Lenovo Group Limited 聯想集團有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 992)

FY2022/23 FIRST QUARTER RESULTS ANNOUNCEMENT

QUARTERLY RESULTS

The board of directors (the "Board") of Lenovo Group Limited (the "Company") announces the unaudited results of the Company and its subsidiaries (the "Group") for the three months ended June 30, 2022 together with comparative figures for the corresponding period of last year, as follows:

FINANCIAL HIGHLIGHTS

- Profit attributable to equity holders increased 11 percent year-on-year to an all-time high for the first fiscal quarter and non-HKFRS profit attributable to equity holders (elaborated on pages 8 and 9) increased 35 percent year-on-year, a testament to the Group's strengths in weathering headwinds
- Solutions and Services Group delivered a 25 percent profit growth with increased market penetration, capturing growth opportunities in the digital workplace, hybrid cloud, and ESG
- Revenue of the Infrastructure Solutions Group grew 14 percent year-on-year, exceeding US$2 billion for the first time by leveraging a unique ODM+ business model, enriched product portfolio, and strong infrastructure upgrade cycle, amid continued sector-wide supply challenges
- Intelligent Devices Group reported a 3 percent slowdown in sales; outperformed the global PC market on robust demand for commercial and premium segments despite consumer weakness and COVID-led supply constraints; strong start to the fiscal year for non-PC businesses with double-digit year-on-year revenue growth in smartphone
- Net cash reached US$394 million after a US$1.1 billion reduction in net debt in the past year

	3 months ended June 30, 2022 (unaudited) *US$ million*	**3 months ended June 30, 2021 (unaudited)** *US$ million*	**Year-on-year change**
Revenue	16,956	16,929	0%
Gross profit	2,869	2,824	2%
Gross profit margin	16.9%	16.7%	0.2 pts
Operating expenses	(2,092)	(2,081)	1%
Operating profit	777	743	5%
Other non-operating income/(expenses) – net	(86)	(93)	(8%)
Profit before taxation	691	650	6%
Profit for the period	539	485	11%
Profit attributable to equity holders of the Company	516	466	11%
Earnings per share attributable to equity holders of the Company			
Basic	US4.39 cents	US4.02 cents	US0.37 cents
Diluted	US4.01 cents	US3.53 cents	US0.48 cents
Non-HKFRS measure			
Non-HKFRS operating profit	813	675	21%
Non-HKFRS profit before taxation	729	585	25%
Non-HKFRS profit for the period	569	428	33%
Non-HKFRS profit attributable to equity holders of the Company	556	413	35%

BUSINESS REVIEW AND OUTLOOK

Highlights

During the quarter ended June 30, 2022, Lenovo (the Group) achieved robust performance despite macro challenges as varied as the ongoing COVID-led disruption, geopolitical uncertainties, surging global inflation, and foreign exchange rate volatility. The Group's profit attributable to equity holders increased 11 percent to US$516 million with a revenue of US$17 billion, flat year-on-year and up 5 percent excluding currency impact. Net margin grew by 29 basis points year-on-year to an all-time high for the first fiscal quarter, on track to meeting the Group's medium-term financial target of doubling its net margin.

The Group's non-HKFRS measures are now available to provide a better reflection of its operational performance. The non-HKFRS profit attributable to equity holders increased 35 percent year-on-year to US$556 million for the period under review, thanks to robust improvement on its operating profitability.

The Group's PC business experienced a moderate slowdown, primarily from the weak demand for consumer PCs and COVID-led supply shortages. On the other hand, its non-PC businesses delivered a strong start to the fiscal year to support the Group's profitability amid market headwinds, thanks to a resilient global Digital Transformation cycle. Revenue of the Infrastructure Solutions Group (ISG), Solutions and Services Group (SSG) and smartphone segment under the Intelligent Devices Group (IDG) all saw double-digit year-on-year growth and set new sales records for the first fiscal quarter owing to the global trend of Digitalization and New IT opportunities.

The performance records are a testament to the Group's tenacious drive for developing innovative growth pillars to meet customer demand, despite various challenges. Research & Development (R&D) spending increased 10 percent year-on-year to fuel various growth engines and business transformation, supporting the Group's services, commercial sales, premium mix, and ESG (Environmental, Social and Governance) initiatives. These strategic priorities will enable the Group to better navigate through the macroeconomic and demand volatilities.

Net cash remains healthy at US$394 million after a nearly US$1.1 billion reduction in net debt in the past year. However, the supply disruptions caused by the Shanghai lockdown earlier in the quarter resulted in a temporary order backlog, with sales concentrated towards the final month of the quarter. The distorted fluctuation resulted in a higher quarter-end balance in accounts receivable and inventory.

The Group successfully completed its inaugural green notes offering, a part of a bigger US$1.25 billion bond issuance, and launched its Green Finance Framework. This marks an important milestone in Lenovo's ESG journey to support its vision in achieving Net Zero by 2050. The Group continues to drive its integrated climate and sustainability objectives by financing initiatives that support its commitment to building a smarter and more sustainable future for all.

Group Financial Performance

The Group continued making progress on its plan to double the FY20/21 net margin in the first fiscal quarter, growing it by 29 basis points year-on-year. Profit attributable to equity holders rose by 11 percent to US$516 million owing to robust operating performance and lower effective tax rate. Lenovo's gross profit increased by 2 percent and gross margin increased year-on-year by 24 basis points to 16.9 percent. Operating profit increased 5 percent with operating margin rising by 20 basis points year-on-year.

Lenovo remained agile and persistent in delivering sustainable growth and profitability with strong performance across its non-PC businesses. All three business groups leveraged their growth engines to maintain or increase profitability. By business group, SSG and ISG posted a 23 percent and 14 percent year-on-year revenue growth respectively. Their operating margins improved by 0.4 and 1.1 percentage points year-on-year respectively, setting new records for the first fiscal quarter. SSG spearheaded the Group's Service-led Transformation, with its recurring revenue base, represented by deferred revenue, setting a record at US$2.9 billion, up 20 percent year-on-year. SSG's operating margin was 4 times greater than the Group's. ISG revenue crossed the US$2 billion mark for the first time, as the Cloud Service Provider (CSP) and Enterprise & Small-and-medium Business (ESMB) segments posted revenue increases.

Against the backdrop of weak consumer PC demand and supply chain constraints, IDG reported low single-digit declines on its revenue and segment profit. Nevertheless, it has outperformed the sector by boosting its presence in commercial and premium PC segments with an enriched sales mix. In its smartphone business, IDG also pushed 5G upselling opportunities. This resulted in higher average selling prices (ASPs) for both PC and smartphone products.

Performance by Business Group

Intelligent Devices Group (IDG)

During the quarter under review, the revenue and profit of IDG, which consists of the PC, tablet, smartphone, and other smart device businesses, slowed by 3 percent and 2 percent year-on-year. Operating margin remained robust at 7.5 percent.

Within the PC business, IDG continues to execute its long-term strategy to unlock growth potential in commercial and premium segments. PC sales in China underperformed other geographical markets mainly due to the COVID lockdowns. Excluding China, IDG's commercial PC revenue increased by 3 percent from the same period last year. Its premium segment revenue also rose 8 percent year-on-year, thanks to its investments in innovation to leverage the hybrid work model and lifestyle change.

IDG made a great progress in seizing growth opportunities beyond PC products. Non-PC sales grew 12 percent year-on-year accounting for 22 percent of the business group's revenue, benefiting from several pockets of growth. Its smartphone sales growth trajectory remained steady, supported by smartphone upgrades towards 5G phones. IDG ramped up its efforts in developing scenario-based solutions, including Smart Collaboration, Smart Office and Smart Home.

Infrastructure Solutions Group (ISG)

The infrastructure upgrade cycle remains a catalyst for empowering structural growth in the data center, Edge computing and hybrid cloud segments. ISG set a new revenue record of US$2.1 billion following a 14 percent year-on-year increase, making the group one of the fastest growing infrastructure solutions providers globally. ISG continued to differentiate with the combination of a full-stack portfolio, broadened customer coverage, and a unique, fully integrated ODM+ (Original Design and Manufacturing) business model and solutions.

CSP revenue reached an all-time high, well supported by the segment's strategy to grow its client base, product portfolio and design-in projects. Server and storage product sales increased by strong double-digits off high bases, driven by buoyant demand from CSP customers. New capacity is being added to its Mexico and Hungary plants to leverage the clear growth opportunities in the next two years. Despite the supply constraint, its ESMB segment continued to benefit from enriched architecture and technology solutions. The ESMB segment focused on advancing its profitability through multiple products including server, storage, edge computing and services, while expanding its footprint in Hybrid Cloud Solutions. In the entry storage market, the Group was one of the fastest-growing vendors. The business made its largest ever shipments in the quarter with AI Powered Edge Computing. Revenue of server, storage and AI Edge shipments all set new records during the quarter under review.

ISG's operating profit increased by US$22 million year-on-year to US$11 million, representing 8 consecutive quarters of improvement in annual profitability.

Solutions & Services Group (SSG)

Targeted at the fastest-growing "New IT" service segment, SSG continued to deliver strong revenue growth and profitability. The financial results of SSG highlighted the Group's strategic focus on Service-led Transformation, with revenue and operating profit growing 23 percent and 25 percent year-on-year to

US$1.5 billion and US$329 million respectively. SSG's operating margin of 22.6 percent topped all business groups and further grew by 0.4 percentage points from the same period last year.

SSG continued to enrich its service offerings across all three segments for better profitability and scalability. For example, the availability of its TruScale as-a-Service (aaS) solution extended from server and storage to High Performance Computing (HPC) during the quarter under review. Revenue of Managed Services increased 73 percent year-on-year, owing to the popularity of aaS solutions. The Project & Solution Services' revenue rose 10 percent year-on-year, even though service delivery in China was compromised by COVID lockdowns.

Geographic Performance

Lenovo is a global business operating in more than 180 markets. The China market, affected by COVID lockdowns in several cities, saw its revenue decrease by 11 percent year-on-year. The business segments most vulnerable to such impacts are PC and infrastructure businesses.

In contrast to China, the Group's revenue increased across its other geographical markets. In the Americas (AG) and Europe-Middle East-Africa (EMEA) markets, the Group delivered a 8 and 1 percent year-on-year increase in sales respectively. This was supported by healthy business growth in the smartphone, ISG and SSG businesses, offsetting demand weakness in consumer PCs. In the smartphone sector, Motorola continued to upsell its portfolio while reinforcing its position in the top 3 brands of both North America and Latin America. ISG and SSG businesses grew by double-digits year-on-year in these regional markets through its enhanced delivery footprint, product differentiation and customer expansion.

The Asia Pacific region, excluding China, reported year-on-year revenue growth of 1 percent. Its ISG business posted a strong double-digit year-on year growth for the quarter, driven by the CSP and ESMB momentum. In contrast, its IDG revenue contracted by a low single-digit year-on-year in the region.

Outlook

Strategic opportunities in Digital and Service-led Transformations will support long-term growth for Lenovo's end-to-end, user-friendly product and service solutions, and dependable devices. These external catalysts, coupled with the Group's investments in innovation and its global footprint, are key to achieving its medium-term goal of doubling net margin.

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

ISG has built industry-leading end-to-end infrastructure solutions and expanded from server to full-stack offerings including storage, software, which also covers Software-Defined Infrastructure (SDI), and services – all with higher profitability. The ESMB segment will also capitalize on growth opportunities in AI Powered Edge, hybrid cloud, HPC, and solutions for the Telco/communication sectors. For the CSP segment, ISG has a unique ODM+ business model to address the growing demand for vertically integrated supply chains. The business will continue to diversify its customer base and expand its share of existing accounts through design-wins across different technology platforms.

For SSG, new opportunities will emerge from Digitalization and structural changes in the workplace, unleashing the demand for Premier, TruScale as-a-Service, Sustainability, and vertical solutions. Managed Services is well-positioned to capture aaS demand, which, according to an industry forecast, is estimated to account for 17 percent of commercial PC, 12 percent of x86 server, and over 50 percent of storage spend by 2024. SSG continues to broaden its service offerings in these areas while strengthening channel tools and cooperation with business partners. The new strategic partnership with PCCW Solutions, a leading service provider in Asia Pacific, will see the creation of a technology solutions business by the end of 2022.

Strategic Highlights

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

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

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

FINANCIAL REVIEW

Results for the three months ended June 30, 2022

	3 months ended June 30, 2022 (unaudited) ***US$ million***	3 months ended June 30, 2021 (unaudited) *US$ million*	Year-on-year change
Revenue	**16,956**	16,929	0%
Gross profit	**2,869**	2,824	2%
Gross profit margin	**16.9%**	16.7%	0.2 pts
Operating expenses	**(2,092)**	(2,081)	1%
Operating profit	**777**	743	5%
Other non-operating income/(expenses) – net	**(86)**	(93)	(8%)
Profit before taxation	**691**	650	6%
Profit for the period	**539**	485	11%
Profit attributable to equity holders of the Company	**516**	466	11%
Earnings per share attributable to equity holders of the Company			
Basic	**US4.39 cents**	US4.02 cents	US0.37 cents
Diluted	**US4.01 cents**	US3.53 cents	US0.48 cents

For the three months ended June 30, 2022, the Group achieved total sales of approximately US$16,956 million. When compared to the corresponding period of last year, profit attributable to equity holders for the period surged by US$50 million to approximately US$516 million, gross profit margin rose 0.2 percentage points to 16.9 percent. While basic and diluted earnings per share were US4.39 cents and US4.01 cents respectively, representing an increase of US0.37 cents and US0.48 cents.

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

Analysis of operating expenses by function for the three months ended June 30, 2022 and 2021 is as follows:

	3 months ended June 30, 2022 ***US$'000***	3 months ended June 30, 2021 *US$'000*
Selling and distribution expenses	**(879,337)**	(847,043)
Administrative expenses	**(686,984)**	(812,243)
Research and development expenses	**(511,415)**	(466,463)
Other operating income/(expenses) – net	**(13,916)**	44,778
	(2,091,652)	(2,080,971)

Operating expenses for the period were 1 percent over the corresponding period of last year. Employee benefit costs decreased by US$144 million mainly due to decrease in performance-based bonus and sales commissions offset by increase in headcount. During the period, the Group recorded a fair value gain from strategic investments amounted to US$25 million (2021/22: US$131 million), reflecting the change in value of the Group's portfolio. The Group recorded a net provision of loss allowance of trade receivables of US$47 million (2021/22: net provision of US$13 million) reflecting our assessment on certain doubtful amounts. Currency fluctuations presented a challenge to the Group, resulting in a net exchange loss of US$48 million (2021/22: US$39 million).

Key expenses by nature comprise:

	3 months ended June 30, 2022 ***US$'000***	3 months ended June 30, 2021 *US$'000*
Depreciation of property, plant and equipment	**(46,504)**	(43,504)
Depreciation of right-of-use assets	**(32,021)**	(28,934)
Amortization of intangible assets, excluding internal use software	**(124,026)**	(112,631)
Impairment of intangible assets	**-**	(15,000)
Impairment of property, plant and equipment	**-**	(10,189)
Employee benefit costs, including	**(1,088,542)**	(1,232,785)
- *long-term incentive awards*	***(74,557)***	*(95,415)*
Rental expenses	**(2,870)**	(5,029)
Net foreign exchange loss	**(48,225)**	(38,827)
Advertising and promotional expenses	**(234,625)**	(241,287)
Legal, professional and consulting expenses	**(54,400)**	(90,919)
Information technology expenses, including	**(82,360)**	(69,956)
- *amortization of internal use software*	***(49,261)***	*(48,532)*
Increase in loss allowance of trade receivables	**(49,542)**	(24,553)
Unused amounts of loss allowance of trade receivables reversed	**2,545**	11,942
Research and development related laboratory testing, services and supplies	**(100,476)**	(86,103)
(Loss)/gain on disposal of property, plant and equipment	**(254)**	479
Fair value gain on financial assets at fair value through profit or loss	**25,292**	131,270
Fair value loss on a financial liability at fair value through profit or loss	**(873)**	(4,165)
Gain on disposal of subsidiaries	**-**	825
Others	**(254,771)**	(221,605)
	(2,091,652)	(2,080,971)

Other non-operating income/(expenses) - net for the three months ended June 30, 2022 and 2021 comprise:

	3 months ended June 30, 2022 ***US$'000***	3 months ended June 30, 2021 *US$'000*
Finance income	**18,675**	9,076
Finance costs	**(100,335)**	(100,581)
Share of losses of associates and joint ventures	**(5,076)**	(1,043)
	(86,736)	(92,548)

Finance income mainly represents interest on bank deposits.

Finance costs for the period remains flat as compared with the corresponding period of last year.

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:

	3 months ended June 30, 2022		3 months ended June 30, 2021	
	Revenue	**Operating profit**	Revenue	Operating profit/(loss)
	US$'000	***US$'000***	*US$'000*	*US$'000*
IDG	**14,273,843**	**1,069,512**	14,665,833	1,095,486
ISG	**2,086,073**	**11,311**	1,834,908	(10,791)
SSG	**1,455,872**	**329,342**	1,184,366	263,631
Total	**17,815,788**	**1,410,165**	17,685,107	1,348,326
Eliminations	**(860,170)**	**(284,552)**	(755,860)	(222,625)
	16,955,618	**1,125,613**	16,929,247	1,125,701
Unallocated:				
Headquarters and corporate income/(expenses) - net		**(319,713)**		(393,392)
Depreciation and amortization		**(142,000)**		(165,215)
Impairment of intangible assets		**-**		(15,000)
Finance income		**10,075**		5,075
Finance costs		**(3,790)**		(34,422)
Share of losses of associates and joint ventures		**(5,076)**		(1,043)
(Loss)/gain on disposal of property, plant and equipment		**(96)**		435
Fair value gain on financial assets at fair value through profit or loss		**25,292**		131,270
Fair value loss on a financial liability at fair value through profit or loss		**(873)**		(4,165)
Gain on disposal of subsidiaries		**-**		825
Dividend income		**1,081**		154
Consolidated profit before taxation		**690,513**		650,223

Headquarters and corporate income/(expenses) - net for the period comprise various expenses, after appropriate allocation to business groups, of US$320 million (2021/22: US$393 million) such as employee benefit costs, legal, professional and consulting expenses, and research and technology expenses. The drop is primarily in relation to the decrease in employee benefit costs of US$80 million as a result of decreased performance-based bonus and long-term incentive awards 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 by adding back (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, and (iii) mergers and acquisitions related charges, 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 relating 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 these non-HKFRS measure facilitates 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 this non-HKFRS financial measure to the most directly comparable HKFRS financial measure are included in the table below.

Three months ended June 30, 2022

	Operating profit (unaudited) *US$'000*	**Profit before taxation (unaudited)** *US$'000*	**Profit for the period (unaudited)** *US$'000*	**Profit attributable to equity holders (unaudited)** *US$'000*
As reported	**777,249**	**690,513**	**539,471**	**515,707**
Non-HKFRS adjustments				
Net fair value changes on financial assets at fair value through profit or loss	**(25,292)**	**(25,292)**	**(21,981)**	**(11,269)**
Amortization of intangible assets resulting from mergers and acquisitions	**61,160**	**61,160**	**49,319**	**49,319**
Mergers and acquisitions related charges	**-**	**2,443**	**2,443**	**2,443**
Non-HKFRS	**813,117**	**728,824**	**569,252**	**556,200**

Three months ended June 30, 2021

	Operating profit (unaudited) *US$'000*	Profit before taxation (unaudited) *US$'000*	Profit for the period (unaudited) *US$'000*	Profit attributable to equity holders (unaudited) *US$'000*
As reported	742,771	650,223	485,167	466,065
Non-HKFRS adjustments				
Net fair value changes on financial assets at fair value through profit or loss	(131,270)	(131,270)	(110,685)	(106,529)
Amortization of intangible assets resulting from mergers and acquisitions	63,217	63,217	50,980	50,980
Mergers and acquisitions related charges	-	2,945	2,945	2,945
Non-HKFRS	674,718	585,115	428,407	413,461

Capital Expenditure

The Group incurred capital expenditure of US$386 million (2021/22: US$279 million) during the three months ended June 30, 2022, mainly for the acquisition of property, plant and equipment, additions to construction-in-progress and intangible assets. The higher capital expenditure incurred in current period is mainly attributable to more investments in patent and technology and buildings under construction.

Liquidity and Financial Resources

At June 30, 2022, total assets of the Group amounted to US$44,248 million (March 31, 2022: US$44,511 million), which were financed by equity attributable to owners of the Company of US$5,180 million (March 31, 2022: US$4,991 million), other non-controlling interests (net of put option written on non-controlling interests) of US$405 million (March 31, 2022: US$404 million), and total liabilities of US$38,663 million (March 31, 2022: US$39,116 million). At June 30, 2022, the current ratio of the Group was 0.88 (March 31, 2022: 0.89).

At June 30, 2022, bank deposits and cash and cash equivalents totaling US$3,846 million (March 31, 2022: US$4,023 million) analyzed by major currency are as follows:

	June 30, 2022	March 31, 2022
	%	%
US dollar	**27.0**	37.2
Renminbi	**34.6**	27.3
Japanese Yen	**7.0**	6.0
Euro	**2.9**	4.1
Australian dollar	**2.7**	2.7
Other currencies	**25.8**	22.7
Total	**100.0**	100.0

The Group adopts a conservative policy to invest the surplus cash generated from operations. At June 30, 2022, 97 (March 31, 2022: 92) percent of cash are bank deposits, and 3 (March 31, 2022: 8) percent are investments in liquid money market funds of investment grade.

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

The Group has the following banking facilities:

				Utilized amount at	
Type	**Date of agreement**	**Principal amount**	**Term**	**June 30, 2022**	March 31, 2022
		US$ million		***US$ million***	*US$ million*
Revolving loan facility	March 28, 2018	1,500	5 years	-	-
Revolving loan facility	May 12, 2020	300	5 years	-	-
Revolving loan facility	May 14, 2020	200	5 years	-	-

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

	Total available amount at		**Drawn down amount at**	
Credit facilities	**June 30, 2022**	March 31, 2022	**June 30, 2022**	March 31, 2022
	US$ million	*US$ million*	***US$ million***	*US$ million*
Trade lines	**3,926**	4,053	**2,871**	2,813
Short-term money market facilities	**1,204**	1,154	**54**	54
Forward foreign exchange contracts	**14,373**	12,522	**14,306**	12,447

Apart from the above facilities, notes, convertible bonds and convertible preferred shares issued by the Group and outstanding at June 30, 2022 are as follows:

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

Notes:

(a) Please refer to Note 12(c) to the Financial Information for details.

(b) Please refer to Note 12(d) to the Financial Information for details.

Net cash position and gearing ratio of the Group at June 30 and March 31, 2022 are as follows:

	June 30, 2022	March 31, 2022
	US$ million	*US$ million*
Bank deposits and cash and cash equivalents	**3,846**	4,023
Borrowings		
- Short-term loans	**83**	58
- Long-term loan	**1**	1
- Notes	**2,677**	2,676
- Convertible bonds	**646**	641
- Convertible preferred shares	**45**	45
Net cash position	**394**	602
Total equity	**5,585**	5,395
Gearing ratio (Borrowings divided by total equity)	**0.62**	0.63

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 June 30, 2022, the Group had commitments in respect of outstanding forward foreign exchange contracts amounting to US$14,306 million (March 31, 2022: US$12,447 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.

CONSOLIDATED INCOME STATEMENT

	Note	**3 months ended June 30, 2022 (unaudited)** *US$'000*	3 months ended June 30, 2021 (unaudited) *US$'000*
Revenue	*2*	**16,955,618**	16,929,247
Cost of sales		**(14,086,717)**	(14,105,505)
Gross profit		**2,868,901**	2,823,742
Selling and distribution expenses		**(879,337)**	(847,043)
Administrative expenses		**(686,984)**	(812,243)
Research and development expenses		**(511,415)**	(466,463)
Other operating income/(expenses) - net		**(13,916)**	44,778
Operating profit	*3*	**777,249**	742,771
Finance income	*4(a)*	**18,675**	9,076
Finance costs	*4(b)*	**(100,335)**	(100,581)
Share of losses of associates and joint ventures		**(5,076)**	(1,043)
Profit before taxation		**690,513**	650,223
Taxation	*5*	**(151,042)**	(165,056)
Profit for the period		**539,471**	485,167
Profit attributable to:			
Equity holders of the Company		**515,707**	466,065
Other non-controlling interests		**23,764**	19,102
		539,471	485,167
Earnings per share attributable to equity holders of the Company			
Basic	*6(a)*	**US4.39 cents**	US4.02 cents
Diluted	*6(b)*	**US4.01 cents**	US3.53 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	3 months ended June 30, 2022 (unaudited) ***US$'000***	3 months ended June 30, 2021 (unaudited) *US$'000*
Profit for the period	**539,471**	485,167
Other comprehensive income/(loss):		
Items that will not be reclassified to profit or loss		
Remeasurements of post-employment benefit obligations, net of taxes	**309**	(5,269)
Fair value change on financial assets at fair value through other comprehensive income, net of taxes	**(387)**	(744)
Items that have been reclassified or may be subsequently reclassified to profit or loss		
Fair value change on cash flow hedges from foreign exchange forward contracts, net of taxes		
- Fair value gain/(loss), net of taxes	**311,478**	(46,710)
- Reclassified to consolidated income statement	**(198,937)**	3,505
Currency translation differences	**(512,097)**	192,676
Other comprehensive (loss)/income for the period	**(399,634)**	143,458
Total comprehensive income for the period	**139,837**	628,625
Total comprehensive income/(loss) attributable to:		
Equity holders of the Company	**147,490**	609,399
Other non-controlling interests	**(7,653)**	19,226
	139,837	628,625

CONSOLIDATED BALANCE SHEET

	Note	**June 30, 2022 (unaudited)** ***US$'000***	March 31, 2022 (audited) *US$'000*
Non-current assets			
Property, plant and equipment		**1,571,413**	1,636,629
Right-of-use assets		**802,878**	839,233
Construction-in-progress		**472,372**	510,211
Intangible assets		**7,849,694**	8,066,785
Interests in associates and joint ventures		**334,610**	339,547
Deferred income tax assets		**2,486,092**	2,527,955
Financial assets at fair value through profit or loss		**1,147,485**	1,104,408
Financial assets at fair value through other comprehensive income		**61,734**	64,572
Other non-current assets		**417,178**	424,241
		15,143,456	15,513,581
Current assets			
Inventories	*7*	**8,867,663**	8,300,658
Trade and notes receivables	*8(a)*	**11,646,783**	11,289,547
Derivative financial assets		**225,606**	113,757
Deposits, prepayments and other receivables	*9*	**4,269,802**	5,014,292
Income tax recoverable		**249,524**	255,809
Bank deposits		**57,575**	92,513
Cash and cash equivalents		**3,788,089**	3,930,287
		29,105,042	28,996,863
Total assets		**44,248,498**	44,510,444

CONSOLIDATED BALANCE SHEET (CONTINUED)

	Note	**June 30, 2022 (unaudited) *US$'000***	March 31, 2022 (audited) *US$'000*
Share capital	*13*	**3,203,913**	3,203,913
Reserves		**1,975,967**	1,786,726
Equity attributable to owners of the Company		**5,179,880**	4,990,639
Other non-controlling interests		**952,571**	951,415
Put option written on non-controlling interests	*11(b)*	**(547,353)**	(547,353)
Total equity		**5,585,098**	5,394,701
Non-current liabilities			
Borrowings	*12*	**2,637,821**	2,633,348
Warranty provision	*10(b)*	**239,499**	242,776
Deferred revenue		**1,386,750**	1,459,582
Retirement benefit obligations		**320,549**	340,542
Deferred income tax liabilities		**386,664**	406,759
Other non-current liabilities	*11*	**722,394**	1,274,001
		5,693,677	6,357,008
Current liabilities			
Trade and notes payables	*8(b)*	**13,609,606**	13,184,831
Derivative financial liabilities		**34,583**	127,625
Other payables and accruals	*10(a)*	**15,522,846**	15,744,911
Provisions	*10(b)*	**916,770**	980,112
Deferred revenue		**1,531,077**	1,440,022
Income tax payable		**540,555**	493,312
Borrowings	*12*	**814,286**	787,922
		32,969,723	32,758,735
Total liabilities		**38,663,400**	39,115,743
Total equity and liabilities		**44,248,498**	44,510,444

CONSOLIDATED CASH FLOW STATEMENT

	Note	**3 months ended June 30, 2022 (unaudited)** *US$'000*	3 months ended June 30, 2021 (unaudited) *US$'000*
Cash flows from operating activities			
Net cash generated from operations	*14*	**596,682**	742,464
Interest paid		**(102,310)**	(94,032)
Tax paid		**(95,654)**	(200,789)
Net cash generated from operating activities		**398,718**	447,643
Cash flows from investing activities			
Purchase of property, plant and equipment		**(93,076)**	(97,935)
Sale of property, plant and equipment		**11,730**	4,961
Disposal of subsidiaries, net of cash disposed		**-**	123,647
Interest acquired in a joint venture		**(298)**	-
Payment for construction-in-progress		**(133,105)**	(105,211)
Payment for intangible assets		**(160,004)**	(76,199)
Purchase of financial assets at fair value through profit or loss		**(97,676)**	(50,515)
Purchase of financial assets at fair value through other comprehensive income		**(2,000)**	-
Net proceeds from sale of financial assets at fair value through profit or loss		**29,524**	23,547
Net proceeds from sale of financial assets at fair value through other comprehensive income		**2,307**	-
Decrease/(increase) in bank deposits		**34,938**	(23,375)
Dividends received		**1,216**	425
Interest received		**18,675**	9,076
Net cash used in investing activities		**(387,769)**	(191,579)
Cash flows from financing activities			
Capital contribution from other non-controlling interests		**11,236**	8,337
Contribution to employee share trusts		**(10,985)**	(161,182)
Principal elements of lease payments		**(33,801)**	(26,869)
Dividends paid to convertible preferred shares holders		**(800)**	(5,600)
Proceeds from borrowings		**3,532,594**	2,803,396
Repayments of borrowings		**(3,506,740)**	(2,797,848)
Net cash used in financing activities		**(8,496)**	(179,766)
Increase in cash and cash equivalents		**2,453**	76,298
Effect of foreign exchange rate changes		**(144,651)**	31,129
Cash and cash equivalents at the beginning of the period		**3,930,287**	3,068,385
Cash and cash equivalents at the end of the period		**3,788,089**	3,175,812

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holders of the Company										
	Share capital (unaudited) *US$'000*	Investment revaluation reserve (unaudited) *US$'000*	Employee share trusts (unaudited) *US$'000*	Share-based compensation reserve (unaudited) *US$'000*	Hedging reserve (unaudited) *US$'000*	Exchange reserve (unaudited) *US$'000*	Other reserves (unaudited) *US$'000*	Retained earnings (unaudited) *US$'000*	Other non-controlling interests (unaudited) *US$'000*	Put option written on non-controlling interests (unaudited) *US$'000*	Total (unaudited) *US$'000*
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 period	–	–	–	–	–	–	–	**515,707**	**23,764**	–	**539,471**
Other comprehensive (loss)/income	–	**(387)**	–	–	**112,541**	**(480,680)**	–	**309**	**(31,417)**	–	**(399,634)**
Total comprehensive (loss)/income for the period	–	**(387)**	–	–	**112,541**	**(480,680)**	–	**516,016**	**(7,653)**	–	**139,837**
Transfer to statutory reserve	–	–	–	–	–	–	**28,522**	**(28,522)**	–	–	–
Transfer of investment revaluation reserve upon disposal of financial assets at fair value through other comprehensive income to retained earnings	–	**376**	–	–	–	–	–	**(376)**	–	–	–
Vesting of shares under long-term incentive program	–	–	**148,399**	**(192,940)**	–	–	–	–	–	–	**(44,541)**
Deferred tax in relation to long-term incentive program	–	–	–	**(674)**	–	–	–	–	–	–	**(674)**
Settlement of bonus through long-term incentive program	–	–	–	**23,259**	–	–	–	–	–	–	**23,259**
Share-based compensation	–	–	–	**74,557**	–	–	–	–	–	–	**74,557**
Contribution to employee share trusts	–	–	**(10,985)**	–	–	–	–	–	–	–	**(10,985)**
Capital contribution from other non-controlling interests	–	–	–	–	–	–	–	–	**8,944**	–	**8,944**
Change of ownership of subsidiaries without loss of control	–	–	–	–	–	–	**135**	–	**(135)**	–	–
At June 30, 2022	**3,203,913**	**(67,187)**	**(195,041)**	**(292,360)**	**160,774**	**(1,986,959)**	**66,415**	**4,290,325**	**952,571**	**(547,353)**	**5,585,098**
At April 1, 2021	3,203,913	(49,133)	(500,277)	187,376	73,476	(1,690,948)	130,240	2,204,389	817,735	(766,238)	3,610,533
Profit for the period	–	–	–	–	–	–	–	466,065	19,102	–	485,167
Other comprehensive (loss)/income	–	(744)	–	–	(43,205)	192,552	–	(5,269)	124	–	143,458
Total comprehensive (loss)/income for the period	–	(744)	–	–	(43,205)	192,552	–	460,796	19,226	–	628,625
Transfer to statutory reserve	–	–	–	–	–	–	8,134	(8,134)	–	–	–
Vesting of shares under long-term incentive program	–	–	231,335	(291,422)	–	–	–	–	–	–	(60,087)
Disposal of subsidiaries	–	–	–	–	–	(10,749)	(89)	–	–	–	(10,838)
Settlement of bonus through long-term incentive program	–	–	–	27,789	–	–	–	–	–	–	27,789
Share-based compensation	–	–	–	95,415	–	–	–	–	–	–	95,415
Contribution to employee share trusts	–	–	(161,182)	–	–	–	–	–	–	–	(161,182)
Capital contribution from other non-controlling interests	–	–	–	–	–	–	–	–	29,802	–	29,802
Change of ownership of subsidiaries without loss of control	–	–	–	–	–	–	826	–	(826)	–	–
At June 30, 2021	3,203,913	(49,877)	(430,124)	19,158	30,271	(1,509,145)	139,111	2,657,051	865,937	(766,238)	4,160,057

Notes

1 General information and basis of preparation

The financial information relating to the year ended March 31, 2022 included in the FY2022/23 first quarter 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 will deliver the consolidated financial statements for the year ended March 31, 2022 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance.

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

Basis of preparation

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

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

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

- Amendments to HKAS 37, Onerous contracts – Cost of fulfilling a contract
- Annual improvements to HKFRS Standards 2018-2020 cycle
- Amendments to HKAS 16, Property, plant and equipment: Proceeds before intended use
- Amendments to HKFRS 3, Reference to the conceptual framework
- Accounting Guideline 5 (Revised), Merger accounting for common control combinations

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 ending March 31, 2023 and have not been early adopted:

	Effective for annual periods beginning on or after
Amendments to HKAS 1, Classification of liabilities as current or non-current	January 1, 2023
Amendments to HKAS 1 and HKFRS Practice Statement 2, Disclosure of accounting policy	January 1, 2023
Amendments to HKAS 8, Definition of accounting estimate	January 1, 2023
Amendments to HKAS 12, Deferred tax related to assets and liabilities arising from a single transaction	January 1, 2023
Hong Kong Interpretation 5 (2020), Presentation of financial statements – Classification by the borrower of a term loan that contains a repayment on demand clause	January 1, 2023
Amendments to HKFRS 10 and HKAS 28, 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 period of initial application. So far it has concluded that their adoption is unlikely to have a significant impact on the consolidated financial statements of the Group.

2 Segment information

Management has determined the operating segments based on the reports reviewed by the Lenovo Executive Committee (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

	3 months ended June 30, 2022		3 months ended June 30, 2021	
	Revenue	**Operating profit**	Revenue	Operating profit/(loss)
	US$'000	***US$'000***	*US$'000*	*US$'000*
IDG	**14,273,843**	**1,069,512**	14,665,833	1,095,486
ISG	**2,086,073**	**11,311**	1,834,908	(10,791)
SSG	**1,455,872**	**329,342**	1,184,366	263,631
Total	**17,815,788**	**1,410,165**	17,685,107	1,348,326
Eliminations	**(860,170)**	**(284,552)**	(755,860)	(222,625)
	16,955,618	**1,125,613**	16,929,247	1,125,701
Unallocated:				
Headquarters and corporate income/(expenses) - net		**(319,713)**		(393,392)
Depreciation and amortization		**(142,000)**		(165,215)
Impairment of intangible assets		**-**		(15,000)
Finance income		**10,075**		5,075
Finance costs		**(3,790)**		(34,422)
Share of losses of associates and joint ventures		**(5,076)**		(1,043)
(Loss)/gain on disposal of property, plant and equipment		**(96)**		435
Fair value gain on financial assets at fair value through profit or loss		**25,292**		131,270
Fair value loss on a financial liability at fair value through profit or loss		**(873)**		(4,165)
Gain on disposal of subsidiaries		**-**		825
Dividend income		**1,081**		154
Consolidated profit before taxation		**690,513**		650,223

(b) Analysis of revenue by geography

	3 months ended June 30, 2022	3 months ended June 30, 2021
	US$'000	*US$'000*
China	**4,006,215**	4,508,904
Asia Pacific ("AP")	**2,672,806**	2,634,044
Europe-Middle East-Africa ("EMEA")	**4,273,682**	4,243,382
Americas ("AG")	**6,002,915**	5,542,917
	16,955,618	16,929,247

(c) Analysis of revenue by timing of revenue recognition

	3 months ended June 30, 2022	3 months ended June 30, 2021
	US$'000	*US$'000*
Point in time	**16,411,935**	16,511,768
Over time	**543,683**	417,479
	16,955,618	16,929,247

(d) Other segment information

	IDG		ISG		SSG		Total	
	2022	2021	**2022**	2021	**2022**	2021	**2022**	2021
	US$'000	*US$'000*	***US$'000***	*US$'000*	***US$'000***	*US$'000*	***US$'000***	*US$'000*
For the three months ended June 30								
Depreciation and amortization	**147,800**	106,434	**40,343**	34,965	**1,258**	680	**189,401**	142,079
Finance income	**6,438**	3,405	**2,043**	452	**119**	144	**8,600**	4,001
Finance costs	**69,608**	50,569	**26,788**	15,435	**149**	155	**96,545**	66,159

(e) The directors review goodwill and trademarks and trade names with indefinite useful lives with an aggregate amount of US$5,921 million (March 31, 2022: US$6,136 million). The carrying amounts of goodwill and trademarks and trade names with indefinite useful lives are presented below:

At June 30, 2022

	China	**AP**	**EMEA**	**AG**	**Mature Market**	**Emerging Market**	**Total**
	US$ million	***US$ million***	***US$ million***	***US$ million***	***US$ million***	***US$ million***	***US$ million***
Goodwill							
- PCSD	**961**	**513**	**185**	**250**	**N/A**	**N/A**	**1,909**
- MBG	**N/A**	**N/A**	**N/A**	**N/A**	**667**	**791**	**1,458**
- ISG	**496**	**141**	**63**	**343**	**N/A**	**N/A**	**1,043**
- SSG (Note)	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**246**
Trademarks and trade names with indefinite useful lives							
- PCSD	**191**	**52**	**92**	**57**	**N/A**	**N/A**	**392**
- MBG	**N/A**	**N/A**	**N/A**	**N/A**	**197**	**263**	**460**
- ISG	**162**	**54**	**31**	**123**	**N/A**	**N/A**	**370**
- SSG (Note)	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**43**

At March 31, 2022

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

Note: 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 June 30, 2022 (March 31, 2022: nil).

3 Operating profit

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

	3 months ended June 30, 2022	3 months ended June 30, 2021
	US$'000	*US$'000*
Depreciation of property, plant and equipment	**90,416**	85,297
Depreciation of right-of-use assets	**35,874**	32,376
Amortization of intangible assets	**205,111**	189,621
Impairment of intangible assets	**-**	15,000
Impairment of property, plant and equipment	**-**	10,189
Employee benefit costs, including	**1,310,015**	1,457,762
– long-term incentive awards	***74,557***	*95,415*
Rental expenses	**7,910**	8,602
Loss/(gain) on disposal of property, plant and equipment	**254**	(479)
Fair value gain on financial assets at fair value through profit or loss	**(25,292)**	(131,270)
Fair value loss on a financial liability at fair value through profit or loss	**873**	4,165
Gain on disposal of subsidiaries	**-**	(825)

4 Finance income and costs

(a) Finance income

	3 months ended June 30, 2022	3 months ended June 30, 2021
	US$'000	*US$'000*
Interest on bank deposits	**18,486**	8,978
Interest on money market funds	**189**	98
	18,675	9,076

(b) Finance costs

	3 months ended June 30, 2022	3 months ended June 30, 2021
	US$'000	*US$'000*
Interest on bank loans and overdrafts	**13,187**	8,419
Interest on convertible bonds	**10,159**	10,087
Interest on notes	**31,848**	35,244
Interest on lease liabilities	**3,927**	4,579
Factoring costs	**37,883**	33,948
Interest on written put option liabilities	**2,974**	6,805
Others	**357**	1,499
	100,335	100,581

5 Taxation

The amount of taxation in the consolidated income statement represents:

	3 months ended June 30, 2022 ***US$'000***	3 months ended June 30, 2021 *US$'000*
Current tax		
Profits tax in Hong Kong S.A.R. of China	**24,812**	39,957
Taxation outside Hong Kong S.A.R. of China	**145,523**	181,015
Deferred tax		
Credit for the period	**(19,293)**	(55,916)
	151,042	165,056

Profits tax in Hong Kong S.A.R. of China has been provided for at the rate of 16.5% (2021/22: 16.5%) on the estimated assessable profit for the period. 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 period after adjusting shares held by employee share trusts for the purposes of awarding shares to eligible employees under the long-term incentive program.

	3 months ended June 30, 2022	3 months ended June 30, 2021
Weighted average number of ordinary shares in issue	**12,041,705,614**	12,041,705,614
Adjustment for shares held by employee share trusts	**(287,640,750)**	(442,772,438)
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	**11,754,064,864**	11,598,933,176

	3 months ended June 30, 2022 ***US$'000***	3 months ended June 30, 2021 *US$'000*
Profit attributable to equity holders of the Company used in calculating basic earnings per share	**515,707**	466,065

(b) Diluted

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

The Group has four (2021/22: four) categories of potential ordinary shares, namely 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 three months ended June 30, 2022 and 2021. Put option written on non-controlling interests and convertible preferred shares were anti-dilutive for three months ended June 30, 2022 and 2021.

	3 months ended June 30, 2022	3 months ended June 30, 2021
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	**11,754,064,864**	11,598,933,176
Adjustment for long-term incentive awards	**557,938,872**	1,115,441,546
Adjustment for convertible bonds	**769,980,531**	741,902,700
Weighted average number of ordinary shares used as the denominator in calculating diluted earnings per share	**13,081,984,267**	13,456,277,422

	3 months ended June 30, 2022 ***US$'000***	3 months ended June 30, 2021 *US$'000*
Profit attributable to equity holders of the Company used in calculating basic earnings per share	**515,707**	466,065
Adjustment for interest on convertible bonds, net of tax	**8,483**	8,423
Profit attributable to equity holders of the Company used in calculating diluted earnings per share	**524,190**	474,488

7 Inventories

	June 30, 2022 ***US$'000***	March 31, 2022 *US$'000*
Raw materials and work-in-progress	**5,786,991**	5,527,420
Finished goods	**2,613,515**	2,315,797
Service parts	**467,157**	457,441
	8,867,663	8,300,658

8 Trade and notes receivables and trade and notes payables

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

	June 30, 2022	March 31, 2022
	US$'000	*US$'000*
Trade receivables	**11,603,924**	11,189,551
Notes receivable	**42,859**	99,996
	11,646,783	11,289,547

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:

	June 30, 2022	March 31, 2022
	US$'000	*US$'000*
0 – 30 days	**8,862,728**	8,908,669
31 – 60 days	**1,431,154**	1,392,704
61 – 90 days	**540,558**	433,934
Over 90 days	**918,324**	560,864
	11,752,764	11,296,171
Less: loss allowance	**(148,840)**	(106,620)
Trade receivables – net	**11,603,924**	11,189,551

At June 30, 2022, trade receivables, net of loss allowance, of US$1,045,716,000 (March 31, 2022: US$784,900,000) were past due. The ageing of these receivables, based on due date, is as follows:

	June 30, 2022	March 31, 2022
	US$'000	*US$'000*
Within 30 days	**445,131**	430,225
31 – 60 days	**266,471**	191,093
61 – 90 days	**175,157**	59,715
Over 90 days	**158,957**	103,867
	1,045,716	784,900

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

	3 months ended June 30, 2022	Year ended March 31, 2022
	US$'000	*US$'000*
At the beginning of the period/year	**106,620**	145,206
Exchange adjustment	**(249)**	(357)
Increase in loss allowance recognized in profit or loss	**49,542**	90,311
Uncollectible receivables written off	**(4,528)**	(27,267)
Unused amounts reversed in profit or loss	**(2,545)**	(101,273)
At the end of the period/year	**148,840**	106,620

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

	June 30, 2022	March 31, 2022
	US$'000	*US$'000*
Trade payables	**11,505,327**	11,035,924
Notes payable	**2,104,279**	2,148,907
	13,609,606	13,184,831

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

	June 30, 2022	March 31, 2022
	US$'000	*US$'000*
0 – 30 days	**5,787,788**	7,217,768
31 – 60 days	**2,863,109**	2,401,203
61 – 90 days	**1,654,440**	920,426
Over 90 days	**1,199,990**	496,527
	11,505,327	11,035,924

9 Deposits, prepayments and other receivables

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

	June 30, 2022	March 31, 2022
	US$'000	*US$'000*
Deposits	**162,554**	97,428
Other receivables	**2,900,874**	3,699,539
Prepayments	**1,206,374**	1,217,325
	4,269,802	5,014,292

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

10 Provisions, other payables and accruals

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

	June 30, 2022	March 31, 2022
	US$'000	*US$'000*
Accruals	**3,889,433**	4,441,470
Allowance for billing adjustments (i)	**3,607,029**	3,599,717
Written put option liabilities (Note 11(b)(i))	**433,318**	-
Other payables (ii)	**7,444,041**	7,558,629
Lease liabilities	**149,025**	145,095
	15,522,846	15,744,911

Notes:

(i) Allowance for billing adjustments relates primarily to allowances for future volume discounts, price protection, rebates, and customer sales returns.

(ii) Majority of other payables are obligations to pay for finished goods and services that have been acquired in the ordinary course of business from subcontractors.

(iii) The carrying amounts of other payables and accruals approximate their fair values.

(b) The components of provisions are as follows:

	Warranty *US$'000*	**Environmental restoration** *US$'000*	**Total** *US$'000*
Year ended March 31, 2022			
At the beginning of the year	1,173,882	32,150	1,206,032
Exchange adjustment	(1,053)	(2,656)	(3,709)
Provisions made	983,035	26,367	1,009,402
Amounts utilized	(936,966)	(25,074)	(962,040)
	1,218,898	30,787	1,249,685
Long-term portion classified as non-current liabilities	(242,776)	(26,797)	(269,573)
At the end of the year	976,122	3,990	980,112
Three months ended June 30, 2022			
At the beginning of the period	**1,218,898**	**30,787**	**1,249,685**
Exchange adjustment	**(28,859)**	**(2,883)**	**(31,742)**
Provisions made	**183,567**	**6,686**	**190,253**
Amounts utilized	**(222,211)**	**(5,789)**	**(228,000)**
	1,151,395	**28,801**	**1,180,196**
Long-term portion classified as non-current liabilities	**(239,499)**	**(23,927)**	**(263,426)**
At the end of the period	**911,896**	**4,874**	**916,770**

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.

11 Other non-current liabilities

Details of other non-current liabilities are as follows:

	June 30, 2022	March 31, 2022
	US$'000	*US$'000*
Deferred consideration (a)	**25,072**	25,072
Written put option liabilities (b)	**43,846**	528,060
Lease liabilities	**252,181**	262,902
Environmental restoration (Note 10(b))	**23,927**	26,797
Government incentives and grants received in advance (c)	**77,300**	75,787
Others	**300,068**	355,383
	722,394	1,274,001

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 June 30, 2022, the potential undiscounted amount of future payment in respect of the deferred consideration that the Group could be required to make amounted to US$25 million (March 31, 2022: US$25 million).

(b) (i) Pursuant to the joint venture agreement entered into between the Company and Fujitsu Limited ("Fujitsu"), the Company and Fujitsu are respectively granted call and put options which entitle the Company to purchase from Fujitsu and Development Bank of Japan ("DBJ"), or Fujitsu and DBJ to sell to the Company, the 49% interest in Fujitsu Client Computing Limited and its subsidiary, Shimane Fujitsu Limited (together "FCCL"). Both options will be exercisable following the fifth anniversary of the date of completion. The exercise price for the call and put options will be determined based on the fair value of the 49% interest as of the day of exercising the option. At June 30, 2022, the written put option liabilities to Fujitsu has been reclassified to current liabilities as the written put option will be exercisable within the next twelve months.

(ii) During the year ended March 31, 2019, Hefei Zhi Ju Sheng Bao Equity Investment Co., Ltd ("ZJSB") acquired the 49% interest in a joint venture company ("JV Co") from Compal Electronics, Inc. The Company and ZJSB respectively own 51% and 49% of the interest in the JV Co. Pursuant to the option agreement entered into between a wholly owned subsidiary of the Group and Hefei Yuan Jia Start-up Investment LLP ("Yuan Jia"), which holds 99.31% interest in ZJSB, the Group and Yuan Jia are respectively granted call and put options which entitle the Group to purchase from Yuan Jia, or Yuan Jia to sell to the Group, the 99.31% interest in ZJSB.

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

Yuan Jia continues to hold 99.31% interest in ZJSB and is subject to a new option agreement whereby the Group and Yuan Jia are respectively granted call and put options which entitle the Group to purchase from Yuan Jia, or Yuan Jia to sell to the Group, the 99.31% interest in ZJSB. The call and put options will be exercisable after 54 months and from the 48 months to the 54 months respectively from the date of the new option agreement. The exercise price for the call and put options will be determined in accordance with the new option agreement, and up to a maximum of RMB 500 million (approximately US$75 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.

12 Borrowings

	June 30, 2022	March 31, 2022
	US$'000	*US$'000*
Current liabilities		
Short-term loans (a)	**83,369**	57,427
Notes (b)	**685,729**	685,380
Convertible preferred shares (d)	**45,188**	45,115
	814,286	787,922
Non-current liabilities		
Long-term loan (a)	**785**	1,045
Notes (b)	**1,991,184**	1,990,888
Convertible bonds (c)	**645,852**	641,415
	2,637,821	2,633,348
	3,452,107	3,421,270

Notes:

(a) Majority of the short-term and long-term loans are denominated in United States dollars. At June 30, 2022, the Group has total revolving and short-term loan facilities of US$3,204 million (March 31, 2022: US$3,154 million) which has been utilized to the extent of US$54 million (March 31, 2022: US$54 million).

(b)

Issue date	Outstanding principal amount	Term	Interest rate per annum	Due date	**June 30, 2022** ***US$'000***	March 31, 2022 *US$'000*
March 29, 2018	US$687 million	5 years	4.75%	March 2023	**685,729**	685,380
April 24, 2020 and May 12, 2020	US$1 billion	5 years	5.875%	April 2025	**999,446**	999,397
November 2, 2020	US$1 billion	10 years	3.421%	November 2030	**991,738**	991,491
					2,676,913	2,676,268

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

The conversion price was adjusted to HK$6.60 per share effective on August 4, 2022. Assuming full conversion of the Bonds at the adjusted conversion price of HK$6.60 per share, the Bonds will be convertible into 801,479,735 shares.

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

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

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

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

During the year ended March 31, 2022, due to the occurrence of certain specified conditions, the holders of convertible preferred shares have the right to require LETCL to redeem or the Company to purchase all of their convertible preferred shares at the predetermined consideration. Holders of 1,643,833 convertible preferred shares have exercised their rights and the Group has purchased these convertible preferred shares at the consideration of approximately US$254 million.

The aggregate number of 1,780,819 convertible preferred shares purchased by the Group were converted into ordinary shares of LETCL during the year ended March 31, 2022.

At June 30, 2022, 328,766 convertible preferred shares remained outstanding, representing 3.2% of the enlarged issued ordinary share capital of LETCL on an as-converted and fully diluted basis.

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

The exposure of all the borrowings of the Group to interest rate changes and the contractual repricing dates at June 30, 2022 and March 31, 2022 are as follows:

	June 30, 2022	March 31, 2022
	US$'000	*US$'000*
Within 1 year	**814,286**	787,922
Over 1 to 2 years	**646,637**	642,460
Over 2 to 5 years	**999,446**	999,397
Over 5 years	**991,738**	991,491
	3,452,107	3,421,270

13 Share capital

	June 30, 2022		March 31, 2022	
	Number of shares	***US$'000***	*Number of shares*	*US$'000*
Issued and fully paid:				
Voting ordinary shares:				
At the beginning and end of the period/year	**12,041,705,614**	**3,203,913**	12,041,705,614	3,203,913

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

	3 months ended June 30, 2022 ***US$'000***	3 months ended June 30, 2021 *US$'000*
Profit before taxation	**690,513**	650,223
Share of losses of associates and joint ventures	**5,076**	1,043
Finance income	**(18,675)**	(9,076)
Finance costs	**100,335**	100,581
Depreciation of property, plant and equipment	**90,416**	85,297
Depreciation of right-of-use assets	**35,874**	32,376
Amortization of intangible assets	**205,111**	189,621
Impairment of intangible assets	**-**	15,000
Impairment of property, plant and equipment	**-**	10,189
Share-based compensation	**74,557**	95,415
Loss/(gain) on disposal of property, plant and equipment	**254**	(479)
Loss on disposal of intangible assets	**8**	-
Gain on disposal of subsidiaries	**-**	(825)
Loss on disposal of an associate	**10**	-
Fair value change on financial instruments	**(92,350)**	(4,651)
Fair value change on financial assets at fair value through profit or loss	**(25,292)**	(131,270)
Fair value change on a financial liability at fair value through profit or loss	**873**	4,165
Dividend income	**(1,216)**	(425)
Increase in inventories	**(567,005)**	(1,450,324)
Decrease/(increase) in trade and notes receivables, deposits, prepayments and other receivables	**395,601**	(607,953)
(Decrease)/increase in trade and notes payables, provisions, other payables and accruals	**(383,138)**	1,736,037
Effect of foreign exchange rate changes	**85,730**	27,520
Net cash generated from operations	**596,682**	742,464

Reconciliation of financing liabilities

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

Financing liabilities	**June 30, 2022** *US$'000*	March 31, 2022 *US$'000*
Short-term loans – current	**83,369**	57,427
Long-term loan – non-current	**785**	1,045
Notes – current	**685,729**	685,380
Notes – non-current	**1,991,184**	1,990,888
Convertible bonds – non-current	**645,852**	641,415
Convertible preferred shares – current	**45,188**	45,115
Lease liabilities – current	**149,025**	145,095
Lease liabilities – non-current	**252,181**	262,902
	3,853,313	3,829,267

Short-term loans – variable interest rates	**56,215**	56,400
Short-term loans – fixed interest rates	**27,154**	1,027
Long-term loan – fixed interest rates	**785**	1,045
Notes – fixed interest rates	**2,676,913**	2,676,268
Convertible bonds – fixed interest rates	**645,852**	641,415
Convertible preferred shares – fair value	**45,188**	45,115
Lease liabilities – fixed interest rates	**401,206**	407,997
	3,853,313	3,829,267

	Short-term loans current *US$'000*	**Long-term loan non-current** *US$'000*	**Notes current** *US$'000*	**Notes non-current** *US$'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, 2021	58,190	2,070	336,709	2,673,688	623,824	303,372	133,662	333,264	4,464,779
Proceeds from borrowings	10,311,552	-	-	-	-	-	-	-	10,311,552
Repayments of borrowings	(10,304,211)	-	-	-	-	-	-	-	(10,304,211)
Repayment of notes	-	-	(337,309)	-	-	-	-	-	(337,309)
Repurchase of convertible preferred shares	-	-	-	-	-	(254,490)	-	-	(254,490)
Transfer	1,025	(1,025)	685,380	(685,380)	-	-	131,342	(131,342)	-
Principal elements of lease payments	-	-	-	-	-	-	(146,485)	-	(146,485)
Disposal of a subsidiary	(9,319)	-	-	-	-	-	-	-	(9,319)
Dividends paid	-	-	-	-	-	(16,385)	-	-	(16,385)
Foreign exchange adjustments	190	-	-	-	-	-	2,358	3,152	5,700
Other non-cash movements	-	-	600	2,580	17,591	12,618	24,218	57,828	115,435
Financing liabilities at March 31, 2022	57,427	1,045	685,380	1,990,888	641,415	45,115	145,095	262,902	3,829,267
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	**3,532,594**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**3,532,594**
Repayments of borrowings	**(3,506,740)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(3,506,740)**
Transfer	**260**	**(260)**	**-**	**-**	**-**	**-**	**21,707**	**(21,707)**	**-**
Principal elements of lease payments	**-**	**-**	**-**	**-**	**-**	**-**	**(33,801)**	**-**	**(33,801)**
Dividends paid	**-**	**-**	**-**	**-**	**-**	**(800)**	**-**	**-**	**(800)**
Foreign exchange adjustments	**(172)**	**-**	**-**	**-**	**-**	**-**	**(1,456)**	**(2,464)**	**(4,092)**
Other non-cash movements	**-**	**-**	**349**	**296**	**4,437**	**873**	**17,480**	**13,450**	**36,885**
Financing liabilities at June 30, 2022	**83,369**	**785**	**685,729**	**1,991,184**	**645,852**	**45,188**	**149,025**	**252,181**	**3,853,313**

15 Non-adjusting post balance sheet date events

On July 27, 2022, the Company completed the issuance of a 10-Year US$625 million notes bearing annual interest at 6.536% due in July 2032 (the "2032 Notes") and a 5.5-Year US$625 million notes bearing annual interest at 5.831% due in January 2028 (the "2028 Notes"). The Company intends to use an amount equivalent to the net proceeds of the 2032 Notes for financing or refinancing, in whole or in part, one or more of the Company's new or existing green projects, such as green buildings and renewable energy projects, in accordance with the Company's green finance framework. On the same date, part of the net proceeds of the 2028 Notes was used to purchase an aggregate principal amount of US$200 million of the notes due in March 2023. The Company intends to use the remaining proceeds of the 2028 Notes for working capital purposes.

DEBENTURES ISSUED

On July 27, 2022, the Company issued US$625,000,000 6.536% notes due 2032 (the "2032 Notes") and US$625,000,000 5.831% notes due 2028 (the "2028 Notes"). Both the 2032 Notes and the 2028 Notes are listed on the Stock Exchange of Hong Kong Limited ("Stock Exchange"). The net proceeds after deducting underwriting commissions and certain estimated expenses are approximately US$1,238,480,000. The Company intends to use an amount equivalent to the net proceeds of the 2032 Notes for financing or refinancing, in whole or in part, one or more of the Company's new or existing eligible green projects, such as green buildings and renewable energy projects, in accordance with the Company's green finance framework. The net proceeds of the issuance of the 2028 Notes were used to purchase an aggregate principal amount of US$200,000,000 of the Company's US$750,000,000 4.750% notes due 2023 (the "2023 Notes"), in accordance with the terms of the tender offer announced by the Company on July 18, 2022 and for working capital purposes. The 2023 Notes are listed on the Stock Exchange. Details as to the aggregate principal amount of such 2023 Notes purchased by the Company, as well as the aggregate principal amount of the 2023 Notes outstanding are set out in the announcement of the Company dated July 28, 2022 regarding the settlement of the tender offer.

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

During the three months ended June 30, 2022, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities, except that the respective trustee of the long-term incentive program and the employee share purchase plan of the Company purchased a total of 8,624,837 shares from the market for award to employees upon vesting. Details of these program and plan are set out in the 2021/22 annual report of the Company.

REVIEW BY AUDIT COMMITTEE

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

The Audit Committee of the Company has reviewed the unaudited financial results of the Group for the three months ended June 30, 2022. It meets regularly with the management, the external auditor and the internal audit personnel to discuss the accounting principles and practices adopted by the Group and internal control and financial reporting matters.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

None of the directors of the Company is aware of any information that would reasonably indicate that the Company is not, or was not during the three months ended June 30, 2022, in compliance with the code provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange, with the exception that the roles of the chairman of the Board (the "Chairman") and the chief executive officer of the Company (the "CEO") have not been segregated as required by code provision C.2.1 of the CG Code.

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

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

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

August 10, 2022

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