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## Lenovo Group Limited 聯想集團有限公司

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

### FY2021/22 ANNUAL RESULTS ANNOUNCEMENT

#### ANNUAL RESULTS

The board of directors (the “Board”) of Lenovo Group Limited (the “Company”) announces the audited results of the Company and its subsidiaries (the “Group”) for the year ended March 31, 2022 together with comparative figures for last year, as follows:

#### FINANCIAL HIGHLIGHTS

- A record year with Group revenue up 18 percent to US\$71.6 billion and profit attributable to equity holders up 72 percent to surpass US\$2.0 billion. New opportunities emerged from Digital Transformation and the demand for value-added solutions accelerated
- Intelligent Devices Group built the largest PC businesses globally. Through innovation and a favorable mix change towards commercial and premium segments, its profit grew 27 percent to all-time high despite supply challenges. Non-PC products, including enterprise collaboration, contributed 18 percent of IDG’s revenue
- Infrastructure Solutions Group turned profitable through its unique business model, enriched product portfolio, and a strong infrastructure upgrade cycle, despite the unprecedented sector-wide supply challenge
- Solutions and Services Group delivered 40 percent growth in operating profit to US\$1.2 billion, capturing opportunities in the digital workplace, hybrid cloud, and ESG deployment
- Operating cashflow reached US\$4.1 billion, with net debt reduced by US\$1.5 billion

	3 months ended	Year ended	3 months ended	Year ended	Year-on-year change	
	March 31, 2022	March 31, 2022	March 31, 2021	March 31, 2021	3 months ended March 31	Full-year
	US\$ million	US\$ million	US\$ million	US\$ million		
Revenue	16,694	71,618	15,630	60,742	7%	18%
Gross profit	2,864	12,049	2,688	9,768	7%	23%
Gross profit margin	17.2%	16.8%	17.2%	16.1%	0 pts	0.7 pts
Operating expenses	(2,275)	(8,968)	(2,209)	(7,588)	3%	18%
Operating profit	589	3,081	479	2,180	23%	41%
Other non-operating income/ (expenses) - net	(69)	(313)	(99)	(406)	(30%)	(23%)
Profit before taxation	520	2,768	380	1,774	37%	56%
Profit for the period/year	421	2,145	285	1,313	48%	63%
Profit attributable to equity holders of the Company	412	2,030	260	1,178	58%	72%
Earnings per share attributable to equity holders of the Company						
Basic	US3.52 cents	US17.45 cents	US2.19 cents	US9.54 cents	US1.33 cents	US7.91 cents
Diluted	US3.20 cents	US15.77 cents	US1.94 cents	US8.91 cents	US1.26 cents	US6.86 cents

## **PROPOSED DIVIDEND**

The Board has resolved to recommend the payment of a final dividend of HK30.0 cents per share for the year ended March 31, 2022 (2021: HK24.0 cents). Subject to shareholders' approval at the forthcoming annual general meeting to be held on July 26, 2022 ("AGM"), the proposed final dividend will be payable on August 16, 2022 to the shareholders whose names appear on the register of members of the Company on August 3, 2022.

## **CLOSURE OF REGISTER OF MEMBERS**

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 19, 2022
Closure of register of members	From July 20 to July 26, 2022
Record date	July 20, 2022
  
- (ii) For determining shareholders' entitlement to the proposed final dividend:

Latest time to lodge transfer documents for registration	4:30 p.m. on August 2, 2022
Closure of register of members	August 3, 2022
Record date	August 3, 2022

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 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than the aforementioned latest times.

## **BUSINESS REVIEW AND OUTLOOK**

### **Highlights**

During the fiscal year ended March 31, 2022, Lenovo (the Group) achieved multiple performance records. Group revenue reached an all-time high of US\$71.6 billion with 18 percent year-on-year growth. Profit attributable to equity holders increased 72 percent to US\$2.0 billion, on track to doubling net margin in the medium term.

The three business groups – Intelligent Devices Group (IDG), Infrastructure Solutions Group (ISG), and Solutions and Services Group (SSG) – delivered a solid finish to the year. Operating profit from IDG and SSG saw double-digit growth. IDG focused on commercial and premium segments to deliver a favorable product mix and increase average selling price (ASP) amidst industry-wide supply constraints and logistical challenges. Building on its full-stack capability and portfolio expansion in high-margin products, ISG turned profitable for the first time since the x86 business acquisition. SSG spearheaded the Group’s Service-led Transformation by expanding value-added solutions for its broad client base.

The Group’s improved profitability is a product of its continuous transformation and innovation, enabling new growth engines and service differentiation. Research & Development (R&D) expenses increased by 43 percent year-on-year to support the upgrade and differentiation of its technology and services.

Net cash generated from operating activities reached a record US\$4.1 billion. With strong profit generation and prudent working capital management, the Group achieved a net cash position after reducing nearly US\$1.5 billion in net debt. Lenovo received a credit rating upgrade from a major rating agency thanks to improved leverage and debt reduction.

Lenovo is committed to minimizing its environmental impact, promoting social equity, and ensuring ethical, responsible, and transparent operations. The Group was listed in Bloomberg’s Gender-Equality Index and was recognized at a “Leadership level” by CDP for climate change and water security. Lenovo became a constituent stock of the Hang Seng Index in March 2022, demonstrative of its consistent performance and well-executed transformation in recent years.

### **Group Financial Performance**

The Group’s revenue grew 18 percent to reach a new milestone at US\$71.6 billion. Its newly formed SSG business actively expanded its service portfolio to pursue revenue growth. ISG weathered unprecedented industry supply constraints to achieve record revenue of US\$7.1 billion, benefiting from the double-digit growth in Cloud Service Provider (CSP) sales and the recovery of Enterprise & Small-and-medium Business (ESMB). IDG saw record sales, growing 18 percent to reach US\$62.3 billion. Revenue of IDG’s industry-leading PC segment increased double-digits year-on-year on the back of commercial recovery and its strength in premium segments, including gaming.

While bolstering its net income by 72 percent to US\$2.0 billion, the Group made great progress on its three-year business plan to double net margin from last fiscal year. Net margin expanded by 89 basis points year-on-year, achieving nearly half of its three-year target. All three business groups leveraged new growth engines to improve their sales mix and profitability. The high-margin, high-growth SSG business further scaled up with increased profitability. IDG saw a strong boost in operating profit margin, while ISG turned profitable for the first time since the x86 acquisition.

R&D investments were instrumental in delivering these accomplishments. To capitalize on Digital Transformation, R&D expenses increased by 43 percent year-on-year and is on track to double its investments by the end of 23/24 from the 20/21 fiscal year level. Investments in R&D projects are well-balanced with focus on both technology with quick market returns and foundational research. One innovation is the building of a complete “Client-Edge-Cloud-Network-Intelligence” architecture to address customer needs. Lenovo also launched a variety of innovative, green products and solutions, increasing the adoption of green materials and green packaging.

## **Performance by Business Group**

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

IDG, consisting of the PC, tablet, smartphone, and other smart device businesses, delivered record results thanks to its commercial strength, premium segment growth and adjacent non-PC potential. The Group delivered record annual revenue of US\$62.3 billion after a year-on-year growth of 18 percent despite multiple challenges including supply constraint, weakness in the education segment and continued COVID-lockdowns in specific markets. Operating profit grew by 27 percent to an all-time high of US\$4.7 billion.

Its PC business remained number one by market share with industry-leading profitability. The business refined its growth strategy, including investing in innovations and cultivating strong commercial demand from the hybrid work model. Work-from-home demand has been a strong impetus for sales of premium products, including workstations and ThinkBooks. The Gaming PC segment, which grew its revenue by 37 percent year-on-year, leveraged its strong product portfolio to gain market share in gaming.

IDG made significant progress in non-PC products, with a combined revenue growth of 26 percent. Among the non-PC products, market share gain underscored IDG's strength in smartphone. An enhanced product portfolio enabled its smartphone business to obtain record market shares in America. Its "5G for all" strategy has paid off, with 5G sales more than tripled during the period under review.

### ***Infrastructure Solutions Group (ISG)***

The current infrastructure upgrade cycle is empowering growth in the datacenter, Edge computing and hybrid cloud segments. ISG is one of the world's fastest-growing infrastructure solution providers. Its achievement was built on years of investment in creating a full-stack portfolio with broad customer coverage and a unique, fully integrated ODM+ (Original Design and Manufacturing) business model and solutions, including motherboard design and system, and full-rack assembly across server, storage, and other products.

Despite supply constraints, ISG staged a successful turnaround in the second half of the year with a record full-year revenue growth of 13 percent to US\$7.1 billion. Growth was supported by enriched architecture and technology solutions, as well as project wins and industry partnerships. Its operating profit increased by US\$137 million year-on-year through improved profitability of CSP and ESMB.

CSP posted record revenues while ESMB reported a robust sales recovery. ISG expanded its client base through broadened product offerings, which particularly appeal to Next Wave customers in the CSP business in need of strong supplier support to expand their own cloud services. ESMB expanded high-growth, higher-margin products across servers, storage, Software-Defined Infrastructure (SDI), software, and services, while capturing emerging opportunities in Artificial Intelligence (AI) Powered Edge and hybrid cloud. Eyeing the strong growth potential in Edge computing, ISG expanded its Edge offerings, including the industry's most GPU-rich purpose-built Edge design.

### ***Solutions and Services Group (SSG)***

To improve efficiency and business agility, customers increasingly look for end-to-end solutions across hardware, software and services, as well as subscription-based, well-supported pay-as-you-go models. In light of these trends, SSG was formed to lead the Group's Service-led Transformation.

SSG's revenue grew by 30 percent year-on-year to US\$5.4 billion while its operating profit surged by 40 percent year-on-year to US\$1.2 billion. Operating margin reached 22 percent, lifting the Group's profitability to a new level. Deferred Revenue rose 30 percent year-on-year to a new high of US\$2.9 billion. Leveraging the Group's strong platform and customer base, SSG succeeded in developing in-house solutions for the Digital workspace, hybrid cloud management, and ESG services, paving the way for scalable and recurring business.

SSG's solid performance was underlined by the strengths in its three business segments. Among which, Support Services revenue grew 23 percent year-on-year, thanks to rising service penetration and growing IT services demand from the hybrid work model, commercial recovery, and rising ESG awareness. Managed Services revenue surged 63 percent year-on-year with improved profitability. The Lenovo "TruScale" brand launched during the period under review covers a wide range of as-a-service offerings including device-, infrastructure-, and software-as-a-service. Enhanced solutions and channel partner tools also contributed to contract wins. Project & Solutions Services reported revenue growth of 28 percent. This SSG segment focused on developing in-house intellectual property for four scalable verticals, i.e. Smart City, Smart Education, Smart Retail, and Smart Manufacturing.

## **Geographic Performance**

As a global business operating in more than 180 markets, Lenovo achieved balanced, double-digit growth in sales in nearly all major geographic markets including America, Europe-Middle East-Africa (EMEA), and China.

Revenue in China grew by 29 percent year-on-year, where all of the three business groups reported double-digit growth. Among which, SSG achieved strong revenue growth on the rising popularity of its new services offerings while ISG expanded on customer diversification and enhanced designs catering to local demand. Despite logistical and supply chain challenges in China towards the end of the period under review, the PC business led the market with strong growth in both shipment and ASP, further sustaining market leadership.

In Americas (AG), the Group delivered a 24 percent year-on-year increase in sales. IDG achieved double-digit revenue growth in the region, driven by commercial PC demand and the portfolio enhancement of its mobile business. The smartphone business grew on rising activation rate, 5G models and strengthened collaboration with carriers. Smartphone market share in North America reached double-digits for the first time since the acquisition of Motorola.

In EMEA, the Group achieved a 15 percent year-on-year growth in revenue. IDG stayed on a strong growth trajectory, benefiting from robust PC revenue and ASP expansion as well as double-digit growth in smartphone sales. SSG saw significant upside potential, especially in the Support Services segment where penetration rate continued to rise.

Asia Pacific (excluding China) reported a 1 percent revenue decrease, mainly due to slower education sales in Japan. Excluding Japan, the region reported a record year on the back of increased ASP, adjacency growth and the highest PC service penetration rate among all geographic markets.

## **Outlook**

The Group believes that strategic opportunities in Digital and Service-led Transformations will accelerate, fueling commercial demand for Lenovo's end-to-end, user-friendly product and service solutions, as well as dependable devices. These external catalysts, coupled with the Group's investments and global footprint, are key to achieving its medium-term goal of doubling net margin by capturing the right opportunities ahead.

The macro landscape remains challenging due to factors as varied as climate change, the digital divide, the ongoing pandemic and newly emerged geopolitical risks. To help its clients navigate these uncertainties, the Group will continue to pursue innovation, with bold R&D investments, in areas that include environmental impact reduction, social equity, and fair and ethical operations.

IDG will lead the global race in device innovation by enhancing features for hybrid working, gaming, entertainment, green materials and ESG designs. Meanwhile, the total available market of the global PC sector should remain at a level structurally higher than the pre-pandemic period, thanks to the strong commercial demand from the hybrid work model. The commercial upgrade cycle and the trend of premiumization will help IDG drive premium-to-market growth. Its smartphone business will focus on portfolio expansion and differentiation to take advantage of accelerated 5G adoption and the changing competitive landscape. IDG will accelerate investments to score wins in non-PC areas, including fast-growing accessories and work collaboration solutions, which have become more important for growth.

ISG's outlook remains strong as the supply shortfall, from poor integrated circuit chip availability and COVID-led disruption, has resulted in unfulfilled customer orders. ISG has built industry-leading end-to-end infrastructure solutions and expanded from server to full-stack offerings including storage, SDI, software, and services – all with higher profitability. The ESMB segment will also capitalize on growth opportunities in AI Powered Edge, hybrid cloud, High Performance Computing, and solutions for the Telco/communication sectors. For the CSP segment, ISG has a unique ODM+ business model to address the growing demand for vertically integrated supply chains. The business will continue to diversify its customer base and expand its share of existing accounts through design-wins.

SSG is the key to driving sustainable growth for the Group. New opportunities will emerge from Digitalization and structural changes in the workplace, unleashing the demand for Premier, TruScale as-a-Service, Sustainability, and vertical solutions. SSG continues to broaden service offerings in these areas while strengthening channel tools and cooperation with business partners. With strengthened customer relationships, SSG will further enhance its financial contribution to the Group.

### **Strategic Highlights**

The Group continues to be the leader and enabler of Intelligent Transformation, helping its clients navigate a more complex world with its vision of bringing smarter technology to all. Its commitment to doubling R&D, which goes hand-in-hand with the pursuit of profitability growth, will further elevate its competitiveness in next-generation product design and solutions.

Leveraging its service business as a structural growth engine, the Group will strengthen its end-to-end service solutions, in particular, its TruScale as-a-Service portfolio, to address customer pain points in hybrid work, multi-cloud management, as well as cybersecurity. Synergies will also be created by working with leading business and channel partners.

As a responsible corporate, the Group prides itself on setting high standards and making every effort to mitigate environmental impact as the business advances towards Net Zero emissions by 2050 on top of its current 2030 goals. To capitalize on growing ESG awareness, the Management will broaden its sustainability initiatives to incorporate innovative ESG features, such as the CO2 offset service, into the Group's services to help customers meet their ESG goals.

## FINANCIAL REVIEW

### *Results for the year ended March 31, 2022*

	<b>2022</b> <i>US\$ million</i>	2021 <i>US\$ million</i>	Year-on-year change
Revenue	<b>71,618</b>	60,742	18%
Gross profit	<b>12,049</b>	9,768	23%
Gross profit margin	<b>16.8%</b>	16.1%	0.7 pts
Operating expenses	<b>(8,968)</b>	(7,588)	18%
Operating profit	<b>3,081</b>	2,180	41%
Other non-operating income/(expenses) – net	<b>(313)</b>	(406)	(23%)
Profit before taxation	<b>2,768</b>	1,774	56%
Profit for the year	<b>2,145</b>	1,313	63%
Profit attributable to equity holders of the Company	<b>2,030</b>	1,178	72%
Earnings per share attributable to equity holders of the Company			
Basic	<b>US17.45 cents</b>	US9.54 cents	US7.91 cents
Diluted	<b>US15.77 cents</b>	US8.91 cents	US6.86 cents

For the year ended March 31, 2022, the Group achieved total sales of approximately US\$71,618 million. When compared to last year, profit attributable to equity holders for the year surged by US\$852 million to approximately US\$2,030 million, gross profit margin rose 0.7 percentage points to 16.8 percent, mainly due to increase in average selling prices of PCs; while basic and diluted earnings per share were US17.45 cents and US15.77 cents respectively, representing an increase of US7.91 cents and US6.86 cents.

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

Analysis of operating expenses by function for the years ended March 31, 2022 and 2021 is as follows:

	<b>2022</b> <i>US\$'000</i>	2021 <i>US\$'000</i>
Selling and distribution expenses	<b>(3,746,290)</b>	(3,044,967)
Administrative expenses	<b>(2,944,234)</b>	(2,984,356)
Research and development expenses	<b>(2,073,461)</b>	(1,453,912)
Other operating income/(expenses) – net	<b>(204,421)</b>	(104,245)
	<b><u>(8,968,406)</u></b>	<u>(7,587,480)</u>

Operating expenses for the year were 18 percent over last year. Employee benefit costs increased by US\$490 million mainly due to increase in headcount and performance-based bonus. The increase in advertising and promotional expenses of US\$315 million reflected an increased effort in the Group's marketing input to drive brand recognition and fuel future growth. Expenses on research and development related laboratory testing, services and supplies increased by US\$232 million. During the year, the Group recorded a fair value gain from strategic investments amounted to US\$135 million (2021: US\$236 million, including a dilution gain on interest in an associate of US\$31 million and a gain on deemed disposal of subsidiaries of US\$3 million), reflecting the change in value of the Group's portfolio. The Group recorded a net reversal of loss allowance of trade receivables of US\$11 million (2021: net provision of US\$108 million) following the recovery of certain doubtful amounts that were previously provided for. Currency fluctuations presented a challenge to the Group, resulting in a net exchange loss of US\$157 million (2021: US\$116 million). Last year, the Group recorded a gain on disposal of non-core property assets of US\$117 million.

Key expenses by nature comprise:

	<b>2022</b> <i>US\$'000</i>	2021 <i>US\$'000</i>
Depreciation of property, plant and equipment	<b>(174,298)</b>	(161,468)
Depreciation of right-of-use assets	<b>(122,485)</b>	(84,224)
Amortization of intangible assets, excluding internal use software	<b>(469,727)</b>	(437,308)
Impairment of intangible assets	<b>(31,434)</b>	(52,606)
Impairment of property, plant and equipment	<b>(10,189)</b>	-
Employee benefit costs, including	<b>(4,862,484)</b>	(4,372,841)
- <i>long-term incentive awards</i>	<b>(368,921)</b>	(291,737)
- <i>severance and related costs</i>	-	(75,006)
Rental expenses	<b>(15,257)</b>	(7,484)
Net foreign exchange loss	<b>(156,981)</b>	(116,046)
Advertising and promotional expenses	<b>(1,131,244)</b>	(815,879)
Legal, professional and consulting expenses	<b>(211,906)</b>	(216,057)
Information technology expenses, including	<b>(364,440)</b>	(327,598)
- <i>amortization of internal use software</i>	<b>(197,807)</b>	(178,278)
Increase in loss allowance of trade receivables	<b>(90,311)</b>	(142,663)
Unused amounts of loss allowance of trade receivables reversed	<b>101,273</b>	34,593
Research and development related laboratory testing, services and supplies	<b>(540,716)</b>	(309,026)
(Loss)/gain on disposal of property, plant and equipment	<b>(2,265)</b>	110,004
Loss on disposal of intangible assets	<b>(8,399)</b>	(1,574)
Fair value gain on financial assets at fair value through profit or loss	<b>135,075</b>	201,597
Fair value loss on a financial liability at fair value through profit or loss	<b>(12,618)</b>	(13,721)
Dilution gain on interest in an associate	-	31,374
Gain on deemed disposal of subsidiaries	-	2,964
Gain on disposal of subsidiaries	<b>32,303</b>	36,029
Others	<b>(1,032,303)</b>	(945,546)
	<b><u>(8,968,406)</u></b>	<b><u>(7,587,480)</u></b>

Other non-operating income/(expenses) - net for the years ended March 31, 2022 and 2021 comprise:

	<b>2022</b> <i>US\$'000</i>	2021 <i>US\$'000</i>
Finance income	<b>56,458</b>	34,754
Finance costs	<b>(362,384)</b>	(408,640)
Share of losses of associates and joint ventures	<b>(6,912)</b>	(32,323)
	<b><u>(312,838)</u></b>	<b><u>(406,209)</u></b>

Finance income mainly represents interest on bank deposits.

Finance costs for the year decreased by 11 percent as compared with last year because the Group was granted investment-grade ratings by the 'Big Three' credit rating agencies that lowers our borrowing rates and improved the efficiency of the factoring program. The decrease is mainly attributable to the decrease in interest on bank loans and overdrafts of US\$10 million and factoring costs of US\$37 million.



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

The Group adopts segments by business group as the reporting format. Segments by business group comprise Intelligent Devices Group (“IDG”), Infrastructure Solutions Group (“ISG”) and Solutions and Services Group (“SSG”). Revenue and operating profit/(loss) for reportable segments are as follows:

	2022		2021	
	Revenue US\$'000	Operating profit US\$'000	Revenue US\$'000	Operating profit/(loss) US\$'000
IDG	62,310,410	4,737,823	53,006,909	3,744,006
ISG	7,140,055	6,703	6,301,320	(130,227)
SSG	5,441,528	1,195,386	4,192,645	854,507
Total	74,891,993	5,939,912	63,500,874	4,468,286
Eliminations	(3,273,777)	(1,001,478)	(2,758,562)	(745,341)
	<u>71,618,216</u>	<u>4,938,434</u>	<u>60,742,312</u>	<u>3,722,945</u>
Unallocated:				
Headquarters and corporate income/(expenses) - net		(1,506,022)		(1,429,187)
Depreciation and amortization		(648,775)		(552,086)
Impairment of intangible assets		(31,434)		(52,606)
Finance income		34,504		19,685
Finance costs		(171,751)		(234,244)
Share of losses of associates and joint ventures		(6,912)		(32,323)
Gain on disposal of property, plant and equipment		914		85,038
Fair value gain on financial assets at fair value through profit or loss		135,075		201,597
Fair value loss on a financial liability at fair value through profit or loss		(12,618)		(13,721)
Dilution gain on interest in an associate		-		31,374
Gain on deemed disposal of subsidiaries		-		2,964
Gain on disposal of subsidiaries		32,303		22,978
Dividend income		4,013		1,784
Consolidated profit before taxation		<u>2,767,731</u>		<u>1,774,198</u>

Headquarters and corporate income/(expenses) - net for the year comprise various expenses, after appropriate allocation to business groups, of US\$1,506 million (2021: US\$1,429 million) such as employee benefit costs, legal, professional and consulting expenses, and research and technology expenses. The increase is primarily in relation to increase in net exchange loss of US\$62 million as compared with last year.

***Fourth Quarter 2021/22 compared to Fourth Quarter 2020/21***

	<b>3 months ended March 31, 2022 US\$ million</b>	3 months ended March 31, 2021 US\$ million	Year-on-year change
Revenue	<b>16,694</b>	15,630	7%
Gross profit	<b>2,864</b>	2,688	7%
Gross profit margin	<b>17.2%</b>	17.2%	0 pts
Operating expenses	<b>(2,275)</b>	(2,209)	3%
Operating profit	<b>589</b>	479	23%
Other non-operating income/(expenses) – net	<b>(69)</b>	(99)	(30%)
Profit before taxation	<b>520</b>	380	37%
Profit for the period	<b>421</b>	285	48%
Profit attributable to equity holders of the Company	<b>412</b>	260	58%
Earnings per share attributable to equity holders of the Company			
Basic	<b>US3.52 cents</b>	US2.19 cents	US1.33 cents
Diluted	<b>US3.20 cents</b>	US1.94 cents	US1.26 cents

For the three months ended March 31, 2022, the Group achieved total sales of approximately US\$16,694 million. When compared to the corresponding period of last year, profit attributable to equity holders for the period surged by US\$152 million to approximately US\$412 million, gross profit margin remained at 17.2%, while basic and diluted earnings per share were US3.52 cents and US3.20 cents respectively, representing an increase of US1.33 cents and US1.26 cents.

Analysis of operating expenses by function for the three months ended March 31, 2022 and 2021 is as follows:

	<b>3 months ended March 31, 2022 US\$'000</b>	3 months ended March 31, 2021 US\$'000
Selling and distribution expenses	<b>(963,468)</b>	(823,605)
Administrative expenses	<b>(702,241)</b>	(820,772)
Research and development expenses	<b>(575,819)</b>	(416,709)
Other operating income/(expenses) – net	<b>(33,942)</b>	(148,017)
	<b><u>(2,275,470)</u></b>	<u>(2,209,103)</u>

Operating expenses for the period were 3 percent over the corresponding period of last year. Employee benefit costs increased by US\$48 million mainly due to increase in headcount. The increase in advertising and promotional expenses of US\$54 million reflected an increased effort in the Group's marketing input to drive brand recognition and fuel future growth. Expenses on research and development related laboratory testing, services and supplies increased by US\$67 million. During the period, the Group recorded a fair value loss from strategic investments amounted to US\$51 million (2021: a gain of US\$4 million), reflecting the change in value of the Group's portfolio. The Group recorded a net reversal of loss allowance of trade receivables of US\$12 million (2021: net provision of US\$80 million) following the recovery of certain doubtful amounts that were previously provided for. Currency fluctuations presented a challenge to the Group, resulting in a net exchange loss of US\$48 million (2021: US\$79 million). During the corresponding period of last year, the Group recorded a gain on disposal of non-core property assets of US\$40 million and a gain on disposal of subsidiaries of US\$35 million.

Key expenses by nature comprise:

	<b>3 months ended March 31, 2022 US\$'000</b>	3 months ended March 31, 2021 US\$'000
Depreciation of property, plant and equipment	(44,921)	(40,516)
Depreciation of right-of-use assets	(34,399)	(23,151)
Amortization of intangible assets, excluding internal use software	(119,315)	(109,953)
Employee benefit costs, including	(1,189,856)	(1,141,646)
- <i>long-term incentive awards</i>	(101,324)	(102,619)
Rental expenses	(3,845)	(2,345)
Net foreign exchange loss	(48,085)	(78,611)
Advertising and promotional expenses	(300,748)	(246,997)
Legal, professional and consulting expenses	(56,138)	(50,352)
Information technology expenses, including	(128,644)	(94,824)
- <i>amortization of internal use software</i>	(50,617)	(49,222)
Increase in loss allowance of trade receivables	(42,736)	(85,157)
Unused amounts of loss allowance of trade receivables reversed	54,398	5,285
Research and development related laboratory testing, services	(172,850)	(106,128)
(Loss)/gain on disposal of property, plant and equipment	(5,223)	38,040
Loss on disposal of intangible assets	(2,837)	(602)
Fair value (loss)/gain on financial assets at fair value through profit or loss	(50,997)	4,318
Fair value loss on a financial liability at fair value through profit or loss	(1,134)	(6,349)
Gain on disposal of subsidiaries	-	34,965
Others	(128,140)	(305,080)
	<b><u>(2,275,470)</u></b>	<b><u>(2,209,103)</u></b>

Other non-operating income/(expenses) - net for the three months ended March 31, 2022 and 2021 comprise:

	<b>3 months ended March 31, 2022 US\$'000</b>	3 months ended March 31, 2021 US\$'000
Finance income	18,771	10,181
Finance costs	(84,317)	(100,268)
Share of losses of associates and joint ventures	(3,078)	(8,474)
	<b><u>(68,624)</u></b>	<b><u>(98,561)</u></b>

Finance income mainly represents interest on bank deposits.

Finance costs for the period decreased by 16 percent as compared with the corresponding period of last year because the Group improved the efficiency of the factoring program. The decrease is mainly attributable to the decrease in factoring costs of US\$9 million and interest on written put option liabilities of US\$4 million.

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

The Group adopts segments by business group as the reporting format. Segments by business group comprise IDG, ISG and SSG. Revenue and operating profit/(loss) for reportable segments are as follows:

	<b>3 months ended March 31, 2022</b>		3 months ended March 31, 2021	
	<b>Revenue US\$'000</b>	<b>Operating profit US\$'000</b>	Revenue US\$'000	Operating profit/(loss) US\$'000
IDG	<b>14,696,180</b>	<b>1,125,569</b>	13,627,703	988,434
ISG	<b>1,408,637</b>	<b>6,765</b>	1,601,515	(28,854)
SSG	<b>1,396,291</b>	<b>314,762</b>	1,088,005	233,750
Total	<b>17,501,108</b>	<b>1,447,096</b>	16,317,223	1,193,330
Eliminations	<b>(807,350)</b>	<b>(258,088)</b>	(687,119)	(204,988)
	<b>16,693,758</b>	<b>1,189,008</b>	<b>15,630,104</b>	<b>988,342</b>
Unallocated:				
Headquarters and corporate income/(expenses) - net		<b>(344,684)</b>		(414,929)
Depreciation and amortization		<b>(163,768)</b>		(160,147)
Finance income		<b>11,086</b>		5,731
Finance costs		<b>(117,840)</b>		(65,828)
Share of losses of associates and joint ventures		<b>(3,078)</b>		(8,474)
Gain on disposal of property, plant and equipment		<b>505</b>		14,614
Fair value (loss)/gain on financial assets at fair value through profit or loss		<b>(50,997)</b>		4,318
Fair value loss on a financial liability at fair value through profit or loss		<b>(1,134)</b>		(6,349)
Gain on disposal of subsidiaries		<b>-</b>		22,978
Dividend income		<b>1,069</b>		-
Consolidated profit before taxation		<b>520,167</b>		<b>380,256</b>

Headquarters and corporate income/(expenses) - net for the period comprise various expenses, after appropriate allocation to business groups, of US\$345 million (2021: US\$415 million) such as employee benefit costs, legal, professional and consulting expenses, and research and technology expenses. The decrease is primarily in relation to decrease in employee benefit costs of US\$84 million as compared with the corresponding period of last year.

## Capital Expenditure

The Group incurred capital expenditure of US\$1,284 million (2021:US\$844 million) during the year ended March 31, 2022, mainly for the acquisition of property, plant and equipment, additions to construction-in-progress and intangible assets. The higher capital expenditure incurred in current year is mainly attributable to more investments in plant and machinery, patent and technology and internal use software.

## Liquidity and Financial Resources

At March 31, 2022, total assets of the Group amounted to US\$44,511 million (2021: US\$37,991 million), which were financed by equity attributable to owners of the Company of US\$4,991 million (2021: US\$3,559 million), other non-controlling interests (net of put option written on non-controlling interests) of US\$404 million (2021: US\$52 million), and total liabilities of US\$39,116 million (2021: US\$34,380 million). At March 31, 2022, the current ratio of the Group was 0.89 (2021: 0.85).

At March 31, 2022, bank deposits and cash and cash equivalents totaling US\$4,023 million (2021: US\$3,128 million) analyzed by major currency are as follows:

	<b>2022</b>	2021
	%	%
US dollar	<b>37.2</b>	34.9
Renminbi	<b>27.3</b>	25.7
Japanese Yen	<b>6.0</b>	11.3
Euro	<b>4.1</b>	5.5
Australian dollar	<b>2.7</b>	1.4
Other currencies	<b>22.7</b>	21.2
Total	<b>100.0</b>	100.0

The Group adopts a conservative policy to invest the surplus cash generated from operations. At March 31, 2022, 92 (2021: 100) percent of cash are bank deposits, and 8 (2021: nil) percent are investments in liquid money market funds of investment grade.

The Group has consistently maintained a very liquid position, along with abundant banking facilities standing by for future business development. The Group has also entered into factoring arrangements in the ordinary course of business to improve our balance sheet efficiency.

The Group has the following banking facilities:

Type	Date of agreement	Principal amount	Term	Utilized amount at March 31,	
				2022	2021
		<i>US\$ million</i>		<i>US\$ million</i>	<i>US\$ million</i>
Revolving loan facility	March 28, 2018	1,500	5 years	-	-
Revolving loan facility	May 12, 2020	300	5 years	-	-
Revolving loan facility	May 14, 2020	200	5 years	-	-

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

Credit facilities	Total available amount at March 31,		Drawn down amount at March 31,	
	2022	2021	2022	2021
	<i>US\$ million</i>	<i>US\$ million</i>	<i>US\$ million</i>	<i>US\$ million</i>
Trade lines	<b>4,053</b>	2,003	<b>2,813</b>	1,637
Short-term money market facilities	<b>1,154</b>	1,029	<b>54</b>	47
Forward foreign exchange contracts	<b>12,522</b>	12,023	<b>12,447</b>	11,975

Apart from the above facilities, notes, convertible bonds and convertible preferred shares issued by the Group and outstanding as at March 31, 2022 are as follows:

	Issue date	Principal amount	Term	Interest rate / dividend per annum	Due date	Use of proceeds
2023 Notes	March 29, 2018	US\$687 million	5 years	4.75%	March 2023	For repayment of previous Notes and general corporate purposes
Convertible bonds	January 24, 2019	US\$675 million	5 years (Note (a))	3.375%	January 2024	For repayment of previous Notes and general corporate purposes
Convertible preferred shares	June 21, 2019	US\$40 million	N/A (Note (b))	4%	N/A (Note (b))	For general corporate funding and capital expenditure
2025 Notes	April 24, 2020 and May 12, 2020	US\$1 billion	5 years	5.875%	April 2025	For repayment of previous Notes and general corporate purposes
2030 Notes	November 2, 2020	US\$1 billion	10 years	3.421%	November 2030	For repurchase of perpetual securities and previous Notes

Notes:

- (a) Please refer to Note 13(c) to the Financial Information for details.  
(b) Please refer to Note 13(d) to the Financial Information for details.

Net cash/(debt) position and gearing ratio of the Group as at March 31, 2022 and 2021 are as follows:

	2022	2021
	<i>US\$ million</i>	<i>US\$ million</i>
Bank deposits and cash and cash equivalents	<b>4,023</b>	3,128
Borrowings		
- Short-term loans	<b>58</b>	58
- Long-term loan	<b>1</b>	2
- Notes	<b>2,676</b>	3,011
- Convertible bonds	<b>641</b>	624
- Convertible preferred shares	<b>45</b>	303
Net cash/(debt) position	<b>602</b>	(870)
Total equity	<b>5,395</b>	3,611
Gearing ratio (Borrowings divided by total equity)	<b>0.63</b>	1.11

The Group is confident that the facilities on hand can meet the funding requirements of the Group's operations and business development. The Group is in full compliance with all the banking covenants.

The Group adopts a consistent hedging policy for business transactions to reduce the risk of currency fluctuation arising from daily operations. At March 31, 2022, the Group had commitments in respect of outstanding forward foreign exchange contracts amounting to US\$12,447 million (2021: US\$11,975 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.

## **Human Resources**

By the end of FY2021/22, the Group had a headcount of approximately 75,000 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.

## FINANCIAL INFORMATION

### CONSOLIDATED INCOME STATEMENT

	<i>Note</i>	<b>2022</b> <i>US\$'000</i>	2021 <i>US\$'000</i>
Revenue	2	<b>71,618,216</b>	60,742,312
Cost of sales		<b>(59,569,241)</b>	(50,974,425)
Gross profit		<b>12,048,975</b>	9,767,887
Selling and distribution expenses		<b>(3,746,290)</b>	(3,044,967)
Administrative expenses		<b>(2,944,234)</b>	(2,984,356)
Research and development expenses		<b>(2,073,461)</b>	(1,453,912)
Other operating income/(expenses) - net		<b>(204,421)</b>	(104,245)
Operating profit	3	<b>3,080,569</b>	2,180,407
Finance income	4(a)	<b>56,458</b>	34,754
Finance costs	4(b)	<b>(362,384)</b>	(408,640)
Share of losses of associates and joint ventures		<b>(6,912)</b>	(32,323)
Profit before taxation		<b>2,767,731</b>	1,774,198
Taxation	5	<b>(622,399)</b>	(461,199)
Profit for the year		<b>2,145,332</b>	1,312,999
Profit attributable to:			
Equity holders of the Company		<b>2,029,818</b>	1,178,307
Perpetual securities holders		<b>-</b>	32,532
Other non-controlling interests		<b>115,514</b>	102,160
		<b>2,145,332</b>	1,312,999
Earnings per share attributable to equity holders of the Company			
Basic	6(a)	<b>US17.45 cents</b>	US9.54 cents
Diluted	6(b)	<b>US15.77 cents</b>	US8.91 cents
Dividends	7	<b>583,999</b>	474,573



## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	2022 <i>US\$'000</i>	2021 <i>US\$'000</i>
Profit for the year	<b>2,145,332</b>	1,312,999
Other comprehensive income/(loss):		
<u>Items that will not be reclassified to profit or loss</u>		
Remeasurements of post-employment benefit obligations, net of taxes	<b>58,194</b>	35,735
Fair value change on financial assets at fair value through other comprehensive income, net of taxes	<b>(18,064)</b>	(5,081)
<u>Items that have been reclassified or may be subsequently reclassified to profit or loss</u>		
Fair value change on cash flow hedges from foreign exchange forward contracts, net of taxes		
- Fair value gain/(loss), net of taxes	<b>243,257</b>	(240,325)
- Reclassified to consolidated income statement	<b>(268,500)</b>	255,312
Currency translation differences	<b>172,638</b>	104,133
Other comprehensive income for the year	<b>187,525</b>	149,774
Total comprehensive income for the year	<b>2,332,857</b>	1,462,773
Total comprehensive income attributable to:		
Equity holders of the Company	<b>2,244,669</b>	1,336,074
Perpetual securities holders	-	32,532
Other non-controlling interests	<b>88,188</b>	94,167
	<b>2,332,857</b>	1,462,773

## CONSOLIDATED BALANCE SHEET

	<i>Note</i>	<b>2022</b> <i>US\$'000</i>	2021 <i>US\$'000</i>
Non-current assets			
Property, plant and equipment		<b>1,636,629</b>	1,573,875
Right-of-use assets		<b>839,233</b>	893,422
Construction-in-progress		<b>510,211</b>	207,614
Intangible assets		<b>8,066,785</b>	8,405,005
Interests in associates and joint ventures		<b>339,547</b>	65,455
Deferred income tax assets		<b>2,527,955</b>	2,344,740
Financial assets at fair value through profit or loss		<b>1,104,408</b>	805,013
Financial assets at fair value through other comprehensive income		<b>64,572</b>	84,796
Other non-current assets		<b>424,241</b>	275,359
		<b>15,513,581</b>	14,655,279
Current assets			
Inventories	8	<b>8,300,658</b>	6,380,576
Trade receivables	9(a)	<b>11,189,551</b>	8,397,825
Notes receivable		<b>99,996</b>	78,939
Derivative financial assets		<b>113,757</b>	118,299
Deposits, prepayments and other receivables	10	<b>5,014,292</b>	4,977,501
Income tax recoverable		<b>255,809</b>	254,442
Bank deposits		<b>92,513</b>	59,385
Cash and cash equivalents		<b>3,930,287</b>	3,068,385
		<b>28,996,863</b>	23,335,352
Total assets		<b>44,510,444</b>	37,990,631

## CONSOLIDATED BALANCE SHEET (CONTINUED)

	<i>Note</i>	<b>2022</b> <i>US\$'000</i>	2021 <i>US\$'000</i>
Share capital	<i>14</i>	<b>3,203,913</b>	3,203,913
Reserves		<b>1,786,726</b>	355,123
Equity attributable to owners of the Company		<b>4,990,639</b>	3,559,036
Other non-controlling interests		<b>951,415</b>	817,735
Put option written on non-controlling interests	<i>12(b)</i>	<b>(547,353)</b>	(766,238)
Total equity		<b>5,394,701</b>	3,610,533
Non-current liabilities			
Borrowings	<i>13</i>	<b>2,633,348</b>	3,299,582
Warranty provision	<i>11(b)</i>	<b>242,776</b>	266,313
Deferred revenue		<b>1,459,582</b>	1,183,247
Retirement benefit obligations		<b>340,542</b>	431,905
Deferred income tax liabilities		<b>406,759</b>	391,258
Other non-current liabilities	<i>12</i>	<b>1,274,001</b>	1,436,156
		<b>6,357,008</b>	7,008,461
Current liabilities			
Trade payables	<i>9(b)</i>	<b>11,035,924</b>	10,220,796
Notes payable		<b>2,148,907</b>	885,628
Derivative financial liabilities		<b>127,625</b>	35,944
Other payables and accruals	<i>11(a)</i>	<b>15,744,911</b>	13,178,498
Provisions	<i>11(b)</i>	<b>980,112</b>	910,380
Deferred revenue		<b>1,440,022</b>	1,046,677
Income tax payable		<b>493,312</b>	395,443
Borrowings	<i>13</i>	<b>787,922</b>	698,271
		<b>32,758,735</b>	27,371,637
Total liabilities		<b>39,115,743</b>	34,380,098
Total equity and liabilities		<b>44,510,444</b>	37,990,631

## CONSOLIDATED CASH FLOW STATEMENT

	<i>Note</i>	<b>2022</b> <i>US\$ '000</i>	2021 <i>US\$ '000</i>
Cash flows from operating activities			
Net cash generated from operations	15	<b>5,122,034</b>	4,585,995
Interest paid		<b>(315,570)</b>	(309,361)
Tax paid		<b>(729,485)</b>	(623,861)
Net cash generated from operating activities		<b>4,076,979</b>	3,652,773
Cash flows from investing activities			
Purchase of property, plant and equipment		<b>(396,358)</b>	(302,920)
Sale of property, plant and equipment		<b>21,193</b>	89,344
Acquisition of subsidiaries, net of cash acquired		<b>(76,294)</b>	(5,049)
Disposal of subsidiaries, net of cash disposed		<b>114,312</b>	(37,289)
Deemed disposal of subsidiaries, net of cash disposed		<b>-</b>	(1,816)
Interests acquired in associates and a joint venture		<b>(160,194)</b>	(3,657)
Payment for construction-in-progress		<b>(601,946)</b>	(394,084)
Payment for intangible assets		<b>(285,777)</b>	(146,746)
Purchase of financial assets at fair value through profit or loss		<b>(256,461)</b>	(210,661)
Purchase of financial assets at fair value through other comprehensive income		<b>(2,000)</b>	(29,556)
Net proceeds from sale of financial assets at fair value through profit or loss		<b>116,017</b>	139,622
Net proceeds from sale of financial assets at fair value through other comprehensive income		<b>1,500</b>	557
Payment for contingent consideration		<b>-</b>	(117,390)
(Increase)/decrease in bank deposits		<b>(33,128)</b>	7,095
Dividends received		<b>4,285</b>	1,897
Interest received		<b>56,458</b>	34,754
Net cash used in investing activities		<b>(1,498,393)</b>	(975,899)
Cash flows from financing activities			
Issue of warrant shares		<b>-</b>	17,990
Capital contribution from other non-controlling interests		<b>179,322</b>	87,175
Contribution to employee share trusts		<b>(387,496)</b>	(737,867)
Issue of notes		<b>-</b>	2,003,500
Issuing costs of notes		<b>-</b>	(14,383)
Repayment of notes		<b>(337,309)</b>	(791,555)
Principal elements of lease payments		<b>(146,485)</b>	(165,150)
Dividends paid		<b>(478,822)</b>	(434,269)
Dividends paid to other non-controlling interests		<b>(30,877)</b>	(5,156)
Distribution to perpetual securities holders		<b>-</b>	(34,772)
Dividends paid to convertible preferred shares holders		<b>(16,385)</b>	(11,600)
Repurchase of convertible preferred shares		<b>(254,490)</b>	(16,575)
Cash received for disposal of subsidiaries without loss of control		<b>5,185</b>	-
Payment for written put option liabilities		<b>(297,352)</b>	-
Proceeds from borrowings		<b>10,311,552</b>	4,925,628
Repayments of borrowings		<b>(10,304,211)</b>	(7,005,300)
Repurchase of perpetual securities		<b>-</b>	(1,045,320)
Redemption of convertible bonds		<b>-</b>	(500)
Net cash used in financing activities		<b>(1,757,368)</b>	(3,228,154)
Increase/(decrease) in cash and cash equivalents		<b>821,218</b>	(551,280)
Effect of foreign exchange rate changes		<b>40,684</b>	68,675
Cash and cash equivalents at the beginning of the year		<b>3,068,385</b>	3,550,990
Cash and cash equivalents at the end of the year		<b>3,930,287</b>	3,068,385

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holders of the Company										Total US\$'000	
	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
At April 1, 2021	3,203,913	(49,133)	(500,277)	187,376	73,476	(1,690,948)	130,240	2,204,389	-	817,735	(766,238)	3,610,533
Profit for the year	-	-	-	-	-	-	-	2,029,818	-	115,514	-	2,145,332
Other comprehensive (loss)/income	-	(18,064)	-	-	(25,243)	199,964	-	58,194	-	(27,326)	-	187,525
Total comprehensive (loss)/income for the year	-	(18,064)	-	-	(25,243)	199,964	-	2,088,012	-	88,188	-	2,332,857
Transfer to statutory reserve	-	-	-	-	-	-	10,352	(10,352)	-	-	-	-
Transfer of investment revaluation reserve upon disposal of financial assets at fair value through other comprehensive income to retained earnings	-	20	-	-	-	-	-	(20)	-	-	-	-
Vesting of shares under long-term incentive program	-	-	555,318	(751,269)	-	-	-	-	-	-	-	(195,951)
Deferred tax in relation to long-term incentive program	-	-	-	(29,371)	-	-	-	-	-	-	-	(29,371)
Acquisition of a subsidiary	-	-	-	-	-	-	680	-	-	4,803	-	5,483
Disposal of subsidiaries	-	1	-	-	-	(15,295)	(552)	-	-	(365)	-	(16,211)
Settlement of bonus through long-term incentive program	-	-	-	27,781	-	-	-	-	-	-	-	27,781
Share-based compensation	-	-	-	368,921	-	-	-	-	-	-	-	368,921
Contribution to employee share trusts	-	-	(387,496)	-	-	-	-	-	-	-	-	(387,496)
Dividends paid	-	-	-	-	-	-	-	(478,822)	-	-	-	(478,822)
Dividends paid to other non-controlling interests	-	-	-	-	-	-	-	-	(30,877)	-	-	(30,877)
Capital contribution from other non-controlling interests	-	-	-	-	-	-	-	-	183,252	-	-	183,252
Change of ownership of subsidiaries without loss of control	-	-	-	-	-	-	5,965	-	-	(780)	-	5,185
Exercise of put option written on non-controlling interest	-	-	-	-	-	-	(108,927)	-	-	(110,541)	218,885	(583)
At March 31, 2022	3,203,913	(67,176)	(332,455)	(196,562)	48,233	(1,506,279)	37,758	3,803,207	-	951,415	(547,353)	5,394,701
At April 1, 2020	3,185,923	(48,716)	(101,467)	287,574	58,489	(1,799,017)	176,642	1,438,114	993,670	634,321	(766,238)	4,059,295
Profit for the year	-	-	-	-	-	-	-	1,178,307	32,532	102,160	-	1,312,999
Other comprehensive (loss)/income	-	(5,081)	-	-	14,987	112,126	-	35,735	-	(7,993)	-	149,774
Total comprehensive (loss)/income for the year	-	(5,081)	-	-	14,987	112,126	-	1,214,042	32,532	94,167	-	1,462,773
Transfer to statutory reserve	-	-	-	-	-	-	8,890	(8,890)	-	-	-	-
Transfer of investment revaluation reserve upon disposal of financial assets at fair value through other comprehensive income to retained earnings	-	4,664	-	-	-	-	-	(4,664)	-	-	-	-
Repurchase of perpetual securities	-	-	-	-	-	-	(53,890)	-	(991,430)	-	-	(1,045,320)
Issue of warrant shares	17,990	-	-	-	-	-	-	-	-	-	-	17,990
Vesting of shares under long-term incentive program	-	-	339,057	(472,153)	-	-	-	-	-	-	-	(133,096)
Deferred tax in relation to long-term incentive program	-	-	-	45,774	-	-	-	-	-	-	-	45,774
Acquisition of subsidiaries	-	-	-	-	-	-	-	-	-	2,113	-	2,113
Disposal and deemed disposal of subsidiaries	-	-	-	-	-	(4,057)	(1,819)	-	-	3,006	-	(2,870)
Settlement of bonus through long-term incentive program	-	-	-	34,444	-	-	-	-	-	-	-	34,444
Share-based compensation	-	-	-	291,737	-	-	-	-	-	-	-	291,737
Contribution to employee share trusts	-	-	(737,867)	-	-	-	-	-	-	-	-	(737,867)
Dividends paid	-	-	-	-	-	-	-	(434,269)	-	-	-	(434,269)
Dividends paid to other non-controlling interests	-	-	-	-	-	-	-	-	-	(5,156)	-	(5,156)
Capital contribution from other non-controlling interests	-	-	-	-	-	-	-	-	-	89,758	-	89,758
Change of ownership of subsidiaries without loss of control	-	-	-	-	-	-	474	-	-	(474)	-	-
Distribution to perpetual securities holders	-	-	-	-	-	-	-	-	(34,772)	-	-	(34,772)
Redemption of convertible bonds	-	-	-	-	-	-	(57)	56	-	-	-	(1)
At March 31, 2021	3,203,913	(49,133)	(500,277)	187,376	73,476	(1,690,948)	130,240	2,204,389	-	817,735	(766,238)	3,610,533

## 1 General information and basis of preparation

The financial information relating to the years ended March 31, 2022 and 2021 included in the FY2021/22 annual results announcement does not constitute the Company's statutory annual consolidated financial statements for that year but is derived from those consolidated financial statements. Further information relating to these statutory consolidated financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance is as follows:

The Company has delivered the consolidated financial statements for the year ended March 31, 2021 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance and will deliver the consolidated financial statements for the year ended March 31, 2022 in due course.

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

### Basis of preparation

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

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

The accounting policies adopted are consistent with those of the previous financial year. The below amended standards became applicable for the current reporting period. The Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting these amended standards.

- Amendment to HKFRS 16, COVID-19-Related rent concessions
- Amendment to HKFRS 16, COVID-19-Related rent concessions beyond 30 June 2021
- Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16, Interest rate benchmark reform – Phase 2

## Interpretation, improvements and amendments to existing standards not yet effective

The following interpretation, improvements 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, 2022 and have not been early adopted:

	Effective for annual periods beginning on or after
Amendments to HKAS 37, Onerous contracts – Cost of fulfilling a contract	January 1, 2022
Annual improvements to HKFRS Standards 2018-2020 cycle	January 1, 2022
Amendments to HKAS 16, Property, plant and equipment: Proceeds before intended use	January 1, 2022
Amendments to HKFRS 3, Reference to the conceptual framework	January 1, 2022
Accounting Guideline 5 (Revised), Merger accounting for common control combinations	January 1, 2022
Amendments to HKAS 1, Classification of liabilities as current or non-current	January 1, 2023
Amendments to HKAS 1 and HKFRS Practice Statement 2, Disclosure of accounting policy	January 1, 2023
Amendments to HKAS 8, Definition of accounting estimate	January 1, 2023
Amendments to HKAS 12, Deferred tax related to assets and liabilities arising from a single transaction	January 1, 2023
Hong Kong Interpretation 5 (2020), Presentation of financial statements – Classification by the borrower of a term loan that contains a repayment on demand clause	January 1, 2023
Amendments to HKFRS 10 and HKAS 28, Consolidated financial statements and investments in associates	Date to be determined

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

## **2 Segment information**

The Group has formed the Solutions and Services Group (“SSG”) in addition to the existing Intelligent Devices Group (“IDG”) and Infrastructure Solutions Group (“ISG”, previously named as Data Center Group (“DCG”)).

The SSG aims to bring together services teams and capabilities across the Group. This new business group will deliver enhanced services capabilities and new solutions to supercharge its growth momentum through three key segments – Attached Services, Managed Services, and Project and Vertical Solutions.

The Group has adopted the new business group structure as the reporting format effective for the year ended March 31, 2022 and the comparative segment information has been reclassified to conform to the reporting format under 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. Segments by business group comprise IDG, ISG and SSG.

The LEC assesses the performance of the operating segments based on a measure of operating profit/loss. This measurement basis excludes the effects of non-cash merger and acquisition related accounting charges and non-recurring expenses such as restructuring costs from the business groups. The measurement basis also excludes the effects of allocation from headquarters certain income and expenses such as fair value change of financial instruments and disposal gain/loss of property, plant and equipment that are from activities driven by headquarters and centralized functions. Certain finance income and costs are allocated to business groups when they are directly attributed to their business activities.

(a) Revenue and operating profit/(loss) for reportable segments

	2022		2021	
	Revenue US\$'000	Operating profit US\$'000	Revenue US\$'000	Operating profit/(loss) US\$'000
IDG	62,310,410	4,737,823	53,006,909	3,744,006
ISG	7,140,055	6,703	6,301,320	(130,227)
SSG	5,441,528	1,195,386	4,192,645	854,507
Total	74,891,993	5,939,912	63,500,874	4,468,286
Eliminations	(3,273,777)	(1,001,478)	(2,758,562)	(745,341)
	<u>71,618,216</u>	<u>4,938,434</u>	<u>60,742,312</u>	<u>3,722,945</u>
Unallocated:				
Headquarters and corporate income/(expenses) - net		(1,506,022)		(1,429,187)
Depreciation and amortization		(648,775)		(552,086)
Impairment of intangible assets		(31,434)		(52,606)
Finance income		34,504		19,685
Finance costs		(171,751)		(234,244)
Share of losses of associates and joint ventures		(6,912)		(32,323)
Gain on disposal of property, plant and equipment		914		85,038
Fair value gain on financial assets at fair value through profit or loss		135,075		201,597
Fair value loss on a financial liability at fair value through profit or loss		(12,618)		(13,721)
Dilution gain on interest in an associate		-		31,374
Gain on deemed disposal of subsidiaries		-		2,964
Gain on disposal of subsidiaries		32,303		22,978
Dividend income		4,013		1,784
Consolidated profit before taxation		<u>2,767,731</u>		<u>1,774,198</u>

(b) Analysis of revenue by geography

	2022 US\$'000	2021 US\$'000
China	18,380,867	14,257,290
Asia Pacific ("AP")	11,712,396	11,797,083
Europe-Middle East-Africa ("EMEA")	18,274,144	15,882,576
Americas ("AG")	23,250,809	18,805,363
	<u>71,618,216</u>	<u>60,742,312</u>



(c) Analysis of revenue by timing of revenue recognition

	2022 <i>US\$'000</i>	2021 <i>US\$'000</i>
Point in time	<b>69,671,524</b>	59,080,578
Over time	<b>1,946,692</b>	1,661,734
	<b>71,618,216</b>	60,742,312

(d) Other segment information

	IDG		ISG		SSG		Total	
	2022 <i>US\$'000</i>	2021 <i>US\$'000</i>	2022 <i>US\$'000</i>	2021 <i>US\$'000</i>	2022 <i>US\$'000</i>	2021 <i>US\$'000</i>	2022 <i>US\$'000</i>	2021 <i>US\$'000</i>
For the year ended March 31								
Depreciation and amortization	458,742	372,335	153,838	131,955	3,009	3,642	615,589	507,932
Finance income	17,437	13,122	3,861	1,274	656	673	21,954	15,069
Finance costs	129,563	120,247	60,295	53,376	775	773	190,633	174,396

- (e) The directors review goodwill and trademarks and trade names with indefinite useful lives with an aggregate amount of US\$6,136 million (2021: US\$6,119 million). The carrying amounts of goodwill and trademarks and trade names with indefinite useful lives are presented below:

At March 31, 2022

	China <i>US\$ million</i>	AP <i>US\$ million</i>	EMEA <i>US\$ million</i>	AG <i>US\$ million</i>	Mature Market <i>US\$ million</i>	Emerging Market <i>US\$ million</i>	Total <i>US\$ million</i>
<b>Goodwill</b>							
- PCSD	1,009	565	200	256	-	-	2,030
- MBG	-	-	-	-	673	825	1,498
- ISG	515	151	69	345	-	-	1,080
- SSG (Note)	-	-	-	-	-	-	260
<b>Trademarks and trade names with indefinite useful lives</b>							
- PCSD	186	53	95	56	-	-	390
- MBG	-	-	-	-	197	263	460
- ISG	161	54	31	123	-	-	369
- SSG (Note)	-	-	-	-	-	-	49

Note: SSG is monitored as a whole and there is no allocation to geography or market.

At March 31, 2021

	China <i>US\$ million</i>	AP <i>US\$ million</i>	EMEA <i>US\$ million</i>	AG <i>US\$ million</i>	Mature Market <i>US\$ million</i>	Emerging Market <i>US\$ million</i>	Total <i>US\$ million</i>
Goodwill							
- PCSD	1,089	683	234	295	-	-	2,301
- MBG	-	-	-	-	676	774	1,450
- DCG	508	159	85	344	-	-	1,096
Trademarks and trade names with indefinite useful lives							
- PCSD	209	59	107	67	-	-	442
- MBG	-	-	-	-	197	263	460
- DCG	162	54	31	123	-	-	370

The directors are of the view that there was no impairment of goodwill and trademarks and trade names with indefinite useful lives based on impairment tests performed as at March 31, 2022 (2021: nil).

### 3 Operating profit

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

	2022 <i>US\$'000</i>	2021 <i>US\$'000</i>
Depreciation of property, plant and equipment	344,498	301,483
Depreciation of right-of-use assets	136,993	99,795
Amortization of intangible assets	782,873	658,740
Impairment of intangible assets	31,434	52,606
Impairment of property, plant and equipment	10,189	-
Employee benefit costs, including	5,829,480	5,149,862
– long-term incentive awards	368,921	291,737
– severance and other related costs	-	75,006
Rental expenses	29,862	14,361
Loss/(gain) on disposal of property, plant and equipment	2,265	(110,004)
Loss on disposal of intangible assets	8,399	1,574
Fair value gain on financial assets at fair value through profit or loss	(135,075)	(201,597)
Fair value loss on a financial liability at fair value through profit or loss	12,618	13,721
Dilution gain on interest in an associate	-	(31,374)
Gain on deemed disposal of subsidiaries	-	(2,964)
Gain on disposal of subsidiaries	(32,303)	(36,029)

### 4 Finance income and costs

(a) Finance income

	2022 <i>US\$'000</i>	2021 <i>US\$'000</i>
Interest on bank deposits and trust	56,114	32,788
Interest on money market funds	344	1,966
	<b>56,458</b>	<b>34,754</b>

(b) Finance costs	2022 <i>US\$'000</i>	2021 <i>US\$'000</i>
Interest on bank loans and overdrafts	34,226	43,845
Interest on convertible bonds	40,360	39,853
Interest on notes	141,282	136,983
Interest on lease liabilities	19,098	20,005
Factoring costs	99,653	136,820
Interest on written put option liabilities	23,587	26,329
Others	4,178	4,805
	<u>362,384</u>	<u>408,640</u>

## 5 Taxation

The amount of taxation in the consolidated income statement represents:

	2022 <i>US\$'000</i>	2021 <i>US\$'000</i>
Current tax		
Profits tax in Hong Kong S.A.R. of China	160,855	118,751
Taxation outside Hong Kong S.A.R. of China	661,373	537,973
Deferred tax		
Credit for the year	(199,829)	(195,525)
	<u>622,399</u>	<u>461,199</u>

Profits tax in Hong Kong S.A.R. of China has been provided for at the rate of 16.5% (2021: 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.

## 6 Earnings per share

### (a) Basic

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

	2022	2021
Weighted average number of ordinary shares in issue	12,041,705,614	12,024,746,107
Adjustment for shares held by employee share trusts	(412,831,508)	(114,835,047)
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	<u>11,628,874,106</u>	<u>11,909,911,060</u>

	<b>2022</b> <i>US\$'000</i>	2021 <i>US\$'000</i>
Profit attributable to equity holders of the Company	<b>2,029,818</b>	1,178,307
Adjustment for tender premium on repurchase of perpetual securities	-	(42,609)
	<hr/>	<hr/>
Profit attributable to equity holders of the Company used in calculating basic earnings per share	<b>2,029,818</b>	1,135,698
	<hr/> <hr/>	<hr/> <hr/>

(b) Diluted

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

The Group has four (2021: five) categories of potential ordinary shares, namely long-term incentive awards, put option written on non-controlling interests, convertible bonds and convertible preferred shares (2021: long-term incentive awards, bonus warrants, put option written on non-controlling interests, convertible bonds and convertible preferred shares). Long-term incentive awards and convertible bonds were dilutive for the years ended March 31, 2022 and 2021. Put option written on non-controlling interests and convertible preferred shares were anti-dilutive for the years ended March 31, 2022 and 2021. Bonus warrants were anti-dilutive for the year ended March 31, 2021.

	<b>2022</b>	2021
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	<b>11,628,874,106</b>	11,909,911,060
Adjustment for long-term incentive awards	<b>683,274,532</b>	471,364,397
Adjustment for convertible bonds	<b>769,980,531</b>	741,902,700
	<hr/>	<hr/>
Weighted average number of ordinary shares used as the denominator in calculating diluted earnings per share	<b>13,082,129,169</b>	13,123,178,157
	<hr/> <hr/>	<hr/> <hr/>
	<b>2022</b> <i>US\$'000</i>	2021 <i>US\$'000</i>
Profit attributable to equity holders of the Company used in calculating basic earnings per share	<b>2,029,818</b>	1,135,698
Adjustment for interest on convertible bonds, net of tax	<b>33,701</b>	33,278
	<hr/>	<hr/>
Profit attributable to equity holders of the Company used in calculating diluted earnings per share	<b>2,063,519</b>	1,168,976
	<hr/> <hr/>	<hr/> <hr/>

**7 Dividends**

	<b>2022</b> <i>US\$'000</i>	2021 <i>US\$'000</i>
Interim dividend of HK8.0 cents (2021: HK6.6 cents) per ordinary share, paid on December 10, 2021	<b>123,771</b>	102,298
Proposed final dividend – HK30.0 cents (2021: HK24.0 cents) per ordinary share	<b>460,228</b>	372,275
	<hr/>	<hr/>
	<b>583,999</b>	474,573
	<hr/> <hr/>	<hr/> <hr/>

## 8 Inventories

	2022 <i>US\$'000</i>	2021 <i>US\$'000</i>
Raw materials and work-in-progress	5,527,420	4,155,268
Finished goods	2,315,797	1,920,660
Service parts	457,441	304,648
	<u>8,300,658</u>	<u>6,380,576</u>

## 9 Trade receivables and trade payables

(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:

	2022 <i>US\$'000</i>	2021 <i>US\$'000</i>
0 – 30 days	8,908,669	6,301,112
31 – 60 days	1,392,704	1,315,788
61 – 90 days	433,934	457,658
Over 90 days	560,864	468,473
	<u>11,296,171</u>	<u>8,543,031</u>
Less: loss allowance	(106,620)	(145,206)
Trade receivables – net	<u>11,189,551</u>	<u>8,397,825</u>

At March 31, 2022, trade receivables, net of loss allowance, of US\$784,900,000 (2021: US\$562,648,000) were past due. The ageing of these receivables, based on due date, is as follows:

	2022 <i>US\$'000</i>	2021 <i>US\$'000</i>
Within 30 days	430,225	332,784
31 – 60 days	191,093	95,211
61 – 90 days	59,715	53,241
Over 90 days	103,867	81,412
	<u>784,900</u>	<u>562,648</u>

Movements in the loss allowance of trade receivables are as follows:

	2022 <i>US\$'000</i>	2021 <i>US\$'000</i>
At the beginning of the year	145,206	95,456
Exchange adjustment	(357)	(4,954)
Increase in loss allowance recognized in profit or loss	90,311	142,663
Uncollectible receivables written off	(27,267)	(53,366)
Unused amounts reversed in profit or loss	(101,273)	(34,593)
At the end of the year	<u>106,620</u>	<u>145,206</u>

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

	2022 <i>US\$'000</i>	2021 <i>US\$'000</i>
0 – 30 days	7,217,768	6,824,377
31 – 60 days	2,401,203	2,049,369
61 – 90 days	920,426	949,294
Over 90 days	496,527	397,756
	<u>11,035,924</u>	<u>10,220,796</u>

## 10 Deposits, prepayments and other receivables

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

	2022 <i>US\$'000</i>	2021 <i>US\$'000</i>
Deposits	97,428	16,731
Other receivables	3,699,539	3,787,734
Prepayments	1,217,325	1,173,036
	<u>5,014,292</u>	<u>4,977,501</u>

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

## 11 Provisions, other payables and accruals

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

	2022 <i>US\$'000</i>	2021 <i>US\$'000</i>
Accruals	4,441,470	3,385,903
Allowance for billing adjustments (i)	3,599,717	2,464,020
Written put option liabilities (Note 12(b)(ii))	-	324,277
Other payables (ii)	7,558,629	6,870,636
Lease liabilities	145,095	133,662
	<u>15,744,911</u>	<u>13,178,498</u>

Notes:

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

(b) The components of provisions are as follows:

	<b>Warranty US\$'000</b>	<b>Environmental restoration US\$'000</b>	<b>Total US\$'000</b>
Year ended March 31, 2021			
At the beginning of the year	974,839	35,604	1,010,443
Exchange adjustment	42,328	(431)	41,897
Provisions made	992,112	18,172	1,010,284
Amounts utilized	(835,397)	(21,195)	(856,592)
	<u>1,173,882</u>	<u>32,150</u>	<u>1,206,032</u>
Long-term portion classified as non-current liabilities	(266,313)	(29,339)	(295,652)
At the end of the year	<u><u>907,569</u></u>	<u><u>2,811</u></u>	<u><u>910,380</u></u>
Year ended March 31, 2022			
At the beginning of the year	<b>1,173,882</b>	<b>32,150</b>	<b>1,206,032</b>
Exchange adjustment	<b>(1,053)</b>	<b>(2,656)</b>	<b>(3,709)</b>
Provisions made	<b>983,035</b>	<b>26,367</b>	<b>1,009,402</b>
Amounts utilized	<b>(936,966)</b>	<b>(25,074)</b>	<b>(962,040)</b>
	<u><b>1,218,898</b></u>	<u><b>30,787</b></u>	<u><b>1,249,685</b></u>
Long-term portion classified as non-current liabilities	<b>(242,776)</b>	<b>(26,797)</b>	<b>(269,573)</b>
At the end of the year	<u><u><b>976,122</b></u></u>	<u><u><b>3,990</b></u></u>	<u><u><b>980,112</b></u></u>

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

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

## 12 Other non-current liabilities

Details of other non-current liabilities are as follows:

	<b>2022 US\$'000</b>	<b>2021 US\$'000</b>
Deferred consideration (a)	<b>25,072</b>	25,072
Written put option liabilities (b)	<b>528,060</b>	518,499
Lease liabilities	<b>262,902</b>	333,264
Environmental restoration (Note 11(b))	<b>26,797</b>	29,339
Government incentives and grants received in advance (c)	<b>75,787</b>	66,234
Others	<b>355,383</b>	463,748
	<u><u><b>1,274,001</b></u></u>	<u><u>1,436,156</u></u>

- (a) Pursuant to the joint venture agreement entered into with NEC Corporation, the Group is required to pay in cash to NEC Corporation deferred consideration. As at March 31, 2022, the potential undiscounted amount of future payment in respect of the deferred consideration that the Group could be required to make amounted to US\$25 million (2021: US\$25 million).
- (b)
  - (i) Pursuant to the joint venture agreement entered into between the Company and Fujitsu Limited (“Fujitsu”), the Company and Fujitsu are respectively granted call and put options which entitle the Company to purchase from Fujitsu and Development Bank of Japan (“DBJ”), or Fujitsu and DBJ to sell to the Company, the 49% interest in Fujitsu Client Computing Limited and its subsidiary, Shimane Fujitsu Limited (together “FCCL”). Both options will be exercisable following the fifth anniversary of the date of completion. The exercise price for the call and put options will be determined based on the fair value of the 49% interest as of the day of exercising the option.
  - (ii) During the year ended March 31, 2019, Hefei Zhi Ju Sheng Bao Equity Investment Co., Ltd (“ZJSB”) acquired the 49% interest in a joint venture company (“JV Co”) from Compal Electronics, Inc. The Company and ZJSB respectively own 51% and 49% of the interest in the JV Co. Pursuant to the option agreement entered into between a wholly owned subsidiary of the Group and Hefei Yuan Jia Start-up Investment LLP (“Yuan Jia”), which holds 99.31% interest in ZJSB, the Group and Yuan Jia are respectively granted call and put options which entitle the Group to purchase from Yuan Jia, or Yuan Jia to sell to the Group, the 99.31% interest in ZJSB.

During the option exercise period, Yuan Jia notified the Group of its intention to exercise its put option. On December 28, 2021, ZJSB, Yuan Jia and the Group entered into an agreement pursuant to which ZJSB transferred 39% interest in the JV Co to the Group at an exercise price of RMB1,895 million (approximately US\$297 million). Upon completion on January 10, 2022, the Company and ZJSB respectively owns 90% and 10% of the interest in the JV Co.

Yuan Jia continues to hold 99.31% interest in ZJSB and is subject to a new option agreement whereby 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 after 54 months and from the 48 months to the 54 months respectively from the date of the new option agreement. The exercise price for the call and put options will be determined in accordance with the new option agreement, and up to a maximum of RMB 500 million (approximately US\$79 million).

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 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 mainly relate to research and development projects and construction of property, plant and equipment. These group companies are obliged to fulfill certain conditions under the terms of the government incentives and grants. The government incentives and grants, upon fulfillment of those conditions, are credited to the consolidated income statement immediately or recognized on a straight line basis over the expected life of the related assets.



## 13 Borrowings

	2022 <i>US\$'000</i>	2021 <i>US\$'000</i>
Current liabilities		
Short-term loans (a)	57,427	58,190
Notes (b)	685,380	336,709
Convertible preferred shares (d)	45,115	303,372
	<u>787,922</u>	<u>698,271</u>
Non-current liabilities		
Long-term loan (a)	1,045	2,070
Notes (b)	1,990,888	2,673,688
Convertible bonds (c)	641,415	623,824
	<u>2,633,348</u>	<u>3,299,582</u>
	<u><b>3,421,270</b></u>	<u><b>3,997,853</b></u>

(a) Majority of the short-term and long-term loans are denominated in United States dollars. As at March 31, 2022, the Group has total revolving and short-term loan facilities of US\$3,154 million (2021: US\$3,029 million) which has been utilized to the extent of US\$54 million (2021: US\$47 million).

(b)

Issue date	Outstanding principal amount	Term	Interest rate per annum	Due date	2022 <i>US\$'000</i>	2021 <i>US\$'000</i>
March 16, 2017	US\$337 million	5 years	3.875%	March 2022	-	336,709
March 29, 2018	US\$687 million	5 years	4.75%	March 2023	685,380	683,982
April 24, 2020 and May 12, 2020	US\$1 billion	5 years	5.875%	April 2025	999,397	999,199
November 2, 2020	US\$1 billion	10 years	3.421%	November 2030	991,491	990,507
					<u>2,676,268</u>	<u>3,010,397</u>

(c) On January 24, 2019, the Company completed the issuance of 5-Year US\$675 million convertible bonds bearing annual interest at 3.375% due in January 2024 (“the Bonds”) to third party professional investors (“the bondholders”). The proceeds were used to repay previous notes and for general corporate purposes. The bondholders have the right, at any time on or after 41 days after the date of issue and up to the 10th day prior to the maturity date, to convert part or all of the outstanding principal amount of the Bonds into ordinary shares of the Company at a conversion price of HK\$7.99 per share, subject to adjustments. The conversion price was adjusted to HK\$6.87 per share effective on December 1, 2021. Assuming full conversion of the Bonds at the adjusted conversion price of HK\$6.87 per share, the Bonds will be convertible into 769,980,531 shares.

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 outstanding principal amount of the Bonds is repayable by the Company upon the maturity of the Bonds on January 24, 2024, if not previously redeemed, converted or purchased and cancelled. On January 24, 2021, the bondholders had the right, at the bondholders’ option, to require the Company to redeem part or all of the Bonds on January 24, 2021 at their principal amount and US\$0.5 million were redeemed. The remaining principal amount of the Bonds has been reclassified to non-current liabilities as a result of the lapse of the redemption option.

The Group expects that it will be able to meet its redemption obligations based on the financial position of the Group had conversion of the Bonds not exercised on maturity.

- (d) On June 21, 2019, the Group completed the issuance of 2,054,791 convertible preferred shares through its wholly owned subsidiary, Lenovo Enterprise Technology Company Limited (“LETCL”). The convertible preferred shares are convertible to 20% of the enlarged issued ordinary share capital of LETCL on an as-converted and fully-diluted basis. The holders of the convertible preferred shares will be entitled cash dividends of 4% per annum payable semi-annually on the original subscription price until December 31, 2023. The Group has purchased 136,986 convertible preferred shares during the year ended March 31, 2021 at the consideration of approximately US\$17 million.

During the year, due to the occurrence of certain specified conditions, the holders of convertible preferred shares have the right to require LETCL to redeem or the Company to purchase all of their convertible preferred shares at the predetermined consideration. Holders of 1,643,833 convertible preferred shares have exercised their rights and the Group has purchased these convertible preferred shares at the consideration of approximately US\$254 million.

The aggregate number of 1,780,819 convertible preferred shares purchased by the Group were converted into ordinary shares of LETCL during the year.

During the year, additional 54,794 convertible preferred shares have been issued as dividend shares. At March 31, 2022, 328,766 convertible preferred shares remained outstanding, representing 3.20% of the enlarged issued ordinary share capital of LETCL on an as-converted and fully diluted basis.

The Group expects that it will be able to meet its redemption obligations based on the financial position of the Group had conversion of these convertible preferred shares not exercised.

The exposure of all the borrowings of the Group to interest rate changes and the contractual repricing dates as at March 31, 2022 and 2021 are as follows:

	2022 <i>US\$'000</i>	2021 <i>US\$'000</i>
Within 1 year	787,922	698,271
Over 1 to 2 years	642,460	685,008
Over 2 to 5 years	999,397	1,624,067
Over 5 years	991,491	990,507
	<b>3,421,270</b>	<b>3,997,853</b>

## 14 Share capital

	2022 <i>Number of shares</i>	<i>US\$'000</i>	2021 <i>Number of shares</i>	<i>US\$'000</i>
<i>Issued and fully paid:</i>				
Voting ordinary shares:				
At the beginning of the year	12,041,705,614	3,203,913	12,014,791,614	3,185,923
Issue of warrant shares	-	-	26,914,000	17,990
At the end of the year	<b>12,041,705,614</b>	<b>3,203,913</b>	<b>12,041,705,614</b>	<b>3,203,913</b>

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

	2022 <i>US\$'000</i>	2021 <i>US\$'000</i>
Profit before taxation	2,767,731	1,774,198
Share of losses of associates and joint ventures	6,912	32,323
Finance income	(56,458)	(34,754)
Finance costs	362,384	408,640
Depreciation of property, plant and equipment	344,498	301,483
Depreciation of right-of-use assets	136,993	99,795
Amortization of intangible assets	782,873	658,740
Impairment of intangible assets	31,434	52,606
Impairment of property, plant and equipment	10,189	-
Share-based compensation	368,921	291,737
Loss/(gain) on disposal of property, plant and equipment	2,265	(110,004)
Loss on disposal of intangible assets	8,399	1,574
Dilution gain on interest in an associate	-	(31,374)
Gain on deemed disposal of subsidiaries	-	(2,964)
Gain on disposal of subsidiaries	(32,303)	(36,029)
Fair value change on bonus warrants	-	(1,138)
Fair value change on financial instruments	70,980	(1,201)
Fair value change on financial assets at fair value through profit or loss	(135,075)	(201,597)
Fair value change on a financial liability at fair value through profit or loss	12,618	13,721
Dividend income	(4,285)	(1,897)
Increase in inventories	(1,925,105)	(1,481,367)
Increase in trade receivables, notes receivable, deposits, prepayments and other receivables	(2,795,512)	(3,646,837)
Increase in trade payables, notes payable, provisions, other payables and accruals	5,086,067	6,789,649
Effect of foreign exchange rate changes	78,508	(289,309)
Net cash generated from operations	<u>5,122,034</u>	<u>4,585,995</u>

### Reconciliation of financing liabilities

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

<b>Financing liabilities</b>	2022 <i>US\$'000</i>	2021 <i>US\$'000</i>
Short-term loans – current	57,427	58,190
Long-term loan – non-current	1,045	2,070
Notes – current	685,380	336,709
Notes – non-current	1,990,888	2,673,688
Convertible bonds – non-current	641,415	623,824
Convertible preferred shares – current	45,115	303,372
Lease liabilities – current	145,095	133,662
Lease liabilities – non-current	262,902	333,264
	<u>3,829,267</u>	<u>4,464,779</u>
Short-term loans – variable interest rates	56,400	39,672
Short-term loans – fixed interest rates	1,027	18,518
Long-term loan – fixed interest rates	1,045	2,070
Notes – fixed interest rates	2,676,268	3,010,397
Convertible bonds – fixed interest rates	641,415	623,824
Convertible preferred shares – fair value	45,115	303,372
Lease liabilities – fixed interest rates	407,997	466,926
	<u>3,829,267</u>	<u>4,464,779</u>

	Short-term loans current US\$'000	Long- term loan non- current US\$'000	Notes current US\$'000	Notes non- current US\$'000	Convertible bonds current US\$'000	Convertible bonds non- current US\$'000	Convertible preferred shares current US\$'000	Convertible preferred shares non- current US\$'000	Lease liabilities current US\$'000	Lease liabilities non- current US\$'000	Total US\$'000
Financing liabilities as at April 1, 2020	2,124,562	3,079	563,249	1,243,714	607,169	-	-	317,826	91,976	346,806	5,298,381
Proceeds from borrowings	4,925,628	-	-	-	-	-	-	-	-	-	4,925,628
Repayments of borrowings	(7,005,300)	-	-	-	-	-	-	-	-	-	(7,005,300)
Repayment of notes	-	-	(565,643)	(225,912)	-	-	-	-	-	-	(791,555)
Repurchase of convertible preferred shares	-	-	-	-	-	-	-	(16,575)	-	-	(16,575)
Redemption of convertible bonds	-	-	-	-	-	(500)	-	-	-	-	(500)
Transfer	1,009	(1,009)	336,709	(336,709)	(619,537)	619,537	303,372	(303,372)	107,474	(107,474)	-
Issue of notes	-	-	-	2,003,500	-	-	-	-	-	-	2,003,500
Issuing costs of notes	-	-	-	(14,383)	-	-	-	-	-	-	(14,383)
Principal elements of lease payments	-	-	-	-	-	-	-	-	(165,150)	-	(165,150)
Acquisition of a subsidiary	1,770	-	-	-	-	-	-	-	-	-	1,770
Dividends paid	-	-	-	-	-	-	-	(11,600)	-	-	(11,600)
Foreign exchange adjustments	292	-	2,058	-	-	-	-	-	13,907	5,474	21,731
Other non-cash movements	10,229	-	336	3,478	12,368	4,787	-	13,721	85,455	88,458	218,832
Financing liabilities as at March 31, 2021	<b>58,190</b>	<b>2,070</b>	<b>336,709</b>	<b>2,673,688</b>	<b>-</b>	<b>623,824</b>	<b>303,372</b>	<b>-</b>	<b>133,662</b>	<b>333,264</b>	<b>4,464,779</b>
Financing liabilities as at April 1, 2021	<b>58,190</b>	<b>2,070</b>	<b>336,709</b>	<b>2,673,688</b>	<b>-</b>	<b>623,824</b>	<b>303,372</b>	<b>-</b>	<b>133,662</b>	<b>333,264</b>	<b>4,464,779</b>
Proceeds from borrowings	<b>10,311,552</b>	-	-	-	-	-	-	-	-	-	<b>10,311,552</b>
Repayments of borrowings	<b>(10,304,211)</b>	-	-	-	-	-	-	-	-	-	<b>(10,304,211)</b>
Repayment of notes	-	-	<b>(337,309)</b>	-	-	-	-	-	-	-	<b>(337,309)</b>
Repurchase of convertible preferred shares	-	-	-	-	-	-	<b>(254,490)</b>	-	-	-	<b>(254,490)</b>
Transfer	<b>1,025</b>	<b>(1,025)</b>	<b>685,380</b>	<b>(685,380)</b>	-	-	-	-	<b>131,342</b>	<b>(131,342)</b>	-
Principal elements of lease payments	-	-	-	-	-	-	-	-	<b>(146,485)</b>	-	<b>(146,485)</b>
Disposal of a subsidiary	<b>(9,319)</b>	-	-	-	-	-	-	-	-	-	<b>(9,319)</b>
Dividends paid	-	-	-	-	-	-	<b>(16,385)</b>	-	-	-	<b>(16,385)</b>
Foreign exchange adjustments	<b>190</b>	-	-	-	-	-	-	-	<b>2,358</b>	<b>3,152</b>	<b>5,700</b>
Other non-cash movements	-	-	<b>600</b>	<b>2,580</b>	-	<b>17,591</b>	<b>12,618</b>	-	<b>24,218</b>	<b>57,828</b>	<b>115,435</b>
Financing liabilities as at March 31, 2022	<b>57,427</b>	<b>1,045</b>	<b>685,380</b>	<b>1,990,888</b>	<b>-</b>	<b>641,415</b>	<b>45,115</b>	<b>-</b>	<b>145,095</b>	<b>262,902</b>	<b>3,829,267</b>

## **CONVERTIBLE BONDS**

On January 24, 2019, 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 Limited (the “Stock Exchange”) on January 25, 2019.

There had not been any conversion of the Bonds, and no redemption right had been exercised by the Company for the year ended March 31, 2022. As at March 31, 2022, the total outstanding principal amount of the Bonds was US\$674.5 million. Please refer to the relevant note to the consolidated financial statements and the Company’s 2021/22 annual report to be published for further details of the Bonds.

## **DEBENTURES ISSUED**

There has been no issuance, purchase, redemption or cancellation of debentures by the Company during the financial year ended March 31, 2022.

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

During the year ended March 31, 2022, 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 766,938,866 shares from the market for award to employees upon vesting. Details of these program and plan will be set out in the 2021/22 Annual Report of the Company.

## **REVIEW BY AUDIT COMMITTEE**

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

The Audit Committee of the Company has reviewed the audited annual results of the Group for the year ended March 31, 2022. It meets regularly with the management, the external auditor and the internal audit personnel to discuss the accounting principles and practices adopted by the Group and internal control and financial reporting matters.

## COMPLIANCE WITH CORPORATE GOVERNANCE CODE

Throughout the year ended March 31, 2022, the Company has complied with the code provisions of the Corporate Governance Code (the “CG Code”) as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange, 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 C.2.1 of the CG Code.

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

The Board also appointed Mr. William O. Grabe as the lead independent director (the “Lead Independent Director”) with broad authority and responsibility. Among other responsibilities, the Lead Independent Director serves as Chair of the Nomination and Governance Committee meeting and/or Board meeting whenever the Committee and/or Board is considering (i) the combined roles of Chairman and CEO; and (ii) assessment of the performance of Chairman and/or CEO. The Lead Independent Director also calls and chairs meeting(s) with all independent non-executive directors without management and executive director present at least once a year on such matters as are deemed appropriate. Accordingly, the Board believes that the current Board structure with combined roles of Chairman and CEO, the appointment of Lead Independent Director and a vast majority of independent non-executive directors provide an effective balance on power and authorizations between the Board and the management of the Company.

In relation to the recommended best practices in the CG Code, 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 prepared using the accounting standards consistent with the policies applied to the interim and annual financial statements.

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

May 26, 2022

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