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Lenovo Group Limited 聯想集團有限公司

(Incorporated in Hong Kong with limited liability)

(HKD Counter Stock Code: 992 / RMB Counter Stock Code: 80992)

FY2023/24 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, 2024 together with comparative figures of last year, as follows:

FINANCIAL HIGHLIGHTS

- Solutions and Services Group (SSG) and Infrastructure Solutions Group (ISG) achieved record revenues for a fiscal fourth quarter, while Intelligent Devices Group (IDG) reported double-digit profit increase; strong performances across all business groups drove a swift recovery in the final fiscal quarter, despite an 8 percent decline in the Group’s full-year revenue and 37 percent in profit attributable to equity holders, amid unprecedented shifts in demand and technology trends
- Greater contribution from non-PC business, together with operational excellence and product innovations towards Hybrid AI, boosted the Group’s full-year gross margin to an all-time high
- SSG spearheaded the Group’s service-led Transformation and delivered a 11 percent profit growth over the year, thanks to strong growth in high value-added services including TruScale as-a-Service; SSG’s high profitability continues to boost margins and help the Group transcend the market cycle with great adaptability
- Sector wide challenges, including a demand shift towards AI resulting in a short-term supply-side disruption, caused ISG’s revenue to decline by 9 percent year-on-year. ISG, however, quickly regained its momentum, with its sales achieving a new fourth quarter record. ISG continues to build a competitive AI portfolio to address booming demand
- IDG remained a strong industry leader, made further market share gains in PC and smartphone, and trailblazed the sector in its efforts to drive AI innovations in products. Its leading segment profitability remains firmly within the upper range of its historical trend. However, subdued sector demand in the first half-year resulted in a 10 percent year-on-year sales decline for the full-year
- Cash conversion cycle improved to minus 4 days; the Group maintained an unwavering commitment to innovation by allocating a record-high 3.6 percent of its yearly revenue to research and development (R&D)

	3 months ended March 31, 2024 US\$ million	Year ended March 31, 2024 US\$ million	3 months ended March 31, 2023 US\$ million	Year ended March 31, 2023 US\$ million	Year-on-year change	
					3 months ended March 31	Full-year
Revenue	13,833	56,864	12,635	61,947	9%	(8)%
Gross profit	2,428	9,803	2,143	10,501	13%	(7)%
Gross profit margin	17.6%	17.2%	17.0%	17.0%	0.6 pts	0.2 pts
Operating expenses	(1,939)	(7,797)	(1,852)	(7,832)	5%	(0)%
Operating profit	489	2,006	291	2,669	68%	(25)%
Other non-operating income/(expenses) - net	(180)	(641)	(161)	(533)	12%	20%
Profit before taxation	309	1,365	130	2,136	137%	(36)%
Profit for the period/year	253	1,102	106	1,681	140%	(34)%
Profit attributable to equity holders of the Company	248	1,011	114	1,608	118%	(37)%
Earnings per share attributable to equity holders of the Company						
Basic	US2.02 cents	US8.41 cents	US0.95 cents	US13.50 cents	US1.07 cents	US(5.09) cents
Diluted	US1.95 cents	US8.05 cents	US0.93 cents	US12.74 cents	US1.02 cents	US(4.69) cents
Non-HKFRS measure						
Non-HKFRS operating profit	469	2,013	493	2,942	(5)%	(32)%
Non-HKFRS profit before taxation	290	1,378	338	2,422	(14)%	(43)%
Non-HKFRS profit for the period/year	229	1,098	294	1,925	(22)%	(43)%
Non-HKFRS profit attributable to equity holders of the Company	218	1,038	284	1,878	(23)%	(45)%

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, 2024 (2023: HK30.0 cents). Subject to shareholders' approval at the forthcoming annual general meeting to be held on July 18, 2024 ("AGM"), the proposed final dividend will be payable on August 14, 2024 to the shareholders whose names appear on the register of members of the Company on or about August 2, 2024.

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 11, 2024
Closure of register of members	From July 12 to July 18, 2024
Record date	July 12, 2024

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

Latest time to lodge transfer documents for registration	4:30 p.m. on August 1, 2024
Closure of register of members	August 2, 2024
Record date	August 2, 2024

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 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not later than the aforementioned latest times.

BUSINESS REVIEW AND OUTLOOK

Highlights

Lenovo (the Group) concluded the fiscal year ended March 31, 2024 on a positive note, successfully navigating through a market landscape characterized by unprecedented and evolving shifts in demand and technology innovations. Its annual profit declined by 37 percent, reflecting the industry-wide setback in the first half year. Despite the challenges, the Group doubled down on its investments in Hybrid AI (Artificial Intelligence) to unleash growth opportunities across its three business groups. The Group delivered a notable turnaround in the fourth fiscal quarter with net profit attributable to equity holders increasing 118 percent year-on-year to US\$248 million, the third-highest level ever recorded for a fourth fiscal quarter.

The Group further bolstered its agility and operational excellence, achieving an all-time high in annual gross margin, marking the third consecutive year of expansion. Strategic efforts aimed at creating a competitive Hybrid AI portfolio, driving service-led Transformation, and enhancing operational efficiency played a pivotal role in realizing the Group's medium-term goal of improving profitability. Despite operating in a constrained spending environment, the Group maintained an unwavering commitment to innovation by allocating a record-high percentage of its yearly revenue to research and development (R&D). The Group's R&D expense to revenue ratio has thus increased for the third year running, leading to a sustainable gross margin expansion.

The Solutions and Services Group (SSG), serving as a structural growth engine, delivered multiple revenue and profit records for the third consecutive year. For the period under review, SSG's segment profit rose 11 percent year-on-year, constituting 35 percent of the Group's combined segment profit across its three business groups. Intelligent Devices Group (IDG) remained a strong leader in market share and profitability, trailblazing the sector in its efforts to drive AI innovations in products. IDG's global market share improved by 50 basis points year-on-year, driven by gains across four out of five geographical markets. Its segment profitability remained robust at 7.1 percent, firmly within the upper range of its historical trend. However, subdued sector demand in the first half of the year resulted in a 12 percent year-on-year decline in IDG's annual profit. The industry-wide challenges, including a shift in demand towards AI causing a short-term supply-side disruption, weighed on Infrastructure Solutions Group's (ISG) performance, leading to a segment loss for the full year. Nevertheless, its efforts in customer acquisition and portfolio expansion facilitated a turnaround, with sales rebounding to positive double-digit growth in the final fiscal quarter, setting the stage for future profitability improvement.

Through prudent working capital management, the Group further improved its cash conversion cycle to minus 4 days for the full fiscal year. This positive change was driven by a combined improvement in days of accounts receivable and inventory of 12 days which offset lower accounts payable days. The Group's robust free cash flow has facilitated continued R&D investment, with R&D expense to revenue ratio reaching a record high 3.6 percent, supporting Hybrid AI innovation. Including the cost capitalized for developing technology, total annual cash spending in R&D amounted to US\$2.3 billion. The Group's steadfast dedication to corporate governance and sustainability has been well recognized. The Group maintained the highest AAA score in MSCI ESG ratings and came first in the Most Sustainable Companies' category at the Best Corporate Governance and ESG Awards organized by The Hong Kong Institute of Certified Public Accountants (HKICPA) for the 11th consecutive year. It has been included in the Corporate Equality index (CEI) for six years in a row and received its highest-ever score in the annual Workplace Pride Global Benchmark. CDP also acknowledged the Group as a leader for supplier engagement and climate change for the fourth year running. These milestones highlight the Group's commitment to sustainability, inclusiveness, and strategic excellence across its diversified growth engines.

The Group recorded a non-cash accounting gain of US\$143 million based on the latest remeasurement of a written put option liability. This one-time gain was largely offset by restructuring and other charges totaling US\$132 million, incurred to further enhance the Group's efficiency and competitiveness.

Group Financial Performance

During the fiscal year, the Group encountered a setback of 8 percent in revenue and 37 percent in net profit, primarily driven by broad market weaknesses in the first half of the period under review. However, demand momentum accelerated in the latter half of the year. In the fourth fiscal quarter, the Group experienced a robust recovery and achieved several new milestones. Its sales and net profit grew by 9 percent and 118 percent year-on-year, respectively. SSG delivered its record fourth quarter revenue at US\$1.8 billion and sustained its segment profitability at 21 percent to drive a 20 percent year-on-year profit growth. IDG continued to expand its market share in both the PC and smartphone sectors for the third consecutive quarter. IDG's segment profit increased by 17 percent year-on-year, strongly outpacing its revenue growth of 7 percent as the business group continues to bolster sales of profitable and fast-growing premium segments. ISG experienced robust growth, with a 15 percent year-on-year revenue increase in the fourth fiscal quarter, driven by stronger-than-expected demand from cloud customers and the ongoing ramp-up of its Generative AI products. The profitability of ISG remained challenged, but a Return to Profitability plan has been initiated to ensure gradual improvement.

Performance by Business Group

Intelligent Devices Group (IDG)

For the fiscal year under review, IDG, which consists of the PC, tablet, smartphone, and other smart device businesses, experienced an annual decline of 10 percent in revenue and 12 percent in segment profit, attributable to excessive channel inventory at the start of the fiscal year. The sector-wide challenges experienced in the early part of the year were short-lived but weighed heavily on the overall performance for the full year.

The business group charted a robust recovery path during the latter half of the year, buoyed by a rebound in commercial demand and resilient market share gains. In the fourth fiscal quarter alone, IDG boosted its operating profit by 17 percent year-on-year, accompanied by a 7 percent revenue growth. Its operating margin expanded by 64 basis points year-on-year to 7.4 percent, which is at the upper end of its historical range.

By segment, a strong commercial PC growth trajectory supported IDG's market share expansion of 2.2 percentage points year-on-year to 27 percent in the most recent quarter. The China market showed relatively weak growth although the decline narrowed towards the end of the year. Meanwhile, in the final quarter of the fiscal year, North America and Europe-Middle East-Africa (EMEA) emerged as the powerhouses, achieving a robust double-digit yearly revenue growth. Non-PC sales accounted for 22 percent of IDG's revenue in the fourth fiscal quarter. Smartphone revenue grew at a double-digit rate alongside accelerating market share gains thanks to strong performances in North America, EMEA, and Asia.

The core of IDG's long-term growth strategy revolves around investing in innovation and developing strong new products and solutions to drive success in both PC and non-PC categories. At the 2024 Mobile World Congress (MWC), the Group unveiled industry-leading products such as the ThinkBook Transparent Display Laptop Proof of Concept which has garnered an impressive 55 industry awards. The Group's new AI PCs are specifically designed to support on-device AI, enabling customers to swiftly capture and leverage insights from their data. This empowers individuals, transforms businesses, and inspires creativity.

Infrastructure Solutions Group (ISG)

ISG's full-year revenue reached US\$9 billion, representing a 9 percent setback compared to its historic high achieved in the previous fiscal year. The underlying reason for the annual decline was the shift in global IT budgets, resulting in a strategic global movement towards embracing AI deployment. As a result, there were disparities in infrastructure investment, leading to a shortage in AI GPU supply, while spending weakened on non-AI equipment, including general compute servers where ISG has its fair share of exposure. The business group remained steadfast in developing a comprehensive AI portfolio and ISG's AI products began to contribute positively to its growth trajectory towards the second-half of the year. Where there remains a constraint in meeting the booming demand for AI GPU, the supply gap showed signs of narrowing. ISG's revenue set a new fourth-quarter record with a robust 15 percent year-on-year growth.

ISG's strategic focus on building a competitive AI portfolio remains a top priority. In March 2024, the Group launched a range of new AI products, services, and partnerships, leveraging its collaboration with key GPU suppliers and utilizing the Group's unique Neptune warm-water liquid cooling technology. Meanwhile, ISG continued the innovative development of its comprehensive, full-stack infrastructure solutions portfolio. The combined yearly revenue from storage, services, and software reached a new high of over US\$3.0 billion for the first time in the Group's history. The Group has emerged as one of the fastest-growing providers of storage solutions globally, with significant advancements in new product segments. Storage delivered all-time high revenue for the fiscal year with seventh consecutive annual growth. According to the latest third-party figures, ISG's share by revenue in the global storage market continued to increase year-on-year. Edge also achieved its highest revenue in operating history.

The higher investments in developing new projects and slower-than-expected ramp-up of older projects have had an impact on ISG's bottom lines, resulting in a full-year segment loss of US\$248 million. Nonetheless, ISG's Return to Profitability plan has laid out initiatives to strive for a return to profitable growth.

Solutions & Services Group (SSG)

Fueled by enterprise customers' pursuit for new digital capabilities and higher productivity, SSG posted double-digit revenue growth for the third consecutive year, with yearly revenue and profit advancing by 12 percent and 11 percent respectively, to a record US\$7.5 billion and US\$1.5 billion during the fiscal year. SSG's robust operating margin of 21 percent, topping all business groups, highlighted its pivotal role as both the growth and profit engine for the Group. In the fourth fiscal quarter, SSG maintained its growth momentum, delivering double-digit year-on-year revenue growth for the 12th consecutive quarter.

By segment, Support Service revenue increased 4 percent year-on-year despite weakness in hardware sales during the first half of the fiscal year, thanks to a rising penetration rate as a result of increasing popularity for attached services such as Premier Support Plus. Managed Services, thanks to the Group's enriched service portfolio and multi-channel strategy, scored a 29 percent year-on-year revenue growth. The Total Contract Value (TCV) of both Device-as-a-Service (DaaS) and Infrastructure-as-a-Service (IaaS) increased by 50 percent, reinforcing a robust long-term growth trajectory. During the period under review, SSG won its largest TruScale IaaS deal to date and a DaaS mega deal with a leading automaker. Project & Solution Services revenue rose 13 percent year-on-year, benefiting from strong demand for integrated complex solutions across various verticals.

Geographic Performance

With operations spanning across 180 markets, the Group continued to take advantage of its diversified market exposures to drive sustained revenue growth across most regions. In EMEA, the Group recorded a 5 percent year-on-year decline in full-year revenue but showed the earliest signs of recovery among all the regional markets. The robust year-on-year growth observed in the fourth fiscal quarter was fueled by PC demand recovery and substantial share gains for smartphones.

Similarly, the Americas market posted an 8 percent decline in revenue during the fiscal year but reported a high single-digit year-on-year sales rebound in the fourth quarter, attributable to strengths across PC and smartphone products. Its PC segment achieved double-digit premium-to-market growth in the fourth quarter with its market share in North America advancing to the second highest level for this period, thanks to increasing sales of commercial and premium products. Premium product sales were also instrumental for the smartphone segment in driving premium-to-market growth.

During the full-year period under review, revenue of the Group's Asia Pacific (excluding China) market declined 5 percent year-on-year. Despite facing pressure from local currency depreciation against US dollar in the fourth quarter, the region's underlying business remained resilient, as evidenced by a robust recovery in commercial PC sales in Japan. SSG reported double-digit revenue growth in the region during the final fiscal quarter on the back of vertical solutions and Digital Workplace.

In the full fiscal year, the Group experienced a 15 percent year-on-year decline in revenue in the Greater China region. Nevertheless, there was a notable turnaround in the fourth fiscal quarter, with the region reporting its first positive year-on-year growth after a decline for seven quarters. The strong rebound in the fourth quarter sales was driven by momentum across multiple products including PC, infrastructure and services.

Outlook

The Group is embracing new growth opportunities while navigating the challenges posed by disruptive technological trends, particularly the advent of AI. The Group is also accelerating its transformation and share-gain strategy to transcend the business cycle. Its continued investment in innovation has been instrumental to building diversified growth engines in services and unlocking new hybrid AI growth opportunities across device, infrastructure and services. In the last quarter of the year under review, the Group showcased at MWC 2024 and other industry events a full lineup of new AI-powered devices and solutions from pocket to cloud computing. In particular, its hybrid AI offerings are capable of delivering optimal network speed, efficiency, cost-effectiveness, security, and privacy in AI infrastructure deployment. Its first line-up of AI PCs provides on-device inferencing and AI functions, while enabling instant accessibility, data security and privacy, and eventually serving as the foundation for personal AI twins.

The increasing adoption of hybrid AI is poised to propel global PC market growth and lead to a long-term recovery surpassing the pre-pandemic level. AI PCs represent a major inflection point for the industry, initiating a new product cycle that is particularly attractive to commercial users. According to third-party research, it is projected that by 2027, nearly 60 percent of annual PC shipments will incorporate AI features, presenting new growth opportunities for IDG's differentiated and enhanced devices. Lenovo Xiaotian, a newly launched personalized intelligent agent, is a good example showcasing its capability to deploy an on-device Large Language Model, making it possible for the customization of user experiences through a localized personal knowledge base. Another recent example is the Trusted AI Controller (TAC), which provides device-level security for user data and privacy.

The adoption of hybrid AI is promising for IDG as it helps the segment deliver premium-to-market growth, strong average selling prices and sustainable profitability. To lead the AI PC revolution, IDG is developing its own IPs to drive improvement in areas such as inferencing speed, language model compression, and memory consumption. Additionally, IDG is extending its differentiation efforts beyond hardware to include components and software, notably with the introduction of the Group's AI Core Chip, Yoga Creator Zone, ThinkShield security solution, and AI Now Personal Assistant. Further investments will be made to score wins in non-PC areas, including fast-growing accessories and work collaboration solutions. The Group's smartphone business will also prioritize portfolio expansion and product premiumization to take advantage of accelerated 5G adoption and thereby drive share gains across regional markets.

ISG aims to drive growth through ever-improving profitability, leveraging its investments in developing differentiated technology solutions in hybrid AI, high performance computing, storage, and edge equipment. The business group has built industry-leading end-to-end infrastructure solutions and expanded its offerings to include full-stack solutions such as server, storage, and software. 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 adopts a unique ODM+ business model to address the growing demand for vertically integrated supply chains, allowing it to capture emerging opportunities in AI by continuously rolling out innovative solutions across various platforms. This approach enables an optimal balance between general purpose and customized offerings. ISG continues to maintain an appropriate operational scale and cost structure, with a focus on high-growth and profitable areas, including high-value-added product offerings such as storage and software.

AI workload will not only run on public clouds but will also become more evenly distributed across on-prem data centers, private and hybrid clouds, and even edge and devices. This trend calls for the creation of a complex infrastructure, that requires comprehensive services and customized solutions for enterprise customers, thereby generating more opportunities for smart solutions and AI-native services in the future. SSG will also embed AI function into existing services and solutions in areas such as Digital Workplace, Hybrid Cloud, and Sustainability solutions, to strengthen its customer value proposition. Through collaborating with ecosystem partners and adopting a multi-channel strategy, SSG is well-positioned to help customers accelerate their digital transformation journey. SSG's growth strategy, combined with strong TCV growth during the fiscal year, will translate into double-digit revenue growth year-on-year, further enhancing its financial contribution to the Group.

Strategic Highlights

Envisioning a future of smarter technology for all, the Group continues to stand at the forefront of Intelligent Transformation with a focus on hybrid AI. The massive growth opportunities brought by hybrid AI have propelled the Group to embed a private foundation model into smart devices and build a hybrid infrastructure and solutions, in order to address the need for more personalized services, higher efficiency, and greater privacy protection. Robust innovation, together with the pursuit of profitability growth, will enhance the Group's competitiveness in next-generation product design and solutions.

Leveraging its Services business as a structural growth engine, the Group will strengthen its end-to-end service solutions, particularly its TruScale as-a-Service portfolio, in order to tackle customer pain points in hybrid work, multi-cloud management, and cybersecurity. Collaborating with leading businesses and channel partners will also create synergy for success in this area.

As a responsible corporate, the Group prides itself on setting high standards and making every effort to mitigate the environmental impact of its operations as the business strides towards achieving net zero emissions by 2050. To capitalize on growing ESG awareness, management will broaden its sustainability initiatives to incorporate innovative ESG features, such as a CO2 offset service and Reduced Carbon Transit, into the Group's service offerings designated to help customers meet their ESG goals and deliver sustainable outcomes.

FINANCIAL REVIEW

Results for the year ended March 31, 2024

	2024 <i>US\$ million</i>	2023 <i>US\$ million</i>	Year-on-year change
Revenue	56,864	61,947	(8)%
Gross profit	9,803	10,501	(7)%
Gross profit margin	17.2%	17.0%	0.2 pts
Operating expenses	(7,797)	(7,832)	(0)%
Operating profit	2,006	2,669	(25)%
Other non-operating income/(expenses) – net	(641)	(533)	20%
Profit before taxation	1,365	2,136	(36)%
Profit for the year	1,102	1,681	(34)%
Profit attributable to equity holders of the Company	1,011	1,608	(37)%
Earnings per share attributable to equity holders of the Company			
Basic	US8.41 cents	US13.50 cents	US(5.09) cents
Diluted	US8.05 cents	US12.74 cents	US(4.69) cents

For the year ended March 31, 2024, the Group achieved total sales of approximately US\$56,864 million. When compared to last year, profit attributable to equity holders for the year decreased by US\$597 million to approximately US\$1,011 million, gross profit margin rose 0.2 percentage points to 17.2 percent. Basic and diluted earnings per share were US8.41 cents and US8.05 cents, representing a decrease of US5.09 cents and US4.69 cents respectively.

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, 2024 and 2023 is as follows:

	2024 <i>US\$'000</i>	2023 <i>US\$'000</i>
Selling and distribution expenses	(3,308,889)	(3,285,126)
Administrative expenses	(2,491,839)	(2,311,771)
Research and development expenses	(2,027,532)	(2,195,329)
Other operating income/(expenses) – net	30,861	(40,043)
	(7,797,399)	(7,832,269)

Operating expenses for the year remained flat as compared with last year. During the year, the Group recorded gain on remeasurement of a written put option liability of US\$143 million based on the latest assessment. The Group executed resource actions and incurred severance and related costs of US\$55 million (2023: US\$209 million) to further enhance efficiency and competitiveness in view of industrial challenges, together with assets impairment and write-off of US\$40 million. Advertising and promotional expenses increased by US\$32 million for new product launch and special campaigns. Due to expense optimization, spending was reduced across multiple areas, including US\$38 million in information technology expenses and US\$23 million in research and development related laboratory testing, services and supplies. The Group recorded fair value gain from strategic investments amounted to US\$153 million (2023: US\$203 million), reflecting the change in value of the Group's portfolio. Currency fluctuations presented a challenge to the Group, resulting in a net exchange loss of US\$74 million (2023: US\$118 million).

Key expenses by nature comprise:

	2024 US\$'000	2023 US\$'000
Depreciation of property, plant and equipment	(209,777)	(198,415)
Depreciation of right-of-use assets	(134,959)	(131,697)
Amortization of intangible assets, excluding internal use software	(211,965)	(477,100)
Impairment and write-off of property, plant and equipment	(10,474)	-
Impairment and write-off of intangible assets	(29,745)	(895)
Employee benefit costs, including	(4,368,317)	(4,249,368)
- long-term incentive awards	(277,574)	(336,128)
- severance and related costs	(54,991)	(208,546)
Rental expenses	(7,536)	(9,407)
Net foreign exchange loss	(73,915)	(118,024)
Advertising and promotional expenses	(877,955)	(845,827)
Legal, professional and consulting expenses	(289,569)	(315,197)
Information technology expenses, including	(347,305)	(385,020)
- amortization of internal use software	(196,815)	(212,157)
Increase in loss allowance of trade receivables	(105,644)	(122,832)
Unused amounts of loss allowance of trade receivables reversed	39,040	101,226
Research and development related laboratory testing, services and supplies	(355,148)	(378,083)
Loss on disposal of property, plant and equipment	(3,479)	(6,195)
Loss on disposal of intangible assets	(25)	(442)
Loss on disposal of construction-in-progress	(13,827)	(1,138)
Fair value gain on financial assets at fair value through profit or loss	153,113	203,395
Fair value loss on a financial liability at fair value through profit or loss	-	(3,209)
Gain on remeasurement of a written put option liability	143,430	-
Dilution gain on interest in associates	-	2,146
Gain on disposal of interest in associates	12	1,293
Impairment of interest in an associate	(6,690)	-
Others	(1,086,664)	(897,480)
	(7,797,399)	(7,832,269)

Other non-operating income/(expenses) – net for the years ended March 31, 2024 and 2023 comprise:

	2024 US\$'000	2023 US\$'000
Finance income	148,134	141,667
Finance costs	(762,805)	(657,704)
Share of losses of associates and joint ventures	(25,659)	(16,799)
	(640,330)	(532,836)

Finance income mainly represents interest on bank deposits.

Finance costs for the year increased by 16 percent as compared with last year mainly due to higher market interest rate during the year, partly offset by the reduction in borrowings. The increase is mainly attributable to the increase in factoring cost of US\$147 million, partly offset by decrease in interest on bank loans and overdrafts of US\$11 million, interest on notes of US\$10 million, interest on convertible bonds of US\$10 million and interest on written put option liabilities of US\$9 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:

	2024		2023	
	Revenue <i>US\$'000</i>	Operating profit/(loss) <i>US\$'000</i>	Revenue <i>US\$'000</i>	Operating profit <i>US\$'000</i>
IDG	44,599,450	3,180,761	49,371,447	3,598,415
ISG	8,921,929	(248,260)	9,755,596	98,084
SSG	7,472,310	1,545,465	6,663,397	1,391,752
Total	60,993,689	4,477,966	65,790,440	5,088,251
Eliminations	(4,129,905)	(1,314,362)	(3,843,586)	(1,208,064)
	56,863,784	3,163,604	61,946,854	3,880,187
Unallocated:				
Headquarters and corporate income/(expenses) – net		(1,339,370)		(1,087,716)
Restructuring costs		(46,000)		(208,546)
Depreciation and amortization		(449,551)		(548,852)
Impairment and write-off of property, plant and equipment		(10,474)		-
Impairment and write-off of intangible assets		(24,723)		-
Finance income		132,183		100,214
Finance costs		(323,141)		(154,532)
Share of losses of associates and joint ventures		(27,822)		(20,888)
Gain/(loss) on disposal of property, plant and equipment		550		(721)
Fair value gain on financial assets at fair value through profit or loss		150,681		174,077
Fair value loss on a financial liability at fair value through profit or loss		-		(3,209)
Gain on remeasurement of a written put option liability		143,430		-
Dilution gain on interest in associates		-		2,146
Gain on disposal of interest in an associate		-		1,190
Impairment of interest in an associate		(6,690)		-
Dividend income		2,777		2,637
Consolidated profit before taxation		1,365,454		2,135,987

Headquarters and corporate income/(expenses) – net for the year comprise various expenses, after appropriate allocation to business groups, of US\$1,339 million (2023: US\$1,088 million) such as employee benefit costs, legal, professional and consulting expenses, and research and technology expenses. In addition to the general increase in operating expenses, such as employee benefit costs, there is also increase in provision for claims as compared with last year.

Fourth Quarter 2023/24 compared to Fourth Quarter 2022/23

	3 months ended March 31, 2024 US\$ million	3 months ended March 31, 2023 US\$ million	Year-on-year change
Revenue	13,833	12,635	9%
Gross profit	2,428	2,143	13%
Gross profit margin	17.6%	17.0%	0.6 pts
Operating expenses	(1,939)	(1,852)	5%
Operating profit	489	291	68%
Other non-operating income/(expenses) – net	(180)	(161)	12%
Profit before taxation	309	130	137%
Profit for the period	253	106	140%
Profit attributable to equity holders of the Company	248	114	118%
Earnings per share attributable to equity holders of the Company			
Basic	US2.02 cents	US0.95 cents	US1.07 cents
Diluted	US1.95 cents	US0.93 cents	US1.02 cents

For the three months ended March 31, 2024, the Group achieved total sales of approximately US\$13,833 million. When compared to the corresponding period of last year, profit attributable to equity holders for the period increased by US\$134 million to approximately US\$248 million, gross profit margin rose 0.6 percentage points to 17.6 percent mainly due to increased contribution from SSG’s high margin business and change in sales mix. Basic and diluted earnings per share were US2.02 cents and US1.95 cents, representing an increase of US1.07 cents and US1.02 cents respectively.

Analysis of operating expenses by function for the three months ended March 31, 2024 and 2023 is as follows:

	3 months ended March 31, 2024 US\$ '000	3 months ended March 31, 2023 US\$ '000
Selling and distribution expenses	(849,128)	(648,029)
Administrative expenses	(664,949)	(599,397)
Research and development expenses	(531,740)	(549,626)
Other operating income/(expenses) – net	106,462	(55,620)
	<u>(1,939,355)</u>	<u>(1,852,672)</u>

Operating expenses for the period increased by 5 percent as compared with the corresponding period of last year. During the period, the Group recorded gain on remeasurement of a written put option liability of US\$143 million based on the latest assessment. The Group executed resource actions and incurred severance and related costs of US\$55 million (2023: US\$209 million) to further enhance efficiency and competitiveness in view of industrial challenges, together with assets impairment and write-off of US\$40 million. Advertising and promotional expenses increased by US\$86 million for new product launch and special campaigns. The Group recorded fair value gain from strategic investments amounted to US\$51 million (2023: US\$89 million), reflecting the change in value of the Group’s portfolio.

Key expenses by nature comprise:

	3 months ended March 31, 2024 US\$'000	3 months ended March 31, 2023 US\$'000
Depreciation of property, plant and equipment	(50,448)	(54,637)
Depreciation of right-of-use assets	(27,960)	(34,042)
Amortization of intangible assets, excluding internal use software	(49,262)	(97,957)
Impairment and write-off of property, plant and equipment	(10,474)	-
Impairment and write-off of intangible assets	(29,745)	(895)
Employee benefit costs, including	(1,162,686)	(1,187,139)
- long-term incentive awards	(48,726)	(92,492)
- severance and related costs	(54,991)	(208,546)
Rental expenses	(2,278)	(1,288)
Net foreign exchange gain/(loss)	4,646	(12,168)
Advertising and promotional expenses	(217,392)	(131,265)
Legal, professional and consulting expenses	(102,979)	(74,858)
Information technology expenses, including	(80,905)	(105,603)
- amortization of internal use software	(42,195)	(58,187)
Increase in loss allowance of trade receivables	(58,203)	(46,809)
Unused amounts of loss allowance of trade receivables reversed	11,053	56,128
Research and development related laboratory testing, services and supplies	(116,297)	(87,570)
Loss on disposal of property, plant and equipment	(5,886)	(5,121)
Loss on disposal of intangible assets	-	(141)
Loss on disposal of construction-in-progress	-	(75)
Fair value gain on financial assets at fair value through profit or loss	50,949	88,834
Fair value loss on a financial liability at fair value through profit or loss	-	(551)
Gain on remeasurement of a written put option liability	143,430	-
Gain on disposal of interest in associates	-	113
Impairment of interest in an associate	(6,690)	-
Others	(228,228)	(157,628)
	<u>(1,939,355)</u>	<u>(1,852,672)</u>

Other non-operating income/(expenses) - net for the three months ended March 31, 2024 and 2023 comprise:

	3 months ended March 31, 2024 US\$'000	3 months ended March 31, 2023 US\$'000
Finance income	30,612	43,256
Finance costs	(200,549)	(197,659)
Share of losses of associates and joint ventures	(10,170)	(5,876)
	<u>(180,107)</u>	<u>(160,279)</u>

Finance income mainly represents interest on bank deposits.

Finance costs for the period increased by 1 percent as compared with the corresponding period of last year mainly due to increase in drawn down of short-term loans, partly offset by reduction of notes during the period. The increase is mainly attributable to the increase in interest on bank loans and overdrafts of US\$12 million, partly offset by decrease in interest on notes of US\$7 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:

	3 months ended March 31, 2024		3 months ended March 31, 2023	
	Revenue US\$'000	Operating profit/(loss) US\$'000	Revenue US\$'000	Operating profit US\$'000
IDG	10,462,709	772,914	9,796,078	660,966
ISG	2,533,101	(96,675)	2,200,013	7,495
SSG	1,820,372	388,891	1,649,891	324,389
Total	14,816,182	1,065,130	13,645,982	992,850
Eliminations	(983,065)	(340,010)	(1,010,889)	(306,089)
	<u>13,833,117</u>	<u>725,120</u>	<u>12,635,093</u>	<u>686,761</u>
Unallocated:				
Headquarters and corporate income/(expenses) - net		(351,325)		(245,948)
Restructuring costs		(46,000)		(208,546)
Depreciation and amortization		(104,306)		(130,151)
Impairment and write-off of property, plant and equipment		(10,474)		-
Impairment and write-off of intangible assets		(24,723)		-
Finance income		25,544		31,052
Finance costs		(85,561)		(53,110)
Share of losses of associates and joint ventures		(7,625)		(8,216)
Loss on disposal of property, plant and equipment		(85)		(386)
Fair value gain on financial assets at fair value through profit or loss		49,743		59,516
Fair value loss on a financial liability at fair value through profit or loss		-		(551)
Gain on remeasurement of a written put option liability		143,430		-
Impairment of interest in an associate		(6,690)		-
Dividend income		1,617		-
Consolidated profit before taxation		<u>308,665</u>		<u>130,421</u>

Headquarters and corporate income/(expenses) - net for the period comprise various expenses, after appropriate allocation to business groups, of US\$351 million (2023: US\$246 million) such as employee benefit costs, legal, professional and consulting expenses, and research and technology expenses. In addition to the general increase in operating expenses, such as employee benefit costs, there is also increase in provision for claims as compared with the corresponding period of last year.

Use of non-HKFRS measure

To supplement Lenovo's consolidated financial statements prepared and presented in accordance with Hong Kong Financial Reporting Standards ("HKFRS"), we utilize non-HKFRS adjusted profit as an additional financial measure.

We define adjusted profit as profit for the period/year by excluding (i) net fair value changes on financial assets at fair value through profit or loss, (ii) amortization of intangible assets resulting from mergers and acquisitions, (iii) mergers and acquisitions related charges, (iv) restructuring and other charges, and (v) gain on remeasurement of a written put option liability, and the corresponding income tax effects, if any.

More specifically, management excludes each of those items mentioned above for the following reasons:

- Lenovo recognizes fair value gains or losses from its strategic investments. The change in fair value included revaluation gains or losses on new investment rounds on unlisted holdings and mark-to-market gains or losses on listed holdings. Lenovo excludes this item for the purposes of calculating the non-HKFRS measure to facilitate a more meaningful evaluation of Lenovo's current operating performance and comparisons to operating performance in other periods.
- Lenovo incurs charges related to the amortization of intangible assets resulting from mergers and acquisitions. Those charges are included in Lenovo's net profit prepared under HKFRS. Such charges are significantly impacted by the timing and magnitude of Lenovo's acquisitions and any related impairment charges. Consequently, Lenovo excludes these charges for the purposes of calculating the non-HKFRS measure to facilitate a more meaningful evaluation of Lenovo's current operating performance and comparisons to operating performance in other periods.
- Lenovo incurs cost related to its mergers and acquisitions, which it would not have otherwise incurred as part of its operations. The charges are direct expenses such as third-party professional and legal fees, and integration-related costs, as well as non-cash adjustments to the fair value of certain acquired assets. These charges related to mergers and acquisitions are inconsistent in amount and frequency and are significantly impacted by the timing and nature of the transactions. Management believes that eliminating such expenses for the purposes of calculating the non-HKFRS measure facilitates a more meaningful evaluation of Lenovo's current operating performance and comparisons to operating performance in other periods.
- Lenovo incurs restructuring and other charges that are (i) costs associated with restructuring plans which are related to employee separation from service; and (ii) other charges, which include non-recurring costs for assets impairment and write-off. Lenovo excludes these restructuring and other charges for the purposes of calculating the non-HKFRS measure to facilitate a more meaningful evaluation of Lenovo's current operating performance and comparisons to operating performance in other periods.
- Lenovo recognizes gain on remeasurement of a written put option liability based on the latest assessment. Lenovo excludes this gain for the purposes of calculating the non-HKFRS measure to facilitate a more meaningful evaluation of Lenovo's current operating performance and comparisons to operating performance in other periods.

This non-HKFRS financial measure is not computed in accordance with, or as an alternative to, HKFRS. Management uses this non-HKFRS financial measure for the purposes of evaluating Lenovo's historical and prospective financial performance. Management believes that excluding the items mentioned above for this non-HKFRS financial measure allows management to better understand Lenovo's consolidated financial performance in relation to its operating results, as management does not believe that the excluded items are reflective of ongoing operating results.

However, the use of this particular non-HKFRS measure has limitations as an analytical tool, and should not be considered in isolation from, or as a substitute for analysis of, the results of operations or financial conditions as reported under HKFRS. In addition, this non-HKFRS financial measure may be defined differently from similar terms used by other companies and therefore may not be comparable to similar measures used by other companies.

Reconciliations of the non-HKFRS financial measure to the most directly comparable HKFRS financial measure are included in the tables below.

Year ended March 31, 2024

	Operating profit <i>US\$'000</i>	Profit before taxation <i>US\$'000</i>	Profit for the year <i>US\$'000</i>	Profit attributable to equity holders <i>US\$'000</i>
As reported	2,005,784	1,365,454	1,102,312	1,010,506
Non-HKFRS adjustments				
Net fair value changes on financial assets at fair value through profit or loss	(153,113)	(153,113)	(127,309)	(95,777)
Amortization of intangible assets resulting from mergers and acquisitions	169,407	174,139	137,353	137,353
Mergers and acquisitions related charges	2,048	2,352	2,352	2,352
Restructuring and other charges	132,214	132,368	127,013	127,013
Gain on remeasurement of a written put option liability	(143,430)	(143,430)	(143,430)	(143,430)
Non-HKFRS	<u>2,012,910</u>	<u>1,377,770</u>	<u>1,098,291</u>	<u>1,038,017</u>

Year ended March 31, 2023

	Operating profit <i>US\$'000</i>	Profit before taxation <i>US\$'000</i>	Profit for the year <i>US\$'000</i>	Profit attributable to equity holders <i>US\$'000</i>
As reported	2,668,823	2,135,987	1,680,831	1,607,722
Non-HKFRS adjustments				
Net fair value changes on financial assets at fair value through profit or loss	(203,395)	(203,395)	(168,090)	(139,501)
Amortization of intangible assets resulting from mergers and acquisitions	217,394	220,550	174,076	174,076
Mergers and acquisitions related charges	10,782	20,553	20,553	20,553
Restructuring and other charges	248,713	248,713	217,819	215,497
Non-HKFRS	<u>2,942,317</u>	<u>2,422,408</u>	<u>1,925,189</u>	<u>1,878,347</u>

Three months ended March 31, 2024

	Operating profit <i>US\$'000</i>	Profit before taxation <i>US\$'000</i>	Profit for the period <i>US\$'000</i>	Profit attributable to equity holders <i>US\$'000</i>
As reported	488,772	308,665	253,032	247,724
Non-HKFRS adjustments				
Net fair value changes on financial assets at fair value through profit or loss	(50,949)	(50,949)	(41,651)	(47,740)
Amortization of intangible assets resulting from mergers and acquisitions	42,362	43,545	34,340	34,340
Restructuring and other charges	132,214	132,368	127,013	127,013
Gain on remeasurement of a written put option liability	(143,430)	(143,430)	(143,430)	(143,430)
Non-HKFRS	<u>468,969</u>	<u>290,199</u>	<u>229,304</u>	<u>217,907</u>

Three months ended March 31, 2023

	Operating profit <i>US\$'000</i>	Profit before taxation <i>US\$'000</i>	Profit for the period <i>US\$'000</i>	Profit attributable to equity holders <i>US\$'000</i>
As reported	290,700	130,421	105,576	113,607
Non-HKFRS adjustments				
Net fair value changes on financial assets at fair value through profit or loss	(88,834)	(88,834)	(67,326)	(82,358)
Amortization of intangible assets resulting from mergers and acquisitions	42,490	45,646	35,046	35,046
Mergers and acquisitions related charges	31	2,541	2,541	2,541
Restructuring and other charges	248,713	248,713	217,819	215,497
Non-HKFRS	<u>493,100</u>	<u>338,487</u>	<u>293,656</u>	<u>284,333</u>

Capital Expenditure

The Group incurred capital expenditure of US\$1,286 million (2023: US\$1,578 million) during the year ended March 31, 2024, mainly for the acquisition of property, plant and equipment, additions to construction-in-progress and intangible assets. The lower capital expenditure incurred in current year is mainly attributable to less investments in buildings under construction, plant and machinery, office equipment and internal use software, partly offset by more investments in patent and technology.

Liquidity and Financial Resources

At March 31, 2024, total assets of the Group amounted to US\$38,751 million (2023: US\$38,920 million), which were financed by equity attributable to owners of the Company of US\$5,583 million (2023: US\$5,588 million), other non-controlling interests (net of put option written on non-controlling interests) of US\$498 million (2023: US\$459 million), and total liabilities of US\$32,670 million (2023: US\$32,873 million). At March 31, 2024, the current ratio of the Group was 0.87 (2023: 0.88).

At March 31, 2024, bank deposits and cash and cash equivalents totaling US\$3,626 million (2023: US\$4,321 million) analyzed by major currency are as follows:

	2024	2023
	%	%
US dollar	25.5	33.7
Renminbi	27.3	24.9
Japanese Yen	10.8	7.5
Euro	6.2	5.3
Australian dollar	2.7	1.2
Other currencies	27.5	27.4
Total	100.0	100.0

The Group adopts a conservative policy to invest the surplus cash generated from operations. At March 31, 2024, 90 (2023: 87) percent of cash are bank deposits, and 10 (2023: 13) 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 its balance sheet efficiency.

The Group has the following banking facilities:

Type	Date of agreement	Principal amount <i>US\$ million</i>	Term	Utilized amount at March 31,	
				2024 <i>US\$ million</i>	2023 <i>US\$ million</i>
Revolving loan facility	May 12, 2020	300	5 years	-	-
Revolving loan facility	May 14, 2020	200	5 years	-	-
Revolving loan facility	July 4, 2022	2,000	5 years	-	-
Revolving loan facility	December 22, 2023	500	1 year	-	N/A
Revolving loan facility	January 19, 2024	500	1 year	-	N/A

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,	
	2024 <i>US\$ million</i>	2023 <i>US\$ million</i>	2024 <i>US\$ million</i>	2023 <i>US\$ million</i>
Trade lines	4,676	4,970	2,861	3,454
Short-term money market facilities	1,926	1,838	41	54
Forward foreign exchange contracts	11,588	9,428	11,555	9,384

Apart from the above facilities, notes and convertible bonds issued by the Group and outstanding at March 31, 2024 are as follows. Further details of borrowings are set out in Note 13 to the Financial Information.

	Issue date	Principal amount	Term	Interest rate/ dividend per annum	Due date	Use of proceeds
2025 Notes	April 24, 2020 and May 12, 2020	US\$965 million	5 years	5.875%	April 2025	For repayment of previous Notes and general corporate purposes
2030 Notes	November 2, 2020	US\$900 million	10 years	3.421%	November 2030	For repurchase of perpetual securities and previous Notes
2028 Notes	July 27, 2022	US\$600 million	5.5 years	5.831%	January 2028	For repayment of previous Notes and general corporate purposes
2032 Notes	July 27, 2022	US\$563 million	10 years	6.536%	July 2032	For financing of eligible projects under the Green Finance Framework
2029 Convertible Bonds	August 26, 2022	US\$675 million	7 years	2.5%	August 2029	For repayment of previous convertible bonds and general corporate purposes

Net cash position and gearing ratio of the Group at March 31, 2024 and 2023 are as follows:

	2024 US\$ million	2023 US\$ million
Bank deposits and cash and cash equivalents	3,626	4,321
Borrowings		
- Short-term loans	50	57
- Notes	3,013	3,146
- Convertible bonds	557	752
Net cash position	6	366
Total equity	6,081	6,047
Gearing ratio (Borrowings divided by total equity)	0.60	0.65

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, 2024, the Group had commitments in respect of outstanding forward foreign exchange contracts amounting to US\$11,555 million (2023: US\$9,384 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 FY2023/24, the Group had a headcount of approximately 69,500 worldwide.

The Group implements remuneration policy, base salary, 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 benefits and retirement funds to employees to sustain competitiveness of the Group.

FINANCIAL INFORMATION

CONSOLIDATED INCOME STATEMENT

	<i>Note</i>	2024 <i>US\$'000</i>	2023 <i>US\$'000</i>
Revenue	2	56,863,784	61,946,854
Cost of sales		(47,060,601)	(51,445,762)
Gross profit		9,803,183	10,501,092
Selling and distribution expenses		(3,308,889)	(3,285,126)
Administrative expenses		(2,491,839)	(2,311,771)
Research and development expenses		(2,027,532)	(2,195,329)
Other operating income/(expenses) - net		30,861	(40,043)
Operating profit	3	2,005,784	2,668,823
Finance income	4(a)	148,134	141,667
Finance costs	4(b)	(762,805)	(657,704)
Share of losses of associates and joint ventures		(25,659)	(16,799)
Profit before taxation		1,365,454	2,135,987
Taxation	5	(263,142)	(455,156)
Profit for the year		1,102,312	1,680,831
Profit attributable to:			
Equity holders of the Company		1,010,506	1,607,722
Other non-controlling interests		91,806	73,109
		1,102,312	1,680,831
Earnings per share attributable to equity holders of the Company			
Basic	6(a)	US8.41 cents	US13.50 cents
Diluted	6(b)	US8.05 cents	US12.74 cents
Dividends	7	601,140	587,997

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	2024	2023
	<i>US\$'000</i>	<i>US\$'000</i>
Profit for the year	1,102,312	1,680,831
Other comprehensive (loss)/income:		
<u>Items that will not be reclassified to profit or loss</u>		
Remeasurements of post-employment benefit obligations, net of taxes	(6,674)	58,524
Fair value change on financial assets at fair value through other comprehensive income, net of taxes	(7,802)	650
<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, net of taxes	143,653	302,181
- Reclassified to consolidated income statement	(92,356)	(359,568)
Currency translation differences	(366,849)	(614,267)
Other comprehensive loss for the year	(330,028)	(612,480)
Total comprehensive income for the year	772,284	1,068,351
Total comprehensive income attributable to:		
Equity holders of the Company	718,173	1,019,347
Other non-controlling interests	54,111	49,004
	772,284	1,068,351

CONSOLIDATED BALANCE SHEET

	<i>Note</i>	2024 <i>US\$'000</i>	2023 <i>US\$'000</i>
Non-current assets			
Property, plant and equipment		2,010,178	2,006,457
Right-of-use assets		571,305	659,360
Construction-in-progress		337,648	638,047
Intangible assets		8,345,407	8,267,114
Interests in associates and joint ventures		318,803	438,267
Deferred income tax assets		2,633,302	2,467,281
Financial assets at fair value through profit or loss		1,393,666	1,233,969
Financial assets at fair value through other comprehensive income		55,973	66,178
Other non-current assets		397,489	202,531
		16,063,771	15,979,204
Current assets			
Inventories	8	6,702,677	6,371,858
Trade and notes receivables	9(a)	8,147,695	7,940,378
Derivative financial assets		69,568	37,460
Deposits, prepayments and other receivables	10	3,782,366	3,945,153
Income tax recoverable		359,491	324,756
Bank deposits		65,555	71,163
Cash and cash equivalents		3,559,831	4,250,085
		22,687,183	22,940,853
Total assets		38,750,954	38,920,057

CONSOLIDATED BALANCE SHEET (CONTINUED)

	<i>Note</i>	2024 <i>US\$ '000</i>	2023 <i>US\$ '000</i>
Share capital	<i>14</i>	3,500,987	3,282,318
Reserves		2,081,606	2,305,272
Equity attributable to owners of the Company		5,582,593	5,587,590
Other non-controlling interests		1,045,947	1,006,784
Put option written on non-controlling interests	<i>11(a), 12(b)</i>	(547,353)	(547,353)
Total equity		6,081,187	6,047,021
Non-current liabilities			
Borrowings	<i>13</i>	3,569,229	3,683,178
Warranty provision	<i>11(b)</i>	161,261	196,037
Deferred revenue		1,436,484	1,389,427
Retirement benefit obligations		241,402	257,244
Deferred income tax liabilities		447,523	431,688
Other non-current liabilities	<i>12</i>	754,705	822,105
		6,610,604	6,779,679
Current liabilities			
Trade and notes payables	<i>9(b)</i>	10,505,427	9,772,934
Derivative financial liabilities		42,555	62,499
Other payables and accruals	<i>11(a)</i>	12,751,775	12,932,781
Provisions	<i>11(b)</i>	920,950	1,021,041
Deferred revenue		1,512,645	1,581,952
Income tax payable		275,380	450,534
Borrowings	<i>13</i>	50,431	271,616
		26,059,163	26,093,357
Total liabilities		32,669,767	32,873,036
Total equity and liabilities		38,750,954	38,920,057

CONSOLIDATED CASH FLOW STATEMENT

		2024	2023
	<i>Note</i>	<i>US\$ '000</i>	<i>US\$ '000</i>
Cash flows from operating activities			
Net cash generated from operations	15(a)	3,368,939	3,934,656
Interest paid		(744,049)	(605,144)
Tax paid		(613,899)	(528,110)
Net cash generated from operating activities		2,010,991	2,801,402
Cash flows from investing activities			
Purchase of property, plant and equipment		(275,096)	(428,366)
Sale of property, plant and equipment		28,010	32,677
Sale of construction-in-progress		-	2,814
Acquisition of businesses, net of cash acquired	15(c)	(135,059)	(403,820)
Interest acquired in associates and a joint venture		(12,378)	(103,057)
Loans to a related party		-	(11,052)
Loan to an associate and a joint venture		(6,738)	-
Repayment of loans to an associate and a joint venture		30,563	-
Payment for construction-in-progress		(454,681)	(688,696)
Payment for intangible assets		(556,120)	(461,084)
Purchase of financial assets at fair value through profit or loss		(179,192)	(225,982)
Purchase of financial assets at fair value through other comprehensive income		-	(7,000)
Net proceeds from sale of financial assets at fair value through profit or loss		124,314	226,539
Net proceeds from sale of financial assets at fair value through other comprehensive income		-	3,148
Net proceeds from disposal of interest in an associate		313	-
Decrease in bank deposits		5,608	21,351
Dividends received		2,933	2,782
Interest received		144,073	124,726
Net cash used in investing activities		(1,283,450)	(1,915,020)
Cash flows from financing activities			
Capital contribution from other non-controlling interests	15(b)	112,646	25,053
Distribution to other non-controlling interests		(8,868)	(6,906)
Contribution to employee share trusts		(469,955)	(204,258)
Acquisition of additional interest in a subsidiary		(76,722)	-
Principal elements of lease payments		(134,545)	(168,638)
Dividends paid		(583,273)	(578,795)
Dividends paid to convertible preferred shares holders		-	(1,881)
Dividends paid to other non-controlling interests		(36,995)	(32,460)
Repurchase of convertible preferred shares		-	(46,443)
Proceeds from issue of convertible bonds		-	675,000
Repurchase of convertible bonds		-	(545,317)
Issuing cost of convertible bonds		-	(11,000)
Proceeds from loans		11,792,697	10,980,383
Repayments of loans		(11,799,007)	(10,979,864)
Proceeds from issue of notes		-	1,250,000
Repurchase and repayments of notes		(132,083)	(755,815)
Issuing cost of notes		-	(11,726)
Cash settlement of shares vested under long-term incentive program		-	(1,109)
Net cash used in financing activities		(1,336,105)	(413,776)
(Decrease)/increase in cash and cash equivalents		(608,564)	472,606
Effect of foreign exchange rate changes		(81,690)	(152,808)
Cash and cash equivalents at the beginning of the year		4,250,085	3,930,287
Cash and cash equivalents at the end of the year		3,559,831	4,250,085

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holders of the Company										
	Share capital US\$'000	Investment revaluation reserve US\$'000	Employee share trusts US\$'000	Share-based compensation reserve US\$'000	Hedging reserve US\$'000	Exchange reserve US\$'000	Other reserves US\$'000	Retained earnings US\$'000	Other non- controlling interests US\$'000	Put option written on non- controlling interests US\$'000	Total US\$'000
At April 1, 2023	3,282,318	(60,860)	(153,385)	(344,218)	(9,154)	(2,096,441)	163,411	4,805,919	1,006,784	(547,353)	6,047,021
Profit for the year	-	-	-	-	-	-	1,010,506	91,806	-	-	1,102,312
Other comprehensive (loss)/income	-	(7,802)	-	-	51,297	(329,154)	-	(6,674)	(37,695)	-	(330,028)
Total comprehensive (loss)/income for the year	-	(7,802)	-	-	51,297	(329,154)	-	1,003,832	54,111	-	772,284
Transfer to statutory reserve	-	-	-	-	-	-	19,370	(19,370)	-	-	-
Acquisition of subsidiaries	-	-	-	-	-	-	-	-	(3,462)	-	(3,462)
Vesting of shares under long-term incentive program	-	-	415,853	(579,749)	-	-	-	-	-	-	(163,896)
Deferred tax in relation to long-term incentive program	-	-	-	(6,487)	-	-	-	-	-	-	(6,487)
Settlement of bonus through long-term incentive program	-	-	-	2,445	-	-	-	-	-	-	2,445
Share-based compensation	-	-	-	277,574	-	-	-	-	-	-	277,574
Contribution to employee share trusts	-	-	(469,955)	-	-	-	-	-	-	-	(469,955)
Dividends paid	-	-	-	-	-	-	-	(583,273)	-	-	(583,273)
Dividends paid to other non-controlling interests	-	-	-	-	-	-	-	-	(36,995)	-	(36,995)
Capital contribution from other non-controlling interests	-	-	-	-	-	-	6,844	-	106,008	-	112,852
Distribution to other non-controlling interests	-	-	-	-	-	-	-	-	(8,868)	-	(8,868)
Change of ownership of subsidiaries without loss of control	-	-	-	-	-	-	(5,091)	-	(71,631)	-	(76,722)
Conversion of convertible bonds	218,669	-	-	-	-	-	-	-	-	-	218,669
At March 31, 2024	3,500,987	(68,662)	(207,487)	(650,435)	42,143	(2,425,595)	184,534	5,207,108	1,045,947	(547,353)	6,081,187
At April 1, 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
Profit for the year	-	-	-	-	-	-	1,607,722	73,109	-	-	1,680,831
Other comprehensive income/(loss)	-	650	-	-	(57,387)	(590,162)	-	58,524	(24,105)	-	(612,480)
Total comprehensive income/(loss) for the year	-	650	-	-	(57,387)	(590,162)	-	1,666,246	49,004	-	1,068,351
Transfer to statutory reserve	-	-	-	-	-	-	28,544	(28,544)	-	-	-
Acquisition of subsidiaries	64,594	-	-	-	-	-	-	-	28,004	-	92,598
Acquisition of an associate	13,811	-	-	-	-	-	-	-	-	-	13,811
Transfer of investment revaluation reserve upon disposal of financial assets at fair value through other comprehensive income to retained earnings	-	5,666	-	-	-	-	-	(5,666)	-	-	-
Vesting of shares under long-term incentive program	-	-	383,328	(500,833)	-	-	-	-	-	-	(117,505)
Cash settlement of shares vested under long-term incentive program	-	-	-	(1,109)	-	-	-	-	-	-	(1,109)
Deferred tax in relation to long-term incentive program	-	-	-	(5,237)	-	-	-	-	-	-	(5,237)
Settlement of bonus through long-term incentive program	-	-	-	23,395	-	-	-	-	-	-	23,395
Share-based compensation	-	-	-	336,128	-	-	-	-	-	-	336,128
Contribution to employee share trusts	-	-	(204,258)	-	-	-	-	-	-	-	(204,258)
Dividends paid	-	-	-	-	-	-	-	(578,795)	-	-	(578,795)
Dividends paid to other non-controlling interests	-	-	-	-	-	-	-	-	(32,460)	-	(32,460)
Capital contribution from other non-controlling interests	-	-	-	-	-	-	-	-	28,728	-	28,728
Distribution to other non-controlling interests	-	-	-	-	-	-	-	-	(6,906)	-	(6,906)
Issue of convertible bonds	-	-	-	-	-	-	138,243	-	-	-	138,243
Repurchase of convertible bonds	-	-	-	-	-	-	(52,135)	(50,529)	-	-	(102,664)
Change of ownership of subsidiaries without loss of control	-	-	-	-	-	-	11,001	-	(11,001)	-	-
At March 31, 2023	3,282,318	(60,860)	(153,385)	(344,218)	(9,154)	(2,096,441)	163,411	4,805,919	1,006,784	(547,353)	6,047,021

1 General information and basis of preparation

The financial information relating to the years ended March 31, 2024 and 2023 included in the FY2023/24 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, 2023 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, 2024 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 Group has adopted the following new and amended standards that are mandatory for the year ended March 31, 2024 which the Group considers are appropriate and relevant to its operations:

- HKFRS 17, Insurance contracts
- Amendments to HKAS 1 and HKFRS Practice Statement 2, Disclosure of accounting policies
- Amendments to HKAS 8, Definition of accounting estimates
- Amendments to HKAS 12, Deferred tax related to assets and liabilities arising from a single transaction
- Amendments to HKAS 12, International tax reform – pillar two model rules

Except for the Amendments to HKAS 12, Deferred tax related to assets and liabilities arising from a single transaction, none of the developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented.

The Group has initially applied the Amendments to HKAS 12, Deferred tax related to assets and liabilities arising from a single transaction, from April 1, 2023. The amendments narrow the scope of the initial recognition exemption to exclude transactions that give rise to equal and offsetting temporary differences – e.g. lease liabilities. For lease liabilities and provisions for decommissioning and restoration, an entity is required to recognize the associated deferred tax assets and liabilities from the beginning of the earliest comparative period presented, with any cumulative effect recognized as an adjustment to retained earnings or other components of equity at that date. For all other transactions, an entity applies the amendments to transactions that occur after the beginning of the earliest period presented.

The Group previously accounted for deferred income tax on leases that results in a similar outcome to the amendments, except that the deferred income tax asset or liability was recognized on a net basis. Following the amendments, the Group has recognized a separate deferred income tax asset in relation to its lease liability and a deferred income tax liability in relation to its right-of-use asset. However, there is no impact on the consolidated balance sheet at April 1, 2022 and March 31, 2023 because the balances qualify for offset under paragraph 74 of HKAS 12. There was also no impact on the opening retained earnings at April 1, 2022 and 2023, consolidated income statement and basic and diluted earnings per share for the years ended March 31, 2022 and 2023. The key impact for the Group relates to disclosure of the deferred income tax assets and liabilities recognized includes restatement of opening balance and movement whereas the key impact to deferred income tax liabilities is the same as deferred income tax assets in an opposite direction. The impact on the Group's deferred income tax assets at April 1, 2022 and 2023 are as follows:

	<i>US\$'000</i>
Deferred income tax assets at March 31, 2022	2,531,331
Reclassify deferred income tax impact of lease liabilities from deferred income tax liabilities	70,336
Deferred income tax assets at April 1, 2022	<u>2,601,667</u>
	<i>US\$'000</i>
Deferred income tax assets at March 31, 2023	2,481,894
Reclassify deferred income tax impact of lease liabilities from deferred income tax liabilities	55,473
Deferred income tax assets at April 1, 2023	<u>2,537,367</u>

The impact to exchange adjustment and charge to consolidated income statement of deferred income tax assets for the year ended March 31, 2023 are reclassification of US\$287,000 exchange loss and US\$14,576,000 respectively from deferred income tax liabilities.

The change in accounting policy will also be reflected in the Group's consolidated financial statements at and for the year ended March 31, 2024.

Interpretation and amendments to existing standards not yet effective

The following interpretation and amendments to existing standards, which are considered appropriate and relevant to the Group's operations, have been issued but are not effective for the year ended March 31, 2024 and have not been early adopted:

	Effective for annual periods beginning on or after
Hong Kong Interpretation 5 (Revised), Presentation of financial statements – Classification by the borrower of a term loan that contains a repayment on demand clause	January 1, 2024
Amendments to HKAS 1, Classification of liabilities as current or non-current	January 1, 2024
Amendments to HKAS 1, Non-current liabilities with covenants	January 1, 2024
Amendments to HKFRS 16, Lease liability in a sale and leaseback	January 1, 2024
Amendments to HKAS 7 and HKFRS 7, Supplier finance arrangements	January 1, 2024
Amendments to HKAS 21, Lack of exchangeability	January 1, 2025
Amendments to HKFRS 10 and HKAS 28, Sale or contribution of assets between an investor and its associate or joint venture	Date to be determined

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

2 Segment information

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

	2024		2023	
	Revenue <i>US\$'000</i>	Operating profit/(loss) <i>US\$'000</i>	Revenue <i>US\$'000</i>	Operating profit <i>US\$'000</i>
IDG	44,599,450	3,180,761	49,371,447	3,598,415
ISG	8,921,929	(248,260)	9,755,596	98,084
SSG	7,472,310	1,545,465	6,663,397	1,391,752
Total	60,993,689	4,477,966	65,790,440	5,088,251
Eliminations	(4,129,905)	(1,314,362)	(3,843,586)	(1,208,064)
	56,863,784	3,163,604	61,946,854	3,880,187
Unallocated:				
Headquarters and corporate income/(expenses) – net		(1,339,370)		(1,087,716)
Restructuring costs		(46,000)		(208,546)
Depreciation and amortization		(449,551)		(548,852)
Impairment and write-off of property, plant and equipment		(10,474)		-
Impairment and write-off of intangible assets		(24,723)		-
Finance income		132,183		100,214
Finance costs		(323,141)		(154,532)
Share of losses of associates and joint ventures		(27,822)		(20,888)
Gain/(loss) on disposal of property, plant and equipment		550		(721)
Fair value gain on financial assets at fair value through profit or loss		150,681		174,077
Fair value loss on a financial liability at fair value through profit or loss		-		(3,209)
Gain on remeasurement of a written put option liability		143,430		-
Dilution gain on interest in associates		-		2,146
Gain on disposal of interest in an associate		-		1,190
Impairment of interest in an associate		(6,690)		-
Dividend income		2,777		2,637
Consolidated profit before taxation		1,365,454		2,135,987

(b) Analysis of revenue by geography

	2024 <i>US\$'000</i>	2023 <i>US\$'000</i>
China	12,578,275	14,859,248
Asia Pacific (“AP”)	10,028,732	10,555,485
Europe-Middle East-Africa (“EMEA”)	14,640,785	15,302,377
Americas (“AG”)	19,615,992	21,229,744
	56,863,784	61,946,854

(c) Analysis of revenue by timing of revenue recognition

	2024 <i>US\$'000</i>	2023 <i>US\$'000</i>
Point in time	53,875,334	59,404,593
Over time	2,988,450	2,542,261
	56,863,784	61,946,854

(d) Other segment information

	IDG		ISG		SSG		Total	
	2024 <i>US\$'000</i>	2023 <i>US\$'000</i>	2024 <i>US\$'000</i>	2023 <i>US\$'000</i>	2024 <i>US\$'000</i>	2023 <i>US\$'000</i>	2024 <i>US\$'000</i>	2023 <i>US\$'000</i>
For the year ended March 31								
Depreciation and amortization	737,499	627,458	206,034	160,104	20,069	16,265	963,602	803,827
Finance income	12,184	34,884	2,814	5,495	953	1,074	15,951	41,453
Finance costs	293,499	349,195	144,083	152,363	2,082	1,614	439,664	503,172

- (e) The directors have reviewed the latest development of IDG that was formed during the year ended March 31, 2019. IDG is considered a global operation comprising PCSD business unit and MBG which oversees the world’s widest portfolio of PCs, tablets, smartphones, monitors, and smart home/collaboration solutions. The directors have re-assessed the composition of group of cash generating units (“CGU”) to which goodwill is monitored having considered the latest development of the organization structure and concluded the goodwill of MBG and PCSD were reallocated to IDG, a business group that has been known and well received by the industry, with effect from April 1, 2023, according to their respective geographical locations, namely China, AP, EMEA, and AG, as group of CGU using a relative value approach in accordance with HKAS 36 “Impairment of assets”. The information at March 31, 2023 has also been re-presented to reflect this new grouping of CGU.

The directors review goodwill and trademarks and trade names with indefinite useful lives with an aggregate amount of US\$6,169 million (2023: US\$6,264 million). The carrying amounts of goodwill and trademarks and trade names with indefinite useful lives are presented below:

At March 31, 2024

	China <i>US\$ million</i>	AP <i>US\$ million</i>	EMEA <i>US\$ million</i>	AG <i>US\$ million</i>	Total <i>US\$ million</i>
Goodwill					
- IDG (Note a)	911	488	287	1,611	3,297
- ISG	472	132	59	341	1,004
- SSG (Note b)	N/A	N/A	N/A	N/A	603
Trademarks and trade names with indefinite useful lives					
- IDG	182	54	121	480	837
- ISG	162	54	31	123	370
- SSG (Note b)	N/A	N/A	N/A	N/A	58

At March 31, 2023

	China <i>US\$ million</i>	AP <i>US\$ million</i>	EMEA <i>US\$ million</i>	AG <i>US\$ million</i>	Total <i>US\$ million</i>
Goodwill					
- IDG	940	531	288	1,607	3,366
- ISG	488	141	63	341	1,033
- SSG (Note b)	N/A	N/A	N/A	N/A	598
Trademarks and trade names with indefinite useful lives					
- IDG	182	54	121	480	837
- ISG	162	54	31	123	370
- SSG (Note b)	N/A	N/A	N/A	N/A	60

Notes:

- (a) At March 31, 2024, the balance comprises goodwill of US\$18 million arising from the business combinations during the year. The Group has not finalized the fair value assessment of such balance.
- (b) SSG is monitored as a whole and there is no allocation to geography or market.

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 at March 31, 2024 (2023: nil).

3 Operating profit

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

	2024 US\$'000	2023 US\$'000
Depreciation of property, plant and equipment	428,472	377,418
Depreciation of right-of-use assets	151,899	151,326
Amortization of intangible assets	832,782	823,935
Impairment and write-off of property, plant and equipment	10,474	-
Impairment and write-off of intangible assets	29,745	895
Employee benefit costs, including	5,571,043	5,314,866
– long-term incentive awards	277,574	336,128
– severance and related costs	54,991	208,546
Rental expenses	11,641	22,026
Loss on disposal of property, plant and equipment	3,479	6,195
Loss on disposal of intangible assets	25	442
Loss on disposal of construction-in-progress	13,827	1,138
Fair value gain on financial assets at fair value through profit or loss	(153,113)	(203,395)
Fair value loss on a financial liability at fair value through profit or loss	-	3,209
Gain on remeasurement of a written put option liability	(143,430)	-
Dilution gain on interest in associates	-	(2,146)
Gain on disposal of interest in associates	(12)	(1,293)
Impairment of interest in an associate	6,690	-
	148,134	141,667

4 Finance income and costs

(a) Finance income

	2024 US\$'000	2023 US\$'000
Interest on bank deposits	112,274	106,808
Net gain on repayment of notes	4,061	16,941
Interest on money market funds	22,410	14,081
Interest income on finance lease	9,389	3,837
	148,134	141,667

(b) Finance costs

	2024 US\$'000	2023 US\$'000
Interest on bank loans and overdrafts	49,263	59,937
Interest on convertible bonds	42,914	53,332
Interest on notes	165,957	175,749
Interest on lease liabilities	14,627	15,221
Factoring costs	484,802	338,184
Interest on written put option liabilities	2,442	11,873
Others	2,800	3,408
	762,805	657,704

5 Taxation

The amount of taxation in the consolidated income statement represents:

	2024 <i>US\$'000</i>	2023 <i>US\$'000</i>
Current tax		
Profits tax in Hong Kong S.A.R. of China	61,752	18,748
Taxation outside Hong Kong S.A.R. of China	391,787	430,677
Deferred tax		
(Credit)/charge for the year	(190,397)	5,731
	<u>263,142</u>	<u>455,156</u>

Profits tax in Hong Kong S.A.R. of China has been provided for at the rate of 16.5% (2023: 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.

	2024	2023
Weighted average number of ordinary shares in issue	12,214,994,626	12,096,401,779
Adjustment for shares held by employee share trusts	(192,498,286)	(187,514,384)
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	<u>12,022,496,340</u>	<u>11,908,887,395</u>
	2024 <i>US\$'000</i>	2023 <i>US\$'000</i>
Profit attributable to equity holders of the Company used in calculating basic earnings per share	<u>1,010,506</u>	<u>1,607,722</u>

(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 three (2023: four) categories of potential ordinary shares, namely long-term incentive awards, put option written on non-controlling interests and convertible bonds (2023: long-term incentive awards, put option written on non-controlling interests, convertible bonds and convertible preferred shares). Long-term incentive awards and convertible bonds were dilutive for the year ended March 31, 2024 and 2023. Put option written on non-controlling interests were anti-dilutive for the year ended March 31, 2024 and 2023. Convertible preferred shares were anti-dilutive for the year ended March 31, 2023.

	2024	2023
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	12,022,496,340	11,908,887,395
Adjustment for long-term incentive awards	232,535,133	268,482,763
Adjustment for convertible bonds	739,193,667	792,407,938
	<hr/>	<hr/>
Weighted average number of ordinary shares used as the denominator in calculating diluted earnings per share	12,994,225,140	12,969,778,096
	<hr/>	<hr/>
	2024	2023
	<i>US\$'000</i>	<i>US\$'000</i>
Profit attributable to equity holders of the Company used in calculating basic earnings per share	1,010,506	1,607,722
Adjustment for interest on convertible bonds, net of tax	35,833	44,532
	<hr/>	<hr/>
Profit attributable to equity holders of the Company used in calculating diluted earnings per share	1,046,339	1,652,254
	<hr/>	<hr/>

7 Dividends

	2024	2023
	<i>US\$'000</i>	<i>US\$'000</i>
Interim dividend of HK8 cents (2023: HK8 cents) per ordinary share, paid on December 13, 2023	124,319	123,602
Proposed final dividend – HK30 cents (2023: HK30 cents) per ordinary share	476,821	464,395
	<hr/>	<hr/>
	601,140	587,997
	<hr/>	<hr/>

8 Inventories

	2024	2023
	<i>US\$'000</i>	<i>US\$'000</i>
Raw materials and work-in-progress	3,857,581	3,571,910
Finished goods	2,265,554	2,295,352
Service parts	579,542	504,596
	<hr/>	<hr/>
	6,702,677	6,371,858
	<hr/>	<hr/>

9 Trade and notes receivables and trade and notes payables

(a) Details of trade and notes receivables are as follows:

	2024 <i>US\$'000</i>	2023 <i>US\$'000</i>
Trade receivables	8,130,697	7,901,228
Notes receivable	16,998	39,150
	<u>8,147,695</u>	<u>7,940,378</u>

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:

	2024 <i>US\$'000</i>	2023 <i>US\$'000</i>
0 – 30 days	6,185,814	5,579,089
31 – 60 days	1,080,594	1,132,623
61 – 90 days	235,405	254,426
Over 90 days	761,651	1,039,913
	<u>8,263,464</u>	<u>8,006,051</u>
Less: loss allowance	(132,767)	(104,823)
Trade receivables – net	<u>8,130,697</u>	<u>7,901,228</u>

At March 31, 2024, trade receivables, net of loss allowance, of US\$915,714,000 (2023: US\$888,758,000) were past due. The ageing of these receivables, based on due date, is as follows:

	2024 <i>US\$'000</i>	2023 <i>US\$'000</i>
Within 30 days	486,984	421,876
31 – 60 days	178,430	185,604
61 – 90 days	61,662	98,447
Over 90 days	188,638	182,831
	<u>915,714</u>	<u>888,758</u>

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

	2024 <i>US\$'000</i>	2023 <i>US\$'000</i>
At the beginning of the year	104,823	106,620
Exchange adjustment	(3,171)	(4,470)
Increase in loss allowance recognized in profit or loss	105,644	122,832
Uncollectible receivables written off	(35,489)	(18,933)
Unused amounts reversed in profit or loss	(39,040)	(101,226)
	<u>132,767</u>	<u>104,823</u>

Notes receivable of the Group are bank accepted notes mainly with maturity dates within six months.

(b) Details of trade and notes payables are as follows:

	2024 <i>US\$'000</i>	2023 <i>US\$'000</i>
Trade payables	8,473,990	7,027,842
Notes payable	2,031,437	2,745,092
	<u>10,505,427</u>	<u>9,772,934</u>

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

	2024 <i>US\$'000</i>	2023 <i>US\$'000</i>
0 – 30 days	5,201,965	4,540,194
31 – 60 days	2,002,588	1,481,684
61 – 90 days	643,980	439,351
Over 90 days	625,457	566,613
	<u>8,473,990</u>	<u>7,027,842</u>

Notes payable of the Group are mainly repayable within three months.

10 Deposits, prepayments and other receivables

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

	2024 <i>US\$'000</i>	2023 <i>US\$'000</i>
Deposits	52,852	187,096
Other receivables	2,429,511	1,971,020
Prepayments	1,300,003	1,787,037
	<u>3,782,366</u>	<u>3,945,153</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:

	2024 <i>US\$'000</i>	2023 <i>US\$'000</i>
Accruals	3,327,359	3,563,634
Allowance for billing adjustments (i)	2,277,947	2,524,891
Written put option liability (ii)	253,482	450,030
Other payables (iii)	6,791,407	6,270,507
Lease liabilities	101,580	123,719
	<u>12,751,775</u>	<u>12,932,781</u>

Notes:

- (i) Allowance for billing adjustments relates primarily to allowances for future volume discounts, price protection, rebates, and customer sales returns.
- (ii) Pursuant to the joint venture agreement entered into between the Company and 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 subsidiaries (together “FCCL”). Both options are exercisable at March 31, 2024. 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.

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 (Note 3). In the event that the put option lapses unexercised, the liability will be derecognized with a corresponding adjustment to equity.

- (iii) Majority of other payables are obligations to pay for finished goods and services that have been acquired in the ordinary course of business from subcontractors.
- (iv) The carrying amounts of other payables and accruals approximate their fair values.
- (b) The components of provisions are as follows:

	Warranty <i>US\$'000</i>	Environmental restoration <i>US\$'000</i>	Restructuring <i>US\$'000</i>	Total <i>US\$'000</i>
Year ended March 31, 2023				
At the beginning of the year	1,218,898	30,787	-	1,249,685
Exchange adjustment	(26,413)	(2,333)	-	(28,746)
Provisions made	691,126	19,736	208,546	919,408
Amounts utilized	(831,772)	(22,106)	(45,969)	(899,847)
	<u>1,051,839</u>	<u>26,084</u>	<u>162,577</u>	<u>1,240,500</u>
Long-term portion classified as non-current liabilities	(196,037)	(23,422)	-	(219,459)
At the end of the year	<u>855,802</u>	<u>2,662</u>	<u>162,577</u>	<u>1,021,041</u>
Year ended March 31, 2024				
At the beginning of the year	1,051,839	26,084	162,577	1,240,500
Exchange adjustment	(25,797)	(2,703)	(521)	(29,021)
Provisions made	660,534	18,051	54,991	733,576
Amounts utilized	(716,985)	(16,096)	(108,108)	(841,189)
	<u>969,591</u>	<u>25,336</u>	<u>108,939</u>	<u>1,103,866</u>
Long-term portion classified as non-current liabilities	(161,261)	(21,655)	-	(182,916)
At the end of the year	<u>808,330</u>	<u>3,681</u>	<u>108,939</u>	<u>920,950</u>

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

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

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

12 Other non-current liabilities

Details of other non-current liabilities are as follows:

	2024 <i>US\$'000</i>	2023 <i>US\$'000</i>
Deferred consideration (a)	25,072	25,072
Written put option liability (b)	44,251	44,249
Lease liabilities	240,449	280,837
Environmental restoration (Note 11(b))	21,655	23,422
Government incentives and grants received in advance (c)	101,095	94,621
Others	322,183	353,904
	<u>754,705</u>	<u>822,105</u>

Notes:

- (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. At March 31, 2024, 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 (2023: US\$25 million).
- (b) 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 entered into on January 11, 2022 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 RMB500 million (approximately US\$69 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

	2024 <i>US\$'000</i>	2023 <i>US\$'000</i>
Current liabilities		
Short-term loans (a)	50,431	57,032
Convertible bonds (c)	-	214,584
	50,431	271,616
Non-current liabilities		
Notes (b)	3,012,637	3,146,148
Convertible bonds (c)	556,592	537,030
	3,569,229	3,683,178
	3,619,660	3,954,794

Notes:

- (a) Majority of the short-term loans are denominated in United States dollars. At March 31, 2024, the Group has total revolving and short-term loan facilities of US\$5,426 million (2023: US\$4,338 million) which has been utilized to the extent of US\$41 million (2023: US\$54 million).
- (b) Details of the outstanding notes are as follows:

Issue date	Outstanding principal amount	Term	Interest rate per annum	Due date	2024 <i>US\$'000</i>	2023 <i>US\$'000</i>
April 24, 2020 and May 12, 2020	US\$965 million	5 years	5.875%	April 2025	964,798	999,593
November 2, 2020	US\$900 million	10 years	3.421%	November 2030	894,145	922,035
July 27, 2022	US\$600 million	5.5 years	5.831%	January 2028	595,587	619,856
July 27, 2022	US\$563 million	10 years	6.536%	July 2032	558,107	604,664
					3,012,637	3,146,148

During the year, approximately US\$35 million (2023: nil) in principal amount of the 2025 Notes, approximately US\$29 million (2023: US\$71 million) in principal amount of the 2030 Notes, approximately US\$25 million (2023: nil) in principal amount of the 2028 Notes, approximately US\$47 million (2023: US\$15 million) in principal amount of the 2032 Notes were purchased by the Company. At March 31, 2024, approximately US\$965 million (2023: US\$1 billion) in principal amount of the 2025 Notes, approximately US\$900 million (2023: US\$929 million) in principal amount of the 2030 Notes, approximately US\$600 million (2023: US\$625 million) in principal amount of the 2028 Notes and approximately US\$563 million (2023: US\$610 million) in principal amount of the 2032 Notes remained outstanding.

(c) Details of the outstanding convertible bonds are as follows:

Issue date	Outstanding principal amount	Term	Interest rate per annum	Due date	2024 US\$'000	2023 US\$'000
January 24, 2019 (i)	-	5 years	3.375%	January 2024	-	214,584
August 26, 2022 (ii)	US\$675 million	7 years	2.5%	August 2029	556,592	537,030
					556,592	751,614

(i) 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 2024 Convertible 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 2024 Convertible 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\$6.19 per share effective on December 1, 2023.

The outstanding principal amount of the 2024 Convertible Bonds is repayable by the Company upon maturity 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 2024 Convertible Bonds and US\$0.5 million in principal amount were redeemed of even date. On August 29, 2022, approximately US\$455 million in principal amount of the 2024 Convertible Bonds were purchased by the Company. During the year, the remaining US\$219.5 million in principal amount of the 2024 Convertible Bonds were converted at the adjusted conversion price ranging from HK\$7.79 to HK\$7.82 per share. The entire 2024 Convertible Bonds were fully converted and cancelled (2023: US\$219.5 million in principal amount remained outstanding).

(ii) On August 26, 2022, the Company completed the issuance of 7-Year US\$675 million convertible bonds bearing annual interest at 2.5% due in August 2029 (“the 2029 Convertible Bonds”) to the bondholders. The proceeds were used to repay previous convertible bonds 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 2029 Convertible Bonds into ordinary shares of the Company at a conversion price of HK\$9.94 per share, subject to adjustments. The conversion price was adjusted to HK\$9.42 per share effective on July 29, 2023. Assuming full conversion of the 2029 Convertible Bonds at the conversion price of HK\$9.42 per share, the 2029 Convertible Bonds will be convertible into 561,675,955 shares.

The outstanding principal amount of the 2029 Convertible Bonds is repayable by the Company upon the maturity of the 2029 Convertible Bonds on August 26, 2029 if not previously redeemed, converted or purchased and cancelled. On August 26, 2026, the bondholders will have the right, at the bondholders' option, to require the Company to redeem part or all of the 2029 Convertible Bonds at their principal amount.

At any time after September 9, 2026 and prior to August 26, 2029, the Company will have the right to redeem in whole, but not in part, the 2029 Convertible Bonds for the time being outstanding at their principal amount upon occurrence of certain specified conditions.

The initial fair value of the liability portion of the convertible bonds 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 was allocated to the conversion option and recognized in shareholders' equity, net of income tax, and not subsequently remeasured.

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 2029 Convertible Bonds not exercised on maturity.

The exposure of all the borrowings of the Group to interest rate changes and the contractual repricing dates at March 31, 2024 and 2023 are as follows:

	2024 <i>US\$'000</i>	2023 <i>US\$'000</i>
Within 1 year	50,431	271,616
Over 1 to 2 years	964,798	-
Over 2 to 5 years	595,587	1,619,449
Over 5 years	2,008,844	2,063,729
	<u>3,619,660</u>	<u>3,954,794</u>

14 Share capital

	2024		2023	
	<i>Number of shares</i>	<i>US\$'000</i>	<i>Number of shares</i>	<i>US\$'000</i>
<i>Issued and fully paid:</i>				
Voting ordinary shares:				
At the beginning of the year	12,128,130,291	3,282,318	12,041,705,614	3,203,913
Issue of ordinary shares for acquisition of subsidiaries and an associate	-	-	86,424,677	78,405
Conversion of convertible bonds	276,529,011	218,669	-	-
At the end of the year	<u>12,404,659,302</u>	<u>3,500,987</u>	<u>12,128,130,291</u>	<u>3,282,318</u>

15 Note to the consolidated cash flow statement

(a) Reconciliation of profit before taxation to net cash generated from operations

	2024 US\$'000	2023 US\$'000
Profit before taxation	1,365,454	2,135,987
Share of losses of associates and joint ventures	25,659	16,799
Finance income	(148,134)	(141,667)
Finance costs	762,805	657,704
Depreciation of property, plant and equipment	428,472	377,418
Depreciation of right-of-use assets	151,899	151,326
Amortization of intangible assets	832,782	823,935
Impairment and write-off of property, plant and equipment	10,474	-
Impairment and write-off of intangible assets	29,745	895
Impairment of interest in an associate	6,690	-
Share-based compensation	277,574	336,128
Loss on disposal of property, plant and equipment	3,479	6,195
Loss on disposal of intangible assets	25	442
Loss on disposal of construction-in-progress	13,827	1,138
Gain on disposal of interest in associates	(12)	(1,293)
Dilution gain on interest in associates	-	(2,146)
Fair value change on financial instruments	(755)	(46,216)
Fair value change on financial assets at fair value through profit or loss	(153,113)	(203,395)
Fair value change on a financial liability at fair value through profit or loss	-	3,209
Gain on remeasurement of a written put option liability	(143,430)	-
Dividend income	(2,933)	(2,782)
(Increase)/decrease in inventories	(360,686)	1,876,067
(Increase)/decrease in trade and notes receivables, deposits, prepayments and other receivables	(190,928)	4,719,419
Increase/(decrease) in trade and notes payables, provisions, other payables and accruals	401,076	(6,823,593)
Effect of foreign exchange rate changes	58,969	49,086
	<u>3,368,939</u>	<u>3,934,656</u>

(b) Reconciliation of financing liabilities

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

	2024 US\$'000	2023 US\$'000
Financing liabilities		
Short-term loans – current	50,431	57,032
Notes – non-current	3,012,637	3,146,148
Convertible bonds – current	-	214,584
Convertible bonds – non-current	556,592	537,030
Lease liabilities – current	101,580	123,719
Lease liabilities – non-current	240,449	280,837
	<u>3,961,689</u>	<u>4,359,350</u>
Short-term loans – variable interest rates	43,423	55,985
Short-term loans – fixed interest rates	7,008	1,047
Notes – fixed interest rates	3,012,637	3,146,148
Convertible bonds – fixed interest rates	556,592	751,614
Lease liabilities – fixed interest rates	342,029	404,556
	<u>3,961,689</u>	<u>4,359,350</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	Lease liabilities current US\$'000	Lease liabilities non- current US\$'000	Total US\$'000
Financing liabilities at										
April 1, 2022	57,427	1,045	685,380	1,990,888	-	641,415	45,115	145,095	262,902	3,829,267
Proceeds from borrowings	10,980,383	-	-	1,250,000	-	675,000	-	-	-	12,905,383
Repayments/repurchase of borrowings	(10,979,864)	-	(686,779)	(69,036)	-	(545,317)	(46,443)	-	-	(12,327,439)
Reclassification	1,045	(1,045)	-	-	214,584	(214,584)	-	92,328	(92,328)	-
Issuing cost of borrowings	-	-	-	(11,726)	-	(11,000)	-	-	-	(22,726)
Principal elements of lease payments	-	-	-	-	-	-	-	(168,638)	-	(168,638)
Dividends paid	-	-	-	-	-	-	(1,881)	-	-	(1,881)
Foreign exchange adjustments	(1,959)	-	-	-	-	-	-	(2,045)	(3,568)	(7,572)
Equity component for issue of convertible bonds	-	-	-	-	-	(138,243)	-	-	-	(138,243)
Equity component for repurchase of convertible bonds	-	-	-	-	-	102,664	-	-	-	102,664
Other non-cash movements	-	-	1,399	(13,978)	-	27,095	3,209	56,979	113,831	188,535
Financing liabilities at March 31, 2023	<u>57,032</u>	<u>-</u>	<u>-</u>	<u>3,146,148</u>	<u>214,584</u>	<u>537,030</u>	<u>-</u>	<u>123,719</u>	<u>280,837</u>	<u>4,359,350</u>
Financing liabilities at										
April 1, 2023	57,032	-	-	3,146,148	214,584	537,030	-	123,719	280,837	4,359,350
Proceeds from borrowings	11,792,697	-	-	-	-	-	-	-	-	11,792,697
Repayments/repurchase of borrowings	(11,799,007)	-	-	(132,083)	-	-	-	-	-	(11,931,090)
Conversion of convertible bonds	-	-	-	-	(218,669)	-	-	-	-	(218,669)
Reclassification	-	-	-	-	-	-	-	96,859	(96,859)	-
Principal elements of lease payments	-	-	-	-	-	-	-	(134,545)	-	(134,545)
Foreign exchange adjustments	(295)	-	-	-	-	-	-	(1,465)	(7,039)	(8,799)
Other non-cash movements	4	-	-	(1,428)	4,085	19,562	-	17,012	63,510	102,745
Financing liabilities at March 31, 2024	<u>50,431</u>	<u>-</u>	<u>-</u>	<u>3,012,637</u>	<u>-</u>	<u>556,592</u>	<u>-</u>	<u>101,580</u>	<u>240,449</u>	<u>3,961,689</u>

(c) Cash outflow to acquire businesses, net of cash acquired

	2024 US\$'000	2023 US\$'000
Cash consideration paid	151,870	423,135
Less: cash and cash equivalents acquired	(16,811)	(19,315)
Net cash outflow – investing activities	<u>135,059</u>	<u>403,820</u>

16 Significant business combinations

During the year, the Group completed the following key business combination activities:

- On July 7, 2023, the Group completed the acquisition of the entire interests in Lenovo Leasing Co., Ltd (“Lenovo Leasing”). Lenovo Leasing is principally engaged in leasing business on IT equipment in the Mainland of China. The consideration of the acquisition was approximately US\$124 million, which was satisfied by the Group in cash at completion.
- On September 29, 2023, the Group acquired certain assets and assumed certain liabilities from FCNT Limited (“FCNT business”) at a consideration of approximately US\$14 million, which was satisfied by the Group in cash at completion. The acquisition enables the Group to accelerate its growth in the smartphone business in Japan.

Set forth below is the preliminary calculation of goodwill arising from the business combinations:

	Lenovo Leasing US\$'000	FCNT business US\$'000	Total US\$'000
Purchase consideration	123,547	13,915	137,462
Less: fair value of net identifiable assets attributable to the interest acquired	(113,934)	(5,328)	(119,262)
Goodwill	9,613	8,587	18,200

The major components of assets and liabilities arising from the business combinations are as follows:

	Lenovo Leasing US\$'000	FCNT business US\$'000	Total US\$'000
Cash and cash equivalents	15,095	-	15,095
Property, plant and equipment	67,720	6,603	74,323
Right-of-use assets	-	1,440	1,440
Intangible assets	163	15,979	16,142
Deferred income tax assets less liabilities	(312)	(4,775)	(5,087)
Other non-current assets	52,357	1,212	53,569
Net working capital except cash and cash equivalents	(21,089)	(15,131)	(36,220)
Fair value of net identifiable assets acquired	113,934	5,328	119,262

For the year ended March 31, 2024, revenue contributed by Lenovo Leasing and FCNT business was US\$32 million and US\$23 million respectively. Lenovo Leasing contributed profit before taxation of US\$2 million and FCNT business incurred loss before taxation of US\$12 million to the Group during the year. If the acquisition of Lenovo Leasing had occurred on April 1, 2023, consolidated pro-forma revenue and profit before taxation of the Group for the year ended March 31, 2024 would have been increased from US\$56,864 million to US\$56,874 million and remained as US\$1,365 million respectively. No separate set of financial information was prepared for FCNT business before the acquisition. Accordingly, disclosure of consolidated pro-forma revenue and profit before taxation of the Group for the year ended March 31, 2024, if the acquisition of FCNT business had occurred on April 1, 2023, has not been made.

At March 31, 2024, the Group has not finalized the fair value assessments for net identifiable assets acquired (including intangible assets) from the business combinations. The relevant fair values of net identifiable assets stated above are on a provisional basis.

Acquisition-related costs of US\$2 million are included in administrative expenses in the consolidated income statement and in operating cash flows in the consolidated cash flow statement.

CONVERTIBLE BONDS

On January 24, 2019, the Company issued US\$675,000,000 3.375% convertible bonds due 2024 (the “2024 Convertible Bonds”) to professional investors. The 2024 Convertible Bonds was listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on January 25, 2019. During the year ended March 31, 2024, the Company issued a total number of 276,529,011 shares in respect of the 2024 Convertible Bonds in an aggregate principal amount of US\$219,500,000 to the relevant bondholders from which it received conversion notices. Such bonds, representing approximately 32.52% of the initial principal amount of the 2024 Convertible Bonds, had been converted at the adjusted conversion price at the time of the respective conversion and cancelled in accordance with the terms and conditions of the 2024 Convertible Bonds. The shares issued with respect to such conversions represent approximately 2.23% of the total shares in issue of the Company as at March 31, 2024. As at January 17, 2024, all the outstanding 2024 Convertible Bonds had been fully converted and cancelled. Accordingly, the 2024 Convertible Bonds had been delisted from the Stock Exchange upon maturity on January 24, 2024. Please refer to the announcements of the Company dated November 27, 2023, November 28, 2023, December 15, 2023, January 10, 2024 and January 17, 2024 in relation to the conversion and cancellation of the 2024 Convertible Bonds.

On August 26, 2022, the Company issued US\$675,000,000 2.50% convertible bonds due 2029 (the “2029 Convertible Bonds”), which are listed on the Stock Exchange, to professional investors. The 2029 Convertible Bonds, assuming full conversion at the adjusted conversion price of HK\$9.42 per share, will be convertible into 561,675,955 shares which, if and when issued, will be issued under general mandate. As at March 31, 2024, the total outstanding principal amount of the 2029 Convertible Bonds were US\$675,000,000.

Save for the above, there had not been any conversion of the 2029 Convertible Bonds and the 2024 Convertible Bonds, and no redemption right had been exercised by the Company in respect of the 2029 Convertible Bonds and the 2024 Convertible Bonds for the year ended March 31, 2024. Please refer to the relevant note to the consolidated financial statements and the Company’s 2023/24 Annual Report to be published for further details of the 2029 Convertible Bonds and the 2024 Convertible Bonds.

DEBENTURES

During the year ended March 31, 2024, the Company has repurchased (i) US\$35,000,000 in aggregate principal amount of the US\$1,000,000,000 5.875% notes due 2025 issued on April 24, 2020 and May 12, 2020; (ii) approximately US\$25,000,000 in aggregate principal amount of the US\$625,000,000 5.831% notes due 2028 issued on July 27, 2022; (iii) US\$29,000,000 in aggregate principal amount of the US\$1,000,000,000 3.421% notes due 2030 issued on November 2, 2020; and (iv) approximately US\$47,000,000 in aggregate principal amount of the US\$625,000,000 6.536% notes due 2032 issued on July 27, 2022.

Save for the above, there has not been any issuance, purchase, redemption or cancellation of debentures by the Company during the year ended March 31, 2024.

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

Save as the respective trustee of the long-term incentive program and the employee share purchase plan of the Company purchased a total of 387,850,248 shares from the market for award to employees upon vesting, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities during the year ended March 31, 2024. Details of these program and plan are set out in the 2023/24 Annual Report of the Company.

REVIEW BY AUDIT COMMITTEE

The Audit Committee of the Company has reviewed the audited annual results of the Group for the year ended March 31, 2024. 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. Currently, the Audit Committee comprises four independent non-executive directors, including Mr. Woo Chin Wan Raymond, being the Chairman, Mr. William Tudor Brown, Mr. Gordon Robert Halyburton Orr and Mr. Kasper Bo Roersted (alias Kasper Bo Rorsted).

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

Throughout the year ended March 31, 2024, the Company has complied with the code provisions of the Corporate Governance Code (the “CG Code”) as set out in Appendix C1 to the Listing Rules, and where appropriate, met the recommended best practices in the CG Code, with the exception that the roles of the chairman of the Board (the “Chairman”) and the chief executive officer of the Company (the “CEO”) have not been segregated as required by code provision C.2.1 of the CG Code.

The Board has reviewed the organization human resources planning of the Group and is of the opinion that for the vesting of the roles of Chairman and the CEO in Mr. Yang Yuanqing (“Mr. Yang”) is appropriate and beneficial to the Group as it provides consistency of the strategy execution and stability of the operations of the Group. The Board comprising a vast majority of independent non-executive directors meets regularly on a quarterly basis to review the operations of the Group led by Mr. Yang.

The Board also appointed Mr. William O. Grabe as the lead independent director (the “Lead Independent Director”) with broad authorities and responsibilities. Such authorities and responsibilities include serving as chairman of the Nomination and Governance Committee meeting and/or the Board meeting considering the combined roles of Chairman and CEO; calls and chair meeting(s) with all non-executive directors at least once a year on matters deemed appropriate and provide feedback to the Chairman and/or CEO; and serves a key role in the Board evaluation process. 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 check and balance of powers 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.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This annual results announcement is published on website of The Stock Exchange of Hong Kong Limited (<https://www.hkexnews.hk>) and the Group's website (<https://investor.lenovo.com/en/publications/news.php>). The 2023/24 annual report of the Company will be available on the same websites and despatched to shareholders of the Company in accordance with the requirements of the Listing Rules in due course.

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

May 23, 2024

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. Gordon Robert Halyburton Orr, Mr. John Lawson Thornton, Mr. Kasper Bo Roersted (alias Kasper Bo Rorsted), Mr. Woo Chin Wan Raymond, Ms. Yang Lan, Ms. Cher Wang Hsiueh Hong and Professor Xue Lan.