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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 THIRD QUARTER RESULTS ANNOUNCEMENT

### THIRD QUARTER 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 nine months ended December 31, 2023 together with comparative figures for the corresponding period of last year, as follows:

### FINANCIAL HIGHLIGHTS

- Thanks to its diversified service growth engine and the effective execution of its Transformation strategy, the Group revenue advanced for the third consecutive quarter by 9 percent quarter-on-quarter to US\$15.7 billion, while profit attributable to equity holders increased by 35 percent sequentially
- IDG solidified its leading position in the PC and smartphone markets with a 7 percent revenue growth both year-on-year and quarter-on-quarter, attributable to share gains across multiple geographic markets and rising premium product sales. IDG also achieved industry-leading profitability at 7.4 percent, approaching its historical peak
- SSG once again attained record performance with revenue surpassing the US\$2.0 billion milestone, driven by strong TruScale services. Its robust 20.4 percent operating margin highlights its pivotal role as both the growth and profit engine for the Group
- Supported by record-breaking sales across growth products and order recovery from key cloud and enterprise customers, ISG reported a 24 percent quarter-on-quarter revenue increase; its recovery plan was effective in improving segment profitability by US\$16 million quarter-on-quarter, reducing loss to US\$38 million
- Savings in finance costs amounted to US\$16 million sequentially thanks to a prudent reduction in interest-bearing borrowings; the Group remains resolute in its dedication to innovation and is on track to invest the largest share of its revenue in R&D for FY2023/24

	3 months ended	9 months ended	3 months ended	9 months ended	Year-on-year change	
	December 31, 2023	December 31, 2023	December 31, 2022	December 31, 2022	3 months ended	9 months ended
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	December 31	December 31
	US\$ million	US\$ million	US\$ million	US\$ million		
Revenue	15,721	43,031	15,267	49,312	3%	(13)%
Gross profit	2,601	7,375	2,612	8,358	(0)%	(12)%
Gross profit margin	16.5%	17.1%	17.1%	16.9%	(0.6) pts	0.2 pts
Operating expenses	(1,988)	(5,858)	(1,862)	(5,980)	7%	(2)%
Operating profit	613	1,517	750	2,378	(18)%	(36)%
Other non-operating						
income/(expenses) - net	(142)	(460)	(145)	(372)	(2)%	24%
Profit before taxation	471	1,057	605	2,006	(22)%	(47)%
Profit for the period	377	849	482	1,575	(22)%	(46)%
Profit attributable to equity						
holders of the Company	337	763	437	1,494	(23)%	(49)%
Earnings per share attributable to						
equity holders of the Company						
Basic	US2.81 cents	US6.38 cents	US3.65 cents	US12.57 cents	US(0.84) cents	US(6.19) cents
Diluted	US2.64 cents	US6.09 cents	US3.44 cents	US11.68 cents	US(0.80) cents	US(5.59) cents
Non-HKFRS measure						
Non-HKFRS operating profit	630	1,544	729	2,449	(14)%	(37)%
Non-HKFRS profit before taxation	489	1,088	587	2,084	(17)%	(48)%
Non-HKFRS profit for the period	390	869	464	1,632	(16)%	(47)%
Non-HKFRS profit attributable to						
equity holders of the Company	357	820	447	1,594	(20)%	(49)%

## **BUSINESS REVIEW AND OUTLOOK**

### **Highlights**

During the quarter ended December 31, 2023, the Group's operating performance continued to expand amidst a changing market landscape. Its core businesses have not only returned to a healthy growth trajectory, but also achieved resilient profitability. The success of its diversified service growth engine, aided by the effective execution of its Transformation strategy, helped the Group mitigate the current market challenges in enterprise infrastructure and accelerate core business recovery. This strategic transformation continued to pay off as the Group's revenue increased quarter-on-quarter for the third consecutive quarter by 9 percent, to US\$15.7 billion, which also marked its first year-on-year quarterly revenue increase in the last one and half years. Its net profit attributable to equity holders rose by 35 percent sequentially, albeit declining by 23 percent year-on-year due to a high comparison base in the same quarter last year.

The Group spearheaded its Service-led Transformation by expanding value-added solutions for its extensive global client base in the Solutions and Services Group (SSG) business. Serving as the Group's high-priority growth engine, SSG achieved record-breaking results and double-digit growth in segment revenue and operating profit, with its Total Contract Value (TCV) growing over 50 percent. The Group's core business, Intelligent Devices Group (IDG), strengthened its business cadence to achieve 7 percent year-on-year and quarter-on-quarter revenue growth in the third quarter. IDG further solidified its market leadership as a global leader in the PC and smartphone markets by gaining shipment share across multiple geographic markets and driving premium sales for higher value-adds. Infrastructure Solutions Group (ISG), supported by order recovery from key cloud and enterprise customers and record-breaking sales across multiple growth products, saw a 24 percent quarter-on-quarter recovery in revenue growth, despite a year-on-year setback due to high base effect when compared to its best-performing quarter last year. The non-PC businesses further advanced to 42 percent of the combined revenue of the three business groups, demonstrative of the Group's effectiveness in building diversified growth engines.

Reducing finance costs in light of higher market rates is a priority for the Group. The savings in financial costs amounted to US\$16 million sequentially and US\$10 million on a year-on-year basis, thanks to a prudent reduction in interest-bearing borrowings. On the Group's cash conversion cycle, days of accounts receivables and inventory together improved by 14 days year-on-year, albeit offset by lower accounts payables days. Despite a constrained spending environment, the Group remains resolute in its dedication to innovation and is on track to invest the largest share of its revenue in R&D for FY2023/24. At the recent CES 2024, the Group again garnered market recognition on its ability to innovate with 105 product awards, 61 of which specifically won by ThinkBook Plus Gen 5 Hybrid, an innovative product that combines both Android and Windows systems and powered by the latest microprocessor technology with AI computing capability. The Group's steadfast commitment to driving ESG was reflected in the Climate+™ Champion status awarded by EPEAT, which acknowledges the Group's substantial investments in incorporating climate considerations into over 400 products. These achievements stand as a testament to the Group's ongoing pursuit of excellence in product design innovation and dedication to environmental sustainability.

### **Group Financial Performance**

This quarter marked a new milestone for the Group's Service-led Transformation as SSG achieved unprecedented revenue and profit, accounting for 12 percent and 32 percent, respectively, of the combined revenue and profit generated by all three Business Groups. IDG's increased momentum can be attributable to a combination of sector demand recovery and the Group's outperformance in its core sectors. With market shares advancing to new high across multiple geographical markets, the Group further solidified its leading position in the global PC sector while accelerating market share gains in smartphone. ISG delivered a second consecutive quarter of sequential revenue growth at 24 percent despite a challenging annual comparison with its historical peak quarter last year. Strengthened by these results, the Group delivered an annual revenue growth of 3 percent, its first positive year-on-year growth in over a year, marking a notable turnaround and cementing its path to sequential recovery.

Improving profitability remains a medium-term priority for the Group. During the period under review, the Group made progress towards profit recovery with net income reaching US\$337 million this quarter, up 35 percent quarter-on-quarter, despite a 23 percent setback compared to the same quarter last year. IDG's segment margin expanded by 5 basis points year-on-year to 7.4 percent and consistently remained at the upper end of its 4-year range of 6.3-7.7 percent. SSG's operating margin of 20.4 percent further expanded by 22 basis points year-on-year. ISG reported losses due to negative operating leverage and significant R&D spending, although its recovery plan helped to narrow the losses by 29 percent quarter-on-quarter.

## **Performance by Business Group**

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

During the fiscal quarter under review, revenue and operating profit of IDG, which consists of the PC, tablet, smartphone, and other smart device businesses, increased by 7 percent year-on-year. Excluding China, its revenue from all other regions combined increased by double digits year-on-year. Its global market share reached 24 percent, and PC shipments growth exceeded the global average by 6 percentage points, according to third-party research institute. It is worth noting that IDG remains the undisputed global leader in the commercial PC segment, with its segment market share further advancing to 27 percent in the latest quarter, its highest level in three years.

IDG's unwavering dedication to innovation has laid a solid foundation for achieving robust sector growth and maintaining leading profitability. IDG delivered an operating margin of 7.4 percent, coming close to surpassing the historical peak for the third fiscal quarter achieved in FY2021/22. This solid performance contributed to a 7 percent year-on-year growth in operating profit.

The core 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. Its non-PC sales accounted for 21 percent of IDG's revenue, up more than 4 percentage points year-on-year. Smartphone sales grew double digits, thanks to strong performances in North America, EMEA, and Asia. Such improvement was driven by record premium product mix, and double-digit premium-to-market growth in shipment.

At the 2024 international Consumer Electronics Show (CES), the Group unveiled its latest offerings, including its AI PC technology innovations, glasses-free 3D display engine, vehicle computing, high-gloss stainless magnesium material, multi-mode, dual-system & dual-AI hybrid solutions for multi-modal laptops, as well as an intelligent feature for customizing the color of laptop covers.

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

ISG's revenue increased by 24 percent quarter-on-quarter, marking a second consecutive quarter of sequential growth. While it remained challenging to compare with the record quarterly performances set a year ago, both the cloud and enterprise segments witnessed sequential demand recovery. Against the backdrop of an industry-wide correction in IT spending and a demand shift to support AI investment, demand from cloud customers recovered substantially this quarter while seasonal infrastructure spending accelerated towards the end of 2023, supporting sequential improvements in the infrastructure business.

The strategic focus on building a comprehensive, full-stack infrastructure solutions portfolio is yielding results for ISG. The combined revenue from storage, services and software reached a new record of over US\$1.0 billion for the first time in its history. The Group is one of the fastest-growing providers of storage solutions globally, with significant progress made in new product segments. According to the latest third-party statistics, ISG's share by revenue in the global storage market continued to increase year-on-year. Edge also achieved its highest revenue in operating history. Compute server revenue resumed sequential growth, after impacted by a sharp shift of enterprise budget towards supporting AI compute infrastructure despite supply shortage.

Among new applications, the most promising growth catalyst is Artificial Intelligence (AI), which possesses the potential to drive sustained recovery in enterprise demand for technology. The business group's Generative AI products have started to contribute positively to ISG's growth trajectory. Recognizing the increasing

deployment of AI across various industries, ISG will further strengthen its AI compute model line-ups with multiple solutions. Beyond devices that span from edge to core, ISG is developing a comprehensive hardware, software, and services portfolio in order to facilitate seamless AI application at the point of data creation and storage.

Nonetheless, the higher cost and investments for developing new projects have impacted ISG's bottom lines. As a result, its segment operating performance registered a loss of US\$38 million for the fiscal quarter under review.

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

Enterprise customers' pursuit for digital transformation and higher productivity supercharged demand for the Group's services and solutions. During the quarter under review, SSG reported a revenue of US\$2.0 billion and an operating profit of US\$412 million, up 10 percent and 11 percent year-on-year, respectively, and achieving new records. SSG's robust operating margin of 20.4 percent underscored its pivotal role as both the growth and profit engine for the Group.

By segment, Support Service delivered a 7 percent revenue growth, thanks to a rising penetration rate and record-high Premier Support and Premier Support Plus bookings. Managed Services capitalized on solid demand for both Device-as-a-Service and Infrastructure-as-a-Service (IaaS) solutions, scoring a year-on-year revenue growth of 26 percent. The TCV of IaaS increased over 80 percent, supporting a long-term growth trajectory. SSG won the largest TruScale IaaS deal to date and the largest Asset Recovery Service deal in the third fiscal quarter. In addition, the Group's global footprint has greatly strengthened the managed service capabilities, making SSG the preferred choice for international companies and those planning to expand overseas. Project & Solution Services revenue rose 5 percent year-on-year, benefiting from strong demand for integrated complex solutions across different verticals and the Group's effective cross-team execution.

### **Geographic Performance**

With operations spanning 180 markets worldwide, the Group continued to take advantage of its diversified market exposures to drive sustained revenue growth across most regions. Europe-Middle East-Africa (EMEA) achieved a 20 percent year-on-year increase in revenue, propelled by consumer demand recovery for PCs while the smartphone segment's revenue achieved its best quarterly performance in select countries.

Asia Pacific (excluding China) witnessed a 7 percent year-on-year increase in revenue with a robust recovery in commercial PC sales, particularly in the Japan market. The smartphone segment's revenue also showed strength, benefiting from premium product and channel wins. SSG reported double-digit revenue growth by virtue of the vertical solutions in particular. In the Americas, revenue grew a modest 1 percent during the period under review. The strong performance seen in the gaming PC and premium smartphone segments was offset by the setback in ISG revenue. SSG's revenue advanced by single-digit year-on-year thanks to contract renewals.

Revenue in China saw a 10 percent year-on-year decline, although this decline greatly narrowed in contrast with the previous quarter. This improvement is attributable to the steady recovery in both the PC and infrastructure businesses, particularly from large enterprises. SSG also delivered double-digit revenue growth, capitalizing on the recovery in managed services, as well as securing contract wins in key verticals.

### **Outlook**

The Group is accelerating its Transformation and share-gain strategy to target product segments with promising long-term growth potential. Its continued investment in innovation has been instrumental to building diversified growth engines and unleashing new growth opportunities especially in the field of AI. Most recently, at CES 2024, the Group showcased a full lineup of more than 40 new AI-powered devices and solutions, furthering its vision of AI for All. The Group is actively developing personalized AI solutions under the Lenovo AI Now solution umbrella. One notable example is Lenovo's AI Now Personal Assistant, which enables end users to interact through natural language based on their own on-device knowledge base, thereby enhancing employee

productivity and expanding value creation possibilities for the entire organization. This feature would set a new standard, wherein individuals amplify their abilities in writing, designing, coding, analyzing data, and above all, supercharging their creative prowess.

The total available market of the global PC sector is set to recover to a level structurally higher than the pre-pandemic period in the long term. The commercial replacement cycle and the trend of premiumization are among the most important catalysts that will help IDG deliver premium-to-market growth, strong average selling prices and sustainable profitability. The premiumization trend should persist as customers demand features including AI, ESG and innovative gaming designs. AI PCs represent an inflection point for the PC industry, driving a new product cycle with pricing premium. The Group is committed to accelerating AI innovations around its devices to create differentiation, extending beyond hardware to components and software including Lenovo's AI Core Chip, Yoga Creator Zone and AI Now solution. 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.

ISG is poised to benefit from one of the most important trends in the infrastructure sector - Hybrid AI. Its diversified and balanced exposure to public and private cloud made ISG uniquely positioned to deliver the vision of "AI for All". The business group has built industry-leading end-to-end infrastructure solutions and has 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 cater to the growing demand for vertically integrated supply chains, allowing it to capture emerging opportunities in AI by continuously developing innovative solutions across various platforms. Such approach will achieve an optimal balance between general purpose and customized offerings. ISG continues to ensure an appropriate operational scale and cost structure, with a focus on high-growth and profitable areas, including high-value-added product offerings such as storage and software.

To ensure sustainable long-term growth, SSG will launch new AI native services and AI-embedded functions in the areas of digital workplace, hybrid cloud, and sustainability solutions, with an aim to accommodate enterprise customers' growing demand for AI technologies. SSG will concurrently focus on safeguarding its core business with high value-added support services across both PC and infrastructure segments. Through collaborating with ecosystem partners, SSG is well-positioned to help customers accelerate their digital transformation journey and further enhance its financial contribution to the Group.

### **Strategic Highlights**

The Group continues to lead the way in Intelligent Transformation, championing the adoption of accessible and inclusive AI while envisioning a future of smarter technology for all. Rapid advancements in AI, driven by AI-generated content and robust language models, have propelled the Group to develop models for both individuals and enterprises. This involves striking a balance between ensuring the accuracy of AI-generated responses and observing the importance of data privacy and security. Robust innovation, together with the pursuit of profitability growth, will enhance the Group's competitiveness in next-generation product design and solutions.

Leveraging its Services business as a structural growth engine, the Group will strengthen its end-to-end service solutions, particularly its TruScale as-a-Service portfolio, in order to tackle customer pain points in hybrid work, multi-cloud management, 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 nine months ended December 31, 2023*

	<b>9 months ended December 31, 2023 (unaudited) US\$ million</b>	9 months ended December 31, 2022 (unaudited) US\$ million	Year-on-year change
Revenue	<b>43,031</b>	49,312	(13)%
Gross profit	<b>7,375</b>	8,358	(12)%
Gross profit margin	<b>17.1%</b>	16.9%	0.2 pts
Operating expenses	<b>(5,858)</b>	(5,980)	(2)%
Operating profit	<b>1,517</b>	2,378	(36)%
Other non-operating income/(expenses) – net	<b>(460)</b>	(372)	24%
Profit before taxation	<b>1,057</b>	2,006	(47)%
Profit for the period	<b>849</b>	1,575	(46)%
Profit attributable to equity holders of the Company	<b>763</b>	1,494	(49)%
Earnings per share attributable to equity holders of the Company			
Basic	<b>US6.38 cents</b>	US12.57 cents	US(6.19) cents
Diluted	<b>US6.09 cents</b>	US11.68 cents	US(5.59) cents

For the nine months ended December 31, 2023, the Group achieved total sales of approximately US\$43,031 million. When compared to the corresponding period of last year, profit attributable to equity holders for the period decreased by US\$731 million to approximately US\$763 million, gross profit margin rose 0.2 percentage points to 17.1 percent. Basic and diluted earnings per share were US6.38 cents and US6.09 cents, representing a decrease of US6.19 cents and US5.59 cents respectively.

Analysis of operating expenses by function for the nine months ended December 31, 2023 and 2022 is as follows:

	<b>9 months ended December 31, 2023 US\$'000</b>	9 months ended December 31, 2022 US\$'000
Selling and distribution expenses	<b>(2,459,761)</b>	(2,637,097)
Administrative expenses	<b>(1,826,890)</b>	(1,712,374)
Research and development expenses	<b>(1,495,792)</b>	(1,645,703)
Other operating income/(expenses) – net	<b>(75,601)</b>	15,577
	<b><u>(5,858,044)</u></b>	<u>(5,979,597)</u>

Operating expenses for the period decreased by 2 percent as compared with the corresponding period of last year. Due to expense optimization, spending was reduced across multiple areas, including US\$54 million in advertising and promotional expenses, US\$52 million in research and development related laboratory testing, services and supplies, and others. During the period, the Group recorded fair value gain from strategic investments amounted to US\$102 million (2022/23: US\$115 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\$19 million (2022/23: US\$31 million) reflecting our assessment on certain doubtful amounts. Currency fluctuations presented a challenge to the Group, resulting in a net exchange loss of US\$79 million (2022/23: US\$106 million).

Key expenses by nature comprise:

	<b>9 months ended December 31, 2023 US\$'000</b>	9 months ended December 31, 2022 US\$'000
Depreciation of property, plant and equipment	(159,329)	(143,778)
Depreciation of right-of-use assets	(106,999)	(97,655)
Amortization of intangible assets, excluding internal use software	(162,705)	(379,143)
Employee benefit costs, including	(3,205,631)	(3,062,229)
- long-term incentive awards	(228,848)	(243,636)
Rental expenses	(5,258)	(8,119)
Net foreign exchange loss	(78,561)	(105,856)
Advertising and promotional expenses	(660,563)	(714,562)
Legal, professional and consulting expenses	(186,590)	(240,339)
Information technology expenses, including	(266,400)	(279,417)
- amortization of internal use software	(154,620)	(153,970)
Increase in loss allowance of trade receivables	(47,441)	(76,023)
Unused amounts of loss allowance of trade receivables reversed	27,987	45,098
Research and development related laboratory testing, services and supplies	(238,851)	(290,513)
Gain/(loss) on disposal of property, plant and equipment	2,407	(1,074)
Loss on disposal of intangible assets	(25)	(301)
Loss on disposal of construction-in-progress	(13,827)	(1,063)
Fair value gain on financial assets at fair value through profit or loss	102,164	114,561
Fair value loss on a financial liability at fair value through profit or loss	-	(2,658)
Dilution gain on interest in associates	-	2,146
Gain on disposal of interest in associates	12	1,180
Others	(858,434)	(739,852)
	<b>(5,858,044)</b>	<b>(5,979,597)</b>

Other non-operating income/(expenses) – net for the nine months ended December 31, 2023 and 2022 comprise:

	<b>9 months ended December 31, 2023 US\$'000</b>	9 months ended December 31, 2022 US\$'000
Finance income	117,522	98,411
Finance costs	(562,256)	(460,046)
Share of losses of associates and joint ventures	(15,489)	(10,922)
	<b>(460,223)</b>	<b>(372,557)</b>

Finance income mainly represents interest on bank deposits.

Finance costs for the period increased by 22 percent as compared with the corresponding period of last year mainly due to higher market interest rate in the period, partly offset by the decrease in drawn down of short-term loans. The increase is mainly attributable to the increase in factoring cost of US\$144 million, partly offset by decrease in interest on bank loans and overdrafts of US\$23 million and interest on convertible bonds of US\$7 million.

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

The Group adopts segments by business group as the reporting format. Segments by business group comprise 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:

	9 months ended December 31, 2023		9 months ended December 31, 2022	
	Revenue US\$'000	Operating profit/(loss) US\$'000	Revenue US\$'000	Operating profit US\$'000
IDG	34,136,741	2,407,847	39,575,369	2,937,449
ISG	6,388,828	(151,585)	7,555,583	90,589
SSG	5,651,938	1,156,574	5,013,506	1,067,363
Total	<u>46,177,507</u>	<u>3,412,836</u>	52,144,458	4,095,401
Eliminations	<u>(3,146,840)</u>	<u>(974,352)</u>	(2,832,697)	(901,975)
	<u><b>43,030,667</b></u>	<u><b>2,438,484</b></u>	<u>49,311,761</u>	<u>3,193,426</u>
Unallocated:				
Headquarters and corporate income/(expenses) – net		(988,045)		(841,768)
Depreciation and amortization		(345,245)		(418,701)
Finance income		106,639		69,162
Finance costs		(237,580)		(101,422)
Share of losses of associates and joint ventures		(20,197)		(12,672)
Gain/(loss) on disposal of property, plant and equipment		635		(335)
Fair value gain on financial assets at fair value through profit or loss		100,938		114,561
Fair value loss on a financial liability at fair value through profit or loss		-		(2,658)
Dilution gain on interest in associates		-		2,146
Gain on disposal of interest in an associate		-		1,190
Dividend income		1,160		2,637
Consolidated profit before taxation		<u><b>1,056,789</b></u>		<u>2,005,566</u>

Headquarters and corporate income/(expenses) – net for the period comprise various expenses, after appropriate allocation to business groups, of US\$988 million (2022/23: US\$842 million) such as employee benefit costs, legal, professional and consulting expenses, and research and technology expenses. The increase is in relation to the increase in research and technology expenses and provision for claims as compared with the corresponding period of last year.



*Third Quarter 2023/24 compared to Third Quarter 2022/23*

	<b>3 months ended December 31, 2023 (unaudited) US\$ million</b>	3 months ended December 31, 2022 (unaudited) US\$ million	Year-on-year change
Revenue	<b>15,721</b>	15,267	3%
Gross profit	<b>2,601</b>	2,612	(0)%
Gross profit margin	<b>16.5%</b>	17.1%	(0.6) pts
Operating expenses	<b>(1,988)</b>	(1,862)	7%
Operating profit	<b>613</b>	750	(18)%
Other non-operating income/(expenses) – net	<b>(142)</b>	(145)	(2)%
Profit before taxation	<b>471</b>	605	(22)%
Profit for the period	<b>377</b>	482	(22)%
Profit attributable to equity holders of the Company	<b>337</b>	437	(23)%
Earnings per share attributable to equity holders of the Company			
Basic	<b>US2.81 cents</b>	US3.65 cents	US(0.84) cents
Diluted	<b>US2.64 cents</b>	US3.44 cents	US(0.80) cents

For the three months ended December 31, 2023, the Group achieved total sales of approximately US\$15,721 million. When compared to the corresponding period of last year, profit attributable to equity holders for the period decreased by US\$100 million to approximately US\$337 million, gross profit margin erode 0.6 percentage points to 16.5 percent mainly due to pricing strategy under fierce competition and increase in component costs. Basic and diluted earnings per share were US2.81 cents and US2.64 cents, representing a decrease of US0.84 cents and US0.80 cents respectively.

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

Analysis of operating expenses by function for the three months ended December 31, 2023 and 2022 is as follows:

	<b>3 months ended December 31, 2023 US\$ '000</b>	3 months ended December 31, 2022 US\$ '000
Selling and distribution expenses	<b>(868,677)</b>	(871,492)
Administrative expenses	<b>(592,277)</b>	(479,964)
Research and development expenses	<b>(546,550)</b>	(578,637)
Other operating income/(expenses) – net	<b>19,050</b>	67,804
	<b>(1,988,454)</b>	(1,862,289)

Operating expenses for the period increased by 7 percent as compared with the corresponding period of last year. During the period, advertising and promotional expenses increased by US\$26 million for new product launch and special campaigns. The Group recorded a fair value gain from strategic investments amounted to US\$25 million (2022/23: US\$74 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\$12 million (2022/23: net reversal of US\$13 million) reflecting our assessment on certain doubtful amounts. Currency fluctuations presented a challenge to the Group, resulting in a net exchange loss of US\$15 million (2022/23: US\$1 million).

Key expenses by nature comprise:

	<b>3 months ended December 31, 2023 US\$'000</b>	3 months ended December 31, 2022 US\$'000
Depreciation of property, plant and equipment	(53,566)	(49,693)
Depreciation of right-of-use assets	(35,266)	(35,016)
Amortization of intangible assets, excluding internal use software	(53,122)	(128,444)
Employee benefit costs, including	(1,043,157)	(949,977)
- long-term incentive awards	(79,759)	(84,830)
Rental expenses	(1,531)	(2,845)
Net foreign exchange loss	(14,674)	(1,185)
Advertising and promotional expenses	(255,487)	(229,641)
Legal, professional and consulting expenses	(64,991)	(117,986)
Information technology expenses, including	(101,414)	(83,986)
- amortization of internal use software	(66,602)	(52,958)
Increase in loss allowance of trade receivables	(20,948)	(14,359)
Unused amounts of loss allowance of trade receivables reversed	8,921	26,867
Research and development related laboratory testing, services and supplies	(113,054)	(101,735)
Gain/(loss) on disposal of property, plant and equipment	3,524	(612)
Loss on disposal of intangible assets	(1)	-
Loss on disposal of construction-in-progress	(3,971)	-
Fair value gain on financial assets at fair value through profit or loss	25,380	74,130
Fair value loss on a financial liability at fair value through profit or loss	-	(900)
Dilution gain on interest in associates	-	2,146
Gain on disposal of interest in associates	12	1,190
Others	(265,109)	(250,243)
	<b>(1,988,454)</b>	<b>(1,862,289)</b>

Other non-operating income/(expenses) - net for the three months ended December 31, 2023 and 2022 comprise:

	<b>3 months ended December 31, 2023 US\$'000</b>	3 months ended December 31, 2022 US\$'000
Finance income	35,026	42,150
Finance costs	(174,452)	(184,809)
Share of losses of associates and joint ventures	(2,468)	(2,296)
	<b>(141,894)</b>	<b>(144,955)</b>

Finance income mainly represents interest on bank deposits.

Finance costs for the period decreased by 6 percent as compared with the corresponding period of last year mainly due to reduction in borrowings, partly offset by higher market interest rate during the period. The drop is mainly attributable to the decrease in interest on convertible bonds of US\$6 million and interest on notes of US\$9 million, partly offset by increase in factoring cost of US\$9 million.

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

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

	3 months ended December 31, 2023		3 months ended December 31, 2022	
	Revenue US\$'000	Operating profit/(loss) US\$'000	Revenue US\$'000	Operating profit US\$'000
IDG	12,361,570	911,297	11,585,682	848,052
ISG	2,473,303	(37,730)	2,855,147	43,276
SSG	2,020,630	412,063	1,836,435	370,453
Total	16,855,503	1,285,630	16,277,264	1,261,781
Eliminations	(1,134,549)	(345,151)	(1,010,658)	(301,922)
	<u>15,720,954</u>	<u>940,479</u>	<u>15,266,606</u>	<u>959,859</u>
Unallocated:				
Headquarters and corporate income/(expenses) - net		(308,361)		(254,390)
Depreciation and amortization		(130,467)		(137,986)
Finance income		29,584		32,968
Finance costs		(80,443)		(69,158)
Share of losses of associates and joint ventures		(5,675)		(3,676)
Gain/(loss) on disposal of property, plant and equipment		1,212		(297)
Fair value gain on financial assets at fair value through profit or loss		24,154		74,130
Fair value loss on a financial liability at fair value through profit or loss		-		(900)
Dilution gain on interest in associates		-		2,146
Gain on disposal of interest in an associate		-		1,190
Dividend income		560		1,115
Consolidated profit before taxation		<u>471,043</u>		<u>605,001</u>

Headquarters and corporate income/(expenses) - net for the period comprise various expenses, after appropriate allocation to business groups, of US\$308 million (2022/23: US\$254 million) such as employee benefit costs, legal, professional and consulting expenses, and research and technology expenses. The increase is in relation to the increase in research and technology expenses and net foreign exchange loss 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.

**Nine months ended December 31, 2023**

	<b>Operating profit (unaudited) US\$'000</b>	<b>Profit before taxation (unaudited) US\$'000</b>	<b>Profit for the period (unaudited) US\$'000</b>	<b>Profit attributable to equity holders (unaudited) US\$'000</b>
As reported	1,517,012	1,056,789	849,280	762,782
Non-HKFRS adjustments				
Net fair value changes on financial assets at fair value through profit or loss	(102,164)	(102,164)	(85,658)	(48,037)
Amortization of intangible assets resulting from mergers and acquisitions	127,045	130,594	103,013	103,013
Mergers and acquisitions related charges	2,048	2,352	2,352	2,352
Non-HKFRS	<u>1,543,941</u>	<u>1,087,571</u>	<u>868,987</u>	<u>820,110</u>

Nine months ended December 31, 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	2,378,123	2,005,566	1,575,255	1,494,115
Non-HKFRS adjustments				
Net fair value changes on financial assets at fair value through profit or loss	(114,561)	(114,561)	(100,764)	(57,143)
Amortization of intangible assets resulting from mergers and acquisitions	174,904	174,904	139,030	139,030
Mergers and acquisitions related charges	10,751	18,012	18,012	18,012
Non-HKFRS	<u>2,449,217</u>	<u>2,083,921</u>	<u>1,631,533</u>	<u>1,594,014</u>

### Three months ended December 31, 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	612,937	471,043	376,813	337,016
Non-HKFRS adjustments				
Net fair value changes on financial assets at fair value through profit or loss	(25,380)	(25,380)	(20,899)	(14,783)
Amortization of intangible assets resulting from mergers and acquisitions	42,521	43,704	34,448	34,448
Non-HKFRS	<u>630,078</u>	<u>489,367</u>	<u>390,362</u>	<u>356,681</u>

### Three months ended December 31, 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	749,956	605,001	481,943	437,201
Non-HKFRS adjustments				
Net fair value changes on financial assets at fair value through profit or loss	(74,130)	(74,130)	(63,985)	(36,289)
Amortization of intangible assets resulting from mergers and acquisitions	53,345	53,345	43,438	43,438
Mergers and acquisitions related charges	173	2,694	2,694	2,694
Non-HKFRS	<u>729,344</u>	<u>586,910</u>	<u>464,090</u>	<u>447,044</u>

### Capital Expenditure

The Group incurred capital expenditure of US\$1,032 million (2022/23: US\$1,204 million) during the nine months ended December 31, 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 December 31, 2023, total assets of the Group amounted to US\$39,504 million (March 31, 2023: US\$38,920 million), which were financed by equity attributable to owners of the Company of US\$5,600 million (March 31, 2023: US\$5,588 million), other non-controlling interests (net of put option written on non-controlling interests) of US\$513 million (March 31, 2023: US\$459 million), and total liabilities of US\$33,391 million (March 31, 2023: US\$32,873 million). At December 31, 2023, the current ratio of the Group was 0.87 (March 31, 2023: 0.88).

At December 31, 2023, bank deposits and cash and cash equivalents totaling US\$3,533 million (March 31, 2023: US\$4,321 million) analyzed by major currency are as follows:

	<b>December 31, 2023</b>	March 31, 2023
	%	%
US dollar	<b>27.5</b>	33.7
Renminbi	<b>28.4</b>	24.9
Japanese Yen	<b>9.5</b>	7.5
Euro	<b>7.7</b>	5.3
Australian dollar	<b>2.6</b>	1.2
Other currencies	<b>24.3</b>	27.4
Total	<b>100.0</b>	100.0

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

The Group has the following banking facilities:

Type	Date of agreement	Principal amount <i>US\$ million</i>	Term	Utilized amount at	
				December 31, 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	-	-
Revolving loan facility	December 22, 2023	500	1 year	-	N/A

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

Credit facilities	Total available amount at		Drawn down amount at	
	December 31, 2023 <i>US\$ million</i>	March 31, 2023 <i>US\$ million</i>	December 31, 2023 <i>US\$ million</i>	March 31, 2023 <i>US\$ million</i>
Trade lines	<b>3,872</b>	4,970	<b>2,026</b>	3,454
Short-term money market facilities	<b>1,928</b>	1,838	<b>44</b>	54
Forward foreign exchange contracts	<b>10,421</b>	9,428	<b>10,373</b>	9,384

Apart from the above facilities, notes and convertible bonds issued by the Group and outstanding at December 31, 2023 are as follows. Further details of borrowings are set out in Note 12 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\$11 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\$965 million	5 years	5.875%	April 2025	For repayment of previous Notes and general corporate purposes
2030 Notes	November 2, 2020	US\$900 million	10 years	3.421%	November 2030	For repurchase of perpetual securities and previous Notes
2028 Notes	July 27, 2022	US\$600 million	5.5 years	5.831%	January 2028	For repayment of previous Notes and general corporate purposes
2032 Notes	July 27, 2022	US\$563 million	10 years	6.536%	July 2032	For financing of eligible projects under the Green Finance Framework
2029 Convertible Bonds	August 26, 2022	US\$675 million	7 years	2.5%	August 2029	For repayment of previous convertible bonds and general corporate purposes

Net (debt)/cash position and gearing ratio of the Group at December 31 and March 31, 2023 are as follows:

	December 31, 2023 <i>US\$ million</i>	March 31, 2023 <i>US\$ million</i>
Bank deposits and cash and cash equivalents	3,533	4,321
Borrowings		
- Short-term loans	46	57
- Notes	3,012	3,146
- Convertible bonds	563	752
Net (debt)/cash position	(88)	366
Total equity	6,113	6,047
Gearing ratio (Borrowings divided by total equity)	0.59	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 December 31, 2023, the Group had commitments in respect of outstanding forward foreign exchange contracts amounting to US\$10,373 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

		<b>3 months ended</b> <b>December 31, 2023</b> <b>(unaudited)</b> <i>US\$'000</i>	<b>9 months ended</b> <b>December 31, 2023</b> <b>(unaudited)</b> <i>US\$'000</i>	3 months ended December 31, 2022 (unaudited) <i>US\$'000</i>	9 months ended December 31, 2022 (unaudited) <i>US\$'000</i>
	<i>Note</i>				
Revenue	2	15,720,954	43,030,667	15,266,606	49,311,761
Cost of sales		<u>(13,119,563)</u>	<u>(35,655,611)</u>	<u>(12,654,361)</u>	<u>(40,954,041)</u>
Gross profit		2,601,391	7,375,056	2,612,245	8,357,720
Selling and distribution expenses		(868,677)	(2,459,761)	(871,492)	(2,637,097)
Administrative expenses		(592,277)	(1,826,890)	(479,964)	(1,712,374)
Research and development expenses		(546,550)	(1,495,792)	(578,637)	(1,645,703)
Other operating income/(expenses) - net		<u>19,050</u>	<u>(75,601)</u>	<u>67,804</u>	<u>15,577</u>
Operating profit	3	612,937	1,517,012	749,956	2,378,123
Finance income	4(a)	35,026	117,522	42,150	98,411
Finance costs	4(b)	(174,452)	(562,256)	(184,809)	(460,046)
Share of losses of associates and joint ventures		<u>(2,468)</u>	<u>(15,489)</u>	<u>(2,296)</u>	<u>(10,922)</u>
Profit before taxation		471,043	1,056,789	605,001	2,005,566
Taxation	5	<u>(94,230)</u>	<u>(207,509)</u>	<u>(123,058)</u>	<u>(430,311)</u>
Profit for the period		<u>376,813</u>	<u>849,280</u>	<u>481,943</u>	<u>1,575,255</u>
Profit attributable to:					
Equity holders of the Company		337,016	762,782	437,201	1,494,115
Other non-controlling interests		<u>39,797</u>	<u>86,498</u>	<u>44,742</u>	<u>81,140</u>
		<u>376,813</u>	<u>849,280</u>	<u>481,943</u>	<u>1,575,255</u>
Earnings per share attributable to equity holders of the Company					
Basic	6(a)	<u>US2.81 cents</u>	<u>US6.38 cents</u>	US3.65 cents	US12.57 cents
Diluted	6(b)	<u>US2.64 cents</u>	<u>US6.09 cents</u>	US3.44 cents	US11.68 cents
Dividend			<u>124,319</u>		<u>123,602</u>



## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	3 months ended December 31, 2023 (unaudited) US\$'000	9 months ended December 31, 2023 (unaudited) US\$'000	3 months ended December 31, 2022 (unaudited) US\$'000	9 months ended December 31, 2022 (unaudited) US\$'000
Profit for the period	376,813	849,280	481,943	1,575,255
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	3,366	3,463	27,035	27,438
Fair value change on financial assets at fair value through other comprehensive income, net of taxes	(8,402)	(8,426)	1,242	(1,194)
<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 (loss)/gain, net of taxes	(131,480)	21,255	(357,795)	324,380
- Reclassified to consolidated income statement	(33,169)	(99,044)	(51,879)	(512,087)
Currency translation differences	267,608	(62,385)	191,283	(697,128)
Other comprehensive income/(loss) for the period	97,923	(145,137)	(190,114)	(858,591)
Total comprehensive income for the period	<b>474,736</b>	<b>704,143</b>	291,829	716,664
Total comprehensive income attributable to:				
Equity holders of the Company	420,394	636,328	220,785	656,335
Other non-controlling interests	54,342	67,815	71,044	60,329
	<b>474,736</b>	<b>704,143</b>	291,829	716,664

## CONSOLIDATED BALANCE SHEET

		<b>December 31, 2023</b>	March 31, 2023
		<b>(unaudited)</b>	(audited)
	<i>Note</i>	<i>US\$'000</i>	<i>US\$'000</i>
Non-current assets			
Property, plant and equipment		<b>2,009,343</b>	2,006,457
Right-of-use assets		<b>604,509</b>	659,360
Construction-in-progress		<b>385,483</b>	638,047
Intangible assets		<b>8,519,244</b>	8,267,114
Interests in associates and joint ventures		<b>333,480</b>	438,267
Deferred income tax assets		<b>2,631,152</b>	2,467,281
Financial assets at fair value through profit or loss		<b>1,328,548</b>	1,233,969
Financial assets at fair value through other comprehensive income		<b>56,699</b>	66,178
Other non-current assets		<b>408,047</b>	202,531
		<b>16,276,505</b>	15,979,204
Current assets			
Inventories	7	<b>6,218,910</b>	6,371,858
Trade and notes receivables	8(a)	<b>8,944,694</b>	7,940,378
Derivative financial assets		<b>15,376</b>	37,460
Deposits, prepayments and other receivables	9	<b>4,143,353</b>	3,945,153
Income tax recoverable		<b>372,694</b>	324,756
Bank deposits		<b>66,638</b>	71,163
Cash and cash equivalents		<b>3,466,167</b>	4,250,085
		<b>23,227,832</b>	22,940,853
Total assets		<b>39,504,337</b>	38,920,057

## CONSOLIDATED BALANCE SHEET (CONTINUED)

		<b>December 31, 2023</b>	March 31, 2023
		<b>(unaudited)</b>	(audited)
	<i>Note</i>	<i>US\$ '000</i>	<i>US\$ '000</i>
Share capital	<i>13</i>	<b>3,490,282</b>	3,282,318
Reserves		<b>2,110,140</b>	2,305,272
		<hr/>	<hr/>
Equity attributable to owners of the Company		<b>5,600,422</b>	5,587,590
Other non-controlling interests		<b>1,059,948</b>	1,006,784
Put option written on non-controlling interests	<i>10(a), 11(b)</i>	<b>(547,353)</b>	(547,353)
		<hr/>	<hr/>
Total equity		<b>6,113,017</b>	6,047,021
		<hr/>	<hr/>
Non-current liabilities			
Borrowings	<i>12</i>	<b>3,563,643</b>	3,683,178
Warranty provision	<i>10(b)</i>	<b>171,681</b>	196,037
Deferred revenue		<b>1,443,401</b>	1,389,427
Retirement benefit obligations		<b>236,059</b>	257,244
Deferred income tax liabilities		<b>456,469</b>	431,688
Other non-current liabilities	<i>11</i>	<b>819,404</b>	822,105
		<hr/>	<hr/>
		<b>6,690,657</b>	6,779,679
		<hr/>	<hr/>
Current liabilities			
Trade and notes payables	<i>8(b)</i>	<b>10,258,486</b>	9,772,934
Derivative financial liabilities		<b>124,998</b>	62,499
Other payables and accruals	<i>10(a)</i>	<b>13,368,766</b>	12,932,781
Provisions	<i>10(b)</i>	<b>905,592</b>	1,021,041
Deferred revenue		<b>1,583,330</b>	1,581,952
Income tax payable		<b>402,392</b>	450,534
Borrowings	<i>12</i>	<b>57,099</b>	271,616
		<hr/>	<hr/>
		<b>26,700,663</b>	26,093,357
		<hr/>	<hr/>
Total liabilities		<b>33,391,320</b>	32,873,036
		<hr/>	<hr/>
Total equity and liabilities		<b>39,504,337</b>	38,920,057
		<hr/>	<hr/>

## CONSOLIDATED CASH FLOW STATEMENT

	<b>9 months ended December 31, 2023 (unaudited) US\$'000</b>	9 months ended December 31, 2022 (unaudited) US\$'000
Cash flows from operating activities		
Net cash generated from operations	14(a) <b>2,412,502</b>	3,226,210
Interest paid	<b>(548,274)</b>	(406,298)
Tax paid	<b>(396,507)</b>	(262,877)
Net cash generated from operating activities	<b>1,467,721</b>	2,557,035
Cash flows from investing activities		
Purchase of property, plant and equipment	<b>(176,617)</b>	(291,486)
Sale of property, plant and equipment	<b>25,321</b>	18,631
Sale of construction-in-progress	-	2,814
Acquisition of businesses, net of cash acquired	14(c) <b>(135,059)</b>	(403,216)
Interest acquired in associates and a joint venture	<b>(12,324)</b>	(101,702)
Loan to an associate and a joint venture	<b>(4,609)</b>	-
Repayment of loans to an associate and a joint venture	<b>30,563</b>	-
Payment for construction-in-progress	<b>(348,737)</b>	(546,695)
Payment for intangible assets	<b>(507,021)</b>	(365,814)
Purchase of financial assets at fair value through profit or loss	<b>(139,575)</b>	(174,511)
Purchase of financial assets at fair value through other comprehensive income	-	(7,000)
Net proceeds from sale of financial assets at fair value through profit or loss	<b>116,255</b>	148,765
Net proceeds from sale of financial assets at fair value through other comprehensive income	-	2,998
Decrease in bank deposits	<b>4,525</b>	30,747
Dividends received	<b>1,315</b>	3,973
Interest received	<b>112,841</b>	81,470
Net cash used in investing activities	<b>(1,033,122)</b>	(1,601,026)
Cash flows from financing activities	14(b)	
Capital contribution from other non-controlling interests	<b>108,219</b>	21,163
Distribution to other non-controlling interests	<b>(5,953)</b>	-
Contribution to employee share trusts	<b>(350,578)</b>	(61,189)
Acquisition of additional interest in subsidiaries	<b>(76,722)</b>	-
Principal elements of lease payments	<b>(95,306)</b>	(140,680)
Dividends paid	<b>(583,273)</b>	(578,795)
Dividends paid to convertible preferred shares holders	-	(800)
Dividends paid to other non-controlling interests	<b>(34,083)</b>	(29,385)
Proceeds from issue of convertible bonds	-	675,000
Repurchase of convertible bonds	-	(545,317)
Issuing cost of convertible bonds	-	(11,000)
Proceeds from loans	<b>6,728,423</b>	9,768,067
Repayments of loans	<b>(6,740,269)</b>	(9,750,951)
Proceeds from issue of notes	-	1,250,000
Repurchase of notes	<b>(132,083)</b>	(269,036)
Issuing cost of notes	-	(11,726)
Net cash (used in)/generated from financing activities	<b>(1,181,625)</b>	315,351
(Decrease)/increase in cash and cash equivalents	<b>(747,026)</b>	1,271,360
Effect of foreign exchange rate changes	<b>(36,892)</b>	(182,749)
Cash and cash equivalents at the beginning of the period	<b>4,250,085</b>	3,930,287
Cash and cash equivalents at the end of the period	<b>3,466,167</b>	5,018,898

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holders of the Company										
	Share capital	Investment revaluation reserve	Employee share trusts	Share-based compensation reserve	Hedging reserve	Exchange reserve	Other reserves	Retained earnings	Other non-controlling interests	Put option written on non-controlling interests	Total
	(unaudited) US\$'000	(unaudited) US\$'000	(unaudited) US\$'000	(unaudited) US\$'000	(unaudited) US\$'000	(unaudited) US\$'000	(unaudited) US\$'000	(unaudited) US\$'000	(unaudited) US\$'000	(unaudited) US\$'000	(unaudited) 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	-	-	-	-	-	-	-	762,782	86,498	-	849,280
Other comprehensive (loss)/income	-	(8,426)	-	-	(77,789)	(43,702)	-	3,463	(18,683)	-	(145,137)
Total comprehensive (loss)/income for the period	-	(8,426)	-	-	(77,789)	(43,702)	-	766,245	67,815	-	704,143
Transfer to statutory reserve	-	-	-	-	-	-	19,370	(19,370)	-	-	-
Acquisition of subsidiaries	-	-	-	-	-	-	-	-	(3,462)	-	(3,462)
Vesting of shares under long-term incentive program	-	-	355,125	(498,355)	-	-	-	-	-	-	(143,230)
Deferred tax in relation to long-term incentive program	-	-	-	11,878	-	-	-	-	-	-	11,878
Settlement of bonus through long-term incentive program	-	-	-	2,445	-	-	-	-	-	-	2,445
Share-based compensation	-	-	-	228,848	-	-	-	-	-	-	228,848
Contribution to employee share trusts	-	-	(350,578)	-	-	-	-	-	-	-	(350,578)
Dividends paid	-	-	-	-	-	-	-	(583,273)	-	-	(583,273)
Dividends paid to other non-controlling interests	-	-	-	-	-	-	-	-	(34,083)	-	(34,083)
Capital contribution from other non-controlling interests	-	-	-	-	-	-	7,541	-	100,478	-	108,019
Distribution to other non-controlling interests	-	-	-	-	-	-	-	-	(5,953)	-	(5,953)
Change of ownership of subsidiaries without loss of control	-	-	-	-	-	-	(5,091)	-	(71,631)	-	(76,722)
Conversion of convertible bonds	207,964	-	-	-	-	-	-	-	-	-	207,964
At December 31, 2023	3,490,282	(69,286)	(148,838)	(599,402)	(86,943)	(2,140,143)	185,231	4,969,521	1,059,948	(547,353)	6,113,017
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	-	-	-	-	-	-	-	1,494,115	81,140	-	1,575,255
Other comprehensive (loss)/income	-	(1,194)	-	-	(187,707)	(676,317)	-	27,438	(20,811)	-	(858,591)
Total comprehensive (loss)/income for the period	-	(1,194)	-	-	(187,707)	(676,317)	-	1,521,553	60,329	-	716,664
Transfer to statutory reserve	-	-	-	-	-	-	28,544	(28,544)	-	-	-
Acquisition of subsidiaries	64,503	-	-	-	-	-	-	-	30,021	-	94,524
Acquisition of an associate	13,902	-	-	-	-	-	-	-	-	-	13,902
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	-	-	230,699	(297,038)	-	-	-	-	-	-	(66,339)
Deferred tax in relation to long-term incentive program	-	-	-	(8,080)	-	-	-	-	-	-	(8,080)
Settlement of bonus through long-term incentive program	-	-	-	23,395	-	-	-	-	-	-	23,395
Share-based compensation	-	-	-	243,636	-	-	-	-	-	-	243,636
Contribution to employee share trusts	-	-	(61,189)	-	-	-	-	-	-	-	(61,189)
Dividends paid	-	-	-	-	-	-	-	(578,795)	-	-	(578,795)
Dividends paid to other non-controlling interests	-	-	-	-	-	-	-	-	(29,385)	-	(29,385)
Capital contribution from other non-controlling interests	-	-	-	-	-	-	-	-	24,838	-	24,838
Issue of convertible bonds	-	-	-	-	-	-	138,243	-	-	-	138,243
Repurchase of convertible bonds	-	-	-	-	-	-	(52,135)	(50,529)	-	-	(102,664)
Change of ownership of subsidiaries without loss of control	-	-	-	-	-	-	11,001	-	(11,001)	-	-
At December 31, 2022	3,282,318	(62,922)	(162,945)	(234,649)	(139,474)	(2,182,596)	163,411	4,661,444	1,026,217	(547,353)	5,803,451

## 1 General information and basis of preparation

The financial information relating to the year ended March 31, 2023 included in the FY2023/24 third quarter results announcement does not constitute the Company's statutory annual consolidated financial statements for that year but is derived from those consolidated financial statements. Further information relating to these statutory consolidated financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance is as follows:

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

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

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

The Group has initially applied the Amendments to HKAS 12, Deferred tax related to assets and liabilities arising from a single transaction, from April 1, 2023. The amendments narrow the scope of the initial recognition exemption to exclude transactions that give rise to equal and offsetting temporary differences – e.g. lease liabilities. For lease liabilities, 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, December 31, 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 nine months period ended December 31, 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 HKAS 21, Lack of exchangeability	January 1, 2025
Amendments to HKFRS 10 and HKAS 28, Sale or contribution of assets between an investor and its associate or joint venture	Date to be determined

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

## 2 Segment information

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

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

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

	9 months ended December 31, 2023		9 months ended December 31, 2022	
	Revenue US\$'000	Operating profit/(loss) US\$'000	Revenue US\$'000	Operating profit US\$'000
IDG	34,136,741	2,407,847	39,575,369	2,937,449
ISG	6,388,828	(151,585)	7,555,583	90,589
SSG	5,651,938	1,156,574	5,013,506	1,067,363
Total	46,177,507	3,412,836	52,144,458	4,095,401
Eliminations	(3,146,840)	(974,352)	(2,832,697)	(901,975)
	<u>43,030,667</u>	<u>2,438,484</u>	<u>49,311,761</u>	<u>3,193,426</u>
Unallocated:				
Headquarters and corporate income/(expenses) – net		(988,045)		(841,768)
Depreciation and amortization		(345,245)		(418,701)
Finance income		106,639		69,162
Finance costs		(237,580)		(101,422)
Share of losses of associates and joint ventures		(20,197)		(12,672)
Gain/(loss) on disposal of property, plant and equipment		635		(335)
Fair value gain on financial assets at fair value through profit or loss		100,938		114,561
Fair value loss on a financial liability at fair value through profit or loss		-		(2,658)
Dilution gain on interest in associates		-		2,146
Gain on disposal of interest in an associate		-		1,190
Dividend income		1,160		2,637
Consolidated profit before taxation		<u>1,056,789</u>		<u>2,005,566</u>



(b) Analysis of revenue by geography

	<b>9 months ended December 31, 2023 US\$'000</b>	9 months ended December 31, 2022 US\$'000
China	<b>9,906,602</b>	12,416,674
Asia Pacific (“AP”)	<b>7,441,534</b>	8,071,546
Europe-Middle East-Africa (“EMEA”)	<b>10,846,638</b>	12,023,484
Americas (“AG”)	<b>14,835,893</b>	16,800,057
	<b>43,030,667</b>	49,311,761

(c) Analysis of revenue by timing of revenue recognition

	<b>9 months ended December 31, 2023 US\$'000</b>	9 months ended December 31, 2022 US\$'000
Point in time	<b>40,821,392</b>	47,453,057
Over time	<b>2,209,275</b>	1,858,704
	<b>43,030,667</b>	49,311,761

(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 nine months ended December 31								
Depreciation and amortization	<b>531,021</b>	459,813	<b>153,259</b>	119,523	<b>15,468</b>	17,153	<b>699,748</b>	596,489
Finance income	<b>7,981</b>	23,732	<b>2,071</b>	4,790	<b>831</b>	727	<b>10,883</b>	29,249
Finance costs	<b>218,068</b>	248,567	<b>105,268</b>	109,117	<b>1,340</b>	940	<b>324,676</b>	358,624

- (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\$6,255 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 December 31, 2023**

	<b>China</b> <i>US\$ million</i>	<b>AP</b> <i>US\$ million</i>	<b>EMEA</b> <i>US\$ million</i>	<b>AG</b> <i>US\$ million</i>	<b>Total</b> <i>US\$ million</i>
Goodwill					
- IDG (Note a)	923	516	293	1,626	3,358
- ISG	477	136	65	342	1,020
- SSG (Note b)	N/A	N/A	N/A	N/A	609
Trademarks and trade names with indefinite useful lives					
- IDG	183	54	123	480	840
- ISG	162	54	31	123	370
- SSG (Note b)	N/A	N/A	N/A	N/A	58

**At March 31, 2023**

	<b>China</b> <i>US\$ million</i>	<b>AP</b> <i>US\$ million</i>	<b>EMEA</b> <i>US\$ million</i>	<b>AG</b> <i>US\$ million</i>	<b>Total</b> <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 December 31, 2023, the balance comprises goodwill of US\$18 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 December 31, 2023 (March 31, 2023: nil).

### 3 Operating profit

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

	<b>3 months ended</b> <b>December 31, 2023</b> <i>US\$'000</i>	<b>9 months ended</b> <b>December 31, 2023</b> <i>US\$'000</i>	3 months ended December 31, 2022 <i>US\$'000</i>	9 months ended December 31, 2022 <i>US\$'000</i>
Depreciation of property, plant and equipment	96,644	299,889	93,678	273,414
Depreciation of right-of-use assets	44,319	124,719	41,300	111,486
Amortization of intangible assets	216,699	620,385	215,299	630,290
Employee benefit costs, including – long-term incentive awards	1,333,028	4,099,004	1,247,487	3,835,236
Rental expenses	1,216	8,878	2,967	17,976
(Gain)/loss on disposal of property, plant and equipment	(3,524)	(2,407)	612	1,074
Loss on disposal of intangible assets	1	25	-	301
Loss on disposal of construction-in-progress	3,971	13,827	-	1,063
Fair value gain on financial assets at fair value through profit or loss	(25,380)	(102,164)	(74,130)	(114,561)
Fair value loss on a financial liability at fair value through profit or loss	-	-	900	2,658
Dilution gain on interest in associates	-	-	(2,146)	(2,146)
Gain on disposal of interest in associates	(12)	(12)	(1,190)	(1,180)
	<b><u>(12)</u></b>	<b><u>(12)</u></b>	<b><u>(1,190)</u></b>	<b><u>(1,180)</u></b>

### 4 Finance income and costs

#### (a) Finance income

	<b>3 months ended</b> <b>December 31, 2023</b> <i>US\$'000</i>	<b>9 months ended</b> <b>December 31, 2023</b> <i>US\$'000</i>	3 months ended December 31, 2022 <i>US\$'000</i>	9 months ended December 31, 2022 <i>US\$'000</i>
Interest on bank deposits	27,670	90,094	29,766	77,670
Net gain on repayment of notes	-	4,061	10,290	16,941
Interest on money market funds	4,698	16,968	1,090	1,331
Interest income on finance lease	2,658	6,399	1,004	2,469
	<b><u>35,026</u></b>	<b><u>117,522</u></b>	<b><u>42,150</u></b>	<b><u>98,411</u></b>

(b) Finance costs

	<b>3 months ended December 31, 2023 US\$'000</b>	<b>9 months ended December 31, 2023 US\$'000</b>	3 months ended December 31, 2022 US\$'000	9 months ended December 31, 2022 US\$'000
Interest on bank loans and overdrafts	<b>13,191</b>	<b>27,786</b>	12,220	50,719
Interest on convertible bonds	<b>9,053</b>	<b>33,968</b>	14,926	41,184
Interest on notes	<b>40,639</b>	<b>125,433</b>	50,131	128,398
Interest on lease liabilities	<b>3,570</b>	<b>11,325</b>	4,800	12,382
Factoring costs	<b>107,322</b>	<b>359,224</b>	98,334	215,489
Interest on written put option liabilities	<b>559</b>	<b>1,904</b>	3,043	8,828
Others	<b>118</b>	<b>2,616</b>	1,355	3,046
	<b>174,452</b>	<b>562,256</b>	184,809	460,046

## 5 Taxation

The amount of taxation in the consolidated income statement represents:

	<b>3 months ended December 31, 2023 US\$'000</b>	<b>9 months ended December 31, 2023 US\$'000</b>	3 months ended December 31, 2022 US\$'000	9 months ended December 31, 2022 US\$'000
Current tax				
Profits tax in Hong Kong S.A.R. of China	<b>(23,456)</b>	<b>41,759</b>	(8,849)	44,620
Taxation outside Hong Kong S.A.R. of China	<b>186,013</b>	<b>308,734</b>	(42,090)	272,272
Deferred tax (Credit)/charge for the period	<b>(68,327)</b>	<b>(142,984)</b>	173,997	113,419
	<b>94,230</b>	<b>207,509</b>	123,058	430,311

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.

	<b>3 months ended December 31, 2023</b>	<b>9 months ended December 31, 2023</b>	3 months ended December 31, 2022	9 months ended December 31, 2022
Weighted average number of ordinary shares in issue	<b>12,201,867,274</b>	<b>12,152,798,664</b>	12,128,130,291	12,086,017,903
Adjustment for shares held by employee share trusts	<b>(196,316,252)</b>	<b>(204,155,143)</b>	(154,480,532)	(201,998,021)
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	<b>12,005,551,022</b>	<b>11,948,643,521</b>	11,973,649,759	11,884,019,882
	<b>3 months ended December 31, 2023 US\$'000</b>	<b>9 months ended December 31, 2023 US\$'000</b>	3 months ended December 31, 2022 US\$'000	9 months ended December 31, 2022 US\$'000
Profit attributable to equity holders of the Company used in calculating basic earnings per share	<b>337,016</b>	<b>762,782</b>	437,201	1,494,115

### (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 nine months ended December 31, 2023 and 2022. Put option written on non-controlling interests were anti-dilutive for the three and nine months ended December 31, 2023 and 2022. Convertible preferred shares were anti-dilutive for the three and nine months ended December 31, 2022.

	<b>3 months ended December 31, 2023</b>	<b>9 months ended December 31, 2023</b>	3 months ended December 31, 2022	9 months ended December 31, 2022
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	<b>12,005,551,022</b>	<b>11,948,643,521</b>	11,973,649,759	11,884,019,882
Adjustment for long-term incentive awards	<b>292,052,842</b>	<b>236,641,250</b>	290,319,936	397,873,607
Adjustment for convertible bonds	<b>760,880,312</b>	<b>797,419,501</b>	804,325,063	804,325,063
Weighted average number of ordinary shares used as the denominator in calculating diluted earnings per share	<b>13,058,484,176</b>	<b>12,982,704,272</b>	13,068,294,758	13,086,218,552
	<b>3 months ended December 31, 2023 US\$ '000</b>	<b>9 months ended December 31, 2023 US\$ '000</b>	3 months ended December 31, 2022 US\$ '000	9 months ended December 31, 2022 US\$ '000
Profit attributable to equity holders of the Company used in calculating basic earnings per share	<b>337,016</b>	<b>762,782</b>	437,201	1,494,115
Adjustment for interest on convertible bonds, net of tax	<b>7,559</b>	<b>28,364</b>	12,463	34,389
Profit attributable to equity holders of the Company used in calculating diluted earnings per share	<b>344,575</b>	<b>791,146</b>	449,664	1,528,504

## 7 Inventories

	<b>December 31, 2023 US\$ '000</b>	March 31, 2023 US\$ '000
Raw materials and work-in-progress	<b>3,309,623</b>	3,571,910
Finished goods	<b>2,337,131</b>	2,295,352
Service parts	<b>572,156</b>	504,596
	<b>6,218,910</b>	6,371,858

## 8 Trade and notes receivables and trade and notes payables

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

	<b>December 31, 2023 US\$ '000</b>	March 31, 2023 US\$ '000
Trade receivables	<b>8,903,205</b>	7,901,228
Notes receivable	<b>41,489</b>	39,150
	<b>8,944,694</b>	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:

	<b>December 31, 2023</b> <i>US\$'000</i>	March 31, 2023 <i>US\$'000</i>
0 – 30 days	<b>6,014,313</b>	5,579,089
31 – 60 days	<b>1,721,631</b>	1,132,623
61 – 90 days	<b>527,940</b>	254,426
Over 90 days	<b>730,026</b>	1,039,913
	<b>8,993,910</b>	8,006,051
Less: loss allowance	<b>(90,705)</b>	(104,823)
Trade receivables – net	<b>8,903,205</b>	7,901,228

At December 31, 2023, trade receivables, net of loss allowance, of US\$908,974,000 (March 31, 2023: US\$888,758,000) were past due. The ageing of these receivables, based on due date, is as follows:

	<b>December 31, 2023</b> <i>US\$'000</i>	March 31, 2023 <i>US\$'000</i>
Within 30 days	<b>471,762</b>	421,876
31 – 60 days	<b>157,183</b>	185,604
61 – 90 days	<b>78,070</b>	98,447
Over 90 days	<b>201,959</b>	182,831
	<b>908,974</b>	888,758

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

	<b>9 months ended</b> <b>December 31, 2023</b> <i>US\$'000</i>	Year ended March 31, 2023 <i>US\$'000</i>
At the beginning of the period/year	<b>104,823</b>	106,620
Exchange adjustment	<b>(2,721)</b>	(4,470)
Increase in loss allowance recognized in profit or loss	<b>47,441</b>	122,832
Uncollectible receivables written off	<b>(30,851)</b>	(18,933)
Unused amounts reversed in profit or loss	<b>(27,987)</b>	(101,226)
At the end of the period/year	<b>90,705</b>	104,823

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:

	<b>December 31, 2023</b> <i>US\$'000</i>	March 31, 2023 <i>US\$'000</i>
Trade payables	<b>9,234,773</b>	7,027,842
Notes payable	<b>1,023,713</b>	2,745,092
	<b>10,258,486</b>	9,772,934

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

	<b>December 31, 2023</b> <i>US\$'000</i>	March 31, 2023 <i>US\$'000</i>
0 – 30 days	<b>5,665,361</b>	4,540,194
31 – 60 days	<b>2,264,909</b>	1,481,684
61 – 90 days	<b>774,907</b>	439,351
Over 90 days	<b>529,596</b>	566,613
	<b>9,234,773</b>	7,027,842

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

## 9 Deposits, prepayments and other receivables

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

	<b>December 31, 2023</b> <i>US\$'000</i>	March 31, 2023 <i>US\$'000</i>
Deposits	<b>34,149</b>	187,096
Other receivables	<b>2,742,032</b>	1,971,020
Prepayments	<b>1,367,172</b>	1,787,037
	<b>4,143,353</b>	3,945,153

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

## 10 Provisions, other payables and accruals

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

	<b>December 31, 2023</b> <i>US\$'000</i>	March 31, 2023 <i>US\$'000</i>
Accruals	<b>3,187,956</b>	3,563,634
Allowance for billing adjustments (i)	<b>2,755,121</b>	2,524,891
Written put option liability (ii)	<b>423,816</b>	450,030
Other payables (iii)	<b>6,882,849</b>	6,270,507
Lease liabilities	<b>119,024</b>	123,719
	<b>13,368,766</b>	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 at December 31, 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:

	<b>Warranty</b> <i>US\$'000</i>	<b>Environmental restoration</b> <i>US\$'000</i>	<b>Restructuring</b> <i>US\$'000</i>	<b>Total</b> <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>
Nine months ended December 31, 2023				
At the beginning of the period	<b>1,051,839</b>	<b>26,084</b>	<b>162,577</b>	<b>1,240,500</b>
Exchange adjustment	<b>(1,720)</b>	<b>(1,268)</b>	<b>73</b>	<b>(2,915)</b>
Provisions made	<b>499,646</b>	<b>12,505</b>	<b>-</b>	<b>512,151</b>
Amounts utilized	<b>(547,362)</b>	<b>(12,099)</b>	<b>(90,671)</b>	<b>(650,132)</b>
	<u><b>1,002,403</b></u>	<u><b>25,222</b></u>	<u><b>71,979</b></u>	<u><b>1,099,604</b></u>
Long-term portion classified as non-current liabilities	<b>(171,681)</b>	<b>(22,331)</b>	<b>-</b>	<b>(194,012)</b>
At the end of the period	<u><u><b>830,722</b></u></u>	<u><u><b>2,891</b></u></u>	<u><u><b>71,979</b></u></u>	<u><u><b>905,592</b></u></u>

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

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

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.

## 11 Other non-current liabilities

Details of other non-current liabilities are as follows:

	<b>December 31, 2023</b> <i>US\$'000</i>	March 31, 2023 <i>US\$'000</i>
Deferred consideration (a)	<b>25,072</b>	25,072
Written put option liability (b)	<b>44,391</b>	44,249
Lease liabilities	<b>263,088</b>	280,837
Environmental restoration (Note 10(b))	<b>22,331</b>	23,422
Government incentives and grants received in advance (c)	<b>111,968</b>	94,621
Others	<b>352,554</b>	353,904
	<b>819,404</b>	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 December 31, 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\$70 million).

The financial liability that may become payable under the put option is initially recognized at present value of redemption amount within other non-current liabilities with a corresponding charge directly to equity, as a put option written on non-controlling interest.

The put option liability shall be re-measured as a result of the change in the expected performance at each balance sheet date, with any resulting gain or loss recognized in the consolidated income statement. In the event that the put option lapses unexercised, the liability will be derecognized with a corresponding adjustment to equity.

- (c) Government incentives and grants received in advance by certain group companies included in other non-current liabilities mainly relate to research and development projects and construction of property, plant and equipment. These group companies are obliged to fulfill certain conditions under the terms of the government incentives and grants. The government incentives and grants, upon fulfillment of those conditions, are credited to the consolidated income statement immediately or recognized on a straight-line basis over the expected life of the related assets.

## 12 Borrowings

	<b>December 31, 2023</b> <i>US\$'000</i>	March 31, 2023 <i>US\$'000</i>
Current liabilities		
Short-term loans (a)	<b>46,394</b>	57,032
Convertible bonds (c)	<b>10,705</b>	214,584
	<b>57,099</b>	271,616
Non-current liabilities		
Notes (b)	<b>3,011,981</b>	3,146,148
Convertible bonds (c)	<b>551,662</b>	537,030
	<b>3,563,643</b>	3,683,178
	<b>3,620,742</b>	3,954,794

Notes:

- (a) Majority of the short-term loans are denominated in United States dollars. At December 31, 2023, the Group has total revolving and short-term loan facilities of US\$4,928 million (March 31, 2023: US\$4,338 million) which has been utilized to the extent of US\$44 million (March 31, 2023: US\$54 million).

(b)

Issue date	Outstanding principal amount	Term	Interest rate per annum	Due date	December 31, 2023 <i>US\$'000</i>	March 31, 2023 <i>US\$'000</i>
April 24, 2020 and May 12, 2020	US\$965 million	5 years	5.875%	April 2025	<b>964,751</b>	999,593
November 2, 2020	US\$900 million	10 years	3.421%	November 2030	<b>893,923</b>	922,035
July 27, 2022	US\$600 million	5.5 years	5.831%	January 2028	<b>595,332</b>	619,856
July 27, 2022	US\$563 million	10 years	6.536%	July 2032	<b>557,975</b>	604,664
					<b>3,011,981</b>	3,146,148

During the period, approximately US\$35 million in principal amount of the 2025 Notes, approximately US\$29 million in principal amount of the 2030 Notes, US\$25 million in principal amount of the 2028 Notes and approximately US\$47 million in principal amount of the 2032 Notes were purchased by the Company. At December 31, 2023, approximately US\$965 million (March 31, 2023: US\$1 billion) in principal amount of the 2025 Notes, approximately US\$900 million (March 31, 2023: US\$929 million) in principal amount of the 2030 Notes, approximately US\$600 million (March 31, 2023: US\$625 million) in principal amount of the 2028 Notes and approximately US\$563 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	December 31, 2023 US\$'000	March 31, 2023 US\$'000
January 24, 2019 (i)	US\$11 million	5 years	3.375%	January 2024	10,705	214,584
August 26, 2022 (ii)	US\$675 million	7 years	2.5%	August 2029	551,662	537,030
					<b>562,367</b>	<b>751,614</b>

- (i) On January 24, 2019, the Company completed the issuance of 5-Year US\$675 million convertible bonds bearing annual interest at 3.375% due in January 2024 (“the 2024 Convertible Bonds”) to third party professional investors (“the bondholders”). The proceeds were used to repay previous notes and for general corporate purposes. The bondholders have the right, at any time on or after 41 days after the date of issue and up to the 10th day prior to the maturity date, to convert part or all of the outstanding principal amount of the 2024 Convertible Bonds into ordinary shares of the Company at a conversion price of HK\$7.99 per share, subject to adjustments. The conversion price was adjusted to HK\$6.19 per share effective on December 1, 2023.

The outstanding principal amount of the 2024 Convertible Bonds is repayable by the Company upon 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. During the period, approximately US\$209 million in principal amount of the 2024 Convertible Bonds were converted at the adjusted conversion price at the time of the respective conversion and cancelled. At December 31, 2023, approximately US\$11 million (March 31, 2023: US\$220 million) in principal amount of the 2024 Convertible Bonds remained outstanding, which were fully converted into 13,588,173 shares at the adjusted conversion price of HK\$6.19 per share in January 2024.

- (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 December 31, 2023 and March 31, 2023 are as follows:

	<b>December 31, 2023</b> <i>US\$'000</i>	March 31, 2023 <i>US\$'000</i>
Within 1 year	<b>57,099</b>	271,616
Over 1 to 2 years	<b>964,751</b>	-
Over 2 to 5 years	<b>595,332</b>	1,619,449
Over 5 years	<b>2,003,560</b>	2,063,729
	<b><u>3,620,742</u></b>	<b><u>3,954,794</u></b>

### 13 Share capital

	<b>December 31, 2023</b>		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	<b>12,128,130,291</b>	<b>3,282,318</b>	12,041,705,614	3,203,913
Issue of ordinary shares for acquisition of subsidiaries and an associate	-	-	86,424,677	78,405
Conversion of convertible bonds	<b>262,940,838</b>	<b>207,964</b>	-	-
At the end of the period/year	<b><u>12,391,071,129</u></b>	<b><u>3,490,282</u></b>	<b><u>12,128,130,291</u></b>	<b><u>3,282,318</u></b>

## 14 Note to the consolidated cash flow statement

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

	<b>9 months ended December 31, 2023</b>	9 months ended December 31, 2022
	<i>US\$'000</i>	<i>US\$'000</i>
Profit before taxation	1,056,789	2,005,566
Share of losses of associates and joint ventures	15,489	10,922
Finance income	(117,522)	(98,411)
Finance costs	562,256	460,046
Depreciation of property, plant and equipment	299,889	273,414
Depreciation of right-of-use assets	124,719	111,486
Amortization of intangible assets	620,385	630,290
Share-based compensation	228,848	243,636
(Gain)/loss on disposal of property, plant and equipment	(2,407)	1,074
Loss on disposal of intangible assets	25	301
Loss on disposal of construction-in-progress	13,827	1,063
Gain on disposal of interest in associates	(12)	(1,180)
Dilution gain on interest in associates	-	(2,146)
Fair value change on financial instruments	6,794	(42,936)
Fair value change on financial assets at fair value through profit or loss	(102,164)	(114,561)
Fair value change on a financial liability at fair value through profit or loss	-	2,658
Dividend income	(1,315)	(3,973)
Decrease in inventories	133,882	764,066
(Increase)/decrease in trade and notes receivables, deposits, prepayments and other receivables	(1,359,565)	3,379,019
Increase/(decrease) in trade and notes payables, provisions, other payables and accruals	797,054	(4,443,882)
Effect of foreign exchange rate changes	135,530	49,758
Net cash generated from operations	<b>2,412,502</b>	<b>3,226,210</b>

### (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.

	<b>December 31, 2023</b>	March 31, 2023
	<i>US\$'000</i>	<i>US\$'000</i>
<b>Financing liabilities</b>		
Short-term loans – current	46,394	57,032
Notes – non-current	3,011,981	3,146,148
Convertible bonds – current	10,705	214,584
Convertible bonds – non-current	551,662	537,030
Lease liabilities – current	119,024	123,719
Lease liabilities – non-current	263,088	280,837
	<b>4,002,854</b>	<b>4,359,350</b>
Short-term loans – variable interest rates	46,133	55,985
Short-term loans – fixed interest rates	261	1,047
Notes – fixed interest rates	3,011,981	3,146,148
Convertible bonds – fixed interest rates	562,367	751,614
Lease liabilities – fixed interest rates	382,112	404,556
	<b>4,002,854</b>	<b>4,359,350</b>

	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	<u>57,032</u>	-	-	<u>3,146,148</u>	<u>214,584</u>	<u>537,030</u>	-	<u>123,719</u>	<u>280,837</u>	<u>4,359,350</u>
Proceeds from borrowings	<u>6,728,423</u>	-	-	-	-	-	-	-	-	<u>6,728,423</u>
Repayments/repurchase of borrowings	<u>(6,740,269)</u>	-	-	<u>(132,083)</u>	-	-	-	-	-	<u>(6,872,352)</u>
Conversion of convertible bonds	-	-	-	-	<u>(207,964)</u>	-	-	-	-	<u>(207,964)</u>
Reclassification	-	-	-	-	-	-	-	<u>74,107</u>	<u>(74,107)</u>	-
Principal elements of lease payments	-	-	-	-	-	-	-	<u>(95,306)</u>	-	<u>(95,306)</u>
Foreign exchange adjustments	<u>1,208</u>	-	-	-	-	-	-	<u>(172)</u>	<u>(4,766)</u>	<u>(3,730)</u>
Other non-cash movements	-	-	-	<u>(2,084)</u>	<u>4,085</u>	<u>14,632</u>	-	<u>16,676</u>	<u>61,124</u>	<u>94,433</u>
Financing liabilities at December 31, 2023	<u>46,394</u>	<u>-</u>	<u>-</u>	<u>3,011,981</u>	<u>10,705</u>	<u>551,662</u>	<u>-</u>	<u>119,024</u>	<u>263,088</u>	<u>4,002,854</u>

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

	<b>9 months ended December 31, 2023 US\$'000</b>	9 months ended December 31, 2022 US\$'000
Cash consideration paid	<b>151,870</b>	422,531
Less: cash and cash equivalents acquired	<b>(16,811)</b>	(19,315)
Net cash outflow – investing activities	<b>135,059</b>	403,216

## 15 Significant business combinations

During the period, the Group completed two significant 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:

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

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

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

For the nine months ended December 31, 2023, revenue contributed by Lenovo Leasing and FCNT business was US\$20 million and US\$8 million, respectively. Lenovo Leasing contributed profit before taxation of US\$0.8 million and FCNT business incurred loss before taxation of US\$4.5 million to the Group during the period.

At December 31, 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 291,517,600 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 nine months ended December 31, 2023. Details of these program and plan are set out in the 2023/24 Interim 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 nine months ended December 31, 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 nine months ended December 31, 2023, the Company has complied with the code provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix C1 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.

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

February 22, 2024

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