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Lenovo

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 INTERIM RESULTS ANNOUNCEMENT

INTERIM 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 and six months ended September 30, 2023 together with comparative figures for the corresponding period of last year, as follows:

FINANCIAL HIGHLIGHTS

- The first fiscal half-year began with a challenging start, but strong signs of recovery emerged towards the end of the period, thanks to the Group’s continued investment in accelerating transformation, demand recovery, and new applications including Artificial Intelligence
- Group sales in the second fiscal quarter advanced by 12 percent quarter-on-quarter, outperforming the 10-year average of 9 percent, with sequential improvements in all business segments. For the first fiscal half-year, Group profit attributable to equity holders declined by 60 percent to US\$426 million due to a 20 percent decrease in revenue
- SSG spearheaded the Group’s Service-led Transformation with revenue and operating profit growing at 14 percent and 7 percent year-on-year respectively, achieving all-time records for the first fiscal half-year
- IDG cemented its leadership in the global PC sector by expanding market share lead against its two largest global competitors; in the second fiscal quarter, IDG’s operating margin rose to 7.4 percent, nearing its historic high, thanks to the launch of new products and improved efficiency. Revenue and operating profit declined in the first fiscal half-year by 22 percent and 28 percent year-on-year respectively, partly as a result of a high base effect
- ISG saw a 17 percent setback in revenue and incurred an operating loss of US\$114 million due to an industry-wide reduction in IT spending; signs of demand stabilization emerged in the second fiscal quarter as the Group continued to invest in innovations, driving record performances across multiple products despite sector headwinds; Storage revenue ranked third globally while both services and edge revenue set new highs
- Cash conversion cycle improved by 1 day year-on-year to minus 4 days in the second quarter; inventory position also strengthened steadily with the quarter-end balance shrinking by more than US\$2 billion from a year ago

	3 months ended	6 months ended	3 months ended	6 months ended	Year-on-year change	
	September 30, 2023	September 30, 2023	September 30, 2022	September 30, 2022	3 months ended	6 months ended
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	September 30	September 30
	US\$ million	US\$ million	US\$ million	US\$ million		
Revenue	14,410	27,310	17,090	34,045	(16)%	(20)%
Gross profit	2,522	4,774	2,877	5,745	(12)%	(17)%
Gross profit margin	17.5%	17.5%	16.8%	16.9%	0.7 pts	0.6 pts
Operating expenses	(2,008)	(3,870)	(2,026)	(4,117)	(1)%	(6)%
Operating profit	514	904	851	1,628	(40)%	(44)%
Other non-operating						
income/(expenses) - net	(156)	(318)	(141)	(227)	11%	40%
Profit before taxation	358	586	710	1,401	(50)%	(58)%
Profit for the period	289	472	554	1,093	(48)%	(57)%
Profit attributable to equity						
holders of the Company	249	426	541	1,057	(54)%	(60)%
Earnings per share attributable to						
equity holders of the Company						
Basic	US2.09 cents	US3.57 cents	US4.54 cents	US8.93 cents	US(2.45) cents	US(5.36) cents
Diluted	US1.99 cents	US3.43 cents	US4.23 cents	US8.24 cents	US(2.24) cents	US(4.81) cents
Non-HKFRS measure						
Non-HKFRS operating profit	512	914	907	1,720	(44)%	(47)%
Non-HKFRS profit before taxation	357	598	768	1,497	(54)%	(60)%
Non-HKFRS profit for the period	285	479	598	1,167	(52)%	(59)%
Non-HKFRS profit attributable to						
equity holders of the Company	273	463	591	1,147	(54)%	(60)%

INTERIM DIVIDEND

The Board has declared an interim dividend of HK8.0 cents (2022/23: HK8.0 cents) per share for the six months ended September 30, 2023, absorbing an aggregate amount of approximately US\$124.3 million (2022/23: approximately US\$123.6 million), to shareholders whose names appear on the register of members of the Company on Thursday, November 30, 2023. The interim dividend will be paid on or about Wednesday, December 13, 2023.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed on Thursday, November 30, 2023, during which no transfer of shares will be registered. In order to qualify for the interim 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 no later than 4:30 p.m. on Wednesday, November 29, 2023. Shares of the Company will be traded ex-dividend as from Tuesday, November 28, 2023.

BUSINESS REVIEW AND OUTLOOK

Highlights

During the half-year ended September 30, 2023, the Group continued to solidify its market leadership and achieved progress in bolstering profitability at a time of uncertainty. Our steadfast dedication to accelerating transformation and capitalizing on demand recovery for our products has laid a solid foundation for sustainable growth. The confluence of accelerated growth in new applications, such as Artificial Intelligence (AI), the global Digital Transformation cycle, and the emergence of New IT demand, has not only augured well for the industry's long-term growth but also strengthened our market competitiveness, setting us on a progressive path towards enhanced profitability. Solutions and Services Group (SSG), our high-priority growth engine, spearheaded the Group's Service-led Transformation by expanding value-added solutions for its broad client base. The total contract value (TCV) for SSG grew 13 percent compared to a year ago, with Infrastructure-as-a-Service TCV increasing at twice the average rate. SSG has again achieved record-breaking performances, with revenue and operating profit advancing by 14 percent and 7 percent, respectively.

The second quarter under review has shown strong signs of resilience and improvement after a challenging first quarter. Group sales increased 12 percent quarter-on-quarter in the second quarter, outperforming its 10-year average of 9 percent. For the first half-year period, however, Group sales declined by 20 percent year-on-year, or 18 percent excluding currency impact, to US\$27 billion, as a result of a high base effect that made annual comparison challenging. Both Intelligent Devices Group (IDG) and Infrastructure Solutions Group (ISG) experienced sequential recovery in revenue. IDG stood out as the driving force behind the robust improvement in Group revenue performance, where its business cadence strengthened with second-quarter revenue growing 12 percent quarter-on-quarter, surpassing its historic average of 8 percent since the formation of the business segment in FY18/19. The similarly encouraging improvement of Group net margin in the second fiscal quarter was another highlight, with an expansion of 36 basis points quarter-on-quarter. For the half-year period under review, Group profit attributable to equity holders reached US\$426 million, 60 percent shy of the highest-ever level achieved for the same period last year when market conditions were more favorable.

Thanks to prudent working capital management, the Group maintained a negative cash conversion cycle of minus 4 days in the latest quarter, improving by 1 day year-on-year. Its inventory position strengthened steadily, with the quarter-end balance shrinking by more than US\$2 billion from a year ago, attributable to reductions in raw materials. All-in-all, Days of accounts receivables and inventory together improved by 9 days year-on-year, offset by lower accounts payables days. On the sustainability front, the Group has been widely acclaimed with numerous accolades, such as its recent inclusion in the 2023 Hang Seng Corporate Sustainability Index and its recognition as a "Champion" vendor in the 2023 Canalys Global Sustainable Ecosystems Leadership Matrix. The Group also ranked as the best place to work for disability inclusion by the Disability Equality Index (DEI) for the third consecutive year, while receiving a long-term credit rating upgrade to 'BBB' from S&P Global Ratings. These milestones highlight the Group's commitment to sustainability, inclusiveness, and strategic excellence through its diversified growth engines.

Group Financial Performance

Improving profitability remains a medium-term priority for the Group. During the period under review, the Group achieved its highest-ever gross margin of 17.5 percent for any first fiscal half-year in the Group's history. SSG's high-margin business is driving Group profitability, while IDG's margin profile expanded on continued investments in innovations, improved efficiency, and the launch of new products. Management successfully implemented its expense savings plan, resulting in a year-on-year reduction of US\$248 million in the Group's expenses. Although the expense to sales ratio of 14.2 percent remained high compared to historical range due to smaller scale of operations, the Group is actively streamlining its operations for enhanced agility and efficiency. Group net profit margin declined 154 basis points versus the same period last year, and yet the profitability outlook is set to improve with the combination of revenue recovery, a healthy gross margin level and ongoing optimization of the operating expense to sales ratio to better leverage the recovery.

By Business Group, SSG clearly outperformed the market while IDG and ISG both showed early signs of improvement through their strategic focus on growth products. During the half-year period under review, SSG's segment revenue and profit expanded respectively by 14 percent and 7 percent year-on-year. Considerable market challenges experienced at the beginning of the first fiscal quarter led to a 28 percent decline in operating profit for IDG and a loss of US\$114 million for ISG. In the second fiscal quarter, however, the market situation significantly improved with IDG's operating profit margin rebounding to 7.4 percent, representing a quarter-on-quarter expansion of 102 basis points and a sequential revenue growth of 12 percent. Similarly, ISG reported a mild recovery of revenue, growing 5 percent sequentially. Despite remaining in the loss territory, the business segment effectively narrowed its magnitude of losses by 12 percent quarter-on-quarter.

Performance by Business Group

Intelligent Devices Group (IDG)

Revenue and operating profit of IDG, consisting of the PC, tablet, smartphone, and other smart device businesses, declined 22 and 28 percent year-on-year, respectively, during the half-year period under review. Such decline was largely attributed to the clearance of excess PC inventory across sales channels earlier in the period. However, there are positive signs of recovery as sector demand gradually recovers and inventory normalizes, particularly towards the later part of the period. IDG's revenue increased 12 percent quarter-on-quarter in the second fiscal quarter, surpassing its historic average of 8 percent since the formation of the business segment in FY18/19.

IDG maintained its position as the global PC sector leader for the first fiscal half-year. In the latest quarter, the business group further secured its sector leadership by expanding its market share lead against its two largest competitors, enabling it to attain the number one PC sector share in four out of five global geographical markets. IDG is the undisputed leader in the commercial PC segment with its segment market share exceeding 26 percent in the latest quarter.

IDG's operating profit for the half-year period under review declined 28 percent year-on-year. The business segment ramped up strategic measures to enhance profitability, including expense control and the launch of new products. As a result, the operating profit margin in the second fiscal quarter expanded by 1 percentage point quarter-on-quarter and recovered to only slightly below the peak level achieved in FY21/22.

The essence of IDG's long-term growth strategy revolves around investing in innovations and developing strong products and new solutions to drive success in both PC and non-PC categories. One such example is our commitment to developing a new generation of PCs - AI PC. The solution will enable the delivery of personalized experiences, improved latency, and enhanced privacy protections around inferencing applications at edge devices. This holds significance for enterprise customers as the increased adoption of AI PC will uniquely optimize their workforce experience and boost productivity in multiple ways, thereby driving additional growth opportunities for IDG in the PC sector.

During the half-year period under review, non-PC sales made up 20 percent of IDG's revenue. Smartphone sales showed a swift turnaround with quarterly sales recovering to almost the same level seen in the second quarter last year. The improvement was driven by a favorable mix shift, exemplified by record-high premium product mix and double-digit premium-to-market growth in shipment. The smartphone business is expected to continue its growth trajectory with ongoing product innovation.

Infrastructure Solutions Group (ISG)

An industry-wide correction in IT spending within the broader infrastructure sector has dampened customer demand, resulting in a 17 percent year-on-year decline in ISG's revenue for the half-year period under review. Nevertheless, there were signs of industry demand stabilizing in the second fiscal quarter with ISG reporting sequential revenue growth of 5 percent.

The market headwinds in the near term have had minimal impact on ISG's long-term commitment to its key product strategy of building a comprehensive infrastructure solutions portfolio, which has further extended to the realm of AI. The ongoing Digital Transformation holds promise for new AI applications, resulting in further rationalization of ISG's investments to support the development of Generative AI. The high development costs associated with new projects in this area, coupled with the high base effect of last year's peak performance, weighed on ISG's bottom lines. As a result, its segment operating performance registered a loss of US\$114 million for its first half-year period under review.

AI represents a major growth catalyst for the Group's future success. To leverage proliferation of AI deployment, ISG has unveiled a new edge server with differentiated technology and 32 percent less power consumption, empowering businesses to deploy AI applications with high reliability and efficiency. Beyond device products that span from edge to core, ISG is developing a hardware, software and services portfolio to facilitate the seamless delivery of AI at the point of data creation and storage. Its AI Innovators Program is an important investment to differentiate by delivering turnkey solutions, helping businesses implement generative AI, immersive metaverse simulations and cognitive decisions at scale.

During the period under review among the non-server products, ISG delivered all-time high revenues in services and storage business across multiple customer segments and solutions. Edge also achieved the second highest revenue in its operating history. According to the latest quarterly third-party statistics, ISG's market share by revenue in the storage market advanced to the third place globally, up five positions from a year ago.

Solutions & Services Group (SSG)

Driven by the ongoing trend of digitalization and enterprise customers' pursuit for higher productivity, SSG remained the growth and profit engine for the Group. During the period under review, SSG reported a revenue of US\$3.6 billion, up 14 percent year-on-year, and an operating profit of US\$745 million, up 7 percent year-on-year. SSG continued to deliver a resilient operating margin of 21 percent, topping all business groups.

SSG has been at the forefront of innovation with the continuous launch of new service offerings, such as Premier Support Plus, which features predictive issue detection and accidental damage protection. The attach rate of this service doubled in the second quarter compared to a quarter ago. SSG's Net-Zero DaaS, a service that integrates sustainability to provide greener workplace, has also seen early success.

By segment, Support Service revenue increased 6 percent year-on-year despite weakness in hardware sales, thanks to rising penetration rate primarily driven by both the Premier Support and Sustainability offerings. Managed Services capitalized on the surging demand for TruScale as-a-service solutions, with a revenue growth of 41 percent over the same period last year. Project & Solution Services revenue rose 9 percent year-on-year, benefiting from solid demand for integrated solutions across different verticals and the Group's effective cross-team execution.

Geographic Performance

With operations spanning across 180 markets, the Group witnessed outperformances in regional markets including Americas and Asia Pacific during the first fiscal half-year, while all its operating regions demonstrated sequential progress during the second fiscal quarter. Americas continued to register a smaller year-on-year decline than the Group average, at 17 percent in the first fiscal half-year, thanks to PC demand recovery and stronger than expected smartphone sales. ISG revenue was down double-digits year-on-year, after strength in storage demand partially offsetting weakness in server products; SSG experienced a dip in revenue compared to the previous year due to the enterprise customers' rationalization of spends on sizable projects.

Revenue in Asia Pacific (excluding China) continued to surpass the Group average despite a decrease of 14 percent from the same half-year period in last year. Whilst the region was affected by local currency depreciation against the US dollar, there was a robust recovery in commercial PC sales especially in the Japan market. SSG also reported robust revenue growth particularly from the project solutions segment. Despite a 22 percent year-on-year decline in revenue for the first half-year period, the Europe-Middle East-Africa (EMEA) market showed the biggest quarterly improvement among all regions, driven by strong consumer demand for PC. SSG emerged as a growth driver with high-single-digit revenue growth on key project wins, including those in sustainability offerings.

Revenue performance in China remained lackluster, down 25 percent year-on-year in the first fiscal half-year, attributed to lower demand for both PC and infrastructure business. Nevertheless, SSG delivered single-digit revenue growth, capitalizing on the recovery in service delivery for vertical solutions, as well as securing contract wins in key verticals.

Outlook

In light of the mixed picture presented by the global demand for technology products, the Group is deploying a sustainable growth strategy to accelerate its Transformation and share gain in markets that are experiencing demand recovery or hold promises for strong long-term growth. The continued investment in innovation has been instrumental to building diversified growth engines and unleashing new growth opportunities in Intelligent Transformation, especially in the field of AI. It is important to note that the Group's AI investment will extend beyond hardware devices, software, services and ecosystem in order to address emerging challenges in privacy protection and data security arising from AI deployment.

During the period under review, the Group committed to a total investment of US\$1 billion over the next three years to expand its AI capabilities. ISG stands to benefit greatly from the growth opportunities in AI. 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 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 capture new accounts through design wins across technology platforms. Such an approach will achieve an optimal balance between general purpose and customized offerings, while ensuring an appropriate operation scale and efficient cost structure for future revenue growth and profitability expansion.

The Group's PC business is stabilizing and well-positioned for a year-on-year recovery in the last quarter of 2023. The total available market of the global PC sector is regressing to pre-COVID levels in the short term but could remain at a level structurally higher than the pre-pandemic period in the long term. The commercial upgrade cycle and the trend of premiumization are among the most important catalysts that will help IDG deliver premium-to-market growth. IDG is well-poised to lead the global race in device innovation by enhancing features for gaming, entertainment and ESG designs. The business segment is focused on driving higher brand premium in gaming with a comprehensive portfolio of flagship models equipped with proprietary AI chips for performance optimization, as well as gaming peripherals, including a new gaming console. Further investments will be made to score wins in non-PC areas, including fast-growing accessories and work collaboration solutions. Its smartphone business will prioritize portfolio expansion and differentiation to take advantage of accelerated 5G adoption and drive share gains across regional markets.

To ensure sustainable long-term growth, SSG will launch new AI-embedded services in the areas of digital workplace, hybrid cloud, and sustainability solutions, with an aim to accommodate enterprise customers' growing demand for AI technologies, while safeguarding its core business with high value-added support services across both PC and infrastructure segments. SSG will continue to leverage TruScale as a comprehensive as-a-service portfolio, which is strategically positioned to capture the increasing adoption of such services. Through strengthening channel tools and cooperating with ecosystem partners, SSG is well-positioned to further enhance its financial contribution to the Group.

Strategic Highlights

The Group continues to be the leader and enabler of Intelligent Transformation, helping customers navigate a more complex world, with its vision of bringing smarter technology to all and its commitment to making AI accessible and inclusive. Strong innovation, which goes hand-in-hand with the pursuit of profitability growth, will further elevate the Group's competitiveness in next generation product design and solutions.

The development and application of AI has been accelerated by AI-generated content and large language models that require tremendous computing power. In line with this, the Group envisions the potential of personal and enterprise foundation models on devices in addressing the challenges of balancing between the accuracy of AI-generated responses and the importance of data privacy and security.

Leveraging its Services business as a structural growth engine, the Group will strengthen its AI-embedded end-to-end service solutions, particularly its TruScale as-a-Service portfolio, to tackle customer pain points in hybrid work, multi-cloud management, as well as 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 environmental impact as the business progresses towards its goal of 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 six months ended September 30, 2023

	6 months ended September 30, 2023 (unaudited) US\$ million	6 months ended September 30, 2022 (unaudited) US\$ million	Year-on-year change
Revenue	27,310	34,045	(20)%
Gross profit	4,774	5,745	(17)%
Gross profit margin	17.5%	16.9%	0.6 pts
Operating expenses	(3,870)	(4,117)	(6)%
Operating profit	904	1,628	(44)%
Other non-operating income/(expenses) – net	(318)	(227)	40%
Profit before taxation	586	1,401	(58)%
Profit for the period	472	1,093	(57)%
Profit attributable to equity holders of the Company	426	1,057	(60)%
Earnings per share attributable to equity holders of the Company			
Basic	US3.57 cents	US8.93 cents	US(5.36) cents
Diluted	US3.43 cents	US8.24 cents	US(4.81) cents

For the six months ended September 30, 2023, the Group achieved total sales of approximately US\$27,310 million. When compared to the corresponding period of last year, profit attributable to equity holders for the period decreased by US\$631 million to approximately US\$426 million, gross profit margin rose 0.6 percentage points to 17.5 percent mainly due to increasing contribution from SSG's high margin business. While basic and diluted earnings per share were US3.57 cents and US3.43 cents respectively, representing a decrease of US5.36 cents and US4.81 cents.

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

Analysis of operating expenses by function for the six months ended September 30, 2023 and 2022 is as follows:

	6 months ended September 30, 2023 US\$'000	6 months ended September 30, 2022 US\$'000
Selling and distribution expenses	(1,591,084)	(1,765,605)
Administrative expenses	(1,234,613)	(1,232,410)
Research and development expenses	(949,242)	(1,067,066)
Other operating income/(expenses) – net	(94,651)	(52,227)
	<u>(3,869,590)</u>	<u>(4,117,308)</u>

Operating expenses for the period decreased by 6 percent as compared with the corresponding period of last year. Due to expense optimization, spending was reduced across multiple areas, including US\$80 million in advertising and promotional expense, US\$63 million in research and development related laboratory testing, services and supplies, as well as other items. During the period, the Group recorded fair value gain from strategic investments amounted to US\$77 million (2022/23: US\$40 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\$7 million (2022/23: US\$43 million) reflecting our assessment on certain doubtful amounts. Currency fluctuations presented a challenge to the Group, resulting in a net exchange loss of US\$64 million (2022/23: US\$105 million).

Key expenses by nature comprise:

	6 months ended September 30, 2023 US\$'000	6 months ended September 30, 2022 US\$'000
Depreciation of property, plant and equipment	(105,763)	(94,085)
Depreciation of right-of-use assets	(71,733)	(62,639)
Amortization of intangible assets, excluding internal use software	(109,583)	(250,699)
Employee benefit costs, including	(2,162,474)	(2,112,252)
- <i>long-term incentive awards</i>	(149,089)	(158,806)
Rental expenses	(3,727)	(5,274)
Net foreign exchange loss	(63,887)	(104,671)
Advertising and promotional expenses	(405,076)	(484,921)
Legal, professional and consulting expenses	(121,599)	(122,353)
Information technology expenses, including	(164,986)	(195,431)
- <i>amortization of internal use software</i>	(88,018)	(101,012)
Increase in loss allowance of trade receivables	(26,493)	(61,664)
Unused amounts of loss allowance of trade receivables reversed	19,066	18,231
Research and development related laboratory testing, services and supplies	(125,797)	(188,778)
Loss on disposal of property, plant and equipment	(1,117)	(462)
Loss on disposal of intangible assets	(24)	(301)
Loss on disposal of construction-in-progress	(9,856)	(1,063)
Fair value gain on financial assets at fair value through profit or loss	76,784	40,431
Fair value loss on a financial liability at fair value through profit or loss	-	(1,758)
Others	(593,325)	(489,619)
	<u>(3,869,590)</u>	<u>(4,117,308)</u>

Other non-operating income/(expenses) – net for the six months ended September 30, 2023 and 2022 comprise:

	6 months ended September 30, 2023 US\$'000	6 months ended September 30, 2022 US\$'000
Finance income	82,496	56,261
Finance costs	(387,804)	(275,237)
Share of losses of associates and joint ventures	(13,021)	(8,626)
	<u>(318,329)</u>	<u>(227,602)</u>

Finance income mainly represents interest on bank deposits.

Finance costs for the period increased by 41 percent as compared with the corresponding period of last year due to higher market interest rate in the period. The increase is mainly attributable to the increase in factoring cost of US\$135 million, partly offset by decrease in interest on bank loans and overdrafts of US\$24 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:

	6 months ended September 30, 2023		6 months ended September 30, 2022	
	Revenue <i>US\$'000</i>	Operating profit/(loss) <i>US\$'000</i>	Revenue <i>US\$'000</i>	Operating profit <i>US\$'000</i>
IDG	21,775,171	1,496,550	27,989,687	2,089,397
ISG	3,915,525	(113,855)	4,700,436	47,313
SSG	3,631,308	744,511	3,177,071	696,910
Total	<u>29,322,004</u>	<u>2,127,206</u>	35,867,194	2,833,620
Eliminations	<u>(2,012,291)</u>	<u>(629,201)</u>	(1,822,039)	(600,053)
	<u>27,309,713</u>	<u>1,498,005</u>	<u>34,045,155</u>	<u>2,233,567</u>
Unallocated:				
Headquarters and corporate income/(expenses) – net		(679,684)		(587,378)
Depreciation and amortization		(214,778)		(280,715)
Finance income		77,055		36,194
Finance costs		(157,137)		(32,264)
Share of losses of associates and joint ventures		(14,522)		(8,996)
Loss on disposal of property, plant and equipment		(577)		(38)
Fair value gain on financial assets at fair value through profit or loss		76,784		40,431
Fair value loss on a financial liability at fair value through profit or loss		-		(1,758)
Dividend income		600		1,522
Consolidated profit before taxation		<u>585,746</u>		<u>1,400,565</u>

Headquarters and corporate income/(expenses) – net for the period comprise various expenses, after appropriate allocation to business groups, of US\$680 million (2022/23: US\$587 million) such as employee benefit costs, legal, professional and consulting expenses, and research and technology expenses. The increase is primarily in relation to the increase in research and technology expenses and provision for claims as compared with the corresponding period of last year.

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

	3 months ended September 30, 2023 (unaudited) US\$ million	3 months ended September 30, 2022 (unaudited) US\$ million	Year-on-year change
Revenue	14,410	17,090	(16)%
Gross profit	2,522	2,877	(12)%
Gross profit margin	17.5%	16.8%	0.7 pts
Operating expenses	(2,008)	(2,026)	(1)%
Operating profit	514	851	(40)%
Other non-operating income/(expenses) – net	(156)	(141)	11%
Profit before taxation	358	710	(50)%
Profit for the period	289	554	(48)%
Profit attributable to equity holders of the Company	249	541	(54)%
Earnings per share attributable to equity holders of the Company			
Basic	US2.09 cents	US4.54 cents	US(2.45) cents
Diluted	US1.99 cents	US4.23 cents	US(2.24) cents

For the three months ended September 30, 2023, the Group achieved total sales of approximately US\$14,410 million. When compared to the corresponding period of last year, profit attributable to equity holders for the period decreased by US\$292 million to approximately US\$249 million, gross profit margin rose 0.7 percentage points to 17.5 percent mainly due to increasing contribution from SSG's high margin business. While basic and diluted earnings per share were US2.09 cents and US1.99 cents respectively, representing a decrease of US2.45 cents and US2.24 cents.

Analysis of operating expenses by function for the three months ended September 30, 2023 and 2022 is as follows:

	3 months ended September 30, 2023 US\$ '000	3 months ended September 30, 2022 US\$ '000
Selling and distribution expenses	(791,923)	(886,268)
Administrative expenses	(637,704)	(545,426)
Research and development expenses	(498,211)	(555,651)
Other operating income/(expenses) – net	(79,922)	(38,311)
	<u>(2,007,760)</u>	<u>(2,025,656)</u>

Operating expenses for the period decreased by 1 percent as compared with the corresponding period of last year. Due to expense optimization, spending was reduced across multiple areas, including US\$20 million in advertising and promotional expense, US\$18 million in research and development related laboratory testing, services and supplies, as well as other items. During the period, the Group recorded a fair value gain from strategic investments amounted to US\$46 million (2022/23: US\$15 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\$20 million (2022/23: US\$56 million).

Key expenses by nature comprise:

	3 months ended September 30, 2023	3 months ended September 30, 2022
	<i>US\$'000</i>	<i>US\$'000</i>
Depreciation of property, plant and equipment	(52,977)	(47,581)
Depreciation of right-of-use assets	(35,055)	(30,618)
Amortization of intangible assets, excluding internal use software	(63,230)	(126,672)
Employee benefit costs, including	(1,060,206)	(1,023,711)
- <i>long-term incentive awards</i>	(80,456)	(84,249)
Rental expenses	(3,254)	(2,404)
Net foreign exchange loss	(19,657)	(56,446)
Advertising and promotional expenses	(230,613)	(250,296)
Legal, professional and consulting expenses	(61,297)	(67,953)
Information technology expenses, including	(89,617)	(113,072)
- <i>amortization of internal use software</i>	(41,983)	(51,752)
Increase in loss allowance of trade receivables	(10,529)	(12,122)
Unused amounts of loss allowance of trade receivables reversed	4,964	15,686
Research and development related laboratory testing, services and supplies	(70,067)	(88,302)
Loss on disposal of property, plant and equipment	(1,685)	(208)
Loss on disposal of intangible assets	(21)	(293)
Loss on disposal of construction-in-progress	(5,769)	(1,063)
Fair value gain on financial assets at fair value through profit or loss	46,203	15,139
Fair value loss on a financial liability at fair value through profit or loss	-	(885)
Others	(354,950)	(234,855)
	(2,007,760)	(2,025,656)

Other non-operating income/(expenses) - net for the three months ended September 30, 2023 and 2022 comprise:

	3 months ended September 30, 2023	3 months ended September 30, 2022
	<i>US\$'000</i>	<i>US\$'000</i>
Finance income	42,323	37,586
Finance costs	(190,378)	(174,902)
Share of losses of associates and joint ventures	(8,326)	(3,550)
	(156,381)	(140,866)

Finance income mainly represents interest on bank deposits.

Finance costs for the period increased by 9 percent as compared with the corresponding period of last year due to higher market interest rate in the period. The increase is mainly attributable to the increase in factoring cost of US\$47 million, partly offset by decrease in interest on bank loans and overdrafts of US\$21 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 September 30, 2023		3 months ended September 30, 2022	
	Revenue US\$'000	Operating profit/(loss) US\$'000	Revenue US\$'000	Operating profit US\$'000
IDG	11,514,559	846,793	13,715,844	1,019,886
ISG	2,001,759	(53,438)	2,614,363	36,002
SSG	1,918,076	383,371	1,721,199	367,568
Total	15,434,394	1,176,726	18,051,406	1,423,456
Eliminations	(1,024,608)	(321,841)	(961,869)	(315,501)
	<u>14,409,786</u>	<u>854,885</u>	<u>17,089,537</u>	<u>1,107,955</u>
Unallocated:				
Headquarters and corporate income/(expenses) - net		(375,638)		(267,666)
Depreciation and amortization		(110,444)		(138,715)
Finance income		38,822		26,119
Finance costs		(86,663)		(28,474)
Share of losses of associates and joint ventures		(8,375)		(3,920)
(Loss)/gain on disposal of property, plant and equipment		(1,256)		58
Fair value gain on financial assets at fair value through profit or loss		46,203		15,139
Fair value loss on a financial liability at fair value through profit or loss		-		(885)
Dividend income		85		441
Consolidated profit before taxation		<u>357,619</u>		<u>710,052</u>

Headquarters and corporate income/(expenses) - net for the period comprise various expenses, after appropriate allocation to business groups, of US\$376 million (2022/23: US\$268 million) such as employee benefit costs, legal, professional and consulting expenses, and research and technology expenses. The increase is primarily in relation to the increase in research and technology expenses and 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 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, 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 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.

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.

Six months ended September 30, 2023

	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	904,075	585,746	472,467	425,766
Non-HKFRS adjustments				
Net fair value changes on financial assets at fair value through profit or loss	(76,784)	(76,784)	(64,759)	(33,254)
Amortization of intangible assets resulting from mergers and acquisitions	84,524	86,890	68,565	68,565
Mergers and acquisitions related charges	2,048	2,352	2,352	2,352
Non-HKFRS	<u>913,863</u>	<u>598,204</u>	<u>478,625</u>	<u>463,429</u>

Six months ended September 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	1,628,167	1,400,565	1,093,312	1,056,914
Non-HKFRS adjustments				
Net fair value changes on financial assets at fair value through profit or loss	(40,431)	(40,431)	(36,779)	(20,854)
Amortization of intangible assets resulting from mergers and acquisitions	121,559	121,559	95,592	95,592
Mergers and acquisitions related charges	10,578	15,318	15,318	15,318
Non-HKFRS	<u>1,719,873</u>	<u>1,497,011</u>	<u>1,167,443</u>	<u>1,146,970</u>

Three months ended September 30, 2023

	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	514,000	357,619	289,053	249,240
Non-HKFRS adjustments				
Net fair value changes on financial assets at fair value through profit or loss	(46,203)	(46,203)	(39,956)	(12,622)
Amortization of intangible assets resulting from mergers and acquisitions	42,076	43,259	34,155	34,155
Mergers and acquisitions related charges	2,048	2,048	2,048	2,048
Non-HKFRS	<u>511,921</u>	<u>356,723</u>	<u>285,300</u>	<u>272,821</u>

Three months ended September 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	850,918	710,052	553,841	541,207
Non-HKFRS adjustments				
Net fair value changes on financial assets at fair value through profit or loss	(15,139)	(15,139)	(14,798)	(9,585)
Amortization of intangible assets resulting from mergers and acquisitions	60,399	60,399	46,273	46,273
Mergers and acquisitions related charges	10,578	12,875	12,875	12,875
Non-HKFRS	<u>906,756</u>	<u>768,187</u>	<u>598,191</u>	<u>590,770</u>

Capital Expenditure

The Group incurred capital expenditure of US\$677 million (2022/23: US\$770 million) during the six months ended September 30, 2023, mainly for the acquisition of property, plant and equipment, additions to construction-in-progress and intangible assets. The lower capital expenditure incurred in current period is mainly attributable to less investments in plant and machinery and internal use software, partly offset by more investments in patents and technology.

Liquidity and Financial Resources

At September 30, 2023, total assets of the Group amounted to US\$39,257 million (March 31, 2023: US\$38,920 million), which were financed by equity attributable to owners of the Company of US\$5,127 million (March 31, 2023: US\$5,588 million), other non-controlling interests (net of put option written on non-controlling interests) of US\$452 million (March 31, 2023: US\$459 million), and total liabilities of US\$33,678 million (March 31, 2023: US\$32,873 million). At September 30, 2023, the current ratio of the Group was 0.87 (March 31, 2023: 0.88).

At September 30, 2023, bank deposits and cash and cash equivalents totaling US\$3,799 million (March 31, 2023: US\$4,321 million) analyzed by major currency are as follows:

	September 30, 2023	March 31, 2023
	%	%
US dollar	26.2	33.7
Renminbi	29.1	24.9
Japanese Yen	9.3	7.5
Euro	8.8	5.3
Australian dollar	3.3	1.2
Other currencies	23.3	27.4
Total	100.0	100.0

The Group adopts a conservative policy to invest the surplus cash generated from operations. At September 30, 2023, 82 (March 31, 2023: 87) percent of cash are bank deposits, and 18 (March 31, 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 our balance sheet efficiency.

The Group has the following banking facilities:

Type	Date of agreement	Principal amount <i>US\$ million</i>	Term	Utilized amount at	
				September 30, 2023 <i>US\$ million</i>	March 31, 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	-	-

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

Credit facilities	Total available amount at		Drawn down amount at	
	September 30, 2023 <i>US\$ million</i>	March 31, 2023 <i>US\$ million</i>	September 30, 2023 <i>US\$ million</i>	March 31, 2023 <i>US\$ million</i>
Trade lines	5,189	4,970	3,121	3,454
Short-term money market facilities	1,851	1,838	61	54
Forward foreign exchange contracts	11,111	9,428	11,065	9,384

Apart from the above facilities, notes and convertible bonds issued by the Group and outstanding at September 30, 2023 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
2024 Convertible Bonds	January 24, 2019	US\$220 million	5 years	3.375%	January 2024	For repayment of previous Notes and general corporate purposes
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\$900 million	10 years	3.421%	November 2030	For repurchase of perpetual securities and previous Notes
2028 Notes	July 27, 2022	US\$625 million	5.5 years	5.831%	January 2028	For repayment of previous Notes and general corporate purposes
2032 Notes	July 27, 2022	US\$583 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 (debt)/cash position and gearing ratio of the Group at September 30 and March 31, 2023 are as follows:

	September 30, 2023 <i>US\$ million</i>	March 31, 2023 <i>US\$ million</i>
Bank deposits and cash and cash equivalents	3,799	4,321
Borrowings		
- Short-term loans	76	57
- Notes	3,092	3,146
- Convertible bonds	764	752
Net (debt)/cash position	(133)	366
Total equity	5,578	6,047
Gearing ratio (Borrowings divided by total equity)	0.70	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 September 30, 2023, the Group had commitments in respect of outstanding forward foreign exchange contracts amounting to US\$11,065 million (March 31, 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.

FINANCIAL INFORMATION

CONSOLIDATED INCOME STATEMENT

		3 months ended September 30, 2023 (unaudited) <i>US\$'000</i>	6 months ended September 30, 2023 (unaudited) <i>US\$'000</i>	3 months ended September 30, 2022 (unaudited) <i>US\$'000</i>	6 months ended September 30, 2022 (unaudited) <i>US\$'000</i>
	<i>Note</i>				
Revenue	2	14,409,786	27,309,713	17,089,537	34,045,155
Cost of sales		<u>(11,888,026)</u>	<u>(22,536,048)</u>	<u>(14,212,963)</u>	<u>(28,299,680)</u>
Gross profit		2,521,760	4,773,665	2,876,574	5,745,475
Selling and distribution expenses		(791,923)	(1,591,084)	(886,268)	(1,765,605)
Administrative expenses		(637,704)	(1,234,613)	(545,426)	(1,232,410)
Research and development expenses		(498,211)	(949,242)	(555,651)	(1,067,066)
Other operating income/(expenses) - net		<u>(79,922)</u>	<u>(94,651)</u>	<u>(38,311)</u>	<u>(52,227)</u>
Operating profit	3	514,000	904,075	850,918	1,628,167
Finance income	4(a)	42,323	82,496	37,586	56,261
Finance costs	4(b)	(190,378)	(387,804)	(174,902)	(275,237)
Share of losses of associates and joint ventures		<u>(8,326)</u>	<u>(13,021)</u>	<u>(3,550)</u>	<u>(8,626)</u>
Profit before taxation		357,619	585,746	710,052	1,400,565
Taxation	5	<u>(68,566)</u>	<u>(113,279)</u>	<u>(156,211)</u>	<u>(307,253)</u>
Profit for the period		<u>289,053</u>	<u>472,467</u>	<u>553,841</u>	<u>1,093,312</u>
Profit attributable to:					
Equity holders of the Company		249,240	425,766	541,207	1,056,914
Other non-controlling interests		<u>39,813</u>	<u>46,701</u>	<u>12,634</u>	<u>36,398</u>
		<u>289,053</u>	<u>472,467</u>	<u>553,841</u>	<u>1,093,312</u>
Earnings per share attributable to equity holders of the Company					
Basic	6(a)	<u>US2.09 cents</u>	<u>US3.57 cents</u>	US4.54 cents	US8.93 cents
Diluted	6(b)	<u>US1.99 cents</u>	<u>US3.43 cents</u>	US4.23 cents	US8.24 cents
Dividend	7		<u>124,319</u>		<u>123,602</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	3 months ended September 30, 2023 (unaudited) US\$'000	6 months ended September 30, 2023 (unaudited) US\$'000	3 months ended September 30, 2022 (unaudited) US\$'000	6 months ended September 30, 2022 (unaudited) US\$'000
Profit for the period	289,053	472,467	553,841	1,093,312
<hr style="border-top: 1px dashed black;"/>				
Other comprehensive income/(loss):				
<u>Items that will not be reclassified to profit or loss</u>				
Remeasurements of post-employment benefit obligations, net of taxes	-	97	94	403
Fair value change on financial assets at fair value through other comprehensive income, net of taxes	(1,187)	(24)	(2,049)	(2,436)
<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	96,225	152,735	370,697	682,175
- Reclassified to consolidated income statement	(57,084)	(65,875)	(261,271)	(460,208)
Currency translation differences	(92,172)	(329,993)	(376,314)	(888,411)
Other comprehensive loss for the period	(54,218)	(243,060)	(268,843)	(668,477)
<hr style="border-top: 1px dashed black;"/>				
Total comprehensive income for the period	234,835	229,407	284,998	424,835
<hr style="border-top: 3px double black;"/>				
Total comprehensive income attributable to:				
Equity holders of the Company	204,116	215,934	288,060	435,550
Other non-controlling interests	30,719	13,473	(3,062)	(10,715)
	234,835	229,407	284,998	424,835
<hr style="border-top: 3px double black;"/>				

CONSOLIDATED BALANCE SHEET

		September 30, 2023 (unaudited) <i>US\$'000</i>	March 31, 2023 (audited) <i>US\$'000</i>
Non-current assets			
Property, plant and equipment		1,971,534	2,006,457
Right-of-use assets		616,030	659,360
Construction-in-progress		570,334	638,047
Intangible assets		8,174,825	8,267,114
Interests in associates and joint ventures		408,101	438,267
Deferred income tax assets		2,510,465	2,467,281
Financial assets at fair value through profit or loss		1,247,983	1,233,969
Financial assets at fair value through other comprehensive income		63,531	66,178
Other non-current assets		284,672	202,531
		<u>15,847,475</u>	<u>15,979,204</u>
Current assets			
Inventories	8	6,169,642	6,371,858
Trade and notes receivables	9(a)	7,809,892	7,940,378
Derivative financial assets		107,181	37,460
Deposits, prepayments and other receivables	10	5,125,319	3,945,153
Income tax recoverable		398,181	324,756
Bank deposits		61,979	71,163
Cash and cash equivalents		3,736,984	4,250,085
		<u>23,409,178</u>	<u>22,940,853</u>
Total assets		<u><u>39,256,653</u></u>	<u><u>38,920,057</u></u>

CONSOLIDATED BALANCE SHEET (CONTINUED)

		September 30, 2023 (unaudited) US\$ '000	March 31, 2023 (audited) US\$ '000
Share capital	14	3,282,318	3,282,318
Reserves		1,844,867	2,305,272
		<hr/>	<hr/>
Equity attributable to owners of the Company		5,127,185	5,587,590
Other non-controlling interests		998,650	1,006,784
Put option written on non-controlling interests	11(a), 12(b)	(547,353)	(547,353)
		<hr/>	<hr/>
Total equity		5,578,482	6,047,021
		<hr/>	<hr/>
Non-current liabilities			
Borrowings	13	3,638,675	3,683,178
Warranty provision	11(b)	171,055	196,037
Deferred revenue		1,369,564	1,389,427
Retirement benefit obligations		240,774	257,244
Deferred income tax liabilities		428,226	431,688
Other non-current liabilities	12	774,190	822,105
		<hr/>	<hr/>
		6,622,484	6,779,679
		<hr/>	<hr/>
Current liabilities			
Trade and notes payables	9(b)	10,872,335	9,772,934
Derivative financial liabilities		20,315	62,499
Other payables and accruals	11(a)	13,059,950	12,932,781
Provisions	11(b)	907,638	1,021,041
Deferred revenue		1,557,285	1,581,952
Income tax payable		344,528	450,534
Borrowings	13	293,636	271,616
		<hr/>	<hr/>
		27,055,687	26,093,357
		<hr/>	<hr/>
Total liabilities		33,678,171	32,873,036
		<hr/>	<hr/>
Total equity and liabilities		39,256,653	38,920,057
		<hr/>	<hr/>

CONSOLIDATED CASH FLOW STATEMENT

	<i>Note</i>	6 months ended September 30, 2023 (unaudited) US\$'000	6 months ended September 30, 2022 (unaudited) US\$'000
Cash flows from operating activities			
Net cash generated from operations	15(a)	1,811,768	2,896,060
Interest paid		(378,370)	(248,217)
Tax paid		(329,847)	(164,845)
Net cash generated from operating activities		1,103,551	2,482,998
Cash flows from investing activities			
Purchase of property, plant and equipment		(129,091)	(193,836)
Sale of property, plant and equipment		19,122	16,289
Acquisition of businesses, net of cash acquired	15(c)	(122,367)	(412,388)
Interest acquired in associates and a joint venture		(12,324)	(83,797)
Loan to a joint venture		(1,093)	-
Repayment of loan to an associate and a joint venture		30,563	-
Payment for construction-in-progress		(237,371)	(334,671)
Payment for intangible assets		(310,243)	(241,045)
Purchase of financial assets at fair value through profit or loss		(94,618)	(135,109)
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		100,316	106,601
Net proceeds from sale of financial assets at fair value through other comprehensive income		-	2,771
Decrease in bank deposits		9,184	32,132
Dividends received		745	1,657
Interest received		78,435	49,610
Net cash used in investing activities		(668,742)	(1,193,786)
Cash flows from financing activities			
Capital contribution from other non-controlling interests	15(b)	76,471	11,236
Distribution to other non-controlling interests		(5,319)	-
Contribution to employee share trusts		(291,670)	(26,464)
Acquisition of additional interest in subsidiaries		(76,722)	-
Principal elements of lease payments		(61,797)	(67,829)
Dividends paid		(458,771)	(455,376)
Dividends paid to convertible preferred shares holders		-	(800)
Dividends paid to other non-controlling interests		(10,528)	(2,635)
Proceeds from issue of convertible bonds		-	675,000
Repurchase of convertible bonds		-	(545,317)
Proceeds from loans		2,516,056	7,344,324
Repayments of loans		(2,494,689)	(7,327,228)
Proceeds from issue of notes		-	1,250,000
Issuing cost of notes		-	(11,726)
Repurchase of notes		(51,277)	(226,349)
Net cash (used in)/generated from financing activities		(858,246)	616,836
(Decrease)/increase in cash and cash equivalents		(423,437)	1,906,048
Effect of foreign exchange rate changes		(89,664)	(268,904)
Cash and cash equivalents at the beginning of the period		4,250,085	3,930,287
Cash and cash equivalents at the end of the period		3,736,984	5,567,431

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holders of the Company											
	Share capital	Investment	Employee	Share-based	Hedging	Exchange	Other	Retained	Other non-	Put option	Total	
	(unaudited)	revaluation	share trusts	compensation	reserve	reserve	reserves	earnings	controlling	written on non-		
US\$'000	reserve	(unaudited)	reserve	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	interests	controlling	(unaudited)	
		(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
At April 1, 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 period	-	-	-	-	-	-	-	425,766	46,701	-	472,467	
Other comprehensive (loss)/income	-	(24)	-	-	86,860	(296,765)	-	97	(33,228)	-	(243,060)	
Total comprehensive (loss)/income for the period	-	(24)	-	-	86,860	(296,765)	-	425,863	13,473	-	229,407	
Transfer to statutory reserve	-	-	-	-	-	-	19,370	(19,370)	-	-	-	
Acquisition of subsidiaries	-	-	-	-	-	-	-	-	(2,285)	-	(2,285)	
Vesting of shares under long-term incentive program	-	-	236,824	(321,923)	-	-	-	-	-	-	(85,099)	
Deferred tax in relation to long-term incentive program	-	-	-	4,443	-	-	-	-	-	-	4,443	
Settlement of bonus through long-term incentive program	-	-	-	2,445	-	-	-	-	-	-	2,445	
Share-based compensation	-	-	-	149,089	-	-	-	-	-	-	149,089	
Contribution to employee share trusts	-	-	(291,670)	-	-	-	-	-	-	-	(291,670)	
Dividends paid	-	-	-	-	-	-	-	(458,771)	-	-	(458,771)	
Dividends paid to other non-controlling interests	-	-	-	-	-	-	-	-	(10,528)	-	(10,528)	
Capital contribution from other non-controlling interests	-	-	-	-	-	-	8,315	-	68,156	-	76,471	
Distribution to other non-controlling interests	-	-	-	-	-	-	-	-	(5,319)	-	(5,319)	
Change of ownership of subsidiaries without loss of control	-	-	-	-	-	-	(5,091)	-	(71,631)	-	(76,722)	
At September 30, 2023	3,282,318	(60,884)	(208,231)	(510,164)	77,706	(2,393,206)	186,005	4,753,641	998,650	(547,353)	5,578,482	
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	-	-	-	-	-	-	-	1,056,914	36,398	-	1,093,312	
Other comprehensive (loss)/income	-	(2,436)	-	-	221,967	(841,298)	-	403	(47,113)	-	(668,477)	
Total comprehensive (loss)/income for the period	-	(2,436)	-	-	221,967	(841,298)	-	1,057,317	(10,715)	-	424,835	
Transfer to statutory reserve	-	-	-	-	-	-	28,544	(28,544)	-	-	-	
Acquisition of subsidiaries	65,903	-	-	-	-	-	-	-	43,119	-	109,022	
Acquisition of an associate	12,502	-	-	-	-	-	-	-	-	-	12,502	
Transfer of investment revaluation reserve upon disposal of financial assets at fair value through other comprehensive income to retained earnings	-	5,448	-	-	-	-	-	(5,448)	-	-	-	
Vesting of shares under long-term incentive program	-	-	192,668	(248,405)	-	-	-	-	-	-	(55,737)	
Deferred tax in relation to long-term incentive program	-	-	-	(674)	-	-	-	-	-	-	(674)	
Settlement of bonus through long-term incentive program	-	-	-	23,395	-	-	-	-	-	-	23,395	
Share-based compensation	-	-	-	158,806	-	-	-	-	-	-	158,806	
Contribution to employee share trusts	-	-	(26,464)	-	-	-	-	-	-	-	(26,464)	
Dividends paid	-	-	-	-	-	-	-	(455,376)	-	-	(455,376)	
Dividends paid to other non-controlling interests	-	-	-	-	-	-	-	-	(2,635)	-	(2,635)	
Capital contribution from other non-controlling interests	-	-	-	-	-	-	-	-	8,944	-	8,944	
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	-	-	-	-	-	-	135	-	(135)	-	-	
At September 30, 2022	3,282,318	(64,164)	(166,251)	(263,440)	270,200	(2,347,577)	152,545	4,320,627	989,993	(547,353)	5,626,898	

1 General information and basis of preparation

The financial information relating to the year ended March 31, 2023 included in the FY2023/24 interim 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.

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 amended standards that are mandatory for the year ending March 31, 2024 which the Group considers are appropriate and relevant to its operations:

- Amendments to HKAS 1 and HKFRS Practice Statement 2, Disclosure of accounting policy
- Amendments to HKAS 8, Definition of accounting estimate
- 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, 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 March 31, 2022, September 30, 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 year ended March 31, 2022 and 2023, and for the six months period ended September 30, 2023 as a result of the change. 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 ending 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 ending March 31, 2024 and have not been early adopted:

	Effective for annual periods beginning on or after
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, 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 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

	6 months ended September 30, 2023		6 months ended September 30, 2022	
	Revenue US\$'000	Operating profit/(loss) US\$'000	Revenue US\$'000	Operating profit US\$'000
IDG	21,775,171	1,496,550	27,989,687	2,089,397
ISG	3,915,525	(113,855)	4,700,436	47,313
SSG	3,631,308	744,511	3,177,071	696,910
Total	29,322,004	2,127,206	35,867,194	2,833,620
Eliminations	(2,012,291)	(629,201)	(1,822,039)	(600,053)
	<u>27,309,713</u>	<u>1,498,005</u>	<u>34,045,155</u>	<u>2,233,567</u>
Unallocated:				
Headquarters and corporate income/(expenses) – net		(679,684)		(587,378)
Depreciation and amortization		(214,778)		(280,715)
Finance income		77,055		36,194
Finance costs		(157,137)		(32,264)
Share of losses of associates and joint ventures		(14,522)		(8,996)
Loss on disposal of property, plant and equipment		(577)		(38)
Fair value gain on financial assets at fair value through profit or loss		76,784		40,431
Fair value loss on a financial liability at fair value through profit or loss		-		(1,758)
Dividend income		600		1,522
Consolidated profit before taxation		<u>585,746</u>		<u>1,400,565</u>

(b) Analysis of revenue by geography

	6 months ended September 30, 2023 US\$'000	6 months ended September 30, 2022 US\$'000
China	6,148,651	8,221,872
Asia Pacific (“AP”)	4,768,515	5,569,353
Europe-Middle East-Africa (“EMEA”)	6,627,738	8,494,712
Americas (“AG”)	9,764,809	11,759,218
	<u>27,309,713</u>	<u>34,045,155</u>

(c) Analysis of revenue by timing of revenue recognition

	6 months ended September 30, 2023 US\$'000	6 months ended September 30, 2022 US\$'000
Point in time	25,865,372	32,901,398
Over time	1,444,341	1,143,757
	27,309,713	34,045,155

(d) Other segment information

	IDG		ISG		SSG		Total	
	2023 US\$'000	2022 US\$'000	2023 US\$'000	2022 US\$'000	2023 US\$'000	2022 US\$'000	2023 US\$'000	2022 US\$'000
For the six months ended September 30								
Depreciation and amortization	363,048	298,061	98,651	78,897	10,854	7,240	472,553	384,198
Finance income	3,430	15,698	1,283	3,825	728	544	5,441	20,067
Finance costs	159,560	169,844	70,275	72,543	832	586	230,667	242,973

- (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 directors review goodwill and trademarks and trade names with indefinite useful lives with an aggregate amount of US\$6,152 million (March 31, 2023: US\$6,264 million). The carrying amounts of goodwill and trademarks and trade names with indefinite useful lives are presented below:

At September 30, 2023

	China US\$ million	AP US\$ million	EMEA US\$ million	AG US\$ million	Total US\$ million
Goodwill					
- IDG (Note a)	904	495	283	1,608	3,290
- ISG	469	133	54	341	997
- SSG (Note b)	N/A	N/A	N/A	N/A	599
Trademarks and trade names with indefinite useful lives					
- IDG	182	54	121	481	838
- 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 September 30, 2023, the balance comprises goodwill of US\$21 million arising from the business combinations during the period. 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 September 30, 2023 (March 31, 2023: nil).

3 Operating profit

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

	3 months ended September 30, 2023 <i>US\$'000</i>	6 months ended September 30, 2023 <i>US\$'000</i>	3 months ended September 30, 2022 <i>US\$'000</i>	6 months ended September 30, 2022 <i>US\$'000</i>
Depreciation of property, plant and equipment	101,344	203,245	89,320	179,736
Depreciation of right-of-use assets	39,283	80,400	34,312	70,186
Amortization of intangible assets	207,109	403,686	209,880	414,991
Employee benefit costs, including – long-term incentive awards	1,356,914	2,765,976	1,277,734	2,587,749
Rental expenses	5,642	7,662	7,099	15,009
Loss on disposal of property, plant and equipment	1,685	1,117	208	462
Loss on disposal of intangible assets	21	24	293	301
Loss on disposal of construction-in-progress	5,769	9,856	1,063	1,063
Fair value gain on financial assets at fair value through profit or loss	(46,203)	(76,784)	(15,139)	(40,431)
Fair value loss on a financial liability at fair value through profit or loss	-	-	885	1,758

4 Finance income and costs

(a) Finance income

	3 months ended September 30, 2023 <i>US\$'000</i>	6 months ended September 30, 2023 <i>US\$'000</i>	3 months ended September 30, 2022 <i>US\$'000</i>	6 months ended September 30, 2022 <i>US\$'000</i>
Interest on bank deposits	29,828	62,424	29,733	47,903
Net gain on repayment of notes	4,061	4,061	6,651	6,651
Interest on money market funds	6,027	12,270	52	241
Interest income on finance lease	2,407	3,741	1,150	1,466
	<u>42,323</u>	<u>82,496</u>	<u>37,586</u>	<u>56,261</u>

(b) Finance costs

	3 months ended September 30, 2023 <i>US\$'000</i>	6 months ended September 30, 2023 <i>US\$'000</i>	3 months ended September 30, 2022 <i>US\$'000</i>	6 months ended September 30, 2022 <i>US\$'000</i>
Interest on bank loans and overdrafts	4,547	14,595	25,312	38,499
Interest on convertible bonds	12,528	24,915	16,099	26,258
Interest on notes	42,277	84,794	46,419	78,267
Interest on lease liabilities	3,879	7,755	3,655	7,582
Factoring costs	125,971	251,902	79,272	117,155
Interest on written put option liabilities	518	1,345	2,811	5,785
Others	658	2,498	1,334	1,691
	<u>190,378</u>	<u>387,804</u>	<u>174,902</u>	<u>275,237</u>

5 Taxation

The amount of taxation in the consolidated income statement represents:

	3 months ended September 30, 2023 <i>US\$'000</i>	6 months ended September 30, 2023 <i>US\$'000</i>	3 months ended September 30, 2022 <i>US\$'000</i>	6 months ended September 30, 2022 <i>US\$'000</i>
Current tax				
Profits tax in Hong Kong S.A.R. of China	33,052	65,215	28,657	53,469
Taxation outside Hong Kong S.A.R. of China	62,055	122,721	168,839	314,362
Deferred tax				
Credit for the period	(26,541)	(74,657)	(41,285)	(60,578)
	<u>68,566</u>	<u>113,279</u>	<u>156,211</u>	<u>307,253</u>

Profits tax in Hong Kong S.A.R. of China has been provided for at the rate of 16.5% (2022/23: 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 September 30, 2023	6 months ended September 30, 2023	3 months ended September 30, 2022	6 months ended September 30, 2022
Weighted average number of ordinary shares in issue	12,128,130,291	12,128,130,291	12,087,736,148	12,064,846,648
Adjustment for shares held by employee share trusts	(211,431,729)	(208,045,599)	(164,804,195)	(225,886,844)
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	11,916,698,562	11,920,084,692	11,922,931,953	11,838,959,804
	3 months ended September 30, 2023 US\$'000	6 months ended September 30, 2023 US\$'000	3 months ended September 30, 2022 US\$'000	6 months ended September 30, 2022 US\$'000
Profit attributable to equity holders of the Company used in calculating basic earnings per share	249,240	425,766	541,207	1,056,914

(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 (2022/23: four) categories of potential ordinary shares, namely long-term incentive awards, put option written on non-controlling interests and convertible bonds (2022/23: 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 three and six months ended September 30, 2023 and 2022. Put option written on non-controlling interests were anti-dilutive for the three and six months ended September 30, 2023 and 2022. Convertible preferred shares were anti-dilutive for the three and six months ended September 30, 2022.

	3 months ended September 30, 2023	6 months ended September 30, 2023	3 months ended September 30, 2022	6 months ended September 30, 2022
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	11,916,698,562	11,920,084,692	11,922,931,953	11,838,959,804
Adjustment for long-term incentive awards	315,212,468	298,558,503	385,227,458	461,354,038
Adjustment for convertible bonds	826,771,889	815,671,810	793,115,043	793,115,043
Weighted average number of ordinary shares used as the denominator in calculating diluted earnings per share	13,058,682,919	13,034,315,005	13,101,274,454	13,093,428,885
	3 months ended September 30, 2023 US\$'000	6 months ended September 30, 2023 US\$'000	3 months ended September 30, 2022 US\$'000	6 months ended September 30, 2022 US\$'000
Profit attributable to equity holders of the Company used in calculating basic earnings per share	249,240	425,766	541,207	1,056,914
Adjustment for interest on convertible bonds, net of tax	10,461	20,804	13,443	21,926
Profit attributable to equity holders of the Company used in calculating diluted earnings per share	259,701	446,570	554,650	1,078,840

7 Dividend

	6 months ended September 30, 2023 US\$'000	6 months ended September 30, 2022 US\$'000
Interim dividend, declared after period end – HK8 cents (2022/23: HK8 cents) per ordinary share	124,319	123,602

8 Inventories

	September 30, 2023 US\$'000	March 31, 2023 US\$'000
Raw materials and work-in-progress	3,010,965	3,571,910
Finished goods	2,627,646	2,295,352
Service parts	531,031	504,596
	6,169,642	6,371,858

9 Trade and notes receivables and trade and notes payables

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

	September 30, 2023 US\$'000	March 31, 2023 US\$'000
Trade receivables	7,776,058	7,901,228
Notes receivable	33,834	39,150
	7,809,892	7,940,378

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:

	September 30, 2023 <i>US\$'000</i>	March 31, 2023 <i>US\$'000</i>
0 – 30 days	5,512,593	5,579,089
31 – 60 days	1,194,890	1,132,623
61 – 90 days	404,831	254,426
Over 90 days	769,459	1,039,913
	<u>7,881,773</u>	<u>8,006,051</u>
Less: loss allowance	(105,715)	(104,823)
Trade receivables – net	<u><u>7,776,058</u></u>	<u><u>7,901,228</u></u>

At September 30, 2023, trade receivables, net of loss allowance, of US\$852,569,000 (March 31, 2023: US\$888,758,000) were past due. The ageing of these receivables, based on due date, is as follows:

	September 30, 2023 <i>US\$'000</i>	March 31, 2023 <i>US\$'000</i>
Within 30 days	442,139	421,876
31 – 60 days	132,517	185,604
61 – 90 days	77,724	98,447
Over 90 days	200,189	182,831
	<u>852,569</u>	<u>888,758</u>

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

	6 months ended September 30, 2023 <i>US\$'000</i>	Year ended March 31, 2023 <i>US\$'000</i>
At the beginning of the period/year	104,823	106,620
Exchange adjustment	2,657	(4,470)
Increase in loss allowance recognized in profit or loss	26,493	122,832
Uncollectible receivables written off	(9,192)	(18,933)
Unused amounts reversed in profit or loss	(19,066)	(101,226)
At the end of the period/year	<u>105,715</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:

	September 30, 2023 <i>US\$'000</i>	March 31, 2023 <i>US\$'000</i>
Trade payables	8,675,111	7,027,842
Notes payable	2,197,224	2,745,092
	<u>10,872,335</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:

	September 30, 2023 <i>US\$'000</i>	March 31, 2023 <i>US\$'000</i>
0 – 30 days	5,982,026	4,540,194
31 – 60 days	1,639,170	1,481,684
61 – 90 days	678,207	439,351
Over 90 days	375,708	566,613
	8,675,111	7,027,842

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:

	September 30, 2023 <i>US\$'000</i>	March 31, 2023 <i>US\$'000</i>
Deposits	56,047	187,096
Other receivables	3,386,943	1,971,020
Prepayments	1,682,329	1,787,037
	5,125,319	3,945,153

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:

	September 30, 2023 <i>US\$'000</i>	March 31, 2023 <i>US\$'000</i>
Accruals	3,147,763	3,563,634
Allowance for billing adjustments (i)	2,634,857	2,524,891
Written put option liability (ii)	402,782	450,030
Other payables (iii)	6,753,899	6,270,507
Lease liabilities	120,649	123,719
	13,059,950	12,932,781

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 as at September 30, 2023. 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. 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><u>855,802</u></u>	<u><u>2,662</u></u>	<u><u>162,577</u></u>	<u><u>1,021,041</u></u>
Six months ended September 30, 2023				
At the beginning of the period	1,051,839	26,084	162,577	1,240,500
Exchange adjustment	(3,758)	(2,479)	(832)	(7,069)
Provisions made	309,034	9,173	-	318,207
Amounts utilized	(368,512)	(8,967)	(74,371)	(451,850)
	<u>988,603</u>	<u>23,811</u>	<u>87,374</u>	<u>1,099,788</u>
Long-term portion classified as non-current liabilities	(171,055)	(21,095)	-	(192,150)
At the end of the period	<u><u>817,548</u></u>	<u><u>2,716</u></u>	<u><u>87,374</u></u>	<u><u>907,638</u></u>

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

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

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:

	September 30, 2023 <i>US\$'000</i>	March 31, 2023 <i>US\$'000</i>
Deferred consideration (a)	25,072	25,072
Written put option liability (b)	42,724	44,249
Lease liabilities	268,611	280,837
Environmental restoration (Note 11(b))	21,095	23,422
Government incentives and grants received in advance (c)	91,862	94,621
Others	324,826	353,904
	774,190	822,105

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 September 30, 2023, 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, 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

	September 30, 2023 US\$'000	March 31, 2023 US\$'000
Current liabilities		
Short-term loans (a)	76,056	57,032
Convertible bonds (c)	217,580	214,584
	<u>293,636</u>	<u>271,616</u>
Non-current liabilities		
Notes (b)	3,091,952	3,146,148
Convertible bonds (c)	546,723	537,030
	<u>3,638,675</u>	<u>3,683,178</u>
	<u>3,932,311</u>	<u>3,954,794</u>

Notes:

- (a) Majority of the short-term loans are denominated in United States dollars. At September 30, 2023, the Group has total revolving and short-term loan facilities of US\$4,351 million (March 31, 2023: US\$4,338 million) which has been utilized to the extent of US\$61 million (March 31, 2023: US\$54 million).

(b)

Issue date	Outstanding principal amount	Term	Interest rate per annum	Due date	September 30, 2023 US\$'000	March 31, 2023 US\$'000
April 24, 2020 and May 12, 2020	US\$1 billion	5 years	5.875%	April 2025	999,692	999,593
November 2, 2020 (i)	US\$900 million	10 years	3.421%	November 2030	893,699	922,035
July 27, 2022	US\$625 million	5.5 years	5.831%	January 2028	620,388	619,856
July 27, 2022 (i)	US\$583 million	10 years	6.536%	July 2032	578,173	604,664
					<u>3,091,952</u>	<u>3,146,148</u>

- (i) During the period, approximately US\$29 million in principal amount of the 2030 Notes and approximately US\$27 million in principal amount of the 2032 Notes were purchased by the Company. At September 30, 2023, approximately US\$900 million (March 31, 2023: US\$929 million) in principal amount of the 2030 Notes and approximately US\$583 million (March 31, 2023: US\$610 million) in principal amount of the 2032 Notes remained outstanding.

(c)

Issue date	Outstanding principal amount	Term	Interest rate per annum	Due date	September 30, 2023 US\$'000	March 31, 2023 US\$'000
January 24, 2019 (i)	US\$220 million	5 years	3.375%	January 2024	217,580	214,584
August 26, 2022 (ii)	US\$675 million	7 years	2.5%	August 2029	546,723	537,030
					764,303	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\$6.25 per share effective on July 29, 2023.

The outstanding principal amount of the 2024 Convertible Bonds is repayable by the Company upon the maturity of the 2024 Convertible 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 2024 Convertible Bonds on January 24, 2021 at their principal amount and US\$0.5 million were redeemed. On August 29, 2022, approximately US\$455 million in principal amount of the 2024 Convertible Bonds were purchased by the Company. Approximately US\$220 million (March 31, 2023: US\$220 million) in principal amount of the 2024 Convertible Bonds remained outstanding. Assuming full conversion of the 2024 Convertible Bonds at the adjusted conversion price of HK\$6.25 per share, the 2024 Convertible Bonds will be convertible into 275,428,600 shares.

- (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 2024 Convertible Bonds and 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 September 30, 2023 and March 31, 2023 are as follows:

	September 30, 2023 <i>US\$'000</i>	March 31, 2023 <i>US\$'000</i>
Within 1 year	293,636	271,616
Over 1 to 2 years	999,692	-
Over 2 to 5 years	620,388	1,619,449
Over 5 years	2,018,595	2,063,729
	<u>3,932,311</u>	<u>3,954,794</u>

14 Share capital

	September 30, 2023		March 31, 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 period/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
At the end of the period/year	<u>12,128,130,291</u>	<u>3,282,318</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

	6 months ended September 30, 2023	6 months ended September 30, 2022
	<i>US\$'000</i>	<i>US\$'000</i>
Profit before taxation	585,746	1,400,565
Share of losses of associates and joint ventures	13,021	8,626
Finance income	(82,496)	(56,261)
Finance costs	387,804	275,237
Depreciation of property, plant and equipment	203,245	179,736
Depreciation of right-of-use assets	80,400	70,186
Amortization of intangible assets	403,686	414,991
Share-based compensation	149,089	158,806
Loss on disposal of property, plant and equipment	1,117	462
Loss on disposal of intangible assets	24	301
Loss on disposal of construction-in-progress	9,856	1,063
Loss on disposal of interest in an associate	-	10
Fair value change on financial instruments	(25,045)	(94,182)
Fair value change on financial assets at fair value through profit or loss	(76,784)	(40,431)
Fair value change on a financial liability at fair value through profit or loss	-	1,758
Dividend income	(745)	(1,657)
Decrease/(increase) in inventories	186,538	(125,371)
(Increase)/decrease in trade and notes receivables, deposits, prepayments and other receivables	(1,130,421)	3,144,854
Increase/(decrease) in trade and notes payables, provisions, other payables and accruals	948,772	(2,675,318)
Effect of foreign exchange rate changes	157,961	232,685
Net cash generated from operations	1,811,768	2,896,060

(b) Reconciliation of financing liabilities

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

	September 30, 2023	March 31, 2023
	<i>US\$'000</i>	<i>US\$'000</i>
Financing liabilities		
Short-term loans – current	76,056	57,032
Notes – non-current	3,091,952	3,146,148
Convertible bonds – current	217,580	214,584
Convertible bonds – non-current	546,723	537,030
Lease liabilities – current	120,649	123,719
Lease liabilities – non-current	268,611	280,837
	4,321,571	4,359,350
Short-term loans – variable interest rates	55,552	55,985
Short-term loans – fixed interest rates	20,504	1,047
Notes – fixed interest rates	3,091,952	3,146,148
Convertible bonds – fixed interest rates	764,303	751,614
Lease liabilities – fixed interest rates	389,260	404,556
	4,321,571	4,359,350

	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	2,516,056	-	-	-	-	-	-	-	-	2,516,056
Repayments/repurchase of borrowings	(2,494,689)	-	-	(51,277)	-	-	-	-	-	(2,545,966)
Reclassification	-	-	-	-	-	-	-	50,401	(50,401)	-
Principal elements of lease payments	-	-	-	-	-	-	-	(61,797)	-	(61,797)
Foreign exchange adjustments	(2,343)	-	-	-	-	-	-	(3,925)	(5,825)	(12,093)
Other non-cash movements	-	-	-	(2,919)	2,996	9,693	-	12,251	44,000	66,021
Financing liabilities at September 30, 2023	<u>76,056</u>	<u>-</u>	<u>-</u>	<u>3,091,952</u>	<u>217,580</u>	<u>546,723</u>	<u>-</u>	<u>120,649</u>	<u>268,611</u>	<u>4,321,571</u>

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

	6 months ended September 30, 2023 US\$'000	6 months ended September 30, 2022 US\$'000
Cash consideration paid	137,462	431,703
Less: cash and cash equivalents acquired	(15,095)	(19,315)
Net cash outflow – investing activities	<u>122,367</u>	<u>412,388</u>

16 Business combinations

During the period, the Group completed two 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 in 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)	(2,840)	(116,774)
Goodwill	9,613	11,075	20,688

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	7,332	75,052
Right-of-use assets	-	1,440	1,440
Intangible assets	163	5,913	6,076
Deferred income tax assets less liabilities	(312)	-	(312)
Other non-current assets	52,357	1,335	53,692
Net working capital except cash and cash equivalents	(21,089)	(13,180)	(34,269)
Fair value of net identifiable assets acquired	113,934	2,840	116,774

For the six months ended September 30, 2023, Lenovo Leasing contributed revenue of US\$9 million and profit before taxation of US\$0.2 million to the Group's results, FCNT business did not contribute any revenue or profit or loss before taxation to the Group.

At September 30, 2023, 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.

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 243,185,753 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 shares during the six months ended September 30, 2023. Details of these program and plan are set out in the 2022/23 Annual Report of the Company.

REVIEW BY AUDIT COMMITTEE

The Audit Committee of the Company has reviewed the unaudited financial results of the Group for the six months ended September 30, 2023. 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 three independent non-executive directors, including Mr. Woo Chin Wan Raymond, being the Chairman, Mr. William Tudor Brown and Mr. Gordon Robert Halyburton Orr.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

During the six months ended September 30, 2023, the Company has complied with the code provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), 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 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. Among other responsibilities, the Lead Independent Director serves as chairman of the Nomination and Governance Committee meeting and/or Board meeting whenever the Nomination and Governance 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 check and balance of powers and authorizations between the Board and the management of the Company.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

This interim results announcement is published on website of The Stock Exchange of Hong Kong Limited (<https://www.hkexnews.hk>) and the Company's website (<https://investor.lenovo.com/en/global/home.php>). The 2023/24 interim 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

November 16, 2023

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. Yang Chih-Yuan Jerry, Mr. Woo Chin Wan Raymond, Ms. Yang Lan, Ms. Cher Wang Hsiueh Hong and Professor Xue Lan.