,269,629
Total assets	**14,812,332**	12,901,017

30 BALANCE SHEET AND MOVEMENT OF RESERVES OF THE COMPANY *(continued)*

(a) Balance sheet of the Company *(continued)*

	At March 31	
	2019	2018
	US$'000	US$'000
Share capital	**3,185,923**	3,185,923
Reserves (Note 30(b))	**1,389,578**	981,864
Total equity	**4,575,501**	4,167,787
Non-current liabilities		
Borrowings	**2,426,770**	2,648,725
Amount due to a subsidiary	**1,000,000**	1,000,000
Deferred income tax liabilities	**684**	–
Other non-current liabilities	**139,138**	25,900
	3,566,592	3,674,625
Current liabilities		
Derivative financial liabilities	**23,423**	4,884
Other payables and accruals	**70,330**	86,904
Borrowings	**1,897,243**	1,096,689
Amounts due to subsidiaries	**4,679,243**	3,870,128
	6,670,239	5,058,605
Total liabilities	**10,236,831**	8,733,230
Total equity and liabilities	**14,812,332**	12,901,017

On behalf of the Board

Yang Yuanqing
Chairman and Chief Executive Officer

Ma Xuezheng
Director

30 BALANCE SHEET AND MOVEMENT OF RESERVES OF THE COMPANY *(continued)*

(b) Movement of reserves of the Company

The changes in the reserves of the Company during the years ended March 31, 2019 and 2018 are as follows:

	Investment revaluation reserve US$'000	Share-based compensation reserve US$'000	Exchange reserve US$'000	Other reserve US$'000	Retained earnings US$'000	Total US$'000
At April 1, 2017	(11,444)	118,647	10,204	8,614	713,824	839,845
Profit for the year	-	-	-	-	446,962	446,962
Other comprehensive loss	(22,779)	-	-	-	-	(22,779)
Total comprehensive (loss)/ income for the year	(22,779)	-	-	-	446,962	424,183
Vesting of shares under long-term incentive program	-	(91,528)	-	-	-	(91,528)
Share-based compensation	-	199,892	-	-	-	199,892
Issue of bonus warrants	-	-	-	(6,399)	-	(6,399)
Dividends paid	-	-	-	-	(384,129)	(384,129)
At March 31, 2018	(34,223)	227,011	10,204	2,215	776,657	981,864
At April 1, 2018	**(34,223)**	**227,011**	**10,204**	**2,215**	**776,657**	**981,864**
Change in accounting policy	**14,937**	**-**	**-**	**-**	**(26,567)**	**(11,630)**
Restated total equity	**(19,286)**	**227,011**	**10,204**	**2,215**	**750,090**	**970,234**
Profit for the year	**-**	**-**	**-**	**-**	**670,791**	**670,791**
Other comprehensive loss	**(356)**	**-**	**-**	**-**	**-**	**(356)**
Total comprehensive (loss)/ income for the year	**(356)**	**-**	**-**	**-**	**670,791**	**670,435**
Vesting of shares under long-term incentive program	**-**	**(137,317)**	**-**	**-**	**-**	**(137,317)**
Share-based compensation	**-**	**214,822**	**-**	**-**	**-**	**214,822**
Issue of convertible bonds	**-**	**-**	**-**	**77,342**	**-**	**77,342**
Dividends paid	**-**	**-**	**-**	**-**	**(405,938)**	**(405,938)**
At March 31, 2019	**(19,642)**	**304,516**	**10,204**	**79,557**	**1,014,943**	**1,389,578**

31 SIGNIFICANT RELATED PARTY TRANSACTIONS

(a) The Group had the following significant related party transactions in the normal course of business during the year:

	2019 US$'000	2018 US$'000
閃聯信息技術工程中心有限公司 (IGRS Engineering Lab Limited) (an associate) – Purchase of goods	**10,280**	15,654

Note: The English name of each company is a direct translation of its Chinese registered name.

(b) Key management compensation

Details on key management compensation are set out in Note 10.

32 COMMITMENTS

(a) Capital commitments

Apart from disclosed elsewhere in these financial statements, on March 31, 2019, the Group had the following other capital commitments:

	2019 US$'000	2018 US$'000
Contracted but not provided for:		
– Property, plant and equipment	**92,948**	154,658
– IT consulting services	**-**	1,092
– Investment in a subsidiary	**-**	188,692
– Investment in financial assets	**10,924**	13,776
	103,872	358,218

(b) Commitments under operating leases

The future aggregate minimum lease payments in respect of land and buildings and prepaid lease payments under non-cancellable operating leases of the Group are as follows:

	2019 US$'000	2018 US$'000
Not later than one year	**104,882**	33,454
Later than one year but not later than five years	**222,450**	293,253
Later than five years	**145,856**	194,161
	473,188	520,868

33 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.

34 RECONCILIATION OF PROFIT BEFORE TAXATION TO NET CASH GENERATED FROM/(USED IN) OPERATIONS

	2019 US$'000	2018 US$'000
Profit before taxation	**856,664**	153,202
Share of losses of associates and joint ventures	**11,525**	2,506
Finance income	**(27,399)**	(32,145)
Finance costs	**337,027**	263,160
Depreciation of property, plant and equipment and amortization of prepaid lease payments	**291,760**	259,121
Amortization of intangible assets	**506,860**	479,401
Share-based compensation	**214,822**	199,779
Impairment of property, plant and equipment	**-**	4,608
Loss/(gain) on disposal of property, plant and equipment, prepaid lease payments and construction-in-progress	**4,970**	(50,937)
Loss on disposal of intangible assets	**743**	710
Gain on disposal of available-for-sale financial assets	**-**	(15)
Gain on deemed disposal of a subsidiary	**(22,811)**	–
Dilution gain on interests in associates and a joint venture	**(24,189)**	(2,499)
Fair value change on bonus warrants	**18,598**	(3,003)
Fair value change on financial instruments	**(12,802)**	12,749
Fair value change on financial assets at FVPL	**(125,550)**	–
Dividend income	**(230)**	(286)
Decrease/(increase) in inventories	**496,706**	(997,656)
Increase in trade receivables, notes receivable, deposits, prepayments and other receivables	**(326,932)**	(1,012,749)
(Decrease)/increase in trade payables, notes payable, provisions, other payables and accruals	**(163,698)**	919,996
Effect of foreign exchange rate changes	**79,932**	(257,933)
Net cash generated from/(used in) operations	**2,115,996**	(61,991)

34 RECONCILIATION OF PROFIT BEFORE TAXATION TO NET CASH GENERATED FROM/(USED IN) OPERATIONS *(continued)*

(a) Reconciliation of financing liabilities

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

Financing liabilities	2019 US$'000	2018 US$'000
Short-term loans – current	1,166,907	1,166,692
Notes – current	786,136	–
Notes – non-current	1,836,264	2,648,725
Convertible bonds – non-current	590,506	–
Financing liabilities	4,379,813	3,815,417
Short-term loans – variable interest rates	1,166,907	1,166,692
Notes – fixed interest rates	2,622,400	2,648,725
Convertible bonds – fixed interest rates	590,506	–
Financing liabilities	4,379,813	3,815,417

	Short-term loans current US$'000	Long-term loans non-current US$'000	Note current US$'000	Notes non-current US$'000	Convertible bonds non-current US$'000	Total US$'000
Financing liabilities as at April 1, 2017	70,003	397,687	-	2,569,005	-	3,036,695
Proceeds from borrowings	7,413,740	12,000	-	-	-	7,425,740
Repayments of borrowings	(6,324,406)	(400,000)	-	-	-	(6,724,406)
Issue of notes	-	-	-	749,119	-	749,119
Repayment of notes	-	-	-	(723,389)	-	(723,389)
Foreign exchange adjustments	-	-	-	56,175	-	56,175
Other non-cash movements	7,355	(9,687)	-	(2,185)	-	(4,517)
Financing liabilities as at March 31, 2018 and April 1, 2018	1,166,692	-	-	2,648,725	-	3,815,417
Proceeds from borrowings	5,700,215	-	-	-	-	5,700,215
Repayments of borrowings	(5,700,000)	-	-	-	-	(5,700,000)
Transfer	-	-	774,341	(774,341)	-	-
Issue of convertible bonds	-	-	-	-	675,000	675,000
Issuing cost of convertible bonds	-	-	-	-	(10,107)	(10,107)
Foreign exchange adjustments	-	-	-	(41,014)	-	(41,014)
Other non-cash movements	-	-	11,795	2,894	(74,387)	(59,698)
Financing liabilities as at March 31, 2019	1,166,907	-	786,136	1,836,264	590,506	4,379,813

35 RETIREMENT BENEFIT OBLIGATIONS

	2019 US$'000	2018 US$'000
Pension obligation included in non-current liabilities		
Pension benefits	**407,723**	387,632
Post-employment medical benefits	**26,523**	25,850
	434,246	413,482
Expensed in income statement		
Pension benefits (Note 9)	**23,302**	16,439
Post-employment medical benefits	**1,418**	1,177
	24,720	17,616
Remeasurements for:		
Defined pension benefits	**26,248**	20,597
Post-employment medical benefits	**(607)**	(800)

The Group's largest pension liabilities are now in Germany. Its defined benefit plan is closed to new entrants and now covers around 20% of employees. The defined benefit plan contains a large number of retirees and former employees with benefits which have vested, but where payment will be deferred until they retire.

The Group continues to maintain significant pension liabilities in Japan, where a cash balance benefit is provided for substantially all employees.

In the US, the defined benefit plan is closed to new entrants, and now covers only 1.0% of employees. There is also a supplemental defined benefit plan that covers certain executives.

The Group also operates final salary defined benefit plans in a number of countries as a result of past acquisitions.

The Group's major plans are valued by qualified actuaries annually using the projected unit credit method.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income in the period in which they arise.

35 RETIREMENT BENEFIT OBLIGATIONS *(continued)*

(a) Pension benefits

The amounts recognized in the consolidated balance sheet are determined as follows:

	2019 US$'000	2018 US$'000
Present value of funded obligations	**568,780**	548,060
Fair value of plan assets	**(346,348)**	(334,597)
Deficit of funded plans	**222,432**	213,463
Present value of unfunded obligations	**185,291**	174,169
Liability in the balance sheet	**407,723**	387,632
Representing:		
Pension benefits obligation	**407,723**	387,632

The principal actuarial assumptions used are as follows:

	2019	2018
Discount rate	**0.5%-3.25%**	0.5%-3.25%
Future salary increases	**0%-4.5%**	0%-3.5%
Future pension increases	**0%-2%**	0%-2%
Life expectancy for male aged 60	**27**	27
Life expectancy for female aged 60	**28**	29

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is:

	Impact on defined benefit obligation		
2019	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate	**0.5%**	**Decrease by 10.6%**	**Increase by 10.7%**
Salary growth rate	**0.5%**	**Increase by 1.0%**	**Decrease by 0.9%**
Pension growth rate	**0.5%**	**Increase by 8.3%**	**Decrease by 7.5%**
		Increase by 1 year in assumption	**Decrease by 1 year in assumption**
Life expectancy		**Increase by 4.0%**	**Decrease by 3.9%**

35 RETIREMENT BENEFIT OBLIGATIONS *(continued)*

(a) Pension benefits *(continued)*

2018	Change in assumption	Impact on defined benefit obligation Increase in assumption	Decrease in assumption
Discount rate	0.5%	Decrease by 10.6%	Increase by 11.4%
Salary growth rate	0.5%	Increase by 1.2%	Decrease by 1.1%
Pension growth rate	0.5%	Increase by 8.0%	Decrease by 7.3%
		Increase by 1 year in assumption	Decrease by 1 year in assumption
Life expectancy		Increase by 3.3%	Decrease by 3.3%

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the pension liability recognized within the balance sheet.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous year.

(b) Post-employment medical benefits

The Group operates a number of post-employment medical benefit schemes, principally in the US. The method of accounting, assumptions and the frequency of valuations are similar to those used for defined benefit pension schemes.

The US plan (Lenovo Future Health Account and Retiree Life Insurance Program) is currently funded by a trust that qualifies for tax exemption under US tax law, out of which benefits to eligible retirees and dependents will be made.

Changes in future medical cost trend rates has no effect on the liabilities for post-employment medical benefits.

The amounts recognized in the consolidated balance sheet are determined as follows:

	2019 **US$'000**	2018 US$'000
Present value of funded obligations	**26,764**	26,652
Fair value of plan assets	**(1,453)**	(2,391)
	25,311	24,261
Present value of unfunded obligations	**1,212**	1,589
Liability in the balance sheet	**26,523**	25,850

35 RETIREMENT BENEFIT OBLIGATIONS *(continued)*

(c) Additional information on post-employment benefits (pension and medical)

Plan assets of the Group comprise:

	2019 Quoted US$'000	2019 Unquoted US$'000	2019 Total US$'000	2018 Quoted US$'000	2018 Unquoted US$'000	2018 Total US$'000
Pension plan						
Equity instruments						
Information technology	**530**	**-**	**530**	2,079	–	2,079
Energy	**245**	**-**	**245**	235	–	235
Manufacturing	**4,845**	**-**	**4,845**	9,726	–	9,726
Others	**4,203**	**-**	**4,203**	3,573	–	3,573
	9,823	**-**	**9,823**	15,613	–	15,613
Debt instruments						
Government	**77,716**	**-**	**77,716**	49,617	–	49,617
Corporate bonds (investment grade)	**56,267**	**-**	**56,267**	50,056	–	50,056
Corporate bonds (Non-investment grade)	**780**	**-**	**780**	8,864	–	8,864
	134,763	**-**	**134,763**	108,537	–	108,537
Others						
Property	**-**	**13,181**	**13,181**	–	13,270	13,270
Qualifying insurance policies	**-**	**66,966**	**66,966**	–	43,503	43,503
Cash and cash equivalents	**30,664**	**-**	**30,664**	16,302	–	16,302
Investment funds	**-**	**38,503**	**38,503**	–	55,821	55,821
Structured bonds	**-**	**50,158**	**50,158**	–	81,180	81,180
Others	**-**	**2,290**	**2,290**	–	371	371
	30,664	**171,098**	**201,762**	16,302	194,145	210,447
	175,250	**171,098**	**346,348**	140,452	194,145	334,597
Medical plan						
Cash and cash equivalents	**1,453**	**-**	**1,453**	2,391	–	2,391

The long term strategic asset allocations of the plans are set and reviewed from time to time by the plans' trustees taking into account the membership, liability profile and the liquidity requirements of the plans.

The weighted average duration of the defined benefit obligation is 12.5 years.

35 RETIREMENT BENEFIT OBLIGATIONS *(continued)*

(c) Additional information on post-employment benefits (pension and medical) *(continued)*

Expected maturity analysis of undiscounted pension and post-employments medical benefits:

At March 31, 2019	Less than a year US$'000	Between 1-2 years US$'000	Between 2-5 years US$'000	Over 5 years US$'000	Total US$'000
Pension benefits	**21,238**	**21,450**	**81,261**	**822,903**	**946,852**
Post-employment medical benefits	**947**	**1,030**	**3,666**	**41,573**	**47,216**
Total	**22,185**	**22,480**	**84,927**	**864,476**	**994,068**

Pension and medical plan assets do not include any of the Company's ordinary shares or US real estate occupied by the Group (2018: nil).

Reconciliation of fair value of plan assets of the Group:

	Pension		Medical	
	2019 US$'000	2018 US$'000	**2019 US$'000**	2018 US$'000
Opening fair value	**334,597**	300,872	**2,391**	3,568
Exchange adjustment	**(21,483)**	21,767	**(15)**	–
Interest income	**5,156**	5,287	**79**	103
Remeasurements:				
Experience gain/(loss)	**3,661**	5,644	**(22)**	318
Contributions by the employer	**19,868**	25,681	**32**	41
Contributions by plan participants	**661**	663	**-**	–
Benefits paid	**(35,785)**	(25,317)	**(1,012)**	(1,639)
Acquisition of subsidiaries	**39,673**	–	**-**	–
Closing fair value	**346,348**	334,597	**1,453**	2,391
Actual return on plan assets	**8,817**	10,931	**57**	421

Contributions of US$20,603,000 are estimated to be made for the year ending March 31, 2020.

35 RETIREMENT BENEFIT OBLIGATIONS *(continued)*

(c) Additional information on post-employment benefits (pension and medical) *(continued)*

Reconciliation of movements in present value of defined benefit obligations of the Group:

	Pension		Medical	
	2019 US$'000	2018 US$'000	**2019 US$'000**	2018 US$'000
Opening defined benefit obligation	**722,229**	646,149	**28,241**	28,498
Exchange adjustment	**(48,978)**	54,847	**(110)**	215
Current service cost	**17,447**	14,516	**586**	315
Past service cost	**(1,235)**	(1,141)	**–**	–
Interest cost	**11,564**	11,051	**911**	965
Remeasurements:				
(Gain)/loss from change in demographic assumptions	**(1,024)**	(609)	**(201)**	5
Loss/(gain) from changes in financial assumptions	**27,538**	13,487	**(9)**	10
Experience loss/(gain)	**3,395**	13,363	**(419)**	(497)
Contributions by plan participants	**684**	663	**–**	–
Benefits paid	**(46,854)**	(27,397)	**(1,023)**	(1,270)
Curtailment loss/(gain)	**682**	(2,700)	**–**	–
Acquisition of subsidiaries	**68,623**	–	**–**	–
Closing defined benefit obligation	**754,071**	722,229	**27,976**	28,241

During the year, benefits of US$11,069,000 were settled directly by the Group (2018: US$2,080,000).

Summary of pensions and post-retirement medical benefits of the Group:

	2019 US$'000	2018 US$'000	2017 US$'000	2016 US$'000	2015 US$'000
Present value of defined benefit obligations	**782,047**	750,470	674,647	739,805	699,680
Fair value of plan assets	**347,801**	336,988	304,440	296,931	289,562
Deficit	**434,246**	413,482	370,207	442,874	410,118
Actuarial (gains)/losses arising on plan assets	**(3,639)**	(5,962)	6,620	3,580	(29,070)
Actuarial losses/(gains) arising on plan liabilities	**29,280**	25,759	(49,398)	21,082	99,157
	25,641	19,797	(42,778)	24,662	70,087

35 RETIREMENT BENEFIT OBLIGATIONS *(continued)*

(c) Additional information on post-employment benefits (pension and medical) *(continued)*

The amounts recognized in the consolidated income statement are as follows:

	Pension		Medical	
	2019 US$'000	2018 US$'000	**2019 US$'000**	2018 US$'000
Current service cost	**17,447**	14,516	**586**	315
Past service cost	**(1,235)**	(1,141)	**-**	–
Interest cost	**11,564**	11,051	**911**	965
Interest income	**(5,156)**	(5,287)	**(79)**	(103)
Curtailment loss/(gain)	**682**	(2,700)	**-**	–
Total expense recognized in the consolidated income statement	**23,302**	16,439	**1,418**	1,177

36 BUSINESS COMBINATIONS

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

On May 2, 2018, the Group acquired 51% interest of FCCL. FCCL is principally engaged in manufacturing and distribution of PC products. Immediately following completion, the Company, Fujitsu Limited and Development Bank of Japan respectively own 51%, 44% and 5% of the interest in FCCL. The acquisition of FCCL provides the Group with efficiencies and economies of scale to benefit the development, manufacture and distribution of Fujitsu-branded personal computer products, while enabling improved global penetration of the Fujitsu personal computer brand for the benefit of both consumer and enterprise market customers.

During the year, the Group has set up a non-wholly owned subsidiary, Lenovo NetApp Technology Limited ("LNTL"), with Solidfire BV ("NetApp") for the purpose of business acquisition of storage business in China from NetApp. Such business acquisition was completed on February 18, 2019. Immediately following the completion, the Group and NetApp respectively own 51% and 49% of the interest in LNTL. LNTL is principally engaged in the business of developing and distributing storage solutions and products in China. The acquisition provides the Group with exclusive right in distributing NetApp branded storage products in China and enlarges the Group's market share of storage business in China.

The estimated total consideration for the business combination activities completed during the year is approximately US$287 million, including initial and contingent consideration.

36 BUSINESS COMBINATIONS *(continued)*

Set forth below is the preliminary calculation of goodwill:

	FCCL US$'000	LNTL US$'000	Total US$'000
Purchase consideration:			
– Cash paid (a)	127,104	48,600	175,704
– Fair value of contingent consideration (b)	111,047	-	111,047
Total purchase consideration	238,151	48,600	286,751
Less: fair value of net assets acquired	(114,267)	(43,069)	(157,336)
Goodwill	123,884	5,531	129,415

(a) For the acquisition of FCCL, cash payment comprising cash consideration of JPY17,680,280,000 (US$161.0 million) net of a downward adjustment of JPY3,722,999,906 (US$33.9 million) calculated based on the actual working capital amount and the actual net debt as at the completion date was made to Fujitsu Limited.

For the acquisition of LNTL, cash payment of US$48.6 million was made to LNTL.

(b) The contingent consideration is to be payable in cash after March 31, 2020. The fair value of contingent consideration is included in other non-current liabilities in the balance sheet.

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

	FCCL US$'000	LNTL US$'000	Total US$'000
Cash and cash equivalents	22,906	53,500	76,406
Property, plant and equipment	33,564	700	34,264
Deferred income tax assets less liabilities	(23,743)	(12,150)	(35,893)
Intangible assets	164,907	48,600	213,507
Other non-current assets	9,455	-	9,455
Net working capital except cash and cash equivalents	56,249	(6,200)	50,049
Non-current liabilities	(39,285)	-	(39,285)
Fair value of net assets acquired	224,053	84,450	308,503
Less: share of other non-controlling interests	(109,786)	(41,381)	(151,167)
Fair value of net assets attributable to the interest acquired	114,267	43,069	157,336

36 BUSINESS COMBINATIONS *(continued)*

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

At March 31, 2019, the Group has not finalized the fair value assessments for net assets acquired (including intangible assets) from the business combination activities. The relevant fair values of net assets stated above are on a provisional basis.

Acquisition-related costs of US$9.4 million have been charged to administrative expenses in the consolidated income statement for the year ended March 31, 2019.

The aggregate revenue included in the consolidated income statement since May 2, 2018 and February 18, 2019 contributed by FCCL and LNTL was approximately US$2,778 million and US$5 million, respectively. FCCL contributed an aggregate profit after taxation of approximately US$89 million and LNTL incurred an aggregate loss after taxation of approximately US$3 million over the same period.

No separate set of financial information was prepared for FCCL and LNTL before the acquisition. Accordingly, disclosure of the revenue and profit/loss after taxation of both newly acquired businesses for the full year from April 1, 2018 has not been made.

37 PRINCIPAL SUBSIDIARIES

The following includes the principal subsidiaries directly or indirectly held by the Company and, in the opinion of the directors, are significant to the results of the year or form a substantial portion of the net assets of the Group. The directors consider that giving details of other subsidiaries would result in particulars of excessive length.

Company name	Place of incorporation/ establishment	Issued and fully paid up capital	Percentage of issued capital held		Principal activities
			2019	2018	
Held directly:					
聯想(北京)有限公司 (Lenovo (Beijing) Limited)[1] (wholly foreign-owned enterprise)	Chinese Mainland	HK$175,481,300	**100%**	100%	Manufacturing and distribution of IT products and provision of IT services
聯想(上海)有限公司 (Lenovo (Shanghai) Co., Ltd.)[1] (wholly foreign-owned enterprise)	Chinese Mainland	HK$10,000,000	**100%**	100%	Distribution of IT products and provision of IT services

Notes to the Financial Statements

37 PRINCIPAL SUBSIDIARIES *(continued)*

Company name	Place of incorporation/ establishment	Issued and fully paid up capital	Percentage of issued capital held 2019	Percentage of issued capital held 2018	Principal activities
Held indirectly:					
Fujitsu Client Computing Limited	Japan	JPY400,000,000	**51%**	-	Manufacturing and distribution of IT products
聯寶(合肥)電子科技有限公司 (LCFC (Hefei) Electronics Technology Co., Ltd.)[1] (wholly foreign-owned enterprise)	Chinese Mainland	US$265,000,000	**51%**	51%	Manufacturing and distribution of IT products
Lenovo (Asia Pacific) Limited	Hong Kong S.A.R. of China	HK$3,045,209,504.92	**100%**	100%	Investment holding and distribution of IT products
北京聯想軟件有限公司 (Beijing Lenovo Software Limited)[1] (wholly foreign-owned enterprise)	Chinese Mainland	HK$5,000,000	**100%**	100%	Provision of IT services and distribution of IT products
Lenovo (Australia & New Zealand) Pty Limited	Australia	AUD45,860,993.40	**100%**	100%	Distribution of IT products
Lenovo (Belgium) BVBA	Belgium	EUR1,317,700,834.94	**100%**	100%	Investment holding and distribution of IT products
Lenovo (Canada) Inc.	Canada	CAD10,000,000	**100%**	100%	Distribution of IT products
Lenovo Computer Limited	Hong Kong S.A.R. of China	HK$2	**100%**	100%	Procurement agency and distribution of IT products
Lenovo (Danmark) ApS	Denmark	DKK126,000	**100%**	100%	Distribution of IT products

37 PRINCIPAL SUBSIDIARIES *(continued)*

Company name	Place of incorporation/ establishment	Issued and fully paid up capital	Percentage of issued capital held		Principal activities
			2019	2018	
Lenovo (Deutschland) GmbH	Germany	EUR25,100	**100%**	100%	Distribution of IT products
Lenovo Enterprise Solutions (Singapore) Pte. Ltd.	Singapore	SGD55,958,592	**100%**	100%	Manufacturing and wholesaling of computers, computer hardware and peripheral equipment
Lenovo Enterprise Solutions Ltd.	Japan	JPY50,000,000	**100%**	100%	Distribution of IT products
Lenovo (France) SAS	France	EUR1,837,000	**100%**	100%	Distribution of IT products
Lenovo HK Services Limited	Hong Kong S.A.R. of China	HK$2	**100%**	100%	Provision of business planning, management, global supply chain, finance, and administration support services
Lenovo Global Technology (Asia Pacific) Limited	Hong Kong S.A.R. of China	US$123,001	**100%**	100%	Investment holding and distribution of IT products
Lenovo Global Technology HK Limited	Hong Kong S.A.R. of China	US$10,000,001	**100%**	100%	Procurement agency and distribution of IT products
Lenovo Global Technology (Hong Kong S.A.R. of China) Distribution Limited	Hong Kong S.A.R. of China	US$1	**100%**	100%	Distribution of IT products
Lenovo (Hong Kong S.A.R. of China) Limited	Hong Kong S.A.R. of China	HK$74,256,023	**100%**	100%	Distribution of IT products

Notes to the Financial Statements

37 PRINCIPAL SUBSIDIARIES *(continued)*

Company name	Place of incorporation/ establishment	Issued and fully paid up capital	Percentage of issued capital held 2019	2018	Principal activities
惠陽聯想電子工業有限公司 (Lenovo (Huiyang) Electronic Industrial Co., Ltd.)[1] (wholly foreign-owned enterprise)	Chinese Mainland	HK$31,955,500	**100%**	100%	Manufacturing and distribution of IT products
Lenovo (India) Private Limited	India	INR8,607,471,514	**100%**	100%	Manufacturing and distribution of IT products
聯想信息產品（深圳）有限公司 (Lenovo Information Products (Shenzhen) Co. Ltd.)[1] (limited liability company (wholly-owned entity))	Chinese Mainland	RMB643,966,800	**100%**	100%	Manufacturing and distribution of IT products
Lenovo (Israel) Ltd.	Israel	ILS1,000	**100%**	100%	Distribution of IT products
Lenovo (Italy) S.r.l	Italy	EUR100,000	**100%**	100%	Distribution of IT products
Lenovo (Japan) Ltd.	Japan	JPY100,000,000	**66.64%**	66.64%	Distribution of IT products
Lenovo Korea LLC	Korea	KRW3,580,940,000	**100%**	100%	Distribution of IT products
Lenovo Mexico, S. de R.L. de C.V.	Mexico	MXN1,424,048,114	**100%**	100%	Distribution of IT products
聯想移動通信科技有限公司 (Lenovo Mobile Communication Technology Ltd.)[1] (foreign-investment enterprise wholly-owned entity)	Chinese Mainland	RMB187,500,000	**100%**	100%	Manufacturing and distribution of IT products and provision of IT services

37 PRINCIPAL SUBSIDIARIES *(continued)*

Company name	Place of incorporation/ establishment	Issued and fully paid up capital	Percentage of issued capital held 2019	2018	Principal activities
摩托羅拉(武漢)移動技術通信有限公司 (Motorola (Wuhan) Mobility Technologies Communication Company Limited)[1] 前稱"聯想移動通信(武漢)有限公司" (formerly known as "Lenovo Mobile Communication (Wuhan) Limited")[1] (foreign-investment enterprise wholly-owned entity)	Chinese Mainland	RMB60,000,000	**100%**	100%	Manufacturing of mobile products
Lenovo NetApp Technology Limited	Chinese Mainland	US$10,000,000	**51%**	-	Delivering IT products and data management solution
Lenovo PC HK Limited	Hong Kong S.A.R. of China	HK$2,377,934,829.50 ordinary and HK$1,000,000 non-voting deferred	**100%**	100%	Procurement agency and distribution of IT products
Lenovo PC International Limited	Hong Kong S.A.R. of China	HK$4,758,857,785	**100%**	100%	Intellectual properties
Lenovo (Schweiz) GmbH	Switzerland	CHF2,000,000	**100%**	100%	Manufacturing and distribution of IT products
Lenovo (Singapore) Pte. Ltd.	Singapore	SGD1,971,231,035.94	**100%**	100%	Manufacturing and wholesaling of computers, computer hardware and peripheral equipment

Notes to the Financial Statements

37 PRINCIPAL SUBSIDIARIES *(continued)*

Company name	Place of incorporation/ establishment	Issued and fully paid up capital	Percentage of issued capital held 2019	2018	Principal activities
Lenovo (South Africa) (Pty) Limited	South Africa	RAND100	**100%**	100%	Distribution of IT products
Lenovo (Spain), S.L.	Spain	EUR37,475,456.40	**100%**	100%	Distribution of IT products
Lenovo (Sweden) AB	Sweden	SEK200,200	**100%**	100%	Distribution of IT products
聯想系統集成（深圳）有限公司 (Lenovo Systems Technology Company Limited)[1] (有限責任公司（法人獨資）) (limited liability company (wholly-owned entity))	Chinese Mainland	RMB263,407,660	**100%**	100%	Manufacturing and distribution of IT products
Lenovo Technology (United Kingdom) Limited	United Kingdom	GBP8,629,510	**100%**	100%	Distribution of IT products
Lenovo Technology B.V.	Netherlands	EUR20,000	**100%**	100%	Distribution of IT products
Lenovo Technology Sdn. Bhd.	Malaysia	MYR1,000,000	**100%**	100%	Selling and distribution of computer hardware, software and peripherals and services
Lenovo Tecnologia (Brasil) Ltda	Brazil	BRL4,424,321,818	**100%**	100%	Manufacturing and distribution of IT products
Lenovo (Thailand) Limited	Thailand	THB243,000,000	**100%**	100%	Distribution of IT products as well as mobile phone, smart phone and tablet, server and storage
Lenovo (United States) Inc.	United States	US$1	**100%**	100%	Distribution of IT products
Lenovo (Venezuela), SA	Venezuela	VEB717,184,632	**100%**	100%	Distribution of IT products

37 PRINCIPAL SUBSIDIARIES *(continued)*

Company name	Place of incorporation/ establishment	Issued and fully paid up capital	Percentage of issued capital held 2019	Percentage of issued capital held 2018	Principal activities
聯想（西安）有限公司 (Lenovo (Xian) Limited)[1] (Chinese-foreign equity joint venture)	Chinese Mainland	RMB10,000,000	**100%**	100%	Provision of IT services and distribution of IT products
LLC "Lenovo (East Europe/Asia)"	Russia	RUB1,910,000	**100%**	100%	Distribution and marketing of IT products
Medion AG	Germany	EUR48,418,400	**79.84%**	79.83%	Retail and service business for consumer electronic products and complementary digital services
Motorola Mobility Comércio de Produtos Eletronicos Ltda.	Brazil	BRL756,663,401	**100%**	100%	Developer, owner, licensor and seller of communications hardware and software
Motorola Mobility International Sales LLC	United States	-	**100%**	100%	Holding company
Motorola Mobility LLC	United States	-	**100%**	100%	Developer, owner, licensor and seller of communications hardware and software
NEC Personal Computers, Ltd.	Japan	JPY500,000,000	**66.64%**	66.64%	Manufacturing and distribution of IT products
深圳聯想海外控股有限公司 (Shenzhen Lenovo Overseas Holdings Limited)[1] (wholly-foreign owned enterprise)	Chinese Mainland	US$760,822,799.24	**100%**	100%	Investment management

Notes to the Financial Statements

37 PRINCIPAL SUBSIDIARIES *(continued)*

Company name	Place of incorporation/ establishment	Issued and fully paid up capital	Percentage of issued capital held 2019	2018	Principal activities
Shimane Fujitsu Limited	Japan	JPY450,000,000	**51%**	-	Manufacturing and distribution of IT products
Stoneware, Inc.	United States	US$861,341.25	**100%**	100%	Development and distribution of IT products
陽光雨露信息技術服務(北京)有限公司 (Sunny Information Technology Service, Inc.)1 (Chinese-foreign equity joint venture)	Chinese Mainland	RMB50,000,000	**100%**	100%	Provision of repair services for computer hardware and software systems

Notes:

(i) All the above subsidiaries operate principally in their respective places of incorporation or establishment.

(ii) All the Chinese Mainland subsidiaries are limited liability companies. They have adopted December 31 as their financial year end date for statutory reporting purposes. For the preparation of the consolidated financial statements, financial statements of these Chinese Mainland subsidiaries for the years ended March 31, 2018 and 2019 have been used.

(iii) Medion AG is a publicly traded German stock corporation listed on the Frankfurt am Main stock exchange. The percentage of issued capital held is equivalent to approximately 86.52% (2018: 86.51%) excluding treasury shares.

(iv) The company whose English name ends with a “1” is a direct transliteration of its Chinese registered name.

38 APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the board of directors on May 23, 2019.

Five-Year Financial Summary

CONDENSED CONSOLIDATED INCOME STATEMENT

	2019 US$'000	2018 US$'000	2017 US$'000	2016 US$'000	2015 US$'000
Revenue	**51,037,943**	45,349,943	43,034,731	44,912,097	46,295,593
Profit/(loss) before taxation	**856,664**	153,202	489,927	(276,851)	970,967
Taxation	**(199,460)**	(279,977)	40,514	132,276	(134,364)
Profit/(loss) for the year	**657,204**	(126,775)	530,441	(144,575)	836,603
Profit/(loss) attributable to:					
Equity holders of the Company	**596,343**	(189,323)	535,084	(128,146)	828,715
Perpetual securities holders	**53,760**	53,680	1,872	–	–
Other non-controlling interests	**7,101**	8,868	(6,515)	(16,429)	7,888
	657,204	(126,775)	530,441	(144,575)	836,603
Earnings/(loss) per share attributable to equity holders of the Company					
Basic (US cents)	**5.01**	(1.67)	4.86	(1.16)	7.77
Diluted (US cents)	**4.96**	(1.67)	4.86	(1.16)	7.69

CONDENSED CONSOLIDATED BALANCE SHEET

	2019 US$'000	2018 US$'000	2017 US$'000	2016 US$'000	2015 US$'000
Non-current assets	**13,102,282**	12,830,853	12,317,587	11,966,613	11,889,352
Current assets	**16,886,203**	15,663,318	14,868,387	12,966,776	15,507,158
Total assets	**29,988,485**	28,494,171	27,185,974	24,933,389	27,396,510
Non-current liabilities	**5,401,079**	4,488,461	4,756,906	6,146,880	5,841,997
Current liabilities	**20,490,343**	19,459,722	18,333,846	15,760,260	17,448,392
Total liabilities	**25,891,422**	23,948,183	23,090,752	21,907,140	23,290,389
Net assets	**4,097,063**	4,545,988	4,095,222	3,026,249	4,106,121

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
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
Mr. Gordon Robert Halyburton Orr
Mr. Woo Chin Wan Raymond

CHIEF FINANCIAL OFFICER
Mr. Wong Wai Ming

COMPANY SECRETARY
Mr. Mok Chung Fu, Eric

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BNP Paribas
Citibank, N.A.
DBS Bank Ltd.

INDEPENDENT AUDITOR
PricewaterhouseCoopers
Certified Public Accountants
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SHARE REGISTRAR
Tricor Abacus Limited
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AMERICAN DEPOSITARY RECEIPTS
(Depositary and Registrar)
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New York, NY 10013, USA

STOCK CODES
Hong Kong S.A.R. of China Stock Exchange: 992
American Depositary Receipts: LNVGY

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