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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)

FY2024/25 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, 2024 together with comparative figures for the corresponding period of last year, as follows:

FINANCIAL HIGHLIGHTS

- Group profit attributable to equity holders and revenue increased by 106 percent (including a non-recurring income tax credit of US\$282 million) and 20 percent year-on-year, respectively, with all three business groups achieving double-digit revenue growth year-on-year for the third consecutive quarter
- Advances in AI technology are enhancing efficiency and driving Hybrid AI adoption. Our latest innovations unveiled at CES building on our full-stack portfolio position the Group as a leader in AI solutions
- ISG's revenue grew 59 percent with a US\$39 million profit improvement year-on-year, fueled by significant cloud demand; Revitalizing Enterprise business through scaling benefits and operational enhancements
- IDG's sales grew 12 percent, with segment profitability at the upper end of its historic range, driven by PC and smartphone premium sales; Smartphone market share now ranks among the top-5 globally, excluding China
- SSG's revenue reached a record high, increasing double digits for the fifteenth consecutive quarter, with a 20 percent operating margin
- Our cash balance increased 14 percent year-on-year, with an improved cash conversion cycle. R&D expenses grew 14 percent to support AI innovations

	3 months ended	9 months ended	3 months ended	9 months ended	Year-on-year change	
	December 31, 2024 (unaudited) US\$ million	December 31, 2024 (unaudited) US\$ million	December 31, 2023 (unaudited) US\$ million	December 31, 2023 (unaudited) US\$ million	3 months ended December 31	9 months ended December 31
Revenue	18,796	52,093	15,721	43,031	20%	21%
Gross profit	2,959	8,315	2,601	7,375	14%	13%
Gross profit margin	15.7%	16.0%	16.5%	17.1%	(0.8) pts	(1.1) pts
Operating expenses	(2,271)	(6,482)	(1,988)	(5,858)	14%	11%
Operating profit	688	1,833	613	1,517	12%	21%
Other non-operating income/(expenses) – net	(171)	(530)	(142)	(460)	20%	15%
Profit before taxation	517	1,303	471	1,057	10%	23%
Profit for the period	701	1,338	377	849	86%	57%
Profit attributable to equity holders of the Company	693	1,295	337	763	106%	70%
Earnings per share attributable to equity holders of the Company						
Basic	US\$5.66 cents	US\$10.56 cents	US\$2.81 cents	US\$6.38 cents	US\$2.85 cents	US\$4.18 cents
Diluted	US\$5.35 cents	US\$10.06 cents	US\$2.64 cents	US\$6.09 cents	US\$2.71 cents	US\$3.97 cents
Non-HKFRS measure						
Non-HKFRS operating profit	708	1,973	630	1,544	12%	28%
Non-HKFRS profit before taxation	539	1,447	489	1,088	10%	33%
Non-HKFRS profit for the period	445	1,193	390	869	14%	37%
Non-HKFRS profit attributable to equity holders of the Company	430	1,149	357	820	20%	40%

BUSINESS REVIEW AND OUTLOOK

Highlights

In the fiscal third quarter ended December 31, 2024, Lenovo (the Group) delivered strong financial performance and resilience. The Group's profit attributable to equity holders rose by 106 percent year-on-year, and net profit margin expanded year-on-year for the fourth consecutive quarter. Revenue grew by 20 percent year-on-year to US\$18.8 billion, marking the highest quarterly sales in the past three years and the second highest in the Group's history. All three business groups achieved double-digit year-on-year revenue growth for the third consecutive quarter. Lenovo's focus on Hybrid AI (Artificial Intelligence) and operational excellence, coupled with synergy among the business groups, have been instrumental in driving new growth opportunities. Notably, the Infrastructure Solutions Group (ISG) and Solutions and Services Group (SSG) achieved new sales records, while the Intelligent Devices Group (IDG) continued its double-digit year-on-year revenue growth. Non-HKFRS net profit was strong at US\$430 million, with a 20 percent year-on-year growth. This profit figure excludes one-time items, including an income tax credit of US\$282 million.

With a balanced approach to market demands in both cloud and enterprise segments, ISG is geared for continued success, as shown by the increasing number of billion-dollar customers and strong demand for both GPU and non-GPU products. As a result, ISG reported a 59 percent year-on-year revenue growth and achieved profitability in the quarter, driven by its strategic focus on fulfilling fast-growing cloud demand. The Intelligent Devices Group (IDG) saw a 12 percent annual increase in revenue, with profitability at the upper end of its historical range. IDG further expanded market share lead over its two closest competitors in the global PC market. Moreover, in the global smartphone market outside of China, IDG achieved the fastest growth rate among the top five smartphone vendors in the latest quarter. Meanwhile, Solutions and Services Group (SSG) experienced a 12 percent year-on-year increase in revenue, reaching US\$2.3 billion. SSG maintained a high operating margin, with segment profit accounting for 31 percent of the combined segment profit across all three business groups.

The Group's strategic investments in Hybrid AI technologies and pursuit of new market opportunities have delivered a comprehensive full-stack AI portfolio, spanning infrastructure to edge devices and services. As an early mover in Personal AI, Lenovo is strategically positioned to unleash Hybrid AI advantages for enterprise customers. At the Consumer Electronics Show (CES) 2025, the Group received notable recognition for its innovative capabilities, highlighted by its comprehensive AI PC portfolio that brought home a total of 106 product awards. Among these, the ThinkBook Plus Gen 6, a groundbreaking rollable AI PC with a 16.7-inch display when fully extended, won a record 75 awards.

Effective financial management has bolstered the company's financial position, resulting in a robust net cash balance of US\$393 million at the end of the fiscal quarter. Additionally, the cash conversion cycle improved by one day year-on-year. The Group's dedication to corporate governance and sustainability has once again been recognized. For the third consecutive year, the Group achieved an AAA rating in the MSCI ESG Ratings. With respect to environmental responsibility, EcoVadis, the leading global provider of business sustainability ratings, has acknowledged the Group as a leader in Carbon Management. Additionally, the Group attained its highest-ever score in the 2024 Workplace Pride Global Benchmark, earning the title of "Ambassador of equality".

In 2024, the Group announced its plan to form a long-term strategic partnership with Alat, a US\$100 billion sovereign fund wholly owned by the Public Investment Fund of the Kingdom of Saudi Arabia. Following this announcement, all required shareholder and regulatory approvals were obtained, and the issuance of the Convertible Bonds (CBs) and Warrants was finalized in early 2025. This significant collaboration is poised to accelerate Lenovo's current growth trajectory in the Middle East and Africa (MEA) region, bolster the geographic diversification of its global manufacturing network, further accelerate green energy adoption, and drive investments in innovation and local markets.

Group Financial Performance

The Group has strengthened its market share, resulting in a 20 percent year-on-year growth in revenue during the period under review. The non-PC business now comprises 46 percent of total revenue across the three business groups.

ISG, with its successful turnaround in profitability, has been a significant contributor to the Group's non-PC success and solid revenue momentum. IDG's segment margin remained largely stable year-on-year, while SSG sustained its high operating margin rate of 20 percent. However, the Group's gross margin declined by 80 basis points year-on-year due to a higher sales contribution from ISG's cloud business, which has a lower profitability profile.

Management exercised discipline in expense management, leading to a reduction in operating expense-to-revenue ratio by 56 basis points year-on-year to 12.1 percent. Non-HKFRS net profit increased by 20 percent year-on-year, demonstrating resilient performance. Profit attributable to equity holders on a HKFRS basis grew even faster, more than doubling year-on-year, partly driven by a non-recurring income tax credit of US\$282 million.

Performance by Product Business Group

Intelligent Devices Group (IDG)

Revenue of IDG, which includes the PC, tablet, smartphone, and other smart device businesses, grew 12 percent year-on-year. Segment profitability reached 7.3 percent during the quarter, remaining at the upper end of its historical range. For the third consecutive quarter, IDG reinforced its leading position in the PC market, further outpacing its top two competitors. Gaming PC sales performed exceptionally well during the holiday season, reflecting a consumer shift toward high-performance PCs to enhance the gaming experience. Commercial sales benefitted from the Windows 11 refresh, with premium workstation sales spearheading demand recovery in the commercial segment.

At CES in January 2025, IDG unveiled over 60 innovations that redefine AI device categories across commercial, gaming and consumer segments, furthering its vision of building an advanced Hybrid-AI ecosystem. With CPU and PC vendor roadmaps incorporating on-device AI across various price bands and featuring enhanced computing power, AI PCs are becoming more accessible and are projected to dominate global shipments by late 2025. On top of IDG's strong hardware innovations, its proprietary AI software capabilities have secured its market leadership amid burgeoning demand for AI computing. Its on-device AI assistant offerings now include two versions that utilize natural language interactions and personal knowledge bases.

IDG's innovation efforts have also bolstered non-PC sales, particularly within the smartphone segment. The Group's Motorola-branded revenue experienced double-digit growth year-on-year and continued to gain global market share for the sixth consecutive quarter. This success can be attributed to the popularity of its premium models, which led to both increased market share and higher average selling prices. According to an external research institute, Motorola's share of the global smartphone market - excluding China where the brand has minimal presence - exceeded 6 percent in the most recent quarter, marking the highest level for the fiscal third quarter. Geographical expansion has been a crucial catalyst for this growth, with sales outside of Americas now accounting for 44 percent of its revenue, a significant increase from just 18 percent two years ago.

Infrastructure Solutions Group (ISG)

ISG posted a 59% year-on-year revenue increase this quarter, marking its third consecutive quarter of record-breaking top-line performance. This strong growth was driven by robust server demand, backed by cloud investments and a sustained recovery in the enterprise segment. These achievements reflect the effective execution of the right strategy and lay a solid foundation for sustained profitability. ISG's focused approach to scaling the cloud business with its unique ODM+ (Original Design Manufacturing) model and targeted sales strategy is yielding positive results. The cloud segment is not only profitable but has also seen its revenue more than quadruple from five years ago, now contributing a double-digit percentage to Group sales.

Since acquiring the x86 business from IBM, ISG has adapted to the rise of cloud computing by broadening its focus from enterprise computing to include cloud computing and storage. By leveraging a comprehensive portfolio that includes Cloud, on-premises, Storage, and Edge Computing, ISG is strategically positioned to capitalize on the surging demand for AI-driven solutions. In response to the AI computing revolution, ISG has developed innovative solutions like Neptune, an advanced liquid-cooling product. With an ultra-efficient power usage effectiveness (PUE) as low as 1.1, Neptune slashes power consumption by up to 40% and boosts thermal efficiency by 3.5 times compared to traditional air-cooled systems. The adoption of Neptune continues to grow and expand beyond supercomputing and academia into various industries, including automotive, finance, life sciences, and media.

During the quarter under review, ISG returned to profitability, posting an operating profit of \$1 million, reflecting an annual improvement of \$39 million. This turnaround in profitability can be attributed to increased scale in the cloud segment. Looking ahead, ISG continues to focus on strategic cost optimization initiatives to strengthen the enterprise segment, such as streamlining its structure to enhance value propositions, fostering go-to-market partnerships, and identifying cost-saving opportunities through portfolio optimization. These efforts will position ISG to ensure sustainable growth and profitability.

Solutions & Services Group (SSG)

SSG achieved its fifteenth consecutive quarter of double-digit revenue growth, with revenue increasing by 12 percent year-on-year to reach US\$2.3 billion. The operating profit margin remains strong at 20 percent, and operating profit rose by 11 percent year-on-year to US\$459 million.

Managed Services and Project & Solutions Services reported year-on-year revenue growth of 23 percent and 20 percent, respectively. Within Managed Services, both Device-as-a-Service (DaaS) and Hybrid Cloud emerged as key growth drivers, while growth in Project & Solutions Services was propelled by the Group's AI-powered solutions, including a major achievement in delivering an enterprise AI agent platform for a leading dairy client.

Support Service revenue remained flat year-on-year, reflecting a natural time lag between hardware sales and their subsequent impact on service revenue. However, Support Service bookings have increased for five consecutive quarters, recovering in tandem with the recent uptick in hardware sales growth, signaling a steady future recovery.

Geographic Performance

With a substantial global presence across 180 markets, the Group has effectively leveraged its diversified market exposure to achieve sustained and balanced revenue growth across all geographical markets. In the Asia Pacific region, excluding China, revenue grew 31 percent year-on-year, the highest growth rate among all regions. This was made possible by the double-digit year-on-year increases in each of the three business segments. IDG witnessed strong demand for high-end products, thanks to the Windows 11 refresh in Japan and an upswing in gaming interest throughout the region. Concurrently, ISG's market share expanded, while SSG secured a major case win with a leading APAC airline leveraging its GenAI-powered Care of One platform.

China saw a 21 percent year-on-year revenue increase, primarily driven by a recovery in ISG sales. ISG's performance was largely fueled by market share gains from its improved infrastructure portfolio and effective supply chain management. The region's PC sales exhibited solid demand for premium models, demonstrating the Group's resilience in driving growth through higher average selling prices.

In the Americas, the Group's revenue climbed by 20 percent year-on-year, reflecting a strong recovery in both consumer and enterprise PC sales. The ISG division also delivered robust growth, underscoring the company's ability to leverage its core strengths to meet demand, including those for AI solutions.

The Europe-Middle East-Africa (EMEA) market experienced an 11 percent year-on-year sales increase. The IDG and SSG businesses maintained their strong momentum, while ISG thrived on heightened demand from new billion-dollar cloud customers, who require the building of local datacenters to meet booming demand and comply with regional data security regulations.

Outlook and Strategic Highlights

The Group unveiled a groundbreaking lineup of AI-powered solutions at CES 2025, showcasing its preeminent strengths as a technology innovator. At the heart of these innovations is its investments in on-device and agentic AI, which leverages the power of AI to deliver personalized, productive, and protected solutions to empower users to redefine business experiences across multiple categories. These new innovations will enable the Group to deliver both enterprise and personal AI solutions, creating a comprehensive full-stack portfolio to transform industries and empower individuals. These critical AI innovations were supported by a strong focus in research and development (R&D), which increased by 14 percent year-on-year and by 7 percent from two years ago.

Despite geopolitical tensions affecting the technology sector, the Group's business has demonstrated remarkable resilience. Its success in navigating market challenges is attributed to its strategic expansion into the Middle East, further enhancing its extensive global manufacturing footprint. Additionally, it benefits from a diversified supply chain network and a unique ODM+ cloud business model. The Group utilizes contingency plans to address new challenges, including technology export controls and data usage regulations, while investing in brand equity through FIFA and F1 sponsorships.

IDG's latest lineup of AI-Powered innovations is redefining next-generation devices, including AI PCs, while enhancing components and software to support strong average selling prices and sustainable profitability. The Group's AI NOW intelligent agent, powered by heterogeneous computing, provides fast and secure on-device AI features. ThinkShield, the Group's security solution, ensures a secure environment by filtering out harmful content. The "one personal AI, multiple devices" approach, featuring Smart Connect, facilitates centralized data management across various devices, creating a seamless and secure user experience. Coupled with other proprietary technologies like Lenovo Creator Zone and Lenovo Learning Zone, the Group is well-positioned for global leadership in the AI PC segment. Additionally, Legion Space provides unified and seamless device synchronization, optimizing the gaming experience across the Lenovo Legion gaming ecosystem. With its premium Motorola Razr and Edge lineups, IDG's smartphone business leverages Large Action Models to enhance moto ai capabilities.

ISG's Hybrid AI strategy emphasizes the development and deployment of next-generation AI solutions in collaboration with key ecosystem partners. By strategically balancing its two business segments, ISG leverages its ODM+ business model and unique offerings, such as liquid-cooling technology, while diversifying into non-compute areas like storage. This diversification fuels rapid growth in its cloud business and scale up momentum in the enterprise segment, supported by improved supply chain management and ongoing R&D efforts that drive cutting-edge on-prem innovations. Amid the fast-growing AI investments, ISG offers a comprehensive portfolio that spans edge devices, storage, high-performance computing, and 8-GPU large language model (LLM) servers. These hybrid infrastructure solutions address both AI-driven needs and traditional compute demands. This approach not only reinforces ISG's leadership in Hybrid AI innovation but also promotes better long-term profitability.

SSG is harnessing its global leadership in hardware to attach services to demonstrate its capabilities to customers and expand its solution offerings. By adopting a technology-led approach to IT Services, SSG provides customers with cost-effective solutions compared to traditional labor-intensive approaches. The integration of AI technologies into existing service offerings - including Digital Workplace, Hybrid Cloud, and Sustainability solutions - further enhances SSG's value propositions. SSG's suite of AI Services enables enterprises to implement AI with speed through the AI Fast Start service. Customers benefit from easy access to an AI library of proven use cases and supportive AI services experts throughout their AI journey.

FINANCIAL REVIEW

Results for the nine months ended December 31, 2024

	9 months ended December 31, 2024 (unaudited) US\$ million	9 months ended December 31, 2023 (unaudited) US\$ million	Year-on-year change
Revenue	52,093	43,031	21%
Gross profit	8,315	7,375	13%
Gross profit margin	16.0%	17.1%	(1.1) pts
Operating expenses	(6,482)	(5,858)	11%
Operating profit	1,833	1,517	21%
Other non-operating income/(expenses) – net	(530)	(460)	15%
Profit before taxation	1,303	1,057	23%
Profit for the period	1,338	849	57%
Profit attributable to equity holders of the Company	1,295	763	70%
Earnings per share attributable to equity holders of the Company			
Basic	US10.56 cents	US6.38 cents	US4.18 cents
Diluted	US10.06 cents	US6.09 cents	US3.97 cents

For the nine months ended December 31, 2024, the Group achieved total sales of approximately US\$52,093 million. When compared to the corresponding period of last year, profit attributable to equity holders for the period increased by US\$532 million to approximately US\$1,295 million, gross profit margin eroded by 1.1 percentage points to 16.0 percent mainly due to lower profitability in ISG business. Some organizational changes have been made to support the Group's future business planning and the growth of its global business, which resulted in one-time income tax credit of US\$282 million, primarily derived from deferred tax credit. Basic and diluted earnings per share were US10.56 cents and US10.06 cents, representing an increase of US4.18 cents and US3.97 cents respectively. Net profit margin rose by 0.7 percentage points to 2.5 percent.

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

	9 months ended December 31, 2024 US\$'000	9 months ended December 31, 2023 US\$'000
Selling and distribution expenses	(2,657,049)	(2,459,761)
Administrative expenses	(2,108,387)	(1,826,890)
Research and development expenses	(1,644,312)	(1,495,792)
Other operating income/(expenses) – net	(72,470)	(75,601)
	(6,482,218)	(5,858,044)

Operating expenses for the period increased by 11 percent as compared with the corresponding period of last year. Employee benefit costs increased by US\$322 million mainly due to increase in performance-based bonus and sales commissions. During the period, the Group recorded assets impairment and write-off of US\$91 million. Advertising and promotional expenses increased by US\$131 million for new product launch and special campaigns. The Group recorded fair value gain from strategic investments amounted to US\$41 million (2023/24: US\$102 million), reflecting the change in value of the Group's portfolio. Currency fluctuations presented a challenge to the Group, resulting in a net exchange loss of US\$18 million (2023/24: US\$79 million).

Key expenses by nature comprise:

	9 months ended December 31, 2024 US\$'000	9 months ended December 31, 2023 US\$'000
Depreciation of property, plant and equipment	(150,166)	(159,329)
Depreciation of right-of-use assets	(72,323)	(106,999)
Amortization of intangible assets, excluding internal use software	(122,621)	(162,705)
Impairment and write-off of intangible assets	(90,734)	-
Employee benefit costs, including	(3,527,291)	(3,205,631)
- long-term incentive awards	(211,614)	(228,848)
Rental expenses	(9,912)	(5,258)
Net foreign exchange loss	(17,955)	(78,561)
Advertising and promotional expenses	(791,592)	(660,563)
Legal, professional and consulting expenses	(323,485)	(186,590)
Information technology expenses, including	(283,531)	(266,400)
- amortization of internal use software	(183,156)	(154,620)
Increase in loss allowance of trade receivables	(78,148)	(47,441)
Unused amounts of loss allowance of trade receivables reversed	21,915	27,987
Research and development related laboratory testing, services and supplies	(269,669)	(238,851)
Gain on disposal of property, plant and equipment	38	2,407
Loss on disposal of intangible assets	(301)	(25)
Loss on disposal of construction-in-progress	(122)	(13,827)
Fair value gain on financial assets at fair value through profit or loss	40,761	102,164
Gain on deemed disposal of a subsidiary	22,627	-
Gain on disposal of interest in associates	-	12
Others	(829,709)	(858,434)
	(6,482,218)	(5,858,044)

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

	9 months ended December 31, 2024 US\$'000	9 months ended December 31, 2023 US\$'000
Finance income	82,443	117,522
Finance costs	(592,121)	(562,256)
Share of losses of associates and joint ventures	(19,922)	(15,489)
	(529,600)	(460,223)

Finance income mainly represents interest on bank deposits.

Finance costs for the period increased by 5 percent as compared with the corresponding period of last year. The increase is mainly attributable to the increase in interest on bank loans and overdrafts of US\$21 million and factoring cost of US\$21 million, partly offset by decrease in interest on notes of US\$4 million and interest on convertible bonds of US\$6 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, 2024		9 months ended December 31, 2023	
	Revenue US\$'000	Operating profit/(loss) US\$'000	Revenue US\$'000	Operating profit/(loss) US\$'000
IDG	38,719,957	2,818,218	34,136,741	2,407,847
ISG	10,403,645	(72,000)	6,388,828	(151,585)
SSG	6,306,755	1,297,741	5,651,938	1,156,574
Total	<u>55,430,357</u>	<u>4,043,959</u>	<u>46,177,507</u>	<u>3,412,836</u>
Eliminations	<u>(3,336,927)</u>	<u>(1,049,675)</u>	<u>(3,146,840)</u>	<u>(974,352)</u>
	<u>52,093,430</u>	<u>2,994,284</u>	<u>43,030,667</u>	<u>2,438,484</u>
Unallocated:				
Headquarters and corporate income/(expenses) – net		(1,205,161)		(988,045)
Depreciation and amortization		(342,665)		(345,245)
Impairment and write-off of intangible assets		(90,734)		-
Finance income		65,379		106,639
Finance costs		(162,930)		(237,580)
Share of losses of associates and joint ventures		(18,253)		(20,197)
(Loss)/gain on disposal of property, plant and equipment		(3,782)		635
Fair value gain on financial assets at fair value through profit or loss		39,610		100,938
Gain on deemed disposal of a subsidiary		22,627		-
Dividend income		4,797		1,160
Consolidated profit before taxation		<u>1,303,172</u>		<u>1,056,789</u>

Headquarters and corporate income/(expenses) – net for the period comprise various expenses, after appropriate allocation to business groups, of US\$1,205 million (2023/24: US\$988 million) such as employee benefit costs, legal, professional and consulting expenses, and research and technology expenses. The increase is primarily in relation to the increase in employee benefit costs driven by performance-based bonus, increase in legal, professional and consulting expenses, research and development expenses and advertising and promotional expenses, partly offset by the decrease in net foreign exchange loss as compared with the corresponding period of last year.

Third Quarter 2024/25 compared to Third Quarter 2023/24

	3 months ended December 31, 2024 (unaudited) US\$ million	3 months ended December 31, 2023 (unaudited) US\$ million	Year-on-year change
Revenue	18,796	15,721	20%
Gross profit	2,959	2,601	14%
Gross profit margin	15.7%	16.5%	(0.8) pts
Operating expenses	(2,271)	(1,988)	14%
Operating profit	688	613	12%
Other non-operating income/(expenses) – net	(171)	(142)	20%
Profit before taxation	517	471	10%
Profit for the period	701	377	86%
Profit attributable to equity holders of the Company	693	337	106%
Earnings per share attributable to equity holders of the Company			
Basic	US\$5.66 cents	US\$2.81 cents	US\$2.85 cents
Diluted	US\$5.35 cents	US\$2.64 cents	US\$2.71 cents

For the three months ended December 31, 2024, the Group achieved total sales of approximately US\$18,796 million. When compared to the corresponding period of last year, profit attributable to equity holders for the period increased by US\$356 million to approximately US\$693 million, gross profit margin eroded by 0.8 percentage points to 15.7 percent mainly due to lower profitability in ISG business. Some organizational changes have been made to support the Group's future business planning and the growth of its global business, which resulted in one-time income tax credit of US\$282 million, primarily derived from deferred tax credit. Basic and diluted earnings per share were US\$5.66 cents and US\$5.35 cents, representing an increase of US\$2.85 cents and US\$2.71 cents respectively. Net profit margin rose by 1.5 percentage points to 3.7 percent.

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, 2024 and 2023 is as follows:

	3 months ended December 31, 2024 US\$'000	3 months ended December 31, 2023 US\$'000
Selling and distribution expenses	(953,731)	(868,677)
Administrative expenses	(710,930)	(592,277)
Research and development expenses	(620,789)	(546,550)
Other operating income/(expenses) – net	13,763	19,050
	(2,271,687)	(1,988,454)

Operating expenses for the period increased by 14 percent as compared with the corresponding period of last year. Employee benefit costs increased by US\$185 million mainly due to increase in performance-based bonus and sales commissions. During the period, the Group recorded assets impairment and write-off of US\$24 million. Advertising and promotional expenses increased by US\$59 million for new product launch and special campaigns. The Group recorded fair value gain from strategic investments amounted to US\$32 million (2023/24: US\$25 million), reflecting the change in value of the Group's portfolio. Currency fluctuations presented a challenge to the Group, resulting in a net exchange loss of US\$9 million (2023/24: US\$15 million).

Key expenses by nature comprise:

	3 months ended December 31, 2024 US\$'000	3 months ended December 31, 2023 US\$'000
Depreciation of property, plant and equipment	(49,696)	(53,566)
Depreciation of right-of-use assets	(24,407)	(35,266)
Amortization of intangible assets, excluding internal use software	(36,494)	(53,122)
Impairment and write-off of intangible assets	(23,682)	-
Employee benefit costs, including	(1,227,865)	(1,043,157)
- long-term incentive awards	(72,872)	(79,759)
Rental expenses	(3,679)	(1,531)
Net foreign exchange loss	(8,625)	(14,674)
Advertising and promotional expenses	(314,377)	(255,487)
Legal, professional and consulting expenses	(120,766)	(64,991)
Information technology expenses, including	(84,590)	(101,414)
- amortization of internal use software	(63,015)	(66,602)
Increase in loss allowance of trade receivables	(26,330)	(20,948)
Unused amounts of loss allowance of trade receivables reversed	10,988	8,921
Research and development related laboratory testing, services and supplies	(112,118)	(113,054)
(Loss)/gain on disposal of property, plant and equipment	(1,103)	3,524
Loss on disposal of intangible assets	-	(1)
Loss on disposal of construction-in-progress	(122)	(3,971)
Fair value gain on financial assets at fair value through profit or loss	31,608	25,380
Gain on disposal of interest in associates	-	12
Others	(280,429)	(265,109)
	(2,271,687)	(1,988,454)

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

	3 months ended December 31, 2024 US\$'000	3 months ended December 31, 2023 US\$'000
Finance income	27,293	35,026
Finance costs	(192,614)	(174,452)
Share of losses of associates and joint ventures	(5,392)	(2,468)
	(170,713)	(141,894)

Finance income mainly represents interest on bank deposits.

Finance costs for the period increased by 10 percent as compared with the corresponding period of last year. The increase is mainly attributable to the increase in interest on bank loans and overdrafts of US\$9 million and factoring cost of US\$8 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, 2024		3 months ended December 31, 2023	
	Revenue US\$'000	Operating profit US\$'000	Revenue US\$'000	Operating profit/(loss) US\$'000
IDG	13,784,257	999,855	12,361,570	911,297
ISG	3,938,478	1,002	2,473,303	(37,730)
SSG	2,256,863	459,422	2,020,630	412,063
Total	<u>19,979,598</u>	<u>1,460,279</u>	<u>16,855,503</u>	<u>1,285,630</u>
Eliminations	<u>(1,183,318)</u>	<u>(372,669)</u>	<u>(1,134,549)</u>	<u>(345,151)</u>
	<u>18,796,280</u>	<u>1,087,610</u>	<u>15,720,954</u>	<u>940,479</u>
Unallocated:				
Headquarters and corporate income/(expenses) – net		(465,748)		(308,361)
Depreciation and amortization		(108,984)		(130,467)
Impairment and write-off of intangible assets		(23,682)		-
Finance income		19,841		29,584
Finance costs		(19,873)		(80,443)
Share of losses of associates and joint ventures		(3,997)		(5,675)
(Loss)/gain on disposal of property, plant and equipment		(3,396)		1,212
Fair value gain on financial assets at fair value through profit or loss		31,930		24,154
Dividend income		3,290		560
Consolidated profit before taxation		<u>516,991</u>		<u>471,043</u>

Headquarters and corporate income/(expenses) – net for the period comprise various expenses, after appropriate allocation to business groups, of US\$466 million (2023/24: US\$308 million) such as employee benefit costs, legal, professional and consulting expenses, and research and technology expenses. The increase is primarily in relation to the increase in employee benefit costs driven by performance-based bonus, increase in legal, professional and consulting expenses, research and development expenses and advertising and promotional expenses, partly offset by the decrease in 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, (iii) mergers and acquisitions related charges, (iv) gain on deemed disposal of a subsidiary, (v) impairment and write-off of intangible assets, and (vi) one-time income tax credit, and the corresponding income tax effects, if any.

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

- Lenovo recognizes fair value gains or losses from its strategic investments. The change in fair value included revaluation gains or losses on new investment rounds on unlisted holdings and mark-to-market gains or losses on listed holdings. Lenovo excludes this item for the purposes of calculating the non-HKFRS measure to facilitate a more meaningful evaluation of Lenovo's current operating performance and comparisons to operating performance in other periods.

- Lenovo incurs charges related to the amortization of intangible assets resulting from mergers and acquisitions. Those charges are included in Lenovo's net profit prepared under HKFRS. Such charges are significantly impacted by the timing and magnitude of Lenovo's acquisitions and any related impairment charges. Consequently, Lenovo excludes these charges for the purposes of calculating the non-HKFRS measure to facilitate a more meaningful evaluation of Lenovo's current operating performance and comparisons to operating performance in other periods.
- Lenovo incurs cost related to its mergers and acquisitions, which it would not have otherwise incurred as part of its operations. The charges are direct expenses such as third-party professional and legal fees, and integration-related costs, as well as non-cash adjustments to the fair value of certain acquired assets. These charges related to mergers and acquisitions are inconsistent in amount and frequency and are significantly impacted by the timing and nature of the transactions. Management believes that eliminating such expenses for the purposes of calculating the non-HKFRS measure facilitates a more meaningful evaluation of Lenovo's current operating performance and comparisons to operating performance in other periods.
- Lenovo recognizes gain on deemed disposal of a subsidiary. Such gains or losses are inconsistent in amount and frequency and are significantly impacted by the timing and nature of the transactions. 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 records impairment and write-off of intangible assets, which are non-recurring in nature. 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 recognizes one-time income tax credit, primarily derived from deferred tax credit, which is non-recurring in nature. During the period, some organizational changes have been made to support the Group's future business planning and the growth of its global business, which resulted in one-time income tax credit. 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.

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, 2024

	Operating profit (unaudited) US\$'000	Profit before taxation (unaudited) US\$'000	Profit for the period (unaudited) US\$'000	Profit attributable to equity holders (unaudited) US\$'000
As reported	1,832,772	1,303,172	1,337,534	1,294,567
Non-HKFRS adjustments				
Net fair value changes on financial assets at fair value through profit or loss	(40,761)	(40,761)	(28,623)	(29,725)
Amortization of intangible assets resulting from mergers and acquisitions	112,766	116,315	94,203	94,203
Gain on deemed disposal of a subsidiary	(22,627)	(22,627)	(19,233)	(19,233)
Impairment and write-off of intangible assets	90,734	90,734	90,734	90,734
One-time income tax credit	-	-	(282,000)	(282,000)
Non-HKFRS	<u>1,972,884</u>	<u>1,446,833</u>	<u>1,192,615</u>	<u>1,148,546</u>

Nine 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	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>

Three months ended December 31, 2024

	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	687,704	516,991	700,763	692,670
Non-HKFRS adjustments				
Net fair value changes on financial assets at fair value through profit or loss	(31,608)	(31,608)	(23,362)	(30,741)
Amortization of intangible assets resulting from mergers and acquisitions	28,698	29,881	26,053	26,053
Impairment of intangible assets	23,682	23,682	23,682	23,682
One-time income tax credit	-	-	(282,000)	(282,000)
Non-HKFRS	<u>708,476</u>	<u>538,946</u>	<u>445,136</u>	<u>429,664</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>

Capital Expenditure

The Group incurred capital expenditure of US\$899 million (2023/24: US\$1,032 million) during the nine months ended December 31, 2024, mainly for the acquisition of property, plant and equipment, additions to construction-in-progress and intangible assets. The lower capital expenditure incurred in current period is mainly attributable to less investments in patent and technology and buildings and intangible assets under construction, offset by more investments in equipment held for lease.

Liquidity and Financial Resources

At December 31, 2024, total assets of the Group amounted to US\$44,722 million (March 31, 2024: US\$38,751 million), which were financed by equity attributable to owners of the Company of US\$5,576 million (March 31, 2024: US\$5,583 million), other non-controlling interests (net of put option written on non-controlling interests) of US\$565 million (March 31, 2024: US\$498 million), and total liabilities of US\$38,581 million (March 31, 2024: US\$32,670 million). At December 31, 2024, the current ratio of the Group was 0.87 (March 31, 2024: 0.87).

At December 31, 2024, bank deposits and cash and cash equivalents totaling US\$4,071 million (March 31, 2024: US\$3,626 million) analyzed by major currency are as follows:

	December 31, 2024	March 31, 2024
	%	%
US dollar	34.1	25.5
Renminbi	27.6	27.3
Japanese Yen	12.4	10.8
Euro	2.9	6.2
Australian dollar	2.1	2.7
Other currencies	20.9	27.5
Total	100.0	100.0

The Group adopts a conservative policy to invest the surplus cash generated from operations. At December 31, 2024, 83 (March 31, 2024: 90) percent of cash are bank deposits, and 17 (March 31, 2024: 10) 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, 2024 <i>US\$ million</i>	March 31, 2024 <i>US\$ million</i>
Revolving loan facility	May 12, 2020	300	5 years	N/A (Note)	-
Revolving loan facility	May 14, 2020	200	5 years	N/A (Note)	-
Revolving loan facility	July 4, 2022	2,000	5 years	-	-
Revolving loan facility	December 22, 2023	500	1 year	N/A	-
Revolving loan facility	January 19, 2024	500	1 year	-	-

Note: The revolving loan facilities were cancelled on May 14, 2024.

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

Credit facilities	Total available amount at		Utilized amount at	
	December 31, 2024 <i>US\$ million</i>	March 31, 2024 <i>US\$ million</i>	December 31, 2024 <i>US\$ million</i>	March 31, 2024 <i>US\$ million</i>
Trade lines	6,141	4,676	4,367	2,861
Short-term money market facilities	2,417	1,926	71	41
Forward foreign exchange contracts	12,698	11,588	12,672	11,555

Apart from the above facilities, notes and convertible bonds issued by the Group and outstanding at December 31, 2024 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
2025 Notes	April 24, 2020 and May 12, 2020	US\$965 million	5 years	5.875%	April 2025	For repayment of previous Notes and general corporate purposes
2030 Notes	November 2, 2020	US\$900 million	10 years	3.421%	November 2030	For repurchase of perpetual securities and previous Notes
2028 Notes	July 27, 2022	US\$600 million	5.5 years	5.831%	January 2028	For repayment of previous Notes and general corporate purposes
2032 Notes	July 27, 2022	US\$563 million	10 years	6.536%	July 2032	For financing of eligible projects under the Green Finance Framework
2029 Convertible Bonds	August 26, 2022	US\$675 million	7 years	2.5%	August 2029	For repayment of previous convertible bonds and general corporate purposes

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

	December 31, 2024 <i>US\$ million</i>	March 31, 2024 <i>US\$ million</i>
Bank deposits and cash and cash equivalents	4,071	3,626
Borrowings		
- Short-term loans	91	50
- Notes	3,015	3,013
- Convertible bonds	572	557
Net cash position	393	6
Total equity	6,141	6,081
Gearing ratio (Borrowings divided by total equity)	0.60	0.60

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, 2024, the Group had commitments in respect of outstanding forward foreign exchange contracts amounting to US\$12,672 million (March 31, 2024: US\$11,555 million). The Group's forward foreign exchange contracts are either used to hedge a percentage of future transactions which are highly probable, or used as fair value hedges for identified assets and liabilities.

Contingent Liabilities

The Group, in the ordinary course of its business, is involved in various claims, suits, investigations, and legal proceedings that arise from time to time. Although the Group does not expect that the outcome in any of these legal proceedings, individually or collectively, will have a material adverse effect on its financial position or results of operations, litigation is inherently unpredictable. Therefore, the Group could incur judgments or enter into settlements of claims that could adversely affect its operating results or cash flows in a particular period.

FINANCIAL INFORMATION

CONSOLIDATED INCOME STATEMENT

		3 months ended December 31, 2024 (unaudited) <i>US\$ '000</i>	9 months ended December 31, 2024 (unaudited) <i>US\$ '000</i>	3 months ended December 31, 2023 (unaudited) <i>US\$ '000</i>	9 months ended December 31, 2023 (unaudited) <i>US\$ '000</i>
	<i>Note</i>				
Revenue	2	18,796,280	52,093,430	15,720,954	43,030,667
Cost of sales		<u>(15,836,889)</u>	<u>(43,778,440)</u>	<u>(13,119,563)</u>	<u>(35,655,611)</u>
Gross profit		2,959,391	8,314,990	2,601,391	7,375,056
Selling and distribution expenses		(953,731)	(2,657,049)	(868,677)	(2,459,761)
Administrative expenses		(710,930)	(2,108,387)	(592,277)	(1,826,890)
Research and development expenses		(620,789)	(1,644,312)	(546,550)	(1,495,792)
Other operating income/(expenses) - net		<u>13,763</u>	<u>(72,470)</u>	<u>19,050</u>	<u>(75,601)</u>
Operating profit	3	687,704	1,832,772	612,937	1,517,012
Finance income	4(a)	27,293	82,443	35,026	117,522
Finance costs	4(b)	(192,614)	(592,121)	(174,452)	(562,256)
Share of losses of associates and joint ventures		<u>(5,392)</u>	<u>(19,922)</u>	<u>(2,468)</u>	<u>(15,489)</u>
Profit before taxation		516,991	1,303,172	471,043	1,056,789
Taxation	5	<u>183,772</u>	<u>34,362</u>	<u>(94,230)</u>	<u>(207,509)</u>
Profit for the period		<u>700,763</u>	<u>1,337,534</u>	<u>376,813</u>	<u>849,280</u>
Profit attributable to:					
Equity holders of the Company		692,670	1,294,567	337,016	762,782
Other non-controlling interests		<u>8,093</u>	<u>42,967</u>	<u>39,797</u>	<u>86,498</u>
		<u>700,763</u>	<u>1,337,534</u>	<u>376,813</u>	<u>849,280</u>
Earnings per share attributable to equity holders of the Company					
Basic	6(a)	<u>US5.66 cents</u>	<u>US10.56 cents</u>	US2.81 cents	<u>US6.38 cents</u>
Diluted	6(b)	<u>US5.35 cents</u>	<u>US10.06 cents</u>	US2.64 cents	<u>US6.09 cents</u>
Dividend			<u>135,518</u>		<u>124,319</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	3 months ended December 31, 2024 (unaudited) US\$'000	9 months ended December 31, 2024 (unaudited) US\$'000	3 months ended December 31, 2023 (unaudited) US\$'000	9 months ended December 31, 2023 (unaudited) US\$'000
Profit for the period	700,763	1,337,534	376,813	849,280
Other comprehensive (loss)/income:				
<u>Items that will not be reclassified to profit or loss</u>				
Remeasurements of post-employment benefit obligations, net of taxes	(1,110)	(1,063)	3,366	3,463
Fair value change on financial assets at fair value through other comprehensive income, net of taxes	(4,450)	(9,792)	(8,402)	(8,426)
<u>Items that have been reclassified or may be subsequently reclassified to profit or loss</u>				
Fair value change on cash flow hedges from foreign exchange forward contracts, net of taxes				
- Fair value gain/(loss), net of taxes	342,109	217,989	(131,480)	21,255
- Reclassified to consolidated income statement	(123,285)	(128,413)	(33,169)	(99,044)
Currency translation differences	(686,762)	(685,850)	267,608	(62,385)
Other comprehensive (loss)/income for the period	(473,498)	(607,129)	97,923	(145,137)
Total comprehensive income for the period	227,265	730,405	474,736	704,143
Total comprehensive income/(loss) attributable to:				
Equity holders of the Company	250,759	698,198	420,394	636,328
Other non-controlling interests	(23,494)	32,207	54,342	67,815
	227,265	730,405	474,736	704,143

CONSOLIDATED BALANCE SHEET

		December 31, 2024	March 31, 2024
		(unaudited)	(audited)
	<i>Note</i>	<i>US\$'000</i>	<i>US\$'000</i>
Non-current assets			
Property, plant and equipment		2,002,285	2,010,178
Right-of-use assets		530,176	571,305
Construction-in-progress		221,870	337,648
Intangible assets		8,026,377	8,345,407
Interests in associates and joint ventures		310,416	318,803
Deferred income tax assets		3,192,682	2,633,302
Financial assets at fair value through profit or loss		1,400,413	1,393,666
Financial assets at fair value through other comprehensive income		46,136	55,973
Other non-current assets		417,480	397,489
		16,147,835	16,063,771
Current assets			
Inventories	7	9,147,679	6,702,677
Trade and notes receivables	8(a)	9,972,362	8,147,695
Derivative financial assets		185,595	69,568
Deposits, prepayments and other receivables	9	4,569,603	3,782,366
Income tax recoverable		628,278	359,491
Bank deposits		136,544	65,555
Cash and cash equivalents		3,934,448	3,559,831
		28,574,509	22,687,183
Total assets		44,722,344	38,750,954

CONSOLIDATED BALANCE SHEET (CONTINUED)

		December 31, 2024	March 31, 2024
		(unaudited)	(audited)
	<i>Note</i>	<i>US\$'000</i>	<i>US\$'000</i>
Share capital	<i>13</i>	3,500,987	3,500,987
Reserves		2,075,099	2,081,606
		<hr/>	<hr/>
Equity attributable to owners of the Company		5,576,086	5,582,593
Other non-controlling interests		1,112,237	1,045,947
Put option written on non-controlling interests	<i>10(a), 11(b)</i>	(547,353)	(547,353)
		<hr/>	<hr/>
Total equity		6,140,970	6,081,187
		<hr/>	<hr/>
Non-current liabilities			
Borrowings	<i>12</i>	2,621,429	3,569,229
Warranty provision	<i>10(b)</i>	158,376	161,261
Deferred revenue		1,544,944	1,436,484
Retirement benefit obligations		225,808	241,402
Deferred income tax liabilities		522,306	447,523
Other non-current liabilities	<i>11</i>	604,410	754,705
		<hr/>	<hr/>
		5,677,273	6,610,604
		<hr/>	<hr/>
Current liabilities			
Trade and notes payables	<i>8(b)</i>	13,883,842	10,505,427
Derivative financial liabilities		26,646	42,555
Other payables and accruals	<i>10(a)</i>	14,678,682	12,751,775
Provisions	<i>10(b)</i>	868,449	920,950
Deferred revenue		1,605,483	1,512,645
Income tax payable		784,427	275,380
Borrowings	<i>12</i>	1,056,572	50,431
		<hr/>	<hr/>
		32,904,101	26,059,163
		<hr/>	<hr/>
Total liabilities		38,581,374	32,669,767
		<hr/>	<hr/>
Total equity and liabilities		44,722,344	38,750,954
		<hr/>	<hr/>

CONSOLIDATED CASH FLOW STATEMENT

	9 months ended December 31, 2024 (unaudited) US\$'000	9 months ended December 31, 2023 (unaudited) US\$'000
Cash flows from operating activities		
Net cash generated from operations	14(a) 2,943,310	2,412,502
Interest paid	(567,508)	(548,274)
Tax paid	(253,602)	(396,507)
Net cash generated from operating activities	<u>2,122,200</u>	<u>1,467,721</u>
Cash flows from investing activities		
Purchase of property, plant and equipment	(258,302)	(176,617)
Sale of property, plant and equipment	26,538	25,321
Acquisition of businesses, net of cash acquired	(1,537)	(135,059)
Interest acquired in associates	(8,365)	(12,324)
Deemed disposal of a subsidiary, net of cash disposed	(14,272)	-
Loan to an associate and a joint venture	(18,647)	(4,609)
Repayment of loan to an associate and a joint venture	19,283	30,563
Payment for construction-in-progress	(222,795)	(348,737)
Payment for intangible assets	(418,148)	(507,021)
Purchase of financial assets at fair value through profit or loss	(93,095)	(139,575)
Purchase of financial assets at fair value through other comprehensive income	(14)	-
Net proceeds from sale of financial assets at fair value through profit or loss	112,723	116,255
(Increase)/decrease in bank deposits	(70,989)	4,525
Dividends received	5,250	1,315
Interest received	82,443	112,841
Net cash used in investing activities	<u>(859,927)</u>	<u>(1,033,122)</u>
Cash flows from financing activities	14(b)	
Capital contribution from other non-controlling interests	78,016	108,219
Distribution to other non-controlling interests	(7,288)	(5,953)
Contribution to employee share trusts	(246,422)	(350,578)
Acquisition of additional interest in a subsidiary	-	(76,722)
Principal elements of lease payments	(91,936)	(95,306)
Dividends paid	(608,351)	(583,273)
Dividends paid to other non-controlling interests	(29,517)	(34,083)
Proceeds from warrants subscription	115,584	-
Proceeds from loans	13,646,690	6,728,423
Repayments of loans	(13,630,163)	(6,740,269)
Repurchase of notes	-	(132,083)
Net cash used in financing activities	<u>(773,387)</u>	<u>(1,181,625)</u>
Increase/(decrease) in cash and cash equivalents	488,886	(747,026)
Effect of foreign exchange rate changes	(114,269)	(36,892)
Cash and cash equivalents at the beginning of the period	<u>3,559,831</u>	<u>4,250,085</u>
Cash and cash equivalents at the end of the period	<u>3,934,448</u>	<u>3,466,167</u>

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, 2024	3,500,987	(68,662)	(207,487)	(650,435)	42,143	(2,425,595)	184,534	5,207,108	1,045,947	(547,353)	6,081,187
Profit for the period	-	-	-	-	-	-	-	1,294,567	42,967	-	1,337,534
Other comprehensive (loss)/income	-	(9,792)	-	-	89,576	(675,090)	-	(1,063)	(10,760)	-	(607,129)
Total comprehensive (loss)/income for the period	-	(9,792)	-	-	89,576	(675,090)	-	1,293,504	32,207	-	730,405
Transfer to statutory reserve	-	-	-	-	-	-	16,895	(16,895)	-	-	-
Deemed disposal of a subsidiary	-	-	-	-	-	15,219	(135)	-	(718)	-	14,366
Vesting of shares under long-term incentive program	-	-	238,661	(331,801)	-	-	-	-	-	-	(93,140)
Deferred tax in relation to long-term incentive program	-	-	-	9,824	-	-	-	-	-	-	9,824
Settlement of bonus through long-term incentive program	-	-	-	561	-	-	-	-	-	-	561
Share-based compensation	-	-	-	211,614	-	-	-	-	-	-	211,614
Contribution to employee share trusts	-	-	(246,422)	-	-	-	-	-	-	-	(246,422)
Dividends paid	-	-	-	-	-	-	-	(608,351)	-	-	(608,351)
Dividends paid to other non-controlling interests	-	-	-	-	-	-	-	-	(29,517)	-	(29,517)
Capital contribution from other non-controlling interests	-	-	-	-	-	-	6,125	-	71,606	-	77,731
Distribution to other non-controlling interests	-	-	-	-	-	-	-	-	(7,288)	-	(7,288)
At December 31, 2024	3,500,987	(78,454)	(215,248)	(760,237)	131,719	(3,085,466)	207,419	5,875,366	1,112,237	(547,353)	6,140,970
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

1 General information and basis of preparation

The financial information relating to the year ended March 31, 2024 included in the FY2024/25 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, 2024 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance.

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

Basis of preparation

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

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

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

- Hong Kong Interpretation 5 (Revised), Presentation of financial statements – Classification by the borrower of a term loan that contains a repayment on demand clause
- Amendments to HKAS 1, Classification of liabilities as current or non-current
- Amendments to HKAS 1, Non-current liabilities with covenants
- Amendments to HKFRS 16, Lease liability in a sale and leaseback
- Amendments to HKAS 7 and HKFRS 7, Supplier finance arrangements

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, 2024		9 months ended December 31, 2023	
	Revenue US\$'000	Operating profit/(loss) US\$'000	Revenue US\$'000	Operating profit/(loss) US\$'000
IDG	38,719,957	2,818,218	34,136,741	2,407,847
ISG	10,403,645	(72,000)	6,388,828	(151,585)
SSG	6,306,755	1,297,741	5,651,938	1,156,574
Total	55,430,357	4,043,959	46,177,507	3,412,836
Eliminations	(3,336,927)	(1,049,675)	(3,146,840)	(974,352)
	<u>52,093,430</u>	<u>2,994,284</u>	<u>43,030,667</u>	<u>2,438,484</u>
Unallocated:				
Headquarters and corporate income/(expenses) – net		(1,205,161)		(988,045)
Depreciation and amortization		(342,665)		(345,245)
Impairment and write-off of intangible assets		(90,734)		-
Finance income		65,379		106,639
Finance costs		(162,930)		(237,580)
Share of losses of associates and joint ventures		(18,253)		(20,197)
(Loss)/gain on disposal of property, plant and equipment		(3,782)		635
Fair value gain on financial assets at fair value through profit or loss		39,610		100,938
Gain on deemed disposal of a subsidiary		22,627		-
Dividend income		4,797		1,160
Consolidated profit before taxation		<u>1,303,172</u>		<u>1,056,789</u>

(b) Analysis of revenue by geography

	9 months ended December 31, 2024 US\$'000	9 months ended December 31, 2023 US\$'000
China	12,278,045	9,906,602
Asia Pacific (“AP”)	9,596,693	7,441,534
Europe-Middle East-Africa (“EMEA”)	12,778,167	10,846,638
Americas (“AG”)	17,440,525	14,835,893
	<u>52,093,430</u>	<u>43,030,667</u>

(c) Analysis of revenue by timing of revenue recognition

	9 months ended December 31, 2024 US\$'000	9 months ended December 31, 2023 US\$'000
Point in time	49,988,007	40,821,392
Over time	2,105,423	2,209,275
	<u>52,093,430</u>	<u>43,030,667</u>

(d) Other segment information

	IDG		ISG		SSG		Total	
	2024 US\$'000	2023 US\$'000	2024 US\$'000	2023 US\$'000	2024 US\$'000	2023 US\$'000	2024 US\$'000	2023 US\$'000
For the nine months ended December 31								
Depreciation and amortization	538,699	531,021	184,318	153,259	12,512	15,468	735,529	699,748
Finance income	13,579	7,981	2,234	2,071	1,251	831	17,064	10,883
Finance costs	249,243	218,068	178,148	105,268	1,800	1,340	429,191	324,676

- (e) The directors review goodwill and trademarks and trade names with indefinite useful lives with an aggregate amount of US\$6,040 million (March 31, 2024: US\$6,169 million). The carrying amounts of goodwill and trademarks and trade names with indefinite useful lives are presented below:

At December 31, 2024

	China US\$ million	AP US\$ million	EMEA US\$ million	AG US\$ million	Total US\$ million
Goodwill					
- IDG	901	473	275	1,539	3,188
- ISG	465	127	56	337	985
- SSG (Note)	N/A	N/A	N/A	N/A	602
Trademarks and trade names with indefinite useful lives					
- IDG	182	54	121	480	837
- ISG	162	54	31	123	370
- SSG (Note)	N/A	N/A	N/A	N/A	58

At March 31, 2024

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

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

The directors are of the view that there was no impairment of goodwill and trademarks and trade names with indefinite useful lives based on impairment tests performed at December 31, 2024 (March 31, 2024: nil).

3 Operating profit

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

	3 months ended December 31, 2024 <i>US\$'000</i>	9 months ended December 31, 2024 <i>US\$'000</i>	3 months ended December 31, 2023 <i>US\$'000</i>	9 months ended December 31, 2023 <i>US\$'000</i>
Depreciation of property, plant and equipment	117,504	339,067	96,644	299,889
Depreciation of right-of-use assets	30,884	87,173	44,319	124,719
Amortization of intangible assets	228,270	651,954	216,699	620,385
Impairment and write-off of intangible assets	23,682	90,734	-	-
Employee benefit costs, including	1,582,569	4,565,073	1,333,028	4,099,004
– long-term incentive awards	72,872	211,614	79,759	228,848
Rental expenses	1,282	11,085	1,216	8,878
Loss/(gain) on disposal of property, plant and equipment	1,103	(38)	(3,524)	(2,407)
Loss on disposal of intangible assets	-	301	1	25
Loss on disposal of construction-in-progress	122	122	3,971	13,827
Fair value gain on financial assets at fair value through profit or loss	(31,608)	(40,761)	(25,380)	(102,164)
Gain on deemed disposal of a subsidiary	-	(22,627)	-	-
Gain on disposal of interest in associates	-	-	(12)	(12)
	=====	=====	=====	=====

4 Finance income and costs

(a) Finance income

	3 months ended December 31, 2024 <i>US\$'000</i>	9 months ended December 31, 2024 <i>US\$'000</i>	3 months ended December 31, 2023 <i>US\$'000</i>	9 months ended December 31, 2023 <i>US\$'000</i>
Interest on bank deposits	21,187	63,978	27,670	90,094
Net gain on repayment of notes	-	-	-	4,061
Interest on money market funds	1,359	6,631	4,698	16,968
Interest income on finance lease	4,747	11,834	2,658	6,399
	=====	=====	=====	=====
	27,293	82,443	35,026	117,522

(b) Finance costs

	3 months ended December 31, 2024 US\$'000	9 months ended December 31, 2024 US\$'000	3 months ended December 31, 2023 US\$'000	9 months ended December 31, 2023 US\$'000
Interest on bank loans and overdrafts	22,085	49,035	13,191	27,786
Interest on convertible bonds	9,338	27,851	9,053	33,968
Interest on notes	40,680	121,614	40,639	125,433
Interest on lease liabilities	4,307	10,634	3,570	11,325
Factoring costs	115,652	379,980	107,322	359,224
Interest on written put option liabilities	552	1,654	559	1,904
Others	-	1,353	118	2,616
	192,614	592,121	174,452	562,256

5 Taxation

The amount of taxation in the consolidated income statement represents:

	3 months ended December 31, 2024 US\$'000	9 months ended December 31, 2024 US\$'000	3 months ended December 31, 2023 US\$'000	9 months ended December 31, 2023 US\$'000
Current tax				
Profits tax in Hong Kong S.A.R. of China	(25,195)	22,101	(23,456)	41,759
Taxation outside Hong Kong S.A.R. of China	213,637	440,970	186,013	308,734
Deferred tax				
Credit for the period	(372,214)	(497,433)	(68,327)	(142,984)
	(183,772)	(34,362)	94,230	207,509

Profits tax in Hong Kong S.A.R. of China has been provided for at the rate of 16.5% (2023/24: 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.

During the three and nine months ended December 31, 2024, some organizational changes have been made to support the Group's future business planning and the growth of its global business, which resulted in one-time income tax credit of US\$282 million, primarily derived from deferred tax credit.

6 Earnings per share

(a) Basic

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

	3 months ended December 31, 2024	9 months ended December 31, 2024	3 months ended December 31, 2023	9 months ended December 31, 2023
Weighted average number of ordinary shares in issue	12,404,659,302	12,404,659,302	12,201,867,274	12,152,798,664
Adjustment for shares held by employee share trusts	(162,422,866)	(147,171,304)	(196,316,252)	(204,155,143)
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	12,242,236,436	12,257,487,998	12,005,551,022	11,948,643,521
	3 months ended December 31, 2024	9 months ended December 31, 2024	3 months ended December 31, 2023	9 months ended December 31, 2023
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
Profit attributable to equity holders of the Company used in calculating basic earnings per share	692,670	1,294,567	337,016	762,782

(b) Diluted

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

The Group has three (2023/24: three) categories of potential ordinary shares, namely long-term incentive awards, put option written on non-controlling interests and convertible bonds (2023/24: long-term incentive awards, put option written on non-controlling interests and convertible bonds). Long-term incentive awards and convertible bonds were dilutive for the three and nine months ended December 31, 2024 and 2023. Put option written on non-controlling interests were anti-dilutive for the three and nine months ended December 31, 2024 and 2023.

	3 months ended December 31, 2024	9 months ended December 31, 2024	3 months ended December 31, 2023	9 months ended December 31, 2023
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	12,242,236,436	12,257,487,998	12,005,551,022	11,948,643,521
Adjustment for long-term incentive awards	274,397,896	273,697,918	292,052,842	236,641,250
Adjustment for convertible bonds	583,994,205	573,849,546	760,880,312	797,419,501
Weighted average number of ordinary shares used as the denominator in calculating diluted earnings per share	13,100,628,537	13,105,035,462	13,058,484,176	12,982,704,272
	3 months ended December 31, 2024 US\$ '000	9 months ended December 31, 2024 US\$ '000	3 months ended December 31, 2023 US\$ '000	9 months ended December 31, 2023 US\$ '000
Profit attributable to equity holders of the Company used in calculating basic earnings per share	692,670	1,294,567	337,016	762,782
Adjustment for interest on convertible bonds, net of tax	7,797	23,256	7,559	28,364
Profit attributable to equity holders of the Company used in calculating diluted earnings per share	700,467	1,317,823	344,575	791,146

7 Inventories

	December 31, 2024 US\$ '000	March 31, 2024 US\$ '000
Raw materials and work-in-progress	4,846,987	3,857,581
Finished goods	3,716,017	2,265,554
Service parts	584,675	579,542
	9,147,679	6,702,677

8 Trade and notes receivables and trade and notes payables

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

	December 31, 2024 US\$ '000	March 31, 2024 US\$ '000
Trade receivables	9,932,220	8,130,697
Notes receivable	40,142	16,998
	9,972,362	8,147,695

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:

	December 31, 2024 <i>US\$'000</i>	March 31, 2024 <i>US\$'000</i>
0 – 30 days	6,604,975	6,185,814
31 – 60 days	2,023,341	1,080,594
61 – 90 days	678,760	235,405
Over 90 days	799,797	761,651
	<u>10,106,873</u>	<u>8,263,464</u>
Less: loss allowance	<u>(174,653)</u>	<u>(132,767)</u>
Trade receivables – net	<u><u>9,932,220</u></u>	<u><u>8,130,697</u></u>

At December 31, 2024, trade receivables, net of loss allowance, of US\$1,175,472,000 (March 31, 2024: US\$915,714,000) were past due. The ageing of these receivables, based on due date, is as follows:

	December 31, 2024 <i>US\$'000</i>	March 31, 2024 <i>US\$'000</i>
Within 30 days	754,964	486,984
31 – 60 days	150,405	178,430
61 – 90 days	93,956	61,662
Over 90 days	176,147	188,638
	<u>1,175,472</u>	<u>915,714</u>

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

	9 months ended December 31, 2024 <i>US\$'000</i>	Year ended March 31, 2024 <i>US\$'000</i>
At the beginning of the period/year	132,767	104,823
Exchange adjustment	(444)	(3,171)
Increase in loss allowance recognized in profit or loss	78,148	105,644
Uncollectible receivables written off	(13,903)	(35,489)
Unused amounts reversed in profit or loss	(21,915)	(39,040)
At the end of the period/year	<u>174,653</u>	<u>132,767</u>

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

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

	December 31, 2024 <i>US\$'000</i>	March 31, 2024 <i>US\$'000</i>
Trade payables	10,495,815	8,473,990
Notes payable	3,388,027	2,031,437
	<u>13,883,842</u>	<u>10,505,427</u>

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

	December 31, 2024 <i>US\$'000</i>	March 31, 2024 <i>US\$'000</i>
0 – 30 days	5,904,946	5,201,965
31 – 60 days	2,721,017	2,002,588
61 – 90 days	1,154,442	643,980
Over 90 days	715,410	625,457
	<u>10,495,815</u>	<u>8,473,990</u>

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:

	December 31, 2024 <i>US\$'000</i>	March 31, 2024 <i>US\$'000</i>
Deposits	52,612	52,852
Other receivables	3,208,813	2,429,511
Prepayments	1,308,178	1,300,003
	<u>4,569,603</u>	<u>3,782,366</u>

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

10 Provisions, other payables and accruals

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

	December 31, 2024 <i>US\$'000</i>	March 31, 2024 <i>US\$'000</i>
Accruals	4,242,745	3,327,359
Allowance for billing adjustments (i)	2,168,548	2,277,947
Written put option liability (ii)	244,553	253,482
Other payables (iii)	7,932,273	6,791,407
Lease liabilities	90,563	101,580
	<u>14,678,682</u>	<u>12,751,775</u>

Notes:

- (i) Allowance for billing adjustments relates primarily to allowances for future volume discounts, price protection, rebates, and customer sales returns.
- (ii) Pursuant to the joint venture agreement entered into between the Company and Fujitsu Limited (“Fujitsu”), the Company and Fujitsu are respectively granted call and put options which entitle the Company to purchase from Fujitsu and Development Bank of Japan (“DBJ”), or Fujitsu and DBJ to sell to the Company, the 49% interest in Fujitsu Client Computing Limited and its subsidiaries (together “FCCL”). Both options are exercisable at December 31, 2024. The exercise price for the call and put options will be determined based on the fair value of the 49% interest as of the day of exercising the option.

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

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

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

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

(b) The components of provisions are as follows:

	Warranty <i>US\$'000</i>	Environmental restoration <i>US\$'000</i>	Restructuring <i>US\$'000</i>	Total <i>US\$'000</i>
Year ended March 31, 2024				
At the beginning of the year	1,051,839	26,084	162,577	1,240,500
Exchange adjustment	(25,797)	(2,703)	(521)	(29,021)
Provisions made	660,534	18,051	54,991	733,576
Amounts utilized	(716,985)	(16,096)	(108,108)	(841,189)
	<u>969,591</u>	<u>25,336</u>	<u>108,939</u>	<u>1,103,866</u>
Long-term portion classified as non-current liabilities	(161,261)	(21,655)	-	(182,916)
At the end of the year	<u><u>808,330</u></u>	<u><u>3,681</u></u>	<u><u>108,939</u></u>	<u><u>920,950</u></u>
Nine months ended December 31, 2024				
At the beginning of the period	969,591	25,336	108,939	1,103,866
Exchange adjustment	(10,258)	(651)	(636)	(11,545)
Provisions made	542,044	10,968	-	553,012
Amounts utilized	(531,030)	(10,436)	(55,802)	(597,268)
	<u>970,347</u>	<u>25,217</u>	<u>52,501</u>	<u>1,048,065</u>
Long-term portion classified as non-current liabilities	(158,376)	(21,240)	-	(179,616)
At the end of the period	<u><u>811,971</u></u>	<u><u>3,977</u></u>	<u><u>52,501</u></u>	<u><u>868,449</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:

	December 31, 2024 <i>US\$'000</i>	March 31, 2024 <i>US\$'000</i>
Deferred consideration (a)	25,072	25,072
Written put option liability (b)	45,402	44,251
Lease liabilities	212,752	240,449
Environmental restoration (Note 10(b))	21,240	21,655
Government incentives and grants received in advance (c)	78,997	101,095
Others	220,947	322,183
	604,410	754,705

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, 2024, the potential undiscounted amount of future payment in respect of the deferred consideration that the Group could be required to make amounted to US\$25 million (March 31, 2024: 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\$68 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

	December 31, 2024 US\$'000	March 31, 2024 US\$'000
Current liabilities		
Short-term loans (a)	91,632	50,431
Notes (b)	964,940	-
	<u>1,056,572</u>	<u>50,431</u>
Non-current liabilities		
Notes (b)	2,049,670	3,012,637
Convertible bonds (c)	571,759	556,592
	<u>2,621,429</u>	<u>3,569,229</u>
	<u>3,678,001</u>	<u>3,619,660</u>

Notes:

- (a) Majority of the short-term loans are denominated in United States dollars. At December 31, 2024, the Group has total revolving and short-term loan facilities of US\$4,917 million (March 31, 2024: US\$5,426 million) which has been utilized to the extent of US\$71 million (March 31, 2024: US\$41 million).
- (b) Details of the outstanding notes are as follows:

Issue date	Outstanding principal amount	Term	Interest rate per annum	Due date	December 31, 2024 US\$'000	March 31, 2024 US\$'000
April 24, 2020 and May 12, 2020	US\$965 million	5 years	5.875%	April 2025	964,940	964,798
November 2, 2020	US\$900 million	10 years	3.421%	November 2030	894,813	894,145
July 27, 2022	US\$600 million	5.5 years	5.831%	January 2028	596,355	595,587
July 27, 2022	US\$563 million	10 years	6.536%	July 2032	558,502	558,107
					<u>3,014,610</u>	<u>3,012,637</u>

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

Issue date	Outstanding principal amount	Term	Interest rate per annum	Due date	December 31, 2024 US\$'000	March 31, 2024 US\$'000
August 26, 2022	US\$675 million	7 years	2.5%	August 2029	571,759	556,592

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\$8.95 per share effective on January 8, 2025. Assuming full conversion of the 2029 Convertible Bonds at the conversion price of HK\$8.95 per share, the 2029 Convertible Bonds will be convertible into 591,171,787 shares.

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

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

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

The Group expects that it will be able to meet its redemption obligations based on the financial position of the Group had conversion of the 2029 Convertible Bonds not exercised on maturity.

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

	December 31, 2024 <i>US\$’000</i>	March 31, 2024 <i>US\$’000</i>
Within 1 year	1,056,572	50,431
Over 1 to 2 years	-	964,798
Over 2 to 5 years	1,168,114	595,587
Over 5 years	1,453,315	2,008,844
	<u>3,678,001</u>	<u>3,619,660</u>

13 Share capital

	December 31, 2024		March 31, 2024	
	<i>Number of shares</i>	<i>US\$’000</i>	<i>Number of shares</i>	<i>US\$’000</i>
<i>Issued and fully paid:</i>				
Voting ordinary shares:				
At the beginning of the period/year	12,404,659,302	3,500,987	12,128,130,291	3,282,318
Conversion of convertible bonds	-	-	276,529,011	218,669
At the end of the period/year	<u>12,404,659,302</u>	<u>3,500,987</u>	<u>12,404,659,302</u>	<u>3,500,987</u>

14 Note to the consolidated cash flow statement

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

	9 months ended December 31, 2024	9 months ended December 31, 2023
	<i>US\$'000</i>	<i>US\$'000</i>
Profit before taxation	1,303,172	1,056,789
Share of losses of associates and joint ventures	19,922	15,489
Finance income	(82,443)	(117,522)
Finance costs	592,121	562,256
Depreciation of property, plant and equipment	339,067	299,889
Depreciation of right-of-use assets	87,173	124,719
Amortization of intangible assets	651,954	620,385
Impairment and write-off of intangible assets	90,734	-
Share-based compensation	211,614	228,848
Gain on disposal of property, plant and equipment	(38)	(2,407)
Loss on disposal of intangible assets	301	25
Loss on disposal of construction-in-progress	122	13,827
Gain on disposal of interest in associates	-	(12)
Gain on deemed disposal of a subsidiary	(22,627)	-
Fair value change on financial instruments	(42,360)	6,794
Fair value change on financial assets at fair value through profit or loss	(40,761)	(102,164)
Dividend income	(5,250)	(1,315)
(Increase)/decrease in inventories	(2,485,068)	133,882
Increase in trade and notes receivables, deposits, prepayments and other receivables	(2,631,448)	(1,359,565)
Increase in trade and notes payables, provisions, other payables and accruals	5,209,491	797,054
Effect of foreign exchange rate changes	(252,366)	135,530
Net cash generated from operations	<u><u>2,943,310</u></u>	<u><u>2,412,502</u></u>

(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.

	December 31, 2024	March 31, 2024
	<i>US\$'000</i>	<i>US\$'000</i>
Financing liabilities		
Short-term loans – current	91,632	50,431
Notes – current	964,940	-
Notes – non-current	2,049,670	3,012,637
Convertible bonds – non-current	571,759	556,592
Lease liabilities – current	90,563	101,580
Lease liabilities – non-current	212,752	240,449
	<u><u>3,981,316</u></u>	<u><u>3,961,689</u></u>
Short-term loans – variable interest rates	57,020	43,423
Short-term loans – fixed interest rates	34,612	7,008
Notes – fixed interest rates	3,014,610	3,012,637
Convertible bonds – fixed interest rates	571,759	556,592
Lease liabilities – fixed interest rates	303,315	342,029
	<u><u>3,981,316</u></u>	<u><u>3,961,689</u></u>

	Short-term loans current US\$'000	Notes current US\$'000	Notes non-current US\$'000	Convertible bonds current US\$'000	Convertible bonds non-current US\$'000	Lease liabilities current US\$'000	Lease liabilities non-current US\$'000	Total US\$'000
Financing liabilities at								
April 1, 2023	57,032	-	3,146,148	214,584	537,030	123,719	280,837	4,359,350
Proceeds from borrowings	11,792,697	-	-	-	-	-	-	11,792,697
Repayments/repurchase of borrowings	(11,799,007)	-	(132,083)	-	-	-	-	(11,931,090)
Conversion of convertible bonds	-	-	-	(218,669)	-	-	-	(218,669)
Reclassification	-	-	-	-	-	96,859	(96,859)	-
Principal elements of lease payments	-	-	-	-	-	(134,545)	-	(134,545)
Foreign exchange adjustments	(295)	-	-	-	-	(1,465)	(7,039)	(8,799)
Other non-cash movements	4	-	(1,428)	4,085	19,562	17,012	63,510	102,745
Financing liabilities at March 31, 2024	50,431	-	3,012,637	-	556,592	101,580	240,449	3,961,689
Financing liabilities at								
April 1, 2024	50,431	-	3,012,637	-	556,592	101,580	240,449	3,961,689
Proceeds from borrowings	13,646,690	-	-	-	-	-	-	13,646,690
Repayments of borrowings	(13,630,163)	-	-	-	-	-	-	(13,630,163)
Reclassification	-	964,814	(964,814)	-	-	65,799	(65,799)	-
Principal elements of lease payments	-	-	-	-	-	(91,936)	-	(91,936)
Foreign exchange adjustments	24,674	-	-	-	-	(2,893)	(8,809)	12,972
Other non-cash movements	-	126	1,847	-	15,167	18,013	46,911	82,064
Financing liabilities at December 31, 2024	91,632	964,940	2,049,670	-	571,759	90,563	212,752	3,981,316

15 Events occurring after the reporting period

On January 8, 2025, the Company completed the issuance of a 3-Year US\$2,000 million zero-coupon convertible bonds due in January 2028 (the “2028 Convertible Bonds”) and all the warrants under the warrants issuance have been fully subscribed and issued with gross proceeds of approximately US\$212 million. Further details of the 2028 Convertible Bonds and warrants issuance are set out in announcement of the Company dated January 8, 2025.

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 197,837,083 shares from the market for award to employees upon vesting, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the nine months ended December 31, 2024. Details of these program and plan are set out in the 2024/25 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, 2024. It meets regularly with the management, the external auditor and the internal audit personnel to discuss the accounting principles and practices adopted by the Group and internal control and financial reporting matters. Currently, the Audit Committee comprises four independent non-executive directors, including Mr. Woo Chin Wan Raymond, being the Chairman, Mr. William Tudor Brown, Mr. Gordon Robert Halyburton Orr and Mr. Kasper Bo Roersted.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

During the nine months ended December 31, 2024, the Company has complied with the code provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix C1 to the 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 CEO in Mr. Yang Yuanqing ("Mr. Yang") is appropriate and beneficial to the Group as it provides consistency of the strategy execution and stability of the operations of the Group. The Board comprising a vast majority of independent non-executive directors meets regularly on a quarterly basis to review the operations of the Group led by Mr. Yang.

The Board also appointed Mr. William O. Grabe as the lead independent director (the "Lead Independent Director") with broad authorities and responsibilities. Such authorities and responsibilities include serving as chairman of the Nomination and Governance Committee meeting and/or the Board meeting considering the combined roles of Chairman and CEO; calls and chair meeting(s) with all non-executive directors at least once a year on matters deemed appropriate and provide feedback to the Chairman and/or CEO; and serves a key role in the Board evaluation process. Accordingly, the Board believes that the current Board structure with combined roles of Chairman and CEO, the appointment of Lead Independent Director and a vast majority of independent non-executive directors provide an effective check and balance of powers and authorizations between the Board and the management of the Company.

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

February 20, 2025

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