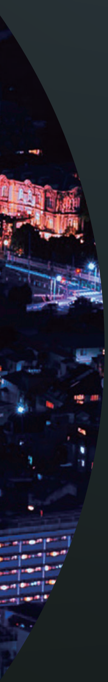
Lenovo Group Limited

2020/21 Annual Report

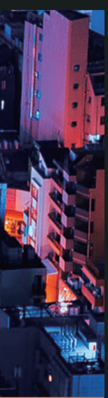
STOCK CODE 992

Smarter
technology
for all



About Lenovo

Lenovo (HKSE: 992) (ADR: LNVGY) is a US$60 billion revenue Fortune Global 500 company serving customers in 180 markets around the world. Focused on a bold vision to deliver smarter technology for all, we are developing world-changing technologies that power (through devices and infrastructure) and empower (through solutions, services and software) millions of customers every day and together create a more inclusive, trustworthy and sustainable digital society for everyone, everywhere. To find out more visit https://www.lenovo.com, and read about the latest news via our StoryHub.



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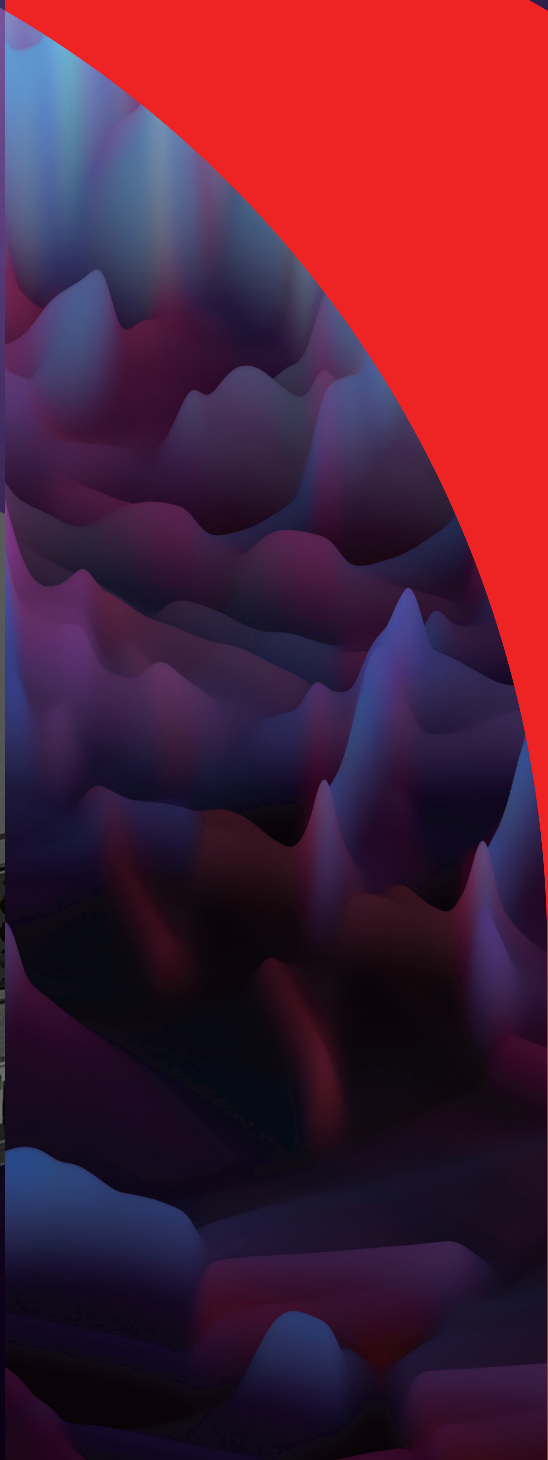
Smarter keeps the always-on, always on

The rugged and compact Lenovo ThinkSystem SE350 was built for the edge. It can be deployed practically anywhere, no networking points or specialized power supplies required. It can handle wide operating temperature ranges, dust, and vibration to provide robust reliability.

CASE STUDY

Cellnex Telecom is using Lenovo edge servers to bring services closer to consumers for faster data speeds. The dependability of ThinkSystem edge servers makes it easier to maintain a large, geographically dispersed network.

ThinkSystem SE350 Edge Server



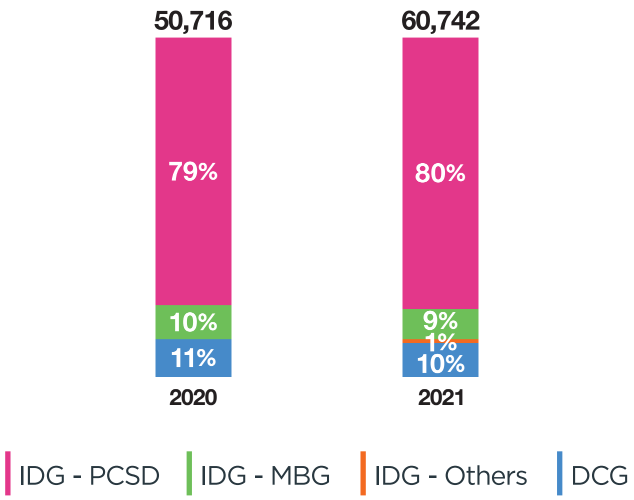
Financial highlights

For the year ended March 31	2021 US$ million	2020 US$ million	Year-on-year Change
Group Results			
Revenue	**60,742**	50,716	20%
Gross profit	**9,768**	8,357	17%
Gross profit margin (%)	**16.1**	16.5	(0.4) pts
Operating expenses	**(7,588)**	(6,918)	10%
Expense-to-revenue ratio (%)	**12.5**	13.6	(1.1) pts
EBITDA	**3,532**	2,667	32%
Pre-tax income	**1,774**	1,018	74%
Pre-tax income margin (%)	**2.9**	2.0	0.9 pts
Profit attributable to equity holders of the Company	**1,178**	665	77%
EPS – basic (US cents)	**9.54**	5.58	3.96
EPS – diluted (US cents)	**8.91**	5.43	3.48
Interim dividend per share (HK cents)	**6.6**	6.3	0.3
Final dividend per share (HK cents)[1]	**24.0**	21.5	2.5
Total dividend per share (HK cents)	**30.6**	27.8	2.8
Cash and Working Capital			
Bank deposits and cash and cash equivalents	**3,128**	3,617	(14)%
Total borrowings	**(3,998)**	(4,860)	(18)%
Net debt	**(870)**	(1,243)	(30)%
Cash conversion cycle (days)	**3**	(5)	8

Note:
1 Subject to shareholders' approval at the forthcoming annual general meeting.

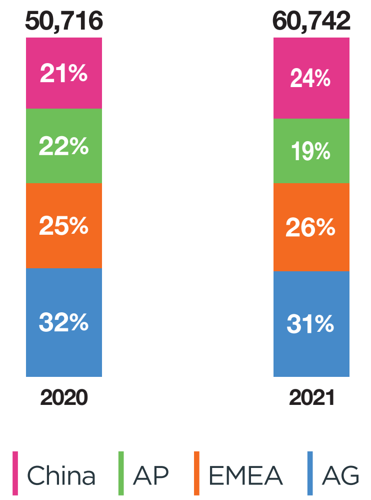
Revenue Analysis by Business Group

for the year ended March 31 (US$ million)



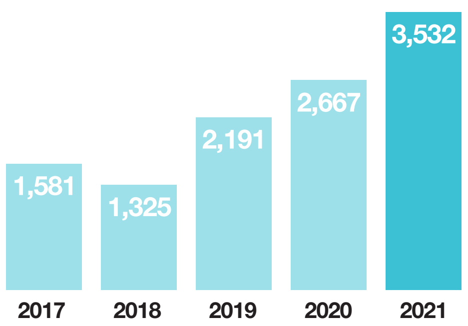
Revenue Analysis by Geography

for the year ended March 31 (US$ million)



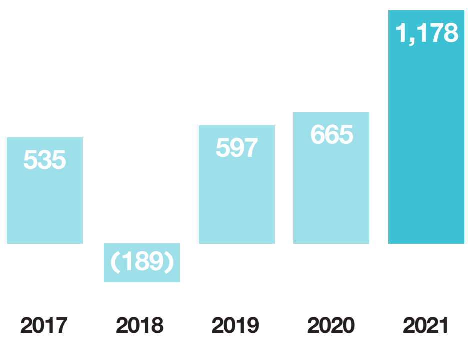
EBITDA

for the year ended March 31 (US$ million)



Profit/(Loss) Attributable to Equity Holders of the Company

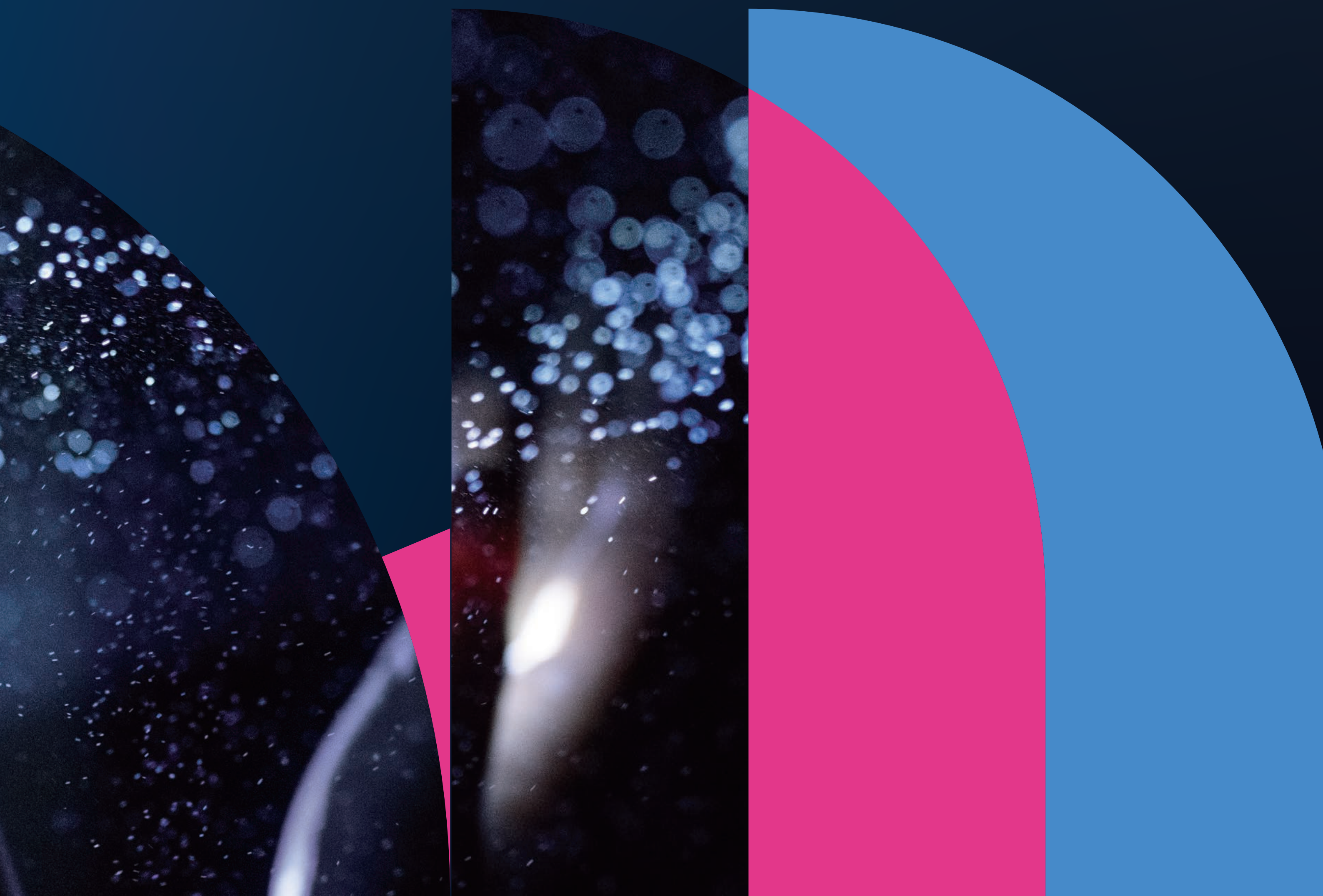
for the year ended March 31 (US$ million)



ThinkBook Plus Gen 2 *i*

Smarter products are productive

Using what we've learned from customers, the ThinkBook Plus Gen 2 *i* is designed to reduce barriers to provide an easier user experience. The new interface includes a 12-inch e-ink screen and a garaged e-pen, providing an updated tablet-like experience.



Chairman & CEO Statement

Amongst the challenges of the last year, we delivered record financial results. Our technology, coupled with our relentless determination to deliver for customers, has kept businesses running, children learning, and public services operating in the most challenging of times.

This time last year, I began my Chairman's statement by saying that the previous 12 months had been one of the most significant periods of global change and transformation the world had ever seen. I spoke of the climate emergency, of technology as a driving force for positive social impact, and of the changing future of the workplace. Each of those issues remains just as critical today. Yet looking back, little did any of us know how much the months after those early weeks of the global pandemic would transform our world. How lives around the world would be impacted. How the makeup of the traditional work environment and the way our children learn would be reshaped. How our cities would become silent and the conventional structures of our communities challenged. And how critical technology would be to our lives every day.

Amongst the challenges and the complexity of the last year, we delivered record financial results – closing the full year with revenue of US$60.7 billion, up 20% year-on-year – a new milestone for the company. The record revenue was combined with strong profitability. Pre-tax income was US$1.8 billion, up 74% year-on-year and net income was US$1.2 billion, up 77% year-on-year. Even more, we've achieved significant progress in our intelligent transformation journey, with services, software and solutions now accounting for 8% of our revenue and growing twice as fast as the Group's overall growth. In particular, all our business groups had high double-digit growth in the fourth quarter, giving us a strong foundation upon which to build. Further, I am pleased to see that our strong performance, transformational progress, operational resilience, financial discipline, and responsible corporate citizenship have driven up our market valuation over the course of last year.

We demonstrated our focus and resilience by delivering these record results in 2020-2021, but this year was about much more than that. What I now know is that our customers, partners, and colleagues around the world have supported each other on an unpredictable journey. We have fought for the best possible outcome in an uncertain world and continue to use our technology to connect and heal a wounded society. As I reflect on our company vision of delivering Smarter Technology for All, it feels more pertinent today than ever. It's a privilege to know that our technology, coupled with our relentless determination to deliver for customers, has kept businesses running, children learning, and public services operating in the most challenging of times.

I've been inspired and amazed in equal measure by the Lenovo teams who have kept our world turning. From boarding inflatable boats in a flooded factory in China to retrieve parts to building a whole new factory in 47 days. From fulfilling orders in our factory in Mexico in spite of a once-in-a-generation snowstorm and blackout to accelerating the delivery of education orders so seven million students in Japan could continue studying. From donating US$600,000 to organizations promoting social justice in North America to employees in our Benelux team raising hundreds of thousands of Euros to support children in need. All of these efforts and more confirm my experience that Lenovo teams will do remarkable things to help our customers and communities.

ThinkBook Plus Gen 2 *i*

Chairman & CEO statement

The opportunities ahead

Building on this momentum, we are keen on capturing new opportunities, riding and shaping major trends that favor our business. Firstly, the consumption upgrade. In this New Normal, people are spending more time on their devices, buying more, and upgrading more often. Fulfilling our customers' increasing demands through innovative technologies and products is Lenovo's clear path and responsibility.

As part of this consumption trend, we're seeing a few key technologies be the driving force for the device innovation agenda. These include looking better in video calls with computational photography technology, hearing more clearly through microphones with AI-based active noise cancellation, or seeing more comfortably with low blue light flicker-free screen to reduce eye strain. Faster connections like 5G are supporting a changing work pattern, new form factors like ThinkBook Plus Gen 2 *i*, ThinkReality A3 smart glasses, and Yoga AIO 7 are recognising the evolution of how customers are using their devices, and smart collaboration tools and smart meeting solutions are transforming the experience of remote and virtual working. Innovation comes in all shapes and sizes.

The second trend is infrastructure upgrade. In the past, customers purchased IT infrastructure as "products", like servers, networking and storage. Today, they are buying computing power and solutions. Lenovo is uniquely positioned here with a broad infrastructure portfolio, from on-prem data center to private and public cloud, and from edge to cloud. Through our direct engagement with enterprise, SMB customers, and even Cloud Service Providers, our strategy is to provide full infrastructure solutions and services – not only hardware, but consulting, deployment, and maintenance services.

Thirdly, we're seeing a trend around application upgrade – from digitalization to intelligent transformation, with A.I. at its core and supported by data, computing power and algorithms.

First, data will come not only from smart devices, information systems and internet, but increasingly from IoT devices like smart medical devices, machine tools, etc.

Then, data will need to be stored, organized, and analyzed for machine learning, and this requires computing power. Simpler computing can be done on the client side, but a majority of the work has to happen in the cloud. And to connect devices with cloud, high-speed networks like 5G and fiber optic are essential. When too much data gets transmitted between client and cloud, "traffic jams" and delays will happen. So, edge computing emerged between devices and cloud for faster responses with lower latency. This is the architecture of "computing power". And finally, algorithms will work the magic to learn the logic of methodology and provide the inference, and with data and computing power, make intelligent solutions possible.

Structured for the future

I believe Lenovo is well-positioned to capture the opportunities presented by the three trends, with our innovation, product portfolio, customer access, and business model. It's against this evolving landscape of customer and technology changes that we have reorganized the company, effective 1st April 2021, into three business groups aligned to delivering our 3S Strategy (Smart IoT, Smart Infrastructure, Smart Solutions). Namely IDG (Intelligent Devices

Lenovo Tab P11 Pro

Yoga 9i

Group) – focused on various Smart Devices and IoT; ISG (Infrastructure Solutions Group, renamed from DCG, Data Center Group) – focused on Smart Infrastructure; and SSG (Solutions and Services Group) – focused on Smart Verticals & Services. In particular, the new Solutions and Services Group will spearhead the company's transformation by delivering incremental business across smart verticals, attached services, managed services and our 'as a service offerings' including DaaS and Truscale™.

Our place in the world

At the heart of our smarter technology for all vision is the belief that no one should be left behind in our shared digital future. We've seen over the last year what an incredible equalizer technology can be, but also the catastrophic impact on livelihoods and future opportunities when technology isn't advanced enough, accessible to everyone, or affordable. The Lenovo Foundation is just one of the ways we empower communities around the world with access to technology and education in Science, Technology, Engineering and Mathematics (STEM). And I see our work with charitable partners, educational institutions and change makers as more essential than ever.

More than anything, we recognize the role big corporations like Lenovo play in driving action around critical global issues and challenges like climate change, epidemics, and natural disasters. We announced in our annual ESG report how we've reduced scope 1 and scope 2 greenhouse gas emissions by 92% over the past decade and have aggressive new science-based targets for the next decade. In fact, we've been recognized by the annual Corporate Knights Index for those efforts as one of the world's 100 most sustainable companies. But our intent and actions are bigger than that – we are focused on building a brighter, more sustainable future for our customers, colleagues, communities and the planet – which is why our actions extend to everything from sustainable product design and packaging; to inclusive product design and building an inclusive workplace.

In fact, we see the importance of ensuring our products are inclusive and truly developed and innovated 'for all', which is why we launched the company's first Product Diversity Office in 2020, with a mission to implement a Diversity by Design review board and introduce checkpoints to our product planning, development, and execution phases which ensure that our solutions are both inclusive and accessible. By 2025, inclusive design experts will vet 75% of future Lenovo products to ensure they work for everyone – regardless of physical attributes or abilities. We also know that customers small and large trust us every day and that challenges like supply chain and product security are becoming more critical, which is why we introduced a Chief Security Officer with an overarching role to harness all elements of security across the company including security culture, product security, data privacy, supply chain security, cybersecurity, and the security of physical assets.

Looking ahead, my focus remains on building a long-term sustainable business where every customer, partner, investor, supplier, and employee can benefit in the shared value of our business success. I'm confident that the change accelerated over the last year only creates more opportunity for Lenovo to both power (through products) and empower (through solutions) our customers and our wider society to not only survive in the 'new normal', but thrive in a way that helps the company, our partners, and our customers achieve even higher levels of success.

Yang Yuanqing
Chairman and Chief Executive Officer

Gianfranco Lanci
Corporate President and Chief Operating Officer

Gao Lan
Senior Vice President, Human Resources

George He
Senior Vice President and President of the Lenovo Capital and Incubator Group

Lenovo management team

Yong Rui
Senior Vice President and Chief Technology Officer

Kirk Skaugen
Executive Vice President and President of the Infrastructure Solution Group

Liu Jun

Executive Vice President and President of the China Geography

Gina Qiao

Senior Vice President and Chief Strategy Officer and Chief Marketing Officer

Laura Quatela

Senior Vice President and Chief Legal Officer

Luca Rossi

Senior Vice President and President of the Intelligent Devices Group

Ken Wong

Senior Vice President and President of the Solutions & Services Group

Wong Wai Ming

Executive Vice President and Chief Financial Officer

Matthew Zielinski

Senior Vice President and President of the International Sales Organization

Smarter blurs the boundaries

The workplace is transforming beyond the physical world. Lenovo is helping this shift by challenging limitations with the power of ThinkReality.

CASE STUDY

ThinkReality A3

Baker Hughes is a global energy company that is using the ThinkReality solution to help its teams manage its operations with an up-close virtual view of hard-to-reach installations. ThinkReality allows the company to create immersive experiences that support remote operations management, training, virtual collaboration, and more.

Management's discussion & analysis

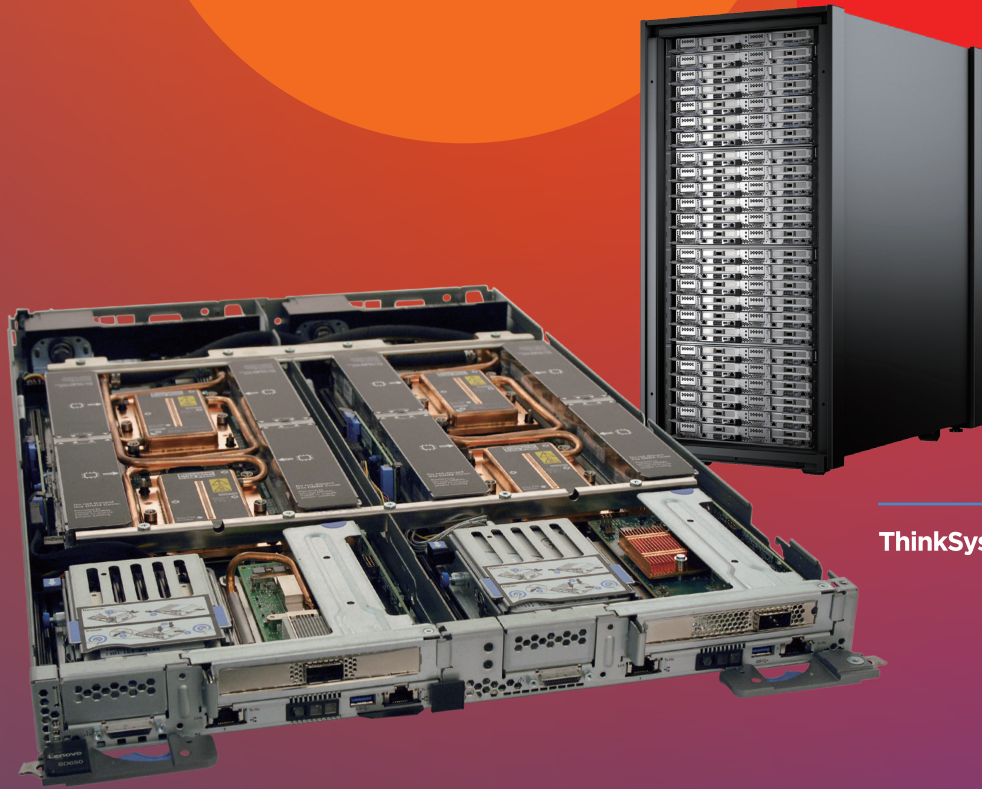
BUSINESS REVIEW AND OUTLOOK

Highlights

During the fiscal year ended March 31, 2021, Lenovo (the Group) achieved multiple performance records, despite challenges from the industry-wide component shortages. The Group added a record US$10 billion to its revenue base with a 20 percent year-on-year increase, the highest rate of growth in 9 years. Its profit attributable to equity holders increased an unprecedented 77 percent while its Group pre-tax profit margin reached a 13-year high. The consistent margin expansion across the PC and Smart Device (PCSD), Data Center Group (DCG), and Mobile Business Group (MBG) was an important driver of the Group's strong profitability growth. The success of its Intelligent Transformation was another powerful catalyst in accelerating upselling opportunities and innovation. The Software and Services business, which delivers the highest margins among all products and contributes 8 percent of the Group's revenue, reported an invoiced revenue and a deferred revenue growth of 39 and 32 percent year-on-year, respectively, driven by a record penetration rate and a number of landmark deals.

Lenovo remains a truly global company despite the diverging world that it operates in. PCSD maintained global no. 1 position in the PC sector for the third year. MBG achieved its highest market shares in both of its focus markets, Latin America (LA) and North America (NA). DCG not only sustained its worldwide leadership in the High Performance Computing (HPC)/Artificial Intelligence (AI) sector, but also ranked as the second largest entry storage supplier in the world against a no. 5 ranking last year. The Group's governance, business performance, and operational excellence continue to earn global recognition. Corporate Knights' index ranked Lenovo no. 78 in its "2021 Global 100 Most Sustainable Corporations in the World", up 19 spots from last year, for its ongoing commitment to sustainability and social responsibility.

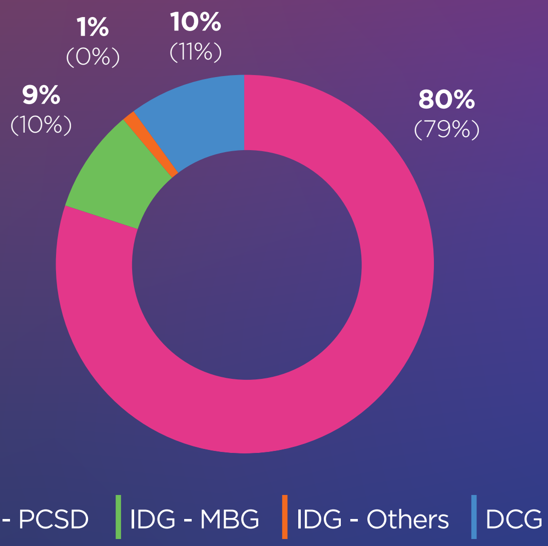
Moto g100



ThinkSystem SD650

Net cash generated from operating activities was US$3.7 billion for the period, a year-over-year increase of US$1.4 billion. Given its strength in cash generation, the company reduced its net debt by US$372 million year-on-year and paid off its perpetual securities amounting to US$1,045 million. In Q3FY20/21, the company obtained an Investment Grade credit rating for the first time in its history. Since then, the Group has further optimized its long-term debt structure with the issuance of longer-tenor debt while reducing its finance costs through lower interest rates. These capital actions resulted in a year-on-year saving of 13 percent in financing costs and perpetual securities dividends.

Revenue by Business Group (%)



Management's discussion & analysis

Group Financial Performance

For the fiscal year under review, the Group's revenue reached US$60.7 billion, up 20 percent year-on-year. The record-breaking performance, has been fueled by Lenovo's core competencies in operational excellence, product innovation, quick time-to-market, and global footprint to leverage new demand. The Group's relentless efforts in driving customer centricity also helped optimize its segment exposure and drive business transformation.

Lenovo's gross profit increased 17 percent although gross margin declined 40 basis points year-on-year to 16.1 percent. Upselling to high-margin products by both PCSD and DCG and their scale expansion, coupled with improved profitability by Cloud Service Provider (CSP), have laid the foundation for stable margin profiles of these business segments. In the earlier part of the year, the Group's gross margin was weighted down by MBG's lowered profitability as the business group navigated through COVID-led challenges including higher transportation costs. MBG has expanded its profitability quarter-over-quarter throughout the year by taking advantage of broader carrier ranging and expanded product portfolio to include a number of premium and 5G models.

The Group's operating expense-to-revenue ratio fell by 1.1 percentage points on an annual basis to 12.5 percent, driven by disciplined expense control. Profit attributable to equity holders rose 77 percent to US$1.2 billion.

By business group, PCSD boosted its pre-tax profit by 34 percent year-on-year, fueled by its strong growth and share gains in high-growth, premium segments. DCG and MBG narrowed pre-tax losses by a total of US$59 million year-on-year, representing the fourth consecutive year of improvement.

The Group recognized fair value gains from its strategic investments amounting to US$233 million during the fiscal year. This change in fair value includes revaluation gains (losses) on new investment rounds by unlisted holding and mark-to-market gains (losses) on listed holdings.

ThinkBook Plus Gen 2 *i*

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Geographic Performance

Lenovo is a global business operating in more than 180 markets. For the period under review, the Group reported double-digit revenue increase across America, Europe-Middle East-Africa (EMEA), and China. Even in Asia Pacific (excluding China) where sector growth was impacted by a sharp slowdown in commercial PC spending, Group revenue grew 5 percent year-on-year benefiting from buoyant demand in the education sector and a booming cloud market.

In China, the Group delivered 31 percent year-on-year revenue growth on the back of swift market recovery and massive market share gain in its PCSD business and the Enterprise & Small and Medium Business (ESMB) segment under DCG. The significant premium to PC market growth in China was supported by the successful deployment of social media platforms, and product strength. For DCG's ESMB segment, China remained the bright spot throughout the year enabled by market coverage expansion and localized solutions. In EMEA, the Group achieved strong performance in both PC and smartphone businesses, and became the top PC vendor in the region for the first time in the second half of the year. Education, consumer, and SMB segments were bright spots in the Group's EMEA PC operation, while smartphone sales nearly doubled year-on-year as the number of carriers carrying MBG's smartphone tripled from last year. In North America (NA), sales from each of its three business groups posted strong double-digit growth, showcasing the company's ability to leverage its core competences to capture new demand.

Management's discussion & analysis

Performance by product business group

Intelligent Devices Group (IDG)

The IDG Group, consisting of the PCSD and MBG businesses, delivered many records and outperformed the sector in the fiscal year after swiftly recovering from COVID-led turbulence. The IDG Group revenue increased by 20 percent year-on-year to US$54.4 billion while its pre-tax profit grew 35 percent to US$3.1 billion, both representing all-time highs. The robust performance in PC throughout the year and recovery of smartphone sales in the second half of the year underscored the business group's strength. The PCSD business remained the no.1 PC brand globally by market share and maintained its industry leading profitability. MBG gained market shares across key regional markets, setting records in LA and NA, thanks to an expanded product portfolio, 5G launches and broader carrier ranging.

Intelligent Devices Group – PC and Smart Device (PCSD) Business

The PCSD business achieved all-time high revenue and pre-tax profit during the fiscal year, and further raised its industry-leading profitability to a new level. The worldwide PC market continued to deliver stronger-than-expected momentum in this challenging year as COVID-19 outbreak has brought many lifestyle changes, including the one-PC-per-person trend. Usage intensity of PC products also rose on accelerated market trends including work-from-home, e-learning, and e-commerce revolution. The Group's strength in operational excellence, product innovation, and market responsiveness proved to be an important driver in capturing these "new normal" demand changes. Its hybrid manufacturing strategy consisting of global operation and local knowledge have enabled the Group to optimize its operational flexibility to further widen the market share gap with the number two player.

Legion Tower

PCSD revenue grew 22 percent year-on-year to a record US$48.5 billion, contributing to 80 percent of the Group's total revenue. Its pre-tax margin expanded 0.6 percentage points year-on-year to an all-time high of 6.5 percent. Its pre-tax profit increased 34 percent year-on-year to US$3.1 billion for the fiscal year.

The Group's investments in upselling are bearing fruit with stellar results in high-growth segments and high-margin services, driving a structural shift in the sales mix that in turn propels its long-term profitability. The Software and Services business showcased strong growth during the period and its invoiced revenue increased 47 percent year-on-year. The Group's e-commerce takeoff increased direct customer engagement and share gain in the consumer and SMB market segments. This has led to a record number of transactions, resulting in a 45 percent year-on-year growth in e-commerce revenue. High-growth segment sales also performed well. Work-from-home demand remained a strong impetus for sales of thin-and-light notebook PCs and tablets, which grew 40 percent and 127 percent year-on-year, respectively. The Gaming PC segment has been a beneficiary of casual gaming demand. Its improved product portfolio led to a revenue growth of 67 percent year-on-year. The popularity of E-learning has translated into a 219 percent year-on-year increase in Chromebook revenue.

Intelligent Devices Group – Mobile Business Group (MBG)

MBG's revenue increased by 9 percent to US$5.7 billion in the period under review despite being hard-hit by COVID-led challenges in the early part of the year. The Group delivered a strong revenue growth of 39 percent year-on-year in the second half of the year with margin expansion, thanks to its continued product portfolio improvement to include premium models. Together with its deployment of "5G for all" strategy, MBG made a breakthrough in carrier ranging to drive market share gains and achieved record market shares in LA and NA, with sales in Europe almost doubling year-on-year. The MBG business accounted for 9 percent of the Group's total revenue.

Business challenges due to COVID-19 have negatively impacted MBG's operation and resulted in pre-tax losses of US$72 million in the first half of the year. In the second half of the year, thanks to its immediate actions to further enhance product portfolio and expand market access, MBG's profitability improved significantly by US$87 million year-on-year to reach a record US$31 million. The business will continue to drive profitable growth and win market share by deploying its "5G for all" strategy, while further broadening carrier ranging to drive regional expansion.

Data Center Group (DCG)

DCG has achieved its highest-ever revenue of US$6.3 billion, growing 15 percent year-on-year during the period under review and contributed to 10 percent of the Group's total sales. The DCG business continued to improve its bottom line for the fourth consecutive year by US$57 million year-on-year to a pre-tax loss of US$169 million. This accomplishment was made possible through a concerted effort in improving the segment profitability of CSP despite significantly higher costs in components and logistics. The DCG business continued to focus on driving its in-house design, manufacturing, product development, and customer diversification.

By segment, sales to CSPs increased at a strong double-digit rate year-on-year while profitability further improved for the fiscal year. The robust cloud demand and ongoing client diversification have led to strong growth across all regions. Revenue from the ESMB business of DCG grew by single-digit year-on-year despite COVID-led sluggish market demand, thanks to its market share gain across multiple high-growth products: software-defined infrastructure (SDI), storage, HPC/AI, and software and services, each setting a new sales record in the year. The services attach rate for DCG business has improved to its highest level in history. The strategic partnership with DreamWorks and SAP has strengthened its business opportunities and pipelines in HPC/AI. In HPC/AI, the business maintained its no.1 position in the global Top-500 Supercomputer list.

Management’s discussion & analysis

Outlook

With regional economies on pace to expand and signs of a rebound in certain areas of enterprise spending while the component supply remains a challenge, the Group will continue to ride on recovery-led opportunities, and leverage its operational excellence and global franchise to deliver sustainable growth. To capitalize on these structural growth opportunities, the Group recently announced new organizational changes, mainly to form a dedicated business group – the Solutions & Services Group (SSG) – to bring together services teams and capabilities across the company. This new business will deliver enhanced services capabilities and new solutions to supercharge its growth momentum through three key segments – Attached Services, Managed Services, and Project and Vertical Solutions. The business has been building a strong pipeline of new orders for **Attached Services** with the aim to further boost the penetration rate into the base of installed devices. **Managed Services**, which includes the popular As-a-Service offerings, will grow end-to-end solutions through enhanced delivery footprint, differentiated services solutions and core foundation platforms. For **Project and Vertical Solutions**, the Group has brought together services and solutions teams to facilitate vertical growth in manufacturing, education, retail, and smart cities.

PCSD will continue to address opportunities emerging from structural changes in the sector and extend its leading position. It will leverage its operational excellence, innovation, solution capabilities and global franchise to meet strong segment demand, drive consistent premium-to-market growth, and maintain profitability leadership.

MBG will focus on sustaining strong growth momentum in North America and Europe, while maintaining market leadership in Latin America. It will further push product innovation and accelerate 5G smartphone launches to score wins in more markets and stay on track to profitable growth.

DCG will grow its channel business with the One Lenovo platform while delivering premium-to-market growth and enhancing profitability. In the ESMB segment, the Group will grow its high-margin services attach rate, upsell premier services and expand hybrid cloud solutions to drive a paradigm shift in computing with its edge-to-cloud solutions.

For its CSP business, the Group will continue to diversify its customer base and expand its share with existing accounts. To achieve that the business will leverage its unique strengths including in-house custom design and manufacturing capabilities with worldwide reach and expand its product portfolio with advanced configurations and storage platforms.

Transformation highlights

The Group continues to execute its strategy to become the leader and enabler of Intelligent Transformation. It has the vision of bringing smarter technology to all – through Smart Infrastructure, Smart Verticals, and Smart IoT. This “3S” strategy, in parallel with its customer-centric positioning, has led to structural growth in new businesses including Software and Services.

Smart Infrastructure provides the computing, storage, and networking power to support smart devices. The Group’s next-generation data center solutions in the hybrid cloud are based on the ThinkAgile platform, with strong growth coming from Smart City and data center project wins in China. The Group’s Smart Infrastructure invoiced revenue grew 12 percent year-on-year.

Smart Verticals combine big data generated by smart devices and the computing power of smart infrastructure to provide more insights and improve processes for customers. The Group has expanded its footprint to win multiple projects across different industry verticals such as Smart Health Care in North America, Smart Education, and Smart City in China. Invoiced revenue grew 62 percent year-on-year in the fiscal year.

The Group will continue to invest in **Smart IoT**, consisting of a network of many touchpoints for the connected world we live in. Specifically, the Group’s investments will accelerate in the area of edge computing, cloud, big data, and AI in vertical industries. This will strengthen the Group’s capability as a competitive end-to-end solution provider in the era of Intelligent Transformation. The Smart IoT business has delivered a 43 percent year-on-year invoiced revenue growth. In particular, Attached and Managed Services has grown significantly thanks to its mega As-a-Service project wins across global tech leaders, sports events, leading retailers in food distribution, and financial services industry leaders.

CORPORATE STRATEGIC HIGHLIGHTS

The Group has made significant progress towards its aspiration of being the leader and enabler of Intelligent Transformation. Since unveiling the "3S" strategy (Smart IoT, Smart Infrastructure, Smart Verticals) last year, the Group has driven towards this goal through the implementation of "Service-led transformation" over the last 12 months with much success.

Especially as COVID ravages the world, the Group has found that its services to help customers is becoming a critical differentiator, and its customers, large and small, greatly value its ability to not only support them with traditional IT services such as helping their employees with IT equipment while in lock down, but also hold their hands through the organization wide digital transformation journey.

Moving forward, the Group is delighted to see the acceleration of demand for all kinds of Smart IoT devices. The Group strives to help customer transform and adapt to the post pandemic new normal in their work, study, and entertainment needs.

In terms of Smart Infrastructure, the Group hears its customers loud and clear, in their need for digital transformation, migration to cloud, creating the kind of robust hybrid systems that will power their future growth. This helps Lenovo to continue its high premium-to-market growth in this segment.

With the creation of the Solutions and Services Group, the Group is also further doubling down on its Smart Verticals. As its services business will now be able to consolidate under one umbrella and sharpen its execution of the being an end-to-end solution provider.

HUMAN RESOURCES

At March 31, 2021, the Group had a headcount of approximately 71,500 worldwide with 52,000 regular employees and 19,500 long term contracting plant workers.

The Group implements remuneration policy, bonus, employee share purchase plan and long-term incentive scheme with reference to the performance of the Group and individual employees. The Group also provides benefits such as insurance, medical and retirement funds to employees to sustain competitiveness of the Group.

MATERIAL RISKS OF THE GROUP

The following are key risks that the Group considers to be of great significance to the Group as it stands today. They have the potential to affect the Group's business adversely and materially.

For each risk there is a description of the possible impact of the risk on the Group should it occur, and the mitigation plan to manage the risk.

The Group also faces risk and uncertainties in common with other businesses. These have not been set out as key risks below.

This list is likely to change over time as different risks take on larger or smaller significance. The size, complexity and spread of the business and the continually changing environment in which the Group operates also mean that the list cannot be an exhaustive list of all significant risks that could affect the Group.

Management's discussion & analysis

Risk Description	Key Risk Mitigations
Business Risk	
The Group operates in a highly competitive industry which faces rapid changes in market trends, consumer preferences and constantly evolving technological advances in hardware performance, software features and functionality. It faces aggressive product and price competition from new entrants and existing competitors. In this competitive environment, brand recognition and awareness and good customer experiences are important success factors to the Group. Failure to engage and resonate with the customers, may adversely affect the Group's results with the loss of customer loyalty or damaged brand reputation from bad publicity.	The Group actively monitors its competitive environment and market trends. It maintains its competitive position through commitments to innovate and build a broad product portfolio, grow its brand name, and drive customer-experience transformations to differentiate the Group and gain market share and recognition. The Group's renewed 3S strategy (Smart IoT, Smart Infrastructure and Smart Verticals) is to protect and drive profitability in the business. It is focused on its mission to be the leader in Intelligent Transformation.
The industry continues to experience technological advancements and disruptions. Failure to respond effectively to changes in market trends or consumer preferences through timely launches of new products, or through competitive prices, could harm its competitive position. The Group faces risks associated with implementing its strategic initiatives as the scale and breadth of its business and operations expand. It may not invest as much financial, technical, marketing and other resources in certain areas of its business as compared to the corresponding competitors, and as a result, may not be able to gain the competitive advantage in those areas.	The Group's strategic planning process incorporates prioritization and focus on strategic objectives to guide effective allocation of resources required to execute plans.

Risk Description	Key Risk Mitigations
Business Risk	
The Group operates globally and as such its results could be impacted by global and regional changes in macro-economic, geopolitical and social conditions, regulatory environments, natural catastrophic events, and public health issues, such as the outbreak of COVID-19. These external factors are beyond its control and may make it more difficult for the Group to manage its financial performance. Adverse economic conditions may result in postponements or decreased spending amid concerns over weak economic conditions. In addition, they may contribute to supply chain volatility, causing potential product shortages. There are ongoing uncertainties in political conditions and changes in regulatory or legal requirements in various countries. Policy decisions and stringent regulations may affect the ease of doing business with customers and/or suppliers, increasing the cost of operations and exposing the Group to potential liability.	The Group has diversified its geographic sources of revenue and profit to reduce its dependency on any single country or region. It continuously monitors its external environment, and tracks action plans and conducts sensitivity and scenario analysis to position the Group for a better outcome. The Group also vigilantly tracks and monitors the developments of the political conditions and adapts its strategy to address the shifting dynamics in regions and countries, in order to optimize the Group's positioning. It follows closely legal and regulatory changes, and maintains compliance programs.
The Group offers products that are complex. Failure to maintain an effective quality management system, including at the Group's development and manufacturing facilities and its supply chain, may have a material adverse effect on its business and operations, brand image and customers' loyalty. Addressing quality issues can be expensive and may result in product recalls, production interruption, additional warranty, repair, replacement and other costs and adversely affecting the Group's financial results. The Group may also face product liability claims from its customers or distributors in the event the use of its products results in bodily injury, property damage or other loss, regardless of whether it is at fault. It may have to spend significant resources and time to defend itself if legal proceedings for product liability are instituted against it. Successful assertion of product liability claims may require it to pay significant monetary damages.	The Group is continuously working towards improving its processes and procedures. Its Quality Management System, (QMS), routinely passes both internal and external audit and is in compliance with ISO 9001:2015, which allows the Group's business units to run more efficiently, increase customer satisfaction and communicate to potential customers that it has robust quality processes. Its Environmental Management System (EMS) is in compliance with ISO 14001:2015 and certified to be suitable, adequate and effective in support of our products, site locations and supply chain operations. The Group is both ISO 9001 and ISO 14001 certified by DEKRA outside of China and in China by the Electronics Standardization Institute, (CESI). It is committed to maintaining certifications for QMS and EMS to ensure it meets customer, investor and employees Environment, Social and Governance (ESG) responsibilities.

Risk Description	Key Risk Mitigations
Merger & Acquisition Risk	
As part of the Group's expansion plan, we acquire companies or businesses, enter into strategic alliances and joint ventures and make investments. The Group faces risks such as economy, political and regulatory uncertainty, market volatility, pandemics and other challenges associated with our acquisitions. Our due diligence process may fail to identify significant issues, resulting in an overly optimistic valuation forecasts. We may not fully realise all of the anticipated synergies/benefits, and may result in significant cost and expenses and charges to earnings.	Drive a rigorous due diligence and financial forecasting process to ensure assets are appropriately valued.

Risk Description	Key Risk Mitigations
Cyber Attack and Security Risk	
The Group may be impacted negatively if it sustains cyber-attacks and other data security breaches that disrupt its operations or damage its reputation. The Group manages and stores various proprietary information and sensitive or confidential data relating to its operations. In addition, the Group's cloud computing business routinely processes, stores and transmits large amounts of data for its customers, including sensitive and personally identifiable information. The Group may be subject to attacks from hackers and other malicious software programs that attempt to penetrate its networks and exploit any security vulnerability in its system and products. Hardware, operating system software, product software and applications that the Group produces or procures from third parties may contain "bugs" that may unexpectedly interfere with the operation of the system or may present unidentified security risk. Breaches of the Group's security measures and misappropriation of proprietary information, sensitive or confidential data about the Group and its customers, if not effectively managed in a timely manner, may lead the Group to loss of reputation, disruption in business operations, exposure to potential litigation and liability and result in a loss of revenue and increased cost. The Group is subject to laws and regulations in countries where it operates relating to the collection, use, and security of customer, consumer and employee data. The Group needs to conduct normal business activities which include the collection, use and retention of personal data pursuant to these activities. Under certain laws, the Group is required to notify individuals or regulators of a data security breach. An increasing number of customers are inquiring about the industry standards that the Group complies with. These pertain to whether the Group's security controls are in place, operating effectively and are in compliance with regulatory and industry standards. The Group's inability to comply with such standards may eliminate the Group's ability to participate in a bid.	The Group will continue to invest in the following: (a) Development and maintenance of a robust cyber security culture through sound policies, robust incident response plans and processes, and training of our employees around vital data protection practices. (b) Enhanced cyber security controls and information security, product security and privacy awareness. (c) Compliance with mandatory privacy and security standards and protocols imposed by law, regulation, industry standards, or contractual obligations and seeking certifications where determined appropriate. (d) Policies and processes to ensure hardware, operating system software, product software and applications that the Group produces or procures from third parties protects and uses customer data responsibly.

Risk Description	Key Risk Mitigations
Financial Risk	
As the Group operates globally, significant or prolonged economic instability or financial market deterioration may materially and adversely impact the Group's financial condition. The Group is exposed to a variety of financial risks, such as foreign currency risk, cash flow risk, credit risk and liquidity risks.	The Group Treasury department has put in place a financial risk management programme that focuses on the unpredictability of financial markets and seeks to minimize the potential adverse impact on the Group's financial performance. For more analysis, see "Notes To The Financial Statements" (pages 204 to 214).
Due to global outbreak of COVID-19, supply chain disruptions and demand shrinkage may impede customers' ability to continue paying for goods and services. The Group may experience lower revenue resulting in less cash flow, along with delayed receivables collection. Trade credit insurance capacity may contract as insurers actively manage their risk exposures. Any reduced capacity may potentially increase the Group's uninsured loss. The spread of COVID-19 has also led to volatility in the financial markets and may cause reduction in funding opportunities.	The Group closely monitor the market developments, review collection performance and bolster collection capability. It proactively works with broker and credit insurers to maintain credit insurance coverage to weather this turbulent time. The Group closely monitors the financial market environment and funding opportunities.

Risk Description	Key Risk Mitigations
Financial Risk	
Due to the international nature of its business and continuous changes in local and international tax rules and regulations, the application of such rules and regulations to its operations and transactions involves inherent uncertainty and may affect its tax position and the value of tax assets and liabilities carried in the balance sheet. The value of deferred tax assets depends principally on the business generating sufficient taxable profits to utilise the tax benefits. It may be necessary for some of the deferred tax assets to be reduced and charged to the income statement if there is significant adverse change in the projected taxable profits of the business.	The Group carefully monitors developments in its business and in the global tax environment in order to make sure rules and regulations are applied appropriately and risks are mitigated where possible. See "Notes To The Financial Statements" (page 215) and "Key audit matters" (page 170).
The Group acquires other businesses and intangible assets and may not realize all the economic benefit from those acquisitions, which could cause an impairment of goodwill or intangible assets.	See "Notes To The Financial Statements" (page 214 and pages 235 to 236) and "Key audit matters" (page 169).

Risk Description	Key Risk Mitigations
Intellectual Property Risk (IP risk)	
The Group could suffer if it does not develop and protect its own intellectual property or its suppliers are not able to develop or protect desirable technology or obtain any necessary technology licenses. The risks include: • higher business cost as a result of increased licensing demands from patent holders; • loss or diminished value of intellectual property as an asset, as a result of legal findings of unenforceability and challenges to title or ownership; • higher legal costs to defend against claims of intellectual property infringement and potential settlement or damages; • product design-around costs and negative impacts to customer or supplier relationships; • risk of interruption of Lenovo's ability to ship products due to injunctions or exclusion orders in particular countries resulting from adverse judgments in IP infringement cases filed against Lenovo; • Lenovo reputational harm if found to infringe a third party's valid patents.	Take appropriate legal measures to protect know-how and trade secrets, apply for and enforce patents, and register and protect trademarks and copyrights. License IP as appropriate and monitor its continued validity and value to the Group. Obtain IP indemnification from, or otherwise transfer responsibility for IP coverage to suppliers. Monitor, develop and execute IP litigation defence strategy. Continue to develop and use Lenovo patent portfolio if appropriate to decrease potential costs. Collaborate with other technology/product companies to lobby for reform of the patent system that reduces costs.

Risk Description	Key Risk Mitigations
Supply Risk	
The Group's supply chain is highly complex, involving a broad base of suppliers, as well as owned and third-party manufacturing sites.	The Group actively manages the risks of its complex supply chain. It utilises cost and operational analysis to understand potential impacts. On-going efforts are made to optimize its efficiency.
Geographically, the supply chain spans many countries, but there may be supply or production concentration in certain locations, countries or regions within a country.	It manages concentration risks through broad supplier sourcing (i.e. avoidance of sole/single sources), and diversification of its production footprint globally.
The Group also has multiple tiers of suppliers. Given the Group's wide range of products, some products may be reliant on a few component suppliers. The disruption of the supply of any of its products, component parts, systems or services may affect product availability and customers' satisfaction.	The Group builds physical resilience into its' own manufacturing locations by investing in risk engineered improvements on an on-going basis, especially in key locations.
The disruption may be due to many factors, among which, the damage of its own or its suppliers' manufacturing activities or logistics hubs arising from catastrophic events, natural disasters, any widespread outbreak of pandemic such as COVID-19 or other local or global health issue, financial failure of a supplier, unfavourable business, political or economic factors, etc. Substantial recovery expenditure or prolonged recovery time may result. If it is unable to source for alternative supplies during the period of shortage at a favourable pricing, its revenues, profitability and competitive position may be adversely affected.	It conducts disaster recovery planning to minimize impact of regional catastrophes such as the outbreak of COVID-19, natural disasters and ensures adaptation plans in place.

Risk Description	Key Risk Mitigations
Supply Risk	
The Group's complex supply chain may also result in exposure to hidden and uncontrollable risks typically driven by Environmental, Social and Governance (ESG) factors, such as natural resource depletion, human rights abuses or labour practice. For example, the legal and regulatory standards of certain countries in which its indirect suppliers operate may be less robust and therefore not sufficient to meet the regulatory standards of other countries which it sells to. Non-compliance by any supplier, whether direct or indirect, may harm the Group's reputation and supply chain operations, or cause the loss of license to operate. With Corporate Social Responsibility (CSR) becoming more of a customer differentiator in their purchasing decisions, the Group may also lose customers who look closely at their suppliers' compliance to codes of conduct, environmental impact and responsible sourcing of materials.	The Group is committed to CSR and sustainability across our end-to-end supply chain process. It has systems in place, supported by contractual requirements, to help ensure that suppliers comply with all applicable labor, environmental, health and safety, and ethics standards. Lenovo works with the electronics industry on supply chain issues through its Responsible Business Alliance (RBA) (formerly the Electronics Industry Citizenship Coalition (EICC)) membership. Lenovo contractually applies the RBA Code of Conduct and associated audit requirements. It also directly validates several tiers of its suppliers' compliance with the RBA program and independent audits.

Risk Description	Key Risk Mitigations
Human Capital Risk	
The Group faces intense competition for skilled and experienced workers due to fast-changing market dynamics and an increasingly diversified business landscape. For ongoing success, the Group must continue to attract, develop, retain and motivate high-performing and diverse talent across the enterprise while ensuring smooth transitions throughout the ongoing business transformation.	Build up employer brand that is aligned with intelligent transformation to attract talent with new skills and experience. Continuously review and update compensation strategies and ensure that compensation and benefits programs are performance driven, competitive, and flexible to support an increasingly diverse business landscape and employee population. Further invest in talent and leadership development programs to build talent capability, accelerate the internal movement of top talent, and ensure strength of the leadership pipeline.

Risk Description	Key Risk Mitigations
Operational Risk	
Due to rapidly changing market conditions and customer demands, the Group must continually introduce new products, services and technologies, and successfully manage the transition to the new and upgraded products. The competitive environment demands high level of speed and efficiency. If the Group's cross functional support and team collaboration processes are dysfunctional, the Group's strategy execution may be compromised. The Group's ongoing success is dependent on the smooth running of all aspects of its operations, including but not limited to demand forecasting, manufacturing resources planning, order fulfilment, inventory management. This includes the usage of an effective and reliable IT infrastructure to facilitate operations. Disruptions in operations may impede the manufacturing and shipping of products and adversely impact the Group's ability to fulfil orders, delivery of online services, respond to customer requests and interrupt other processes such as transactions processing and financial reporting in a timely manner. These in turn may damage its reputation.	Establish cross-functional engagement and integrate activities across functions to support the strategy execution. To focus on the Group's ongoing efforts to optimise the effectiveness and efficiency of its operations. With the current on-going COVID-19 situation, the Group continues to work closely with customers, employees and suppliers to address the impact of the COVID-19 outbreak.

Management's discussion & analysis

Risk Description	Key Risk Mitigations
Outbreak of Pandemic – COVID-19	
Pandemic is both a standalone business risk and an amplifier of existing vulnerabilities. COVID-19 was categorised as a pandemic by the World Health Organization in March 2020. While there is some progress toward transition to normalcy for some countries, others are still grappling with new waves and new variants of the virus as well as continued lockdowns. Like many other companies, the Group's supply chain, production, logistics and many other aspects of operations have been disrupted by COVID-19. This may include mandatory closure of facilities and extended shutdown of business operations in certain countries. The scale of the outbreak and the unprecedented containment measures in many countries may create global economic challenges, and result in changes in customers' priorities and demand.	The Group continues to work closely with customers, employees and suppliers to address the impact of the COVID-19 outbreak in order to navigate this crisis period. The Group closely monitors changing demand and inventory levels to identify gaps in supply and production capacity. It actively anticipates and prepares contingency plans to minimize any disruptions, including leveraging its own global manufacturing networks and collaboration with suppliers. The Group is constantly exploring new and emerging business opportunities in the current environment, such as online healthcare and education. It leverages its eCommerce platform and other digital tools to engage customers virtually to drive on-line sales.
Commercial arrangements may also be disrupted, which may have legal consequences if the Group is unable to fully perform its obligations.	The Group reviews the terms of existing contracts, and assesses the likelihood and consequences of potential non-performance of contractual obligations. Strategies are formulated to resolve potential issues.

Risk Description	Key Risk Mitigations
Outbreak of Pandemic – COVID-19	
COVID-19 represents a serious public health risk, and at Lenovo we are committed to the health and safety of our employees. In addition, the Group must comply with orders, directives, guidance, and mandates issued by various national and local governments around the world in response to the spread of COVID-19. These orders include restrictions on local and global travel, which limit employees' ability to move freely to and from Lenovo and customer work sites. In response to this crisis, the Group has transitioned to a flexible work-place model that leverages on-site and off-site work dependent on local conditions and requirements to ensure business continuity and protect employee wellbeing while the pandemic remains a threat.	The Group has established a Global Lenovo Epidemic Prevention and Control Committee (LEPCC) to develop and coordinate the workforce policies and processes necessary to comply with the legal requirements and responsibilities of the company during this sensitive time. Together with Geo Site Leaders and working teams, the LEPCC is closely monitoring the evolving COVID-19 situation to ensure that workplace safety measures are implemented and reinforced. LEPCC maintains ongoing communications with employees and managers to ensure that they are receiving the most up-to-date information relating to Lenovo's policies and guidelines. Additionally, the LEPCC has launched multiple initiatives designed to promote employee physical and mental wellbeing during these challenging times. The Group is continually monitoring the impact of COVID-19 on the workforce, and has put into place staff contingency plans to minimize customer disruptions and ensure business continuity.
There may be an increase in cyber-attacks on remote-work employees and contractors, such as social engineering (phishing). When in the office, employee computers have additional layers of defence (network controls) that block many of these attacks.	The Group deploys advanced layers of protection to our network, laptops, servers, mobile devices and IoT. While the goal is to prevent attacks, the Group also deploys detection technology for more advanced threats. Finally, the Group improves employee and contractor cyber-security awareness through regular training and communication.
The future development of COVID-19 continues to be uncertain and cannot be predicted, and may have a material adverse effect on the Group's business, results of operations and financial condition. The Group may need to re-prioritize its strategic objectives.	

ENVIRONMENT

Lenovo's programs in this area are based on a foundation of our commitment to strong environmental stewardship and continued compliance. This includes compliance with regulatory requirements and voluntary standards established by associations and the standards organizations to which Lenovo subscribes. Lenovo's Environmental Affairs Policy is the cornerstone for compliance across global operations, employees, and contractors performing work on behalf of Lenovo. This policy forms the foundation for Lenovo's ISO 14001:2015 certified Environmental Management System (EMS), which includes processes for evaluating legal and voluntary requirements and ensuring compliance across Lenovo's global design, development, and manufacturing operations.

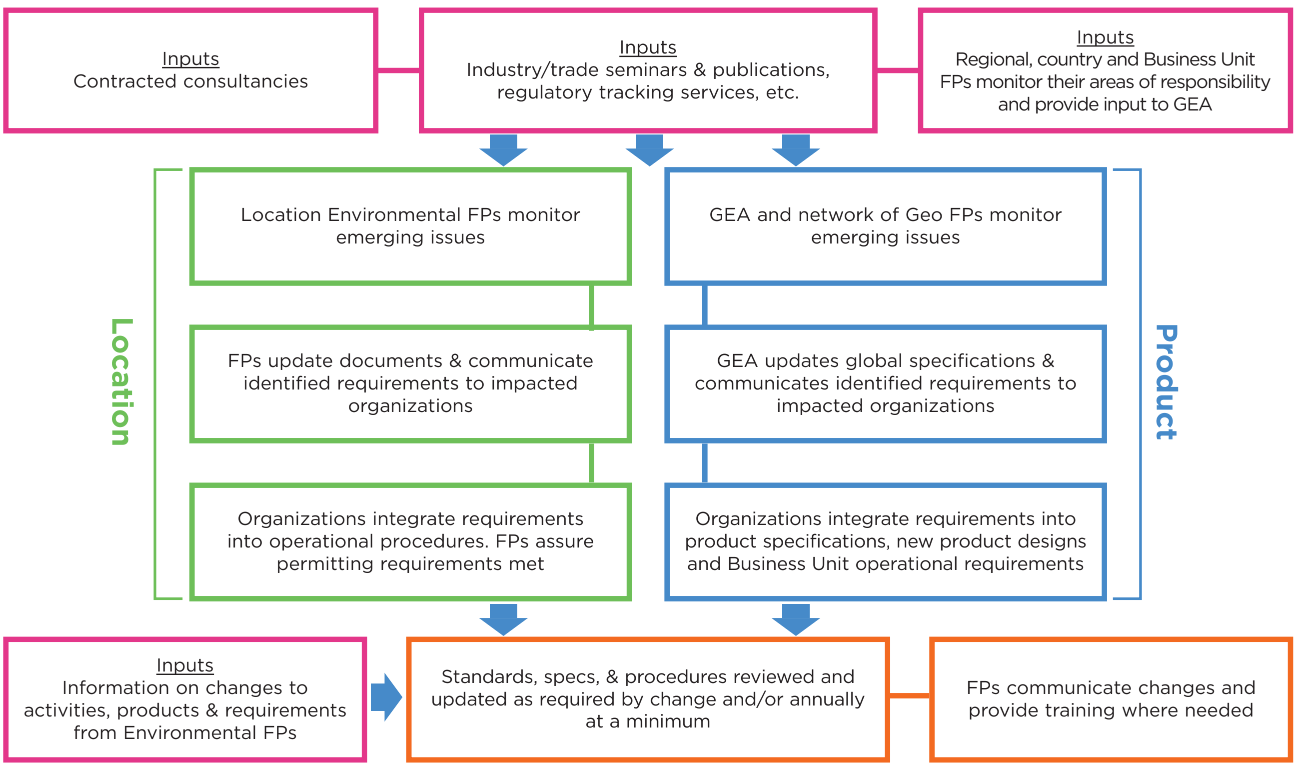
It is Lenovo's goal to leverage our EMS to help address and mitigate some of the most significant environmental challenges facing us as a global organization. Other benefits of the EMS include monitoring our progress on previously identified material concerns and more quickly spotting emerging issues. In addition to these corporate-level risk management programs, individual business units such as the Global Supply Chain Organization organize their risk management processes that feed into the corporate level programs and disclosure.

Our EMS focus areas include:

- Climate change mitigation programs
- Environmentally conscious products program and its focus on the energy efficiency of products
- Environmentally preferred materials programs to drive the use of recycled and recyclable materials and designs in our products and packaging
- Environmentally sound operations at our manufacturing facilities
- Global supply chain environmental programs

Lenovo actively engages with a wide variety of stakeholders as part of its processes for managing environmental risk, driving improvements in environmental performance, ensuring compliance, and meeting customer expectations. The Global Environmental Affairs (GEA) and Sustainability Organization drives compliance, supported by a global network of focal points in the geographies, development organizations, and key functional areas, as well as external partners. We use reliable, established processes with defined roles to ensure that Lenovo continues to remain in compliance. As part of Lenovo's ISO 14001:2015 Environmental Management System, Lenovo's locations in the EMS scope are audited to these standards internally as well as externally by certified bodies. Below details the process for ensuring environmental compliance for our products and locations.

Process for Establishing, Monitoring & Maintaining Compliance



Lenovo's official Enterprise Risk Management (ERM) process details various business risks, and includes environmental, social, and governance risk categories. We require each business unit annually to identify risks, assess their impacts on executing Lenovo's strategy, and develop risk mitigation plans. The results of this assessment help to ensure that appropriate and effective risk management and internal control systems are in place.

As part of Lenovo's ISO 14001:2015 EMS program, we conduct a Significant Environmental Aspect (SEA) evaluation at least annually. This process evaluates the significant or material environmental aspects while identifying climate change-related risks or opportunities that may impact the business or operations. To manage the SEAs, we establish relevant environmental objectives and targets with Key Performance Indicators addressing site operations, products, and global supply chain functions. The objectives and targets are monitored and measured for progress semi-annually. Lenovo's performance against the FY 2020/21 environmental objectives and targets will be published in the FY 2020/21 ESG Report.

Climate Change

Governance	At Lenovo, we recognize that climate change is a serious threat and as such we address it at the highest levels of our organization. At least annually, the Board of Directors is briefed on climate strategy and progress towards our climate change mitigation goals. Lenovo's Chief Corporate Responsibility Officer provides executive leadership for Lenovo's ESG position, including climate change programs. In addition, the newly formed ESG Executive Oversight Committee provides strategic direction and facilitates the coordination of ESG efforts across the company.
Strategy	Lenovo's Climate and Energy Policy forms the foundation of our climate change strategy that focuses on five key areas where we can demonstrate influence in driving emissions reductions and support for a global transition to a low-carbon economy: – internal operations – energy suppliers and their operational emissions – supply chain – customers – government, non-profit organizations, and the public in support of the transition to a low-carbon economy
Risk Management	Climate change risks and opportunities are identified and evaluated as part of the scope of two main processes within Lenovo's business management system. These include our global risk registration process as part of our ERM and the annual SEA evaluation. We consider climate change as part of Lenovo's ESG reporting materiality assessment. Our climate risk assessment in FY 2020/21 also included climate scenario analysis to explore how physical and transition risks and opportunities of climate change can impact our business.

Metrics and Targets	We established science-based emissions reduction targets, which were validated by the Science Based Targets initiative (SBTi) in June 2020. Our scope 1 and 2 emissions reduction targets are consistent with limiting warming to 1.5°C, the most ambitious goal of the Paris Agreement, and our scope 3 emissions reduction targets meet ambitious criteria according to the SBTi's methodology, which means they are in line with current best practices. We annually disclose our scope 1, 2, and 3 emissions, and progress towards our emission reduction targets will be published in the FY 2020/21 ESG Report.

For more information about our identification and assessment of climate-related risks and opportunities, metrics, and actions to address climate change, please read our response to the CDP Climate questionnaire available at www.cdp.net.

Ethics and compliance

Lenovo is committed to conducting business legally, ethically, and with integrity. Our Ethics and Compliance Office (ECO) oversees the ethics and compliance function across the organization and promotes a culture that is committed to ethical business conduct. The ECO works in partnership with business units across the globe to ensure they operate legally and ethically. The ECO is committed to raising awareness about the importance of ethics and compliance to Lenovo and plays a critical role in providing employees with the information, resources, and training they need to make informed decisions. The ECO oversees Lenovo's Code of Conduct ("Code"), which establishes clear expectations for employee compliance with Lenovo's policies related to lawful and ethical business conduct. Lenovo's Code reflects our culture of trust and integrity, holds employees accountable for their behavior, and helps employees determine when and where to seek advice. Lenovo's Code, policies, and related awareness and training materials are provided on the intranet and through periodic communications.

The ECO is supported by three committees. The Executive Ethics Committee provides executive-level oversight and guidance to the ECO. The Investigation Oversight Committee works closely with the ECO to oversee the Company's internal investigation process. The Regional Ethics and Compliance Committee provides the ECO with global support, perspective, and insight.

Business practices

Lenovo's Code of Conduct mandates compliance with applicable laws in markets where we conduct business. Our policies strongly support ethical and responsible business practices, including but not limited to:

Anti-Bribery and Anti-Corruption

Lenovo's policy on anti-bribery and anti-corruption and our policy on gifts, entertainment, corporate hospitality, and travel reinforce provisions in the Code and provide additional guidance regarding compliance with global anti-bribery and anti-corruption rules and laws. Employees may not directly or indirectly offer or give anything of value to any person, including to government officials, to influence official action or to secure an improper advantage as defined by applicable laws.

Anti-Competitive Practices and Fair Competition

Lenovo's Code and policy on anti-competitive practices and fair competition forbid employees from engaging in anti-competitive practices, such as entering into an agreement or discussion that would result in setting prices, limiting the availability of goods or services on the market, or agreeing to boycott a customer or supplier.

Intellectual Property

It is Lenovo policy to avoid any infringement of copyright or other intellectual property rights of other companies and individuals. Employees are expected to obtain and abide by licenses or other permissions as appropriate.

Raising questions or concerns

Lenovo has established clear processes and reporting channels for raising questions or reporting concerns. Employees are guided on how to raise questions or concerns regarding any aspect of their work. Employees are encouraged to raise concerns to their managers, Human Resources, the ECO, Internal Audit, or the Legal Department about any potential issues including those about known or suspected:

- Fraud by or against Lenovo
- Unethical business conduct
- Violation of legal or regulatory requirements
- Substantial and specific danger to health and safety
- Violation of Lenovo's corporate policies and guidelines, particularly our Code of Conduct

Also, Lenovo provides formal, confidential ways to report concerns, ask questions, or request guidance in person, by email or through the LenovoLine, a confidential reporting system that is accessible 24 hours a day, seven days a week by the secure website or toll-free telephone with translators available. Where allowed by law, employees may report concerns about business practices anonymously.

Privacy

Lenovo recognizes the great importance of privacy to individuals everywhere – customers, website visitors, product users, employees – everyone. The responsible use and protection of personal and other information under the Company's care is a core value. To ensure adherence to Lenovo privacy policies, principles, and processes, Lenovo maintains a global Privacy Program led by the Legal Department and a cross-functional Privacy Working Group comprised of key partners drawn from Information Security, Product Security, Product Development, Marketing, E-Commerce, Service and Repair, Human Resources, and other groups. Key elements of Lenovo's approach to ensuring privacy compliance include:

- Monitoring privacy regulatory trends and improving Lenovo's privacy practices.
- Harmonizing global data privacy requirements into a corporate-wide set of guiding privacy principles intended to drive how Lenovo handles personal information, including developing and updating Lenovo privacy policies and procedures.

Management's discussion & analysis

- Providing contractual support to ensure that risks associated with any dataflows are covered by appropriate contractual terms; includes assisting the Lenovo Legal Center of Excellence (COE) in its efforts to update contract templates and improving privacy-focused contract exhibits.
- Providing early input to product development teams by incorporating privacy checkpoints into formal product development plans, including privacy impact assessments, and conducting pre-launch privacy compliance reviews of products, software, websites, marketing programs, internal systems, and vendor relationships.
- Responding to requests from individuals about their personal information.
- Coordinating Lenovo's response to law enforcement and other government requests for personally identifiable data.
- Developing and delivering privacy-focused training programs by working closely with the Corporate Information Security Office (CISO) to timely identify and respond to information incidents involving personal information.
- Maintaining a Privacy Program website for employees that serves as a resource containing guidance documents, contract templates, compliance checklists, and insights for communicating with the privacy team.

Stakeholder Engagement

Lenovo recognizes the importance of a variety of informed perspectives as we develop and drive our ESG programs. Through ongoing engagement with various internal and external stakeholders, we consider their feedback as we affirm what is relevant to Lenovo's business and operations, develop our ESG strategy, and set our goals. The collaboration provides insight on how to more effectively communicate ESG information that is expected by stakeholders and to help assess Lenovo's commitments and progress in key ESG focus areas.

Lenovo actively manages its relationships with customers, employees, suppliers, investors, regulators, members of the communities in which it operates, and other stakeholders whose actions can affect the organization's performance and value. We engage our stakeholders in several ways, including:

- Customer and market surveys and direct customer interaction
- Employee surveys and Lenovo-organized community service events
- Supplier audits, conferences, and quarterly business reviews
- Regular webinars and meetings with industry trade groups on regulatory issues
- Ongoing interactions with local communities
- Responding to investor, analyst, and non-governmental organization (NGO) surveys and inquiries

Lenovo's annual ESG Report provides an accounting of the organization's ESG performance for the previous fiscal year. The scope of the report is determined by conducting a Materiality Assessment, a process where Lenovo engages various stakeholders to understand the environmental, social, and governance topics which have the greatest impact on the business, and which are sufficiently important to the stakeholders. This assessment was carried out in early 2021.

In addition to these and other formal stakeholder interactions, we talk with individual stakeholder groups as needed. Our environmental, quality, and other management systems have defined processes for obtaining and analyzing stakeholder input to help improve our performance as well as manage risk. Lenovo's network of Geographic Environmental Focal Points engage with local sales teams and customers regularly. This is done through detailed responses to customer inquiries and organized meetings with customers. These discussions allow Lenovo to get direct feedback on our environmental and other programs. Examples of feedback include information on climate change commitments, ecolabel preferences, requests for packaging optimization, and requests for further information which may contribute to stakeholder education.

Lenovo acknowledges that the landscape for ESG reporting is ever-changing. Investors and other stakeholders are focused on corporate disclosures regarding the physical, liability, and transition risks related to climate change and the associated financial impacts. Lenovo's annual ESG Report complies with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Global Reporting Initiative (GRI) Standards, and addresses the needs of many Lenovo stakeholders. Although some of these requirements broadly correspond with the recommendations of the Financial Stability Board's TCFD under the recent proposals, Lenovo is striving to formulate accurate and meaningful climate-related financial disclosures to meet the requirements in line with TCFD standards by 2025.

Management's discussion & analysis

As one of the largest advanced-manufacturing companies globally, our focus on ESG helps make a significant impact in markets around the world. Since 2009, Lenovo has continued its role as a signatory to the United Nations Global Compact (UNGC), a globally recognized, credible framework that provides a blueprint to achieve a better and more sustainable future for all. As a business participant in the UNGC, we embrace the inspiration to achieve higher levels of sustainable performance. Lenovo incorporates the ten principles of the UNGC into our strategy. The principles promote a value system that supports the fundamental responsibilities in the areas of human rights, labor, environment, and anti-corruption in the markets where we operate.

Excellence in ESG practices begins at the top with the support and endorsement of our Chairman and CEO, Mr. Yang Yuanqing. At Lenovo, we are proud to be recognized by professionals and prominent programs worldwide as a leader in ESG practices. The information below contains a selection of Lenovo's FY 2020/21 ESG achievements. A detailed review of our FY 2020/21 ESG performance will be published in our ESG Report.

Key ESG Recognitions and Accomplishments

Environmental

2030 Emissions Reduction Target – As we reached and exceeded our 2020 climate change goal one year ahead of target, the drive to continually improve our environmental performance led us to set new 2030 emissions reduction targets while following the latest scientific findings of climate science. In June 2020, our proposed scope 1, 2, and 3 emissions reduction targets were verified and approved as science based by SBTi.

UN CEO Water Mandate – In FY 2020/21, we directed our efforts to assess water use and risks more closely throughout our operations and supply chain. This led to the adoption of a corporate policy on Water Resiliency and endorsement of the United Nations' CEO Water Mandate, an initiative that mobilizes business leaders to address global water challenges through corporate water stewardship.

2020 CDP – Lenovo scored A, "Leadership Level" on CDP's climate change questionnaire (CDP Climate A List) and an A on the CDP Supplier Engagement Rating (CDP Supplier Engagement Leaderboard), assessing progress toward environmental stewardship through climate change mitigation practices in our operations and supply chain.

2020 EcoVadis – Lenovo received a CSR Gold level rating with an overall score in the top four percent of companies assessed in the technology industry.

2021 Global 100 – Lenovo was recognized by Corporate Knights as one of the 100 most sustainable corporations in the world. The 17th annual ranking of the world's 100 most sustainable corporations is the result of a rigorous assessment of companies with more than US$1 billion in revenue.

Social

2020 Universum Most Attractive Employer – Lenovo was recognized as one of the World's Most Attractive Employers by Universum, an organization that surveys groups of future talent to provide insights on the company characteristics they find most attractive in a potential employer, as well as who they perceive to be their ideal employer.

2021 Corporate Equality Index – For the third consecutive year, Lenovo received a perfect score of 100 for efforts in satisfying all the criteria for the 2021 Human Rights Campaign Foundation's CEI, while earning recognition as a Best Place to Work for LGBTQ Equality.

2020 HR Asia Best Workplaces in Asia – Lenovo was recognized by HR Asia as one of the Best Companies To Work For in Asia in 2020. The award recognizes companies for high levels of employee engagement, talent development, workplace culture, as well as HR operational excellence.

Governance

2020 Hang Seng Corporate Sustainability Index – Lenovo was rated AA by the Hong Kong Quality Assurance Agency, achieving the best overall score in the IT industry. This is the 10th consecutive year that Lenovo has been included in this ranking. Lenovo was also named as one of the initial members of the new Hang Seng TECH Index, which recognizes the 30 largest qualifying technology companies listed on the Hong Kong Stock Exchange.

2020 Bloomberg Businessweek ESG Leading Enterprise Award – Lenovo was recognized in the Chinese edition of Bloomberg Businessweek in three award categories: ESG Leading Enterprise Award, Leading Environmental Initiative Award, and Leading Social Initiative Award. These awards recognize enterprises who excel in incorporating ESG goals and activities, and who demonstrate outstanding business performance and growth.

2021 BDO ESG Award – Lenovo was recognized for making a positive impact in the areas of Environment, Social and Governance (ESG), and was awarded in three categories: ESG Report of the Year – (Technology) award, Best in ESG – Large Market Capitalization award, and Best in Reporting – Large Market Capitalization award.

MSCI ESG Ratings – In December 2020, Lenovo was upgraded to 'AA' from 'A' for improved performance in overall ESG parameters. MSCI ESG Ratings aim to measure a company's resilience to long-term ESG risks.

2020 Corporate Governance Excellence Award – Lenovo was recognized as a constituent of the Hong Kong Corporate Governance Excellence Awards 2020. Organized by the Chamber of Hong Kong Listed Companies (CHKLC) and the Centre for Corporate Governance and Financial Policy, Hong Kong Baptist University (CCGFP), the award recognises listed companies for demonstrating outstanding commitment to shareholder rights, compliance, integrity, fairness, responsibility, accountability, transparency, board independence & leadership, and corporate social responsibility & sustainability.

ORGANIZATIONAL DEVELOPMENT, TALENT AND CULTURE

We are Lenovo

The "We Are Lenovo" cultural values of Serving our Customers, Innovation, Entrepreneurship, and Teamwork with Integrity & Trust are the heart of Lenovo's talent management practices. "*...I hope that by living out each culture value in our daily work, as One Lenovo, we will create more value for our customers and make the world a smarter place for everyone.*" – Yuanqing Yang (June, 2020)

Employee Performance and Compensation

Lenovo continues to leverage its performance management and compensation programs to reinforce a strong commitment to excellence in achievements and customer experience. This approach includes annual goal setting and review, calibration of individual ratings across organizations to ensure a fair assessment, and recognition of individual and team performance. The Lenovo Compensation Philosophy emphasizes our focus on pay for performance and supports flexibility in the design of business specific programs within a consistent One Lenovo Compensation framework.

Organizational Development

"In the past year, Lenovo's service-led transformation strategy has been a critical focus for the whole organization, and I am proud of the significant progress we have made so far...Attached Services, Managed Services, Device-as-a-Service (DaaS), and Solution Services...are a future growth catalyst for the company." – Yuanqing Yang (March, 2021)

Continuing the pursuit of becoming the leader and enabler of Intelligent Transformation, Lenovo updated its structure on April 1, 2021. Through the formation of the Solutions & Services Group (SSG), Lenovo will integrate all services and solutions across the company to drive growth in smart verticals, attached services, managed services and as-a-services offerings. With this addition, Lenovo will be comprised of three main business groups, reflecting the mandate to deliver against the three major areas of the company's 3S strategy:

- IDG (Intelligent Devices Group) – Smart IoT
- ISG (Infrastructure Solutions Group, renamed from Data Center Group) – Smart Infrastructure
- SSG (Solutions & Services Group) – Smart Verticals & Services

Simultaneously, to further build the One Lenovo spirit, drive growth across all businesses and reinforce Lenovo's customer-centric culture, the group integrated the former Geo model structure to form two sales organizations:

- China GEO
- International Sales Organization (ISO)

Over the coming months, Lenovo leaders from across the enterprise will further define the unique customer sets for their businesses, refine business models, and accelerate the development of new organizational capabilities and talent.

Talent Acquisition

Lenovo's talent acquisition strategy remains steadily focused on investing in the attraction of talent with future growth. Our goal is to attract and retain the world's best talent, while also equipping ourselves to energize, engage, and build our teams.

We believe that Smarter takes a global mindset, with trust and respect for one another, enabling our future talent to do exciting and rewarding work that intelligently transforms our world.

Training and Development

We have enhanced our management and leadership development program to provide support for managers during their leadership progression at Lenovo by offering specific training experiences, for example Executive Director Accelerator Program (EDAP), Director Leadership Enhancement Program (DLEP), Manager Leadership Enhancement Program (MLEP), Leading Innovative Teams (LIT), Women Leadership Development Program (WLDP) etc at key points in their careers. Instructor-led professional development courses and forums are made available throughout the year, in addition to rich online learning resources provided on demand via our global learning management system – Grow@Lenovo. Courses focusing on intelligent transformation are available on Grow@Lenovo for employees to learn anytime anywhere. Besides formal training, Lenovo's 70-20-10 approach to employee development recognizes that employees learn through three distinct types of experiences:

on-the-job training and assignments (70%), developmental coaching and mentoring relationships (20%), and coursework and training (10%). Lenovo also places a high priority on executive development, bringing senior leaders together once a year to share best practices, learn from external experts and drive strategic alignment across the enterprise through Global Leadership Team (GLT) and Lenovo Executive Accelerator Program (LEAP).

BRAND BUILDING

This extraordinary year tested Lenovo's brand promise of Smarter technology for all like never before. The world's reliance on technology to conduct every aspect of life, work and study became starkly evident, and Lenovo was called on to deliver. Delivering the promise of smarter technology for everyone demanded focused execution from every part of the company, drawing on our core strengths to execute globally, innovate swiftly, and keep customer needs at the forefront.

Customers and industry leaders recognized these efforts. The company's reputation held steady, and we earned important recognition on the Gartner Top 25 Supply Chains list and ranking among Fortune Magazine's Most Admired Companies. Recognizing that delivering smarter technology means thinking holistically about our operations, Lenovo built on its ESG commitments, publishing its most aggressive science-based sustainability goals to date and committing to global initiatives, including signing with the UN CEO'S Water Mandate to reduce global water use.

Lenovo took a further step toward its diversity and inclusion goals by signing the Valuable 500 commitment, to put disability inclusion on the business agenda, adding dimension to the company's goals to deliver smarter technology for all.

Despite the challenging year, most brand health measures remained consistent. The in-house creative model proved resilient in the face of global production challenges and was able to develop new content throughout the year. The nature of content shifted to emphasize matters relevant to customers' changing lives. The STEM at home series presented simple at-home science experiments, conducted by Lenovo employees who were also working from their homes and understood the need for children and parents to continue learning during the pandemic. Among a number of local initiatives was the Cause the Effect campaign in North America to support small businesses through public recognition, technology donations, and consulting.

Within the company, the significant addition of the Solutions and Services Group signaled the brand's shift from a devices to solutions company. With the rising importance of cross-segment solutions to meet complex real-world needs, product groups are more closely aligning to the overarching promise of the Lenovo brand and Smarter technology for all. Lenovo's core branding elements are being strengthened to be more recognizable and provide a unifying identity. In the coming year, the brand will see a more consistent face to market as the Lenovo brand takes more prominence in our go-to-market communications.

FINANCIAL HIGHLIGHTS

RESULTS

For the year ended March 31	2021 US$'000	2020 US$'000
Revenue	**60,742,312**	50,716,349
Gross profit	**9,767,887**	8,357,304
Gross profit margin	**16.1%**	16.5%
Operating expenses	**(7,587,480)**	(6,918,708)
Operating profit	**2,180,407**	1,438,596
Other non-operating income/(expenses) – net	**(406,209)**	(420,889)
Profit before taxation	**1,774,198**	1,017,707
Profit for the year	**1,312,999**	804,503
Profit attributable to equity holders of the Company	**1,178,307**	665,091
Earnings per share attributable to equity holders of the Company (US cents)		
– Basic	**9.54**	5.58
– Diluted	**8.91**	5.43
EBITDA	**3,532,162**	2,666,993
Dividend per ordinary share (HK cents)		
– Interim dividend	**6.6**	6.3
– Proposed final dividend	**24.0**	21.5

Management's discussion & analysis

For the year ended March 31, 2021, the Group achieved total sales of approximately US$60,742 million. Profit attributable to equity holders for the year surged by US$513 million to approximately US$1,178 million when compared to last year. Gross profit margin eroded 0.4 percentage points to 16.1 percent, mainly due to higher costs in freight and lower profitability of the Mobile Business Group in Latin America in the first quarter resulting from pandemic; while basic and diluted earnings per share were US9.54 cents and US8.91 cents respectively, representing an increase of US3.96 cents and US3.48 cents.

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

Analysis of operating expenses by function for the years ended March 31, 2021 and 2020 is as follows:

For the year ended March 31	2021 US$'000	2020 US$'000
Selling and distribution expenses	(3,044,967)	(2,972,260)
Administrative expenses	(2,984,356)	(2,524,818)
Research and development expenses	(1,453,912)	(1,335,744)
Other operating income/(expenses) – net	(104,245)	(85,886)
	(7,587,480)	(6,918,708)

Operating expenses for the year were 10 percent over last year which is primarily attributable to the growth of the business. Increase in employee benefit costs by US$538 million reflected the increase in various performance-based benefits which was in line with the Group's strong revenue and profit growth for the year, and also the recognition of severance costs of US$75 million in the first quarter. Amortization of intangible assets increased by US$42 million as a result of more investments in patent and technology and internal use software, and the Group recorded an impairment loss on intangible assets related to patents and technology of US$53 million (2020: nil). The Group also increased investments in research and development causing relevant expenses to increase by US$87 million. Loss allowance of trade receivables increased by US$97 million reflecting our assessment of the credit losses expected to arise due to the impact of the Covid-19 pandemic. Nonetheless, trade receivables that were past due decreased from last year. On the other hand, the Group recorded a gain on disposal of non-core property assets of US$117 million (2020: nil), a gain on disposal of subsidiaries of US$36 million (2020: US$13 million), and a fair value gain from strategic investments amounting to US$236 million (2020: US$66 million), including a dilution gain on interest in an associate of US$31 million (2020: nil), and a gain on deemed disposal of subsidiaries of US$3 million (2020: nil), reflecting the change in value of the Group's portfolio.

Key expenses by nature comprise:

For the year ended March 31	2021 US$'000	2020 US$'000
Depreciation of property, plant and equipment	**(161,468)**	(155,156)
Depreciation of right-of-use assets	**(84,224)**	(89,278)
Amortization of intangible assets	**(615,586)**	(573,608)
Impairment of intangible assets	**(52,606)**	–
Employee benefit costs, including	**(4,372,841)**	(3,835,085)
– *long-term incentive awards*	***(291,737)***	*(258,610)*
– *severance and related costs*	***(75,006)***	–
Rental expenses	**(7,484)**	(11,356)
Net foreign exchange loss	**(116,046)**	(92,614)
Advertising and promotional expenses	**(815,879)**	(796,090)
Legal, professional and consulting expenses	**(216,057)**	(205,334)
Information technology expenses	**(149,320)**	(121,053)
Loss allowance of trade receivables	**(108,070)**	(11,099)
Research and development related services and supplies	**(309,026)**	(222,221)
Gain/(loss) on disposal of property, plant and equipment	**110,004**	(11,467)
Fair value gain on financial assets at fair value through profit or loss	**201,597**	66,036
Fair value loss on a financial liability at fair value through profit or loss	**(13,721)**	(23,826)
Dilution gain on interest in an associate	**31,374**	–
Gain on deemed disposal of subsidiaries	**2,964**	–
Gain on disposal of subsidiaries	**36,029**	12,844
Gain on disposal of interest in an associate	**–**	3,922
Others	**(947,120)**	(853,323)
	(7,587,480)	(6,918,708)

Other non-operating income/(expenses) – net for the years ended March 31, 2021 and 2020 comprise:

For the year ended March 31	2021 US$'000	2020 US$'000
Finance income	**34,754**	47,850
Finance costs	**(408,640)**	(454,194)
Share of losses of associates and joint ventures	**(32,323)**	(14,545)
	(406,209)	(420,889)

Finance income mainly represents interest on bank deposits.

Finance costs for the year decreased by 10 percent as compared with last year because the Group was granted strong investment-grade ratings by the 'Big Three' credit rating agencies that lowers our borrowing rates and improved the efficiency of the factoring program. The change is a combined effect of the decrease in interest on bank loans of US$44 million and factoring costs of US$53 million, partially offset by the increase in interest on notes of US$46 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") and Data Center Group ("DCG"). Please refer to Note 5 to the Financial Statements for the measurement basis of segment information. Segment revenue and pre-tax income/(loss) for reportable segments are as follows:

For the year ended March 31	**2021** Revenue from external customers US$'000	**2021** Pre-tax income/(loss) US$'000	2020 Revenue from external customers US$'000	2020 Pre-tax income/(loss) US$'000
IDG	**54,411,212**	**3,107,456**	45,216,190	2,301,621
DCG	**6,331,100**	**(168,766)**	5,500,159	(225,497)
Segment total	**60,742,312**	**2,938,690**	50,716,349	2,076,124
Unallocated:				
Headquarters and corporate income/(expenses) – net		**(967,114)**		(725,457)
Depreciation and amortization		**(242,225)**		(168,485)
Impairment of intangible assets		**(52,606)**		–
Finance income		**19,699**		24,959
Finance costs		**(221,937)**		(216,106)
Share of losses of associates and joint ventures		**(32,323)**		(14,545)
Gain/(loss) on disposal of property, plant and equipment		**85,038**		(9,423)
Fair value gain on financial assets at fair value through profit or loss		**201,597**		66,036
Fair value loss on a financial liability at fair value through profit or loss		**(13,721)**		(23,826)
Dilution gain on interest in an associate		**31,374**		–
Gain on deemed disposal of subsidiaries		**2,964**		–
Gain on disposal of subsidiaries		**22,978**		–
Gain on disposal of interest in an associate		**–**		3,922
Dividend income		**1,784**		4,508
Consolidated profit before taxation		**1,774,198**		1,017,707

Headquarters and corporate income/(expenses) – net for the year comprise various expenses, after appropriate allocation to business groups, of US$967 million (2020: US$725 million) such as employee benefit costs, legal, professional and consulting expenses, and research and technology expenses. The increase was mainly due to employee benefit costs rising by US$208 million primarily as a result of increase in performance-based bonus which was in line with the Group's strong profit growth for the year and recognition of severance costs of US$75 million in the first quarter. The Group recorded a net exchange loss of US$116 million (2020: US$93 million). Also, fair value gain on bonus warrants decreased by US$20 million as compared with last year.

FINANCIAL POSITION

The Group's major balance sheet items are set out below:

Non-current assets	2021 US$'000	2020 US$'000
Property, plant and equipment	1,573,875	1,398,440
Right-of-use assets	893,422	812,235
Construction-in-progress	207,614	304,241
Intangible assets	8,405,005	7,984,582
Interests in associates and joint ventures	65,455	60,307
Deferred income tax assets	2,344,740	2,059,582
Financial assets at fair value through profit or loss	805,013	494,807
Financial assets at fair value through other comprehensive income	84,796	56,136
Other non-current assets	275,359	224,396
	14,655,279	13,394,726

Property, plant and equipment

Property, plant and equipment comprise mainly the Group's freehold land and buildings, leasehold improvements, plant and machinery, furniture and fixtures, office equipment and motor vehicles. The increase of 13 percent is mainly attributable to the Group's further investments in plant and machinery, office equipment as well as transfer of completed assets from construction-in-progress to cope with business growth, partly offset by current year depreciation and disposal.

Right-of-use assets

Right-of-use assets comprise mainly the land use rights in respect of the manufacturing sites and headquarters in the Mainland of China ("Chinese Mainland"), and leases of land and buildings for manufacturing sites and offices. The increase of 10 percent is mainly attributable to the land lease for the headquarter in Chinese Mainland.

Construction-in-progress

Construction-in-progress comprise mainly the Group's investments in manufacturing sites and buildings, internal use software and research and development laboratories. Internal use software mainly comprises sales and marketing, price control and contract management software for business operation. The decrease of 32 percent is mainly attributable to the transfer of completed assets to property, plant and equipment and intangible assets, partly offset by further investments in buildings under construction and internal use software.

Intangible assets

Intangible assets comprise goodwill and other intangible assets including trademarks and trade names, customer relationships, patent and technology, internal use software and exclusive right. The increase of 5 percent is mainly attributable to acquisition of patent and technology and transfer of completed internal use software from construction-in-progress to cope with the growth of business, partly offset by current year amortization.

The Group completed its annual impairment test for goodwill allocated to the Group's various cash generating units ("CGUs") by comparing their recoverable amounts to their carrying amounts as at the reporting date. The recoverable amount of a CGU is determined based on value in use. These assessments use pre-tax cash flow projections based on financial budgets approved by management covering a five-year period with a terminal value related to the future cash flow of the CGU extrapolated using constant projection of cash flows beyond the five-year period. The directors are of the view that there was no impairment of goodwill based on impairment tests performed. The 3 percent increase in goodwill is mainly due to exchange adjustment.

Interests in associates and joint ventures

Interests in associates and joint ventures increased by 9 percent, which is mainly attributable to the dilution gain on interest in an associate, partly offset by the share of losses of associates and joint ventures during the year.

Deferred income tax assets

Deferred income tax assets amounted to US$2,345 million as at current year end, representing an increase of 14 percent over last year, which is mainly attributable to tax losses and temporary differences in relation to share-based payment, provision and accrual, and deferred revenue arising in the normal course of business. Deferred income tax assets are recognized to the extent that realization of the related tax benefit through the future taxable profits is probable.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss increased by 63 percent during the year, which is mainly attributable to additional investments and net fair value gain, partly offset by disposal of certain financial assets.

Financial assets at fair value through other comprehensive income

Financial assets at fair value through other comprehensive income increased by 51 percent during the year, which is mainly attributable to additional investments during the year.

Current assets	2021 US$'000	2020 US$'000
Inventories	6,380,576	4,946,914
Trade receivables	8,397,825	6,263,012
Notes receivable	78,939	11,529
Derivative financial assets	118,299	138,813
Deposits, prepayments and other receivables	4,977,501	3,559,239
Income tax recoverable	254,442	196,464
Bank deposits	59,385	66,480
Cash and cash equivalents	3,068,385	3,550,990
	23,335,352	18,733,441

Inventories

The Group's inventories comprise raw materials and work-in-progress, finished goods and service parts where raw materials and work-in-progress accounted for more than 60 percent of total inventories. The Group's inventories purchase and production plan are primarily based on expectations on market demand. The increase of 29 percent is mainly attributable to the higher finished goods and raw materials inventory level which is in response to supply chain risks due to COVID-19 pandemic, and to cope with the increase in demand under accelerated market trends including work-from-home, e-learning, and e-commerce revolution around the world.

Trade receivables and notes receivable

Trade receivables and notes receivable increased by 35 percent which is mainly attributable to the increase in sales in the fourth quarter of the current year over the corresponding period of last year. The Group has a credit policy in place and exposures to these credit risks are monitored on an ongoing basis. Majority of trade receivables are aged within 30 days based on invoice date.

Derivative financial assets

Derivatives relate to foreign currency forward contracts that are designated as hedges for the fair value of recognized assets or liabilities or a firm commitment, or of highly probable forecast transactions. Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair values.

Deposits, prepayments and other receivables

Deposits, prepayments and other receivables mainly comprise amounts due from subcontractors for parts components sold in the ordinary course of business and other tax receivables. The increase is mainly due to the increase in components sold caused by the growth of business during the year.

Cash and cash equivalents

The decrease of 14 percent is mainly attributable to repurchase of perpetual securities, net repayment of borrowings, contribution to employee share trusts and capital expenditure during the year, partly offset by cash generated from operating activities and issuance of long-term notes. The growth of business and working capital management enables the Group to maintain sufficient cash to meet operational, financing and investing needs.

Total equity	2021 US$'000	2020 US$'000
Share capital	3,203,913	3,185,923
Reserves and others	406,620	873,372
	3,610,533	4,059,295

Management's discussion & analysis

Total equity

Total equity decreased from US$4,059 million to US$3,611 million which is mainly due to repurchase of perpetual securities, contribution to employee share trusts and dividends paid, partly offset by profit for the year and share-based compensation credited to reserves.

Non-current liabilities	2021 US$'000	2020 US$'000
Borrowings	3,299,582	1,564,619
Warranty provision	266,313	258,840
Deferred revenue	1,183,247	864,805
Retirement benefit obligations	431,905	458,386
Deferred income tax liabilities	391,258	342,805
Other non-current liabilities	1,436,156	1,321,296
	7,008,461	4,810,751

Borrowings

Borrowings (classified as non-current) increased by US$1,735 million mainly attributable to the issuance of two long-term notes amounting to US$2 billion and the reclassification of convertible bonds from current to non-current as a result of the lapse of the redemption option; partly offset by the redemption of notes and the reclassification of the convertible preferred shares from non-current to current due to the occurrence of certain specified conditions giving the holders of convertible preferred shares the right to require the Group to redeem or purchase all of their convertible preferred shares at the predetermined consideration within the next 12 months.

Warranty provision

The Group records warranty liabilities at the time of sale for the estimated costs that will be incurred under its basic limited warranty. The specific warranty terms and conditions vary depending upon the product and the country in which it was sold, but generally includes technical support, repair parts and labour associated with warranty repair and service actions. The period ranges from one to three years. The Group revalues its estimates on a quarterly basis to assess the adequacy of its recorded warranty liabilities and adjusts the amounts as necessary.

Deferred revenue

Deferred revenue (classified as non-current) primarily relate to the Group's unfulfilled performance obligations over extended warranty services at the reporting date for which consideration has been received. The increase of 37 percent is driven by the increase in attached services during the year.

Retirement benefit obligations

The Group operates various pension schemes. The schemes are generally funded through payments to insurance companies or trustee-administered funds, determined by periodic actuarial calculations. The Group has both defined benefit and defined contribution plans.

Deferred income tax liabilities

Deferred income tax liabilities comprise withholding tax on undistributed earnings, tax liabilities on upward valuation of intangibles arising from business combination and accelerated tax depreciation.

Other non-current liabilities

Other non-current liabilities mainly comprise liabilities arising from written put options granted to Fujitsu Limited ("Fujitsu") and Hefei Yuan Jia Start-up Investment LLP ("Yuan Jia"), long-term lease liabilities, deferred consideration and government incentives and grants received in advance. The increase of 9 percent is mainly due to the increase in other long-term payables, partly offset by the transfer of written put options granted to Yuan Jia from non-current to current as it will be due within the next 12 months after the year end.

Current liabilities	**2021 US$'000**	2020 US$'000
Trade payables	**10,220,796**	7,509,724
Notes payable	**885,628**	1,458,645
Derivative financial liabilities	**35,944**	73,784
Other payables and accruals	**13,178,498**	9,025,643
Provisions	**910,380**	718,771
Deferred revenue	**1,046,677**	819,199
Income tax payable	**395,443**	357,375
Borrowings	**698,271**	3,294,980
	27,371,637	23,258,121

Trade payables and notes payable

Trade payables and notes payable increased by 24 percent, mainly due to the increase in purchase of raw materials for production to cope with the increase in market demand and business activities during the year.

Derivative financial liabilities

Derivatives relate to foreign currency forward contracts that are designated as hedges for the fair value of recognized assets or liabilities or a firm commitment, or of highly probable forecast transactions. Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair values.

Management's discussion & analysis

Other payables and accruals

Other payables and accruals mainly comprise the obligations to pay for finished goods that have been acquired in the ordinary course of business from subcontractors; allowance for billing adjustments relating primarily to allowance for future volume discounts, price protection, rebates, and customer sales returns; accruals for salaries, commission and bonus and lease liabilities. The increase is the combined effect of increase in obligations to pay for finished goods from subcontractors driven by the increase in business activities; higher bonus and sales commission accruals; increase in lease liabilities and allowance for billing adjustments, as well as the transfer of liability of written put options granted to Yuan Jia from non-current to current as it will be due within the next 12 months after the year end, partly offset by the settlement of contingent consideration to Fujitsu.

Provisions

Provisions comprise warranty provision (due within one year) and environmental restorations. The increase of 27 percent is driven by the increase in revenue during the year resulting in higher estimated costs that will be incurred under its basic limited warranty.

Deferred revenue

Deferred revenue (classified as current) primarily relate to the Group's unfulfilled performance obligations over extended warranty services at the reporting date for which consideration has been received. The increase of 28 percent is driven by the increase in attached services during the year.

Borrowings

Borrowings (classified as current) decreased by 79 percent, which is the combined effect of the net repayment of short-term loans, reclassification of convertible bonds from current to non-current, partial redemption of notes, partly offset by the reclassification of the convertible preferred shares from non-current to current.

Capital Expenditure

The Group incurred capital expenditure of US$844 million (2020:US$953 million) during the year ended March 31, 2021, mainly for the acquisition of property, plant and equipment, additions to construction-in-progress and intangible assets. The higher capital expenditure incurred last year was mainly attributable to more investments in patent and technology particularly on cloud technology and internal use software.

Liquidity and Financial Resources

At March 31, 2021, total assets of the Group amounted to US$37,991 million (2020: US$32,128 million), which were financed by equity attributable to owners of the Company of US$3,559 million (2020: US$3,197 million), other non-controlling interests (net of put option written on non-controlling interests) of US$52 million (2020: negative balance of US$132 million), (2020: perpetual securities of US$994 million) and total liabilities of US$34,380 million (2020: US$28,069 million). At March 31, 2021, the current ratio of the Group was 0.85 (2020: 0.81).

At March 31, 2021, bank deposits and cash and cash equivalents totalling US$3,128 million (2020: US$3,617 million) analyzed by major currency are as follows:

	2021 %	2020 %
US dollar	34.9	35.3
Renminbi	25.7	25.4
Japanese Yen	11.3	10.3
Euro	5.5	7.8
Great British Pound	1.4	4.2
Other currencies	21.2	17.0
Total	100.0	100.0

The Group adopts a conservative policy to invest the surplus cash generated from operations. At March 31, 2021, 100.0 (2020: 85.6) percent of cash are bank deposits, and 0.0 (2020: 14.4) percent are investments in liquid money market funds of investment grade.

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

The Group has the following banking facilities:

				Utilization amount at March 31,	
Type	Date of agreement	Principal amount US$ million	Term	2021 US$ million	2020 US$ million
Loan facility	May 26, 2015	300	5 years	N/A	300
Revolving loan facility	March 28, 2018	1,500	5 years	-	1,500
Loan facility	May 12, 2020	300	5 years	-	N/A
Revolving loan facility	May 14, 2020	200	5 years	-	N/A

Notes, convertible bonds and convertible preferred shares issued by the Group and outstanding as at March 31, 2021 are as follows:

	Issue date	Principal amount	Term	Interest rate/ dividend per annum	Due date	Use of proceeds
2022 Notes	March 16, 2017	US$337 million	5 years	3.875%	March 2022	For repayment of the outstanding amount under the promissory notes issued to Google Inc. and general corporate purposes
2023 Notes	March 29, 2018	US$687 million	5 years	4.75%	March 2023	For repayment of previous Notes and general corporate purposes
Convertible bonds	January 24, 2019	US$675 million	5 years (Note (a))	3.375%	January 2024	For repayment of previous Notes and general corporate purposes
Convertible preferred shares	June 21, 2019	US$280 million	N/A (Note (b))	4%	N/A (Note (b))	For general corporate funding and capital expenditure
2025 Notes	April 24, 2020 and May 12, 2020	US$1 billion	5 years	5.875%	April 2025	For repayment of previous Notes and general corporate purposes
2030 Notes	November 2, 2020	US$1 billion	10 years	3.421%	November 2030	For repurchase of perpetual securities and previous Notes

Notes:

(a) Please refer to Note 26(c) to the Financial Statements for details.

(b) Please refer to Note 26(d) to the Financial Statements for details.

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

Credit facilities	Total facilities amount at March 31		Drawn down amount at March 31	
	2021 US$ million	2020 US$ million	**2021 US$ million**	2020 US$ million
Trade lines	**2,003**	2,547	**1,637**	2,047
Short-term money market facilities	**1,029**	1,034	**47**	334
Forward foreign exchange contracts	**12,023**	9,278	**11,975**	9,222

Net debt position and gearing ratio of the Group as at March 31, 2021 and 2020 are as follows:

	2021 US$ million	2020 US$ million
Bank deposits and cash and cash equivalents	**3,128**	3,617
Borrowings		
– Short-term loans	**58**	2,125
– Long-term loan	**2**	3
– Notes	**3,011**	1,807
– Convertible bonds	**624**	607
– Convertible preferred shares	**303**	318
Net debt position	**(870)**	(1,243)
Total equity	**3,611**	4,059
Gearing ratio (Borrowings divided by total equity)	**1.11**	1.20

The Group is confident that the facilities on hand can meet the funding requirements of the Group's operations and business development. The Group is in full compliance with all the banking covenants.

The Group adopts a consistent hedging policy for business transactions to reduce the risk of currency fluctuation arising from daily operations. At March 31, 2021, the Group had commitments in respect of outstanding forward foreign exchange contracts amounting to US$11,975 million (2020: US$9,222 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.

Lenovo serves up smart solutions for a major food delivery company

A leading food delivery platform in the Asia Pacific region has turned to Lenovo Solutions & Services to help them quickly onboard new restaurants while also addressing the explosion in online food ordering.

As the Asia Pacific region began to feel serious repercussions from the pandemic, many restaurants had to adapt to prevent steep declines in revenue. Restaurants had to change their business model and focus on deliveries via an online platform.

The portal received over 10,000 meal orders a day and constant requests to add new restaurants. Adding to the challenge, the platform was managing multiple customer touchpoints to ensure that these restaurants were serving up orders efficiently and accurately.

The company turned to Lenovo and as a result was able to give its full attention to onboarding new restaurant partners. Lenovo assisted them in delivering better and more convenient solutions to their end customers.

Lenovo began by targeting the most pressing pain point. The team offered Lenovo tablets in a way that met the customer's needs: this included putting all accessories into a startup kit and a tablet already imaged with the app.

Lenovo also implemented onboarding sheets, even taking service calls from the restaurant owners who had problems taking orders through tablets. The services team does operate a large capacity call center and these resources were put to good use for the platform and their restaurant partners.

As a result, the platform was able to onboard new restaurants faster, reduce restaurant down time to help them maintain their online business, and support them in the long-term as they reaped the advantages of digitization. In addition, the restaurants themselves were able to sell more meals.

Lenovo Solutions & Services proved a convenient solution for their own consumers and for the hungry customers looking to grab a bite from their favorite local restaurant.

Corporate governance report

CORPORATE GOVERNANCE PRINCIPLES AND STRUCTURE

The board of directors (the "Board") and the management of Lenovo Group Limited (the "Company", together with its subsidiaries, the "Group") strive to attain and uphold a high standard of corporate governance and to maintain sound and well-established corporate governance practices for the interest sake of shareholders and other stakeholders including, but not limited to, customers, suppliers, employees and the general public. The Company abides strictly by the governing laws and regulations of the jurisdictions where it operates and observes the applicable guidelines and rules issued by regulatory authorities. It regularly undertakes review of its corporate governance system to ensure it is in line with international and local best practices.

Compliance with Corporate Governance Code

Throughout the year ended March 31, 2021, the Company has complied with the code provisions of the Corporate Governance Code and Corporate Governance Report (the "CG Code") set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules"), and where appropriate, met the recommended best practices in the CG Code, with the exception that the roles of the chairman of the Board (the "Chairman") and the chief executive officer of the Company (the "CEO") have not been segregated as required by code provision A.2.1 of the CG Code.

Since November 3, 2011, Mr. Yang Yuanqing ("Mr. Yang") has been performing both the roles as the Chairman and the CEO. The Board has reviewed the organization human resources planning of the Company and is of the opinion that it is appropriate and in the best interests of the Company at the present stage for Mr. Yang to continue to hold both the positions as it would help to maintain the continuity of the strategy execution and stability of the operations of the Company. The Board comprising a vast majority of independent non-executive directors meets regularly on a quarterly basis to review the operations of the Company led by Mr. Yang.

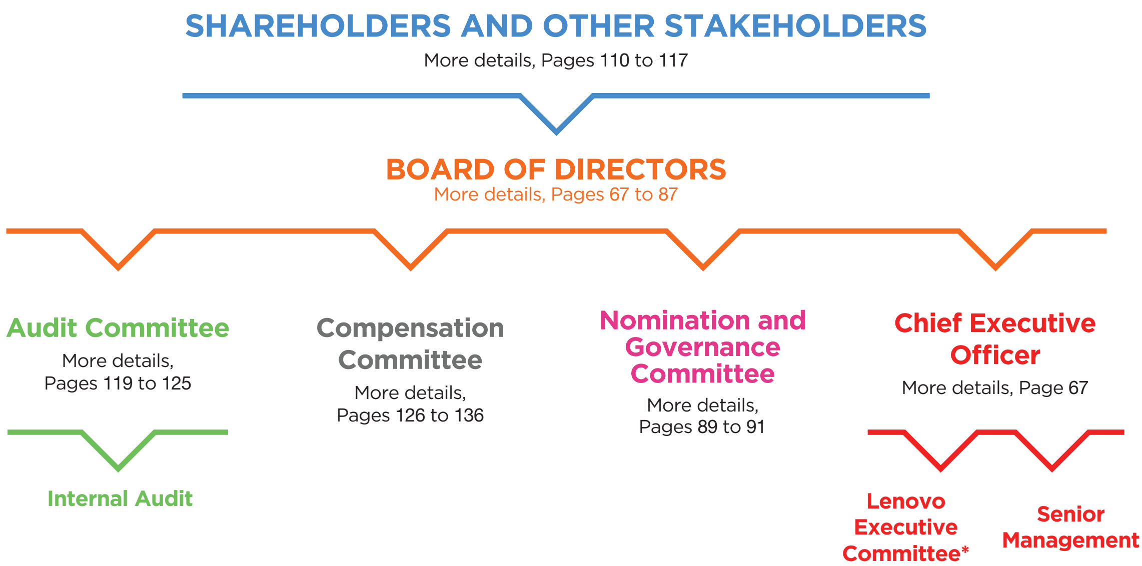
The Board also appointed Mr. William O. Grabe as the lead independent director (the "Lead Independent Director") with broad authority and responsibility. Among other responsibilities, the Lead Independent Director serves as Chair of the Nomination and Governance Committee meeting and/or Board meeting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

Apart from the foregoing, the Company met the recommended best practices in the CG Code as disclosed in the respective sections of this report. Particularly, the Company published quarterly financial results and business reviews in addition to interim and annual results. Quarterly financial results enhanced the shareholders' ability to assess the performance, financial position and prospects of the Company. The quarterly financial results were also prepared using the accounting standards consistent with the policies applied to the interim and annual financial statements.

Corporate governance report

The Board has established a clear governance structure and the overall approach has been designed to support and work within our organizational structure to meet the challenges of the future.

Governance Structure



* *A management committee comprising the CEO and certain members of the senior management*

KEY MATTERS RESERVED TO THE BOARD DECISION

The Board has adopted a schedule of key matters relating to the strategy, finance and governance which are for decision by the Board. The table on page 81 sets out these key matters reserved by the Board for decision.

BOARD COMMITTEES STRUCTURE

The Board has delegated authority for its key governance functions to three main committees with the responsibilities outlined on page 88. Details of the activities and decisions taken by these committees during the year are shown in the relevant committees' reports.

CEO, LENOVO EXECUTIVE COMMITTEE AND DELEGATED AUTHORITIES

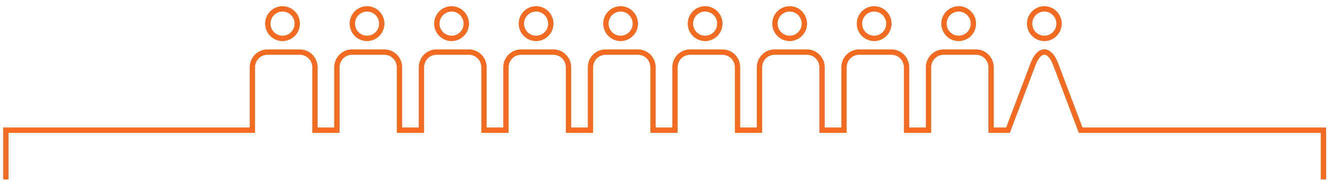
The CEO who manages the business in line with the strategy agreed by the Board and is accountable to it. Details of the responsibilities of CEO are set out on page 67.

The CEO is supported by the Lenovo Executive Committee which helps to implement strategy and manage operational performance. The CEO has also established authority framework adopted by the Group through which he delegates certain management decisions to specific individuals and management.

LEADERSHIP

Board Roles

As of the date of this annual report, there are ten Board members consisting of one executive director, two non-executive directors and seven independent non-executive directors. The Board has a coherent framework with clearly defined responsibilities and accountabilities designed to safeguard and enhance long-term shareholder values and provide a robust platform to realise the strategy of the Group. A summary of responsibilities of leadership of the Company and those of the Lead Independent Director is given in the diagram below.



CHAIRMAN

Mr. Yang Yuanqing

- leads the Board in the determination of its strategy and in the achievement of its objectives
- provides leadership and manages the Board to ensure that all directors are properly briefed on issues arising at Board meetings and receive adequate, complete and reliable information in a timely manner
- approves the agendas for Board meetings, taking full account of the issues and concerns of Board members. Board agendas are structured to allow adequate and sufficient time for the discussion of the items on the agendas, in particular, strategic matters
- facilitates and encourages active engagement of Board members, particularly on matters of the Group's strategy or other major proposals, by drawing on directors' skills, experience and knowledge
- ensures good corporate governance practices and procedures are established and effective communications with shareholders and other stakeholders

NON-EXECUTIVE DIRECTORS

Independent non-executive directors:
Mr. Nicholas C. Allen
Mr. William O. Grabe
Mr. William Tudor Brown
Mr. Yang Chih-Yuan Jerry
Mr. Gordon Robert Halyburton Orr
Mr. Woo Chin Wan Raymond
Ms. Yang Lan

Non-executive directors:
Mr. Zhu Linan
Mr. Zhao John Huan

- participate in Board meetings to bring an independent judgement to bear on issues of strategy, policy, performance, accountability, resources, key appointments and standards of conduct
- take the lead where potential conflicts of interests arise
- scrutinise the Group's performance in achieving agreed corporate goals and objectives, and monitor performance reporting
- make a positive contribution to the development of the Group's strategy and policies through independent, constructive and informed comments
- engage with senior management and other relevant parties, such as the external or internal auditors as well as the Company's legal department, to ensure that the various concerns and issues relevant to the management and oversight of the business and operations of the Company and the Group are properly addressed

LEAD INDEPENDENT DIRECTOR

Mr. William O. Grabe

- serves as Chair of the Nomination and Governance Committee meeting and/or the Board meeting whenever considering (i) the combined roles of Chairman and CEO; and (ii) assessment of the performance of Chairman and/or CEO
- calls and chairs meeting(s) with all independent non-executive directors at least once a year on such matters as are deemed appropriate and provides feedbacks to Chairman and/or CEO
- serves a key role in the Board evaluation process
- responds directly to shareholders and other stakeholders' questions and comments that are directed to the Lead Independent Director or to the independent non-executive directors as a group, when appropriate
- if requested by major shareholders, ensures that he is available, when appropriate, for consultation and direct communication
- performs other duties as the Board may designate

CHIEF EXECUTIVE OFFICER

Mr. Yang Yuanqing

- formulates and recommends the strategy of the Group to the Board
- executes the strategy agreed by the Board
- makes and implements operational decisions and manages the business day-to-day
- leads the business and the management team

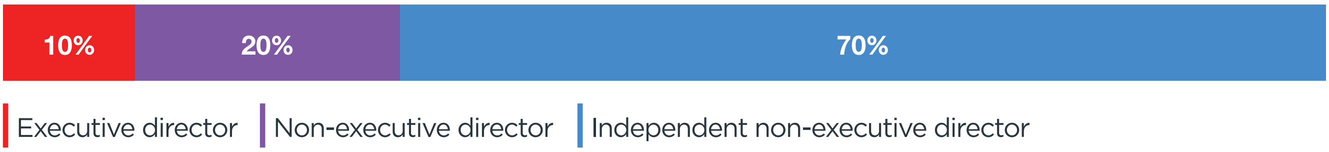
Corporate governance report

Board Composition

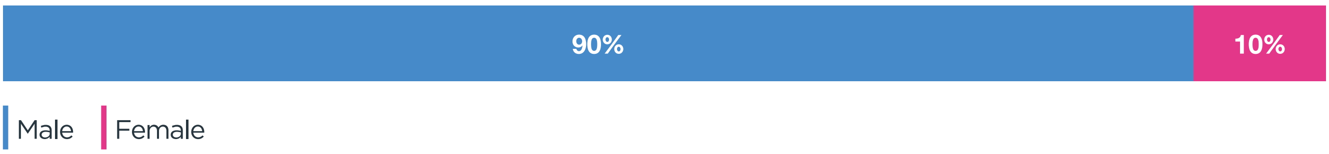
The structure, size and composition (including but not limited to gender, age, skills, experiences and length of service) of the Board will be reviewed from time to time by the Nomination and Governance Committee to ensure that the Board has a balance of skills and expertise for providing effective leadership to the Company and meeting the needs of the Group.

As of the date of this annual report, the Board diversity mix is shown below while the detailed biographies and snapshot of the Board's experience are set out on pages 143 to 146 of this annual report.

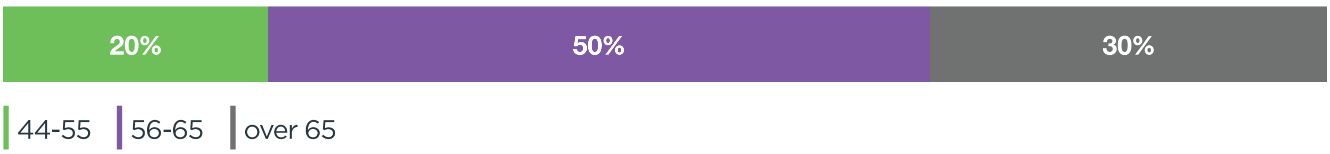
Designation



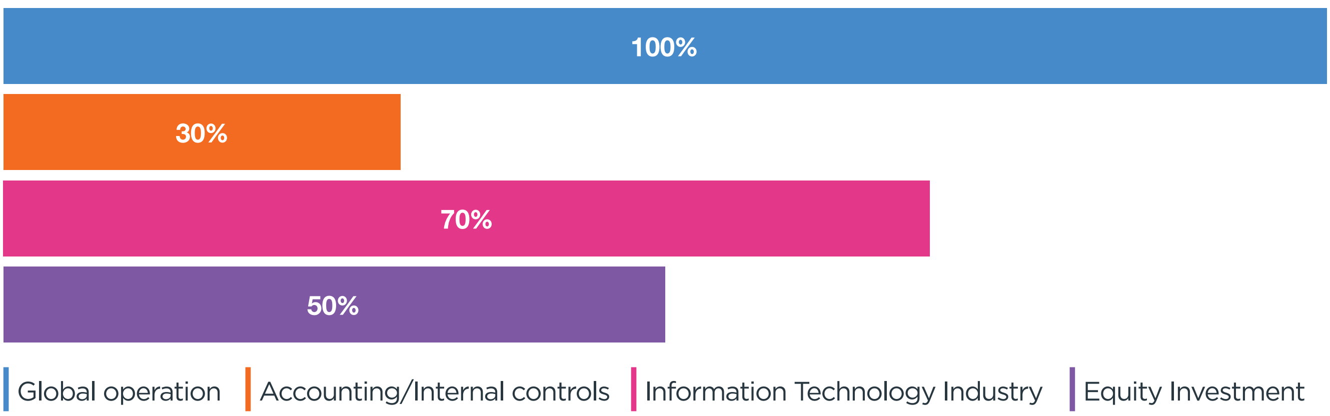
Gender



Age Group



Area of Experience



Key Features of the Board Composition	
Diversity	The Board adopted a Board diversity policy (the "Board Diversity Policy") which relates to the selection of candidates for the Board. A summary of the Board Diversity Policy including the views and measurable objectives is set out on page 70 of this report.
Independence	The current composition of the Board exceeds the requirements under rule 3.10A of the Listing Rules, as more than half of its members are independent non-executive directors, thus exhibiting a strong independent element which enhances independent judgement.
	Mr. William O. Grabe, an independent non-executive director of the Company was appointed as the Lead Independent Director for enhancing corporate governance of the Company. The roles and responsibilities of the Lead Independent Director are set out on page 67 of this report.
	The Company has maintained on its website and Hong Kong Exchanges and Clearing Limited's website (the "HKEx's website") an updated list of its directors identifying their roles and functions and whether they are independent non-executive directors.
	Independent non-executive directors are also identified as such in all corporate communications that disclose the names of directors of the Company.
Professional qualification	Mr. Nicholas C. Allen and Mr. Woo Chin Wan Raymond, independent non-executive directors of the Company, have the appropriate professional qualifications or accounting or related financial management expertise, as required under the Listing Rules.
Relationship among directors	Mr. Zhu Linan and Mr. Zhao John Huan, non-executive directors of the Company, also serve on the board of directors of Legend Holdings Corporation, which company held approximately 37.38% of the total number of shares in issue of the Company as of March 31, 2021 according to the interest as recorded in the register maintained under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO"). The details are set out on page 117 of this report and page 152 under Directors' report of this annual report.
	To the best knowledge of the Board members, there is no other relationship among the members of the Board as of the date of this annual report except for the relationships (including financial, business, family, and other material and relevant relationships) as mentioned in this report and in the biographies of directors set out on pages 143 to 146 of this annual report.

Appointment and Election

Nomination Policy

The Board adopted a Nomination Policy which guides the Nomination and Governance Committee and the Board on nomination of candidates for the Board. This Policy sets out the selection criteria, the tenure, the election/re-election requirements and the nomination procedure, details of which are set out below.

Diversity

The Board values diversity as a factor in selecting candidates to serve on the Board and believes that the diversity which exists in its composition provides significant benefits to the Board and the Company and forms an important part of the Nomination Policy.

The Board believes that a key success factor of an effective Board is that it comprises a range and balance of skills, experience, knowledge and independence, with individuals that work as a team. The Board Diversity Policy which relates to the selection of candidates for the Board was adopted to ensure that diversity in its broadest sense continues to remain a feature of the Board. All Board appointments are made on merit, in the context of the skills, experience and diversity, the Board as a whole requires being effective. The details of the appointment process can be found on page 72 of this report.

The Nomination and Governance Committee has been delegated with the responsibilities for the review of the Board Diversity Policy on an annual basis. During the fiscal year 2020/21, the Nomination and Governance Committee reviewed the below measurable objectives and the progress in achieving these objectives:

Measurable Objectives		Progress for Achieving Objectives
Objective 1	Consider candidates for appointment as independent non-executive directors from a wide pool of backgrounds, skills, experience and perspectives that would complement the existing Board and preferably add diversity	• On-going search for appropriate candidates to be appointed as independent non-executive directors • Due to the impact of COVID-19 and the current international relations, the search has become more challenging. Notwithstanding this, the Company targets to have new member(s) and add diversity to the existing Board in FY2021/22. • In the ordinary course of the Board succession process
Objective 2	Report annually against the objectives and other initiatives taking place within the Company which promote diversity	• The Board evaluation process includes an assessment of the Board's diversity helping to objectively consider the Board composition and effectiveness • FY2021/22 and ongoing
Objective 3	Report annually on the outcome of the composition and structure of the Board as well as any issues and challenges the Board is facing when considering the diverse make-up of the Company	• Make use of the Board evaluation process as an important means of monitoring the progress • Remain committed to getting the right balance of the composition of the Board and work towards understanding and managing some of the challenges the Company faces in the global information technology sector, particularly in internet, mobile, software, data center, artificial intelligence and clouds areas • FY2021/22 and ongoing

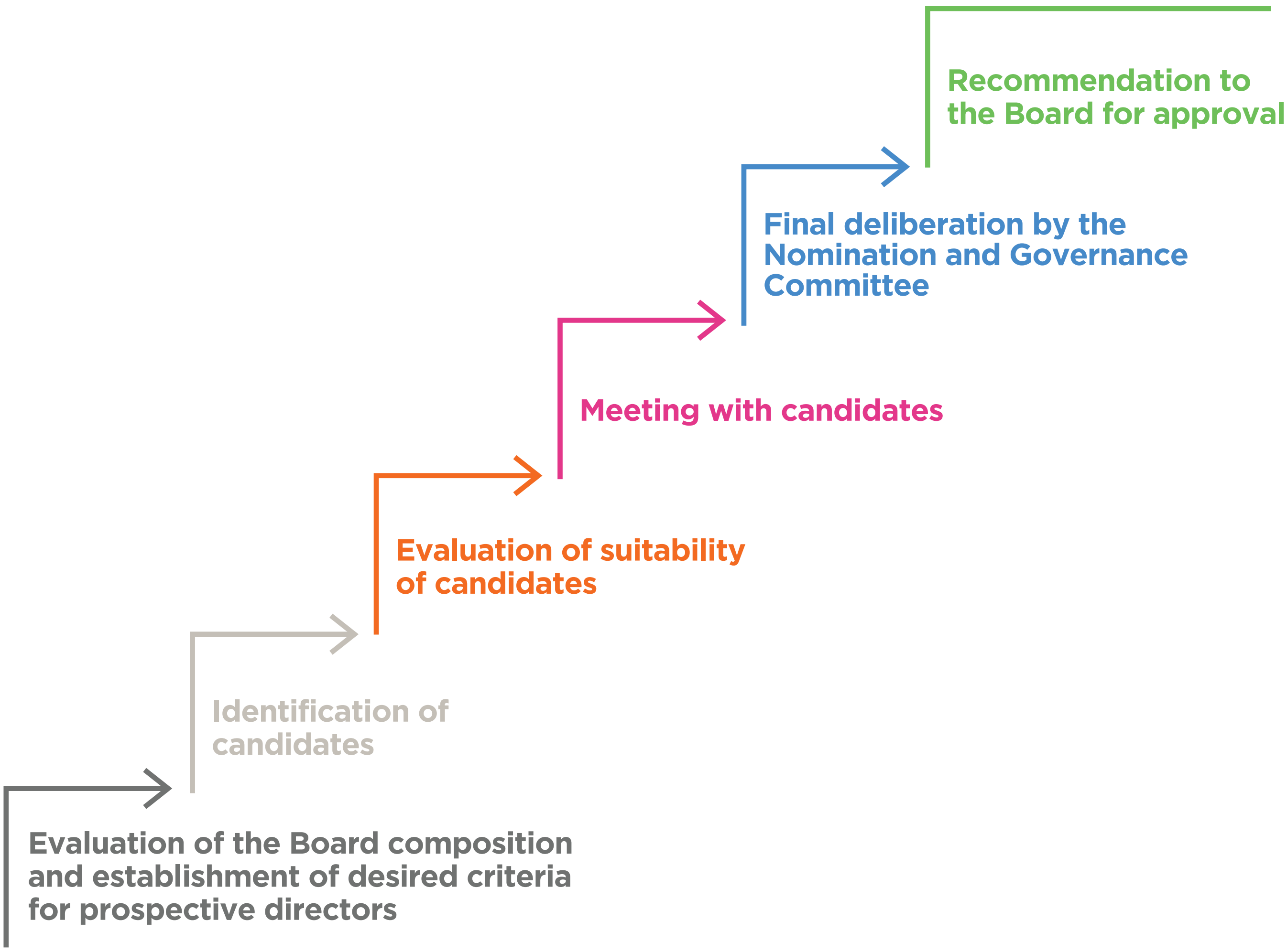
Appointment process

The Board recognises the need to ensure the Board and senior management are always well resourced, with the suitable people in terms of skills and experience to deliver the Group's strategy.

There is a formal and transparent procedure for the appointment of new directors to the Board, the primary responsibility of which has been delegated to the Nomination and Governance Committee. The Nomination and Governance Committee is composed of the Chairman and two independent non-executive directors. This composition ensures that any decisions made are impartial and are in the best interest of the Company.

The Nomination and Governance Committee's assessment of the candidates includes, but not limited to, consideration of the relevant knowledge and diversity of backgrounds, skills, experience and perspectives that would complement the existing Board.

The Nomination and Governance Committee also ensures that candidates satisfy the requisite skills and core competencies to be deemed fit and proper, and to be appointed as director. The nomination process involves the following six stages:



Succession
The Nomination and Governance Committee regularly reviews the structure, size and composition (including the skills, knowledge and experience) required of the Board and makes recommendations to the Board as appropriate. The Board has satisfied itself that the appropriate plan has been in place for orderly succession to the Board as well as procedures to ensure an appropriate balance of skills on the Board and its committees. The Board and the Nomination and Governance Committee have regularly discussed and reviewed Board composition and succession planning during the year and this will continue in the fiscal year 2021/22.

During the year, (i) Mr. Nobuyuki Idei, Independent Non-executive Director of the Company and a member of the Nomination and Governance Committee, after having served on the Board for nine years, retired from the Board after the conclusion of the annual general meeting held on July 9, 2020; (ii) Ms. Yang Lan was appointed as an Independent non-executive director of the Company and a member of the Nomination and Governance Committee on May 15, 2020 and July 9, 2020 respectively.

Tenure
In accordance with the articles of association of the Company (the "Articles of Association"), all directors are subject to retirement by rotation. At each annual general meeting, one-third of the directors for the time being shall retire from office. The retiring directors shall be eligible for re-election. New appointments either to fill a casual vacancy or as an addition to the Board are subject to re-election by shareholders of the Company at the next following annual general meeting of the Company. The chart below shows the tenure of the Board members as of March 31, 2021.

All non-executive directors (including independent non-executive directors) have entered into letters of appointment with the Company for a term of three years. Their terms of appointment shall be subject to retirement from office by rotation and re-election at the annual general meeting in accordance with the Articles of Association.

The Company agreed that the independence of directors is an important principle of the Company. In line with the best practices on corporate governance, the Board adopted the principle that each term of an independent non-executive director of the Company shall not be more than three years and shall, subject to re-election by shareholders at any subsequent annual general meeting of the Company, be renewable for additional three-year terms up to a total of nine years. At the recommendation of the Nomination and Governance Committee, the Board may invite an independent non-executive director to serve for an additional three-year term extending up to a total of twelve years subject to re-election at any subsequent annual general meeting of the Company.

Tenure of Board members

Corporate governance report

Independence

The independent non-executive directors do not participate in the day-to-day management of the Company and do not engage in any business dealing or other relationships with the Group (other than in situations permitted by the applicable regulations) in order to ensure that they remain truly capable of exercising independent judgement and act in the best interests of the Company and its shareholders.

Each of the independent non-executive directors has made a confirmation of independence pursuant to rule 3.13 of the Listing Rules. On May 26, 2021, the Nomination and Governance Committee conducted an annual review of the independence of all independent non-executive directors of the Company for the year ended March 31, 2021. Having taken into account the factors as set out in rule 3.13 of the Listing Rules in assessing the independence of independent non-executive directors, the Nomination and Governance Committee (with the relevant committee member abstaining from voting on the resolutions concerning his own independence) concluded that all of the independent non-executive directors satisfied the criteria of independence as set out in the Listing Rules.

In addition, the Nomination and Governance Committee affirmed that all independent non-executive directors of the Company provided a strong independent element on the Board, were free from any business or other relationship which could materially interfere with the exercise of their judgement, and remained independent for the year ended March 31, 2021.

Independence Assessment

Before and on appointment

- Nomination and Governance Committee will evaluate the suitability of the candidates, including an assessment of their independence
- Upon his/her appointment, he/she is required to confirm with the Stock Exchange his/her independence having regard to the criteria under rule 3.13 of the Listing Rules

Ongoing process

- Each of the independent non-executive directors is required to inform the Stock Exchange and the Company as soon as practicable if there is any change in his/her own personal particulars that may affect his/her independence
- The independent non-executive directors are required to confirm with the Company whether he/she has any financial, business, family or other material/relevant relationship with each other on a semi-annual basis
- All directors have continuing duty to update the Company on any changes to their other appointments which will be reviewed by the Company

Annual assessment

- Each of the independent non-executive directors is required to confirm with the Company his/her independence having regard to the criteria under rule 3.13 of the Listing Rules
- Nomination and Governance Committee assesses and reviews the independence of independent non-executive directors annually

Conflicts of interest
Directors have a statutory duty to avoid situations in which they have or may have interests that conflict with those of the Company. The Board has a set procedure and guidance to deal with the actual or potential conflicts of interest of directors as follows:

- The Board deals with each appointment on its individual merit and takes into consideration all the circumstances.

- Prior to taking additional responsibilities or external appointments, directors are obliged to ensure that they will be able to meet the time commitment expected of them in their role at the Company and do not have any potential conflicts that may arise when taking up a position with another company.

- Decisions regarding transactions with directors and their related parties are always dealt with by other directors, such as matter regarding the remuneration of executive director is handled by the Compensation Committee.

- Under the Articles of Association, directors are also required to declare their direct or indirect interests, if any, in any proposal, transaction, arrangement or contract that is significant in relation to the Company's business and the director's interest or his/her associate's interest or the interest of the entity connected with the director is material.

All potential conflicts of interest will be recorded, which are reviewed on an annual basis by the Nomination and Governance Committee to ensure that the procedures are working effectively.

Commitments
All directors are committed to devote sufficient time and attention to the affairs of the Company. Directors are given guidelines on their time commitments to the affairs of the Company and corresponding confirmations were received from the directors in their letters of appointment. Directors have also disclosed to the Company the number and nature of offices held in Hong Kong and/or overseas listed public companies or organisations and other significant commitments, with their positions at the public companies or organisations. Directors are reminded to notify the Company in a timely manner and bi-annually confirm to the Company of any changes of such information. The chart below shows the number of directorship of the directors with other listed public companies as at March 31, 2021.

Directorship with other listed public companies

With respect to those directors who stand for election or re-election at the forthcoming annual general meeting, all of their directorships held in listed public companies in the past three years are also set out in the circular accompanying the notice of the forthcoming annual general meeting.

Share ownership

The Board has adopted stock ownership guidelines for non-employee directors. The Board believes that share ownership aligns the interests of its directors with the long-term interests of the shareholders and further promotes the Company's commitment to sound corporate governance. In general, these guidelines require non-employee directors to maintain a certain level of equity awards granted to them for so long as he/she is a director of the Company.

Directors' Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules from time to time and devised based on the principles of the Model Code a comprehensive and operative company policy to govern securities transactions by directors and designated senior management of the Company. All directors of the Company have confirmed, after specific enquiry, their compliance with the required standard during the year ended March 31, 2021.

The Company has also adopted its own trading in securities policy applicable to designated senior management of the Company which is on terms no less exacting than the required standard as set out in the Model Code.

Induction and Continuous Professional Development

The Company is aware of the requirement to regularly review and agree with each director their training needs. Keeping up-to-date with key business developments is essential for directors to maintain and enhance their effectiveness.

Induction program

For new directors

Upon joining the Company, directors are provided with a bespoke induction program to further their understanding of the nature of the Company, its business and the markets in which it operates, and also enhance their knowledge of the Group, its operation and staff. Induction program is tailored to each new director, depending on the experience and background of the director. Normally, a comprehensive, formal and tailored induction program covering amongst other things:

For new Board committee members

Directors to be appointed to the Board committee(s) are provided with an induction handbook which is designed to provide the Board committee members with information regarding the roles of committee members, making the most of their time on the committee(s), committee meeting annual agendas, and general information about the respective Board committee of the Company.

On Appointment

RECEIVING DIRECTOR'S INDUCTION HANDBOOK	**ATTENDING BRIEFING/ TRAINING BY EXTERNAL LAWYER**
to ensure that the director has a proper understanding of the operations, business and governance policies of the Company	to ensure the director is fully aware of the responsibilities as a director under statute and common law, the Listing Rules, applicable legal requirements and other regulatory requirements

Following Appointment

MEETING WITH CHAIRMAN, DIRECTORS AND A WIDE RANGE OF SENIOR MANAGEMENT FROM ACROSS THE BUSINESS	**ATTENDING BRIEFING AND PRESENTATION FROM SENIOR EXECUTIVES AND VISIT TO BUSINESS OPERATIONS**	**ATTENDING CONTINUOUS PROFESSIONAL DEVELOPMENT PROGRAM**
to ensure that the director has a proper understanding of the culture and the operations of the Group	to ensure the director has a proper understanding of the operations of the Group and its development	to ensure that the director keeps abreast of new laws, regulations or developments in business that are relevant to the roles as a director of the Company

Continuous professional development program

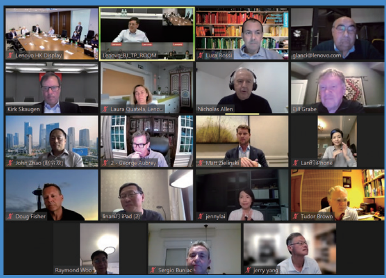
As part of the continuous professional development program, the Board members from time to time receive presentations from senior executives in the business on matters of significance. Financial plans, including budgets and forecasts, updates on Environmental, Social and Governance ("ESG") issues are regularly discussed at Board meetings. The Company would arrange appropriate visits and seminars covering the Group's operations, the industry and governance matters for directors to facilitate their understanding of the Group's businesses and have a better awareness of the risks associated with the Group's operations. However, under the global impact of COVID-19, it was difficult to have face-to-face trainings and activities across geos the directors being located. During the year ended March 31, 2021, most of the trainings and activities for the directors were held virtually.

EVENTS

In order to enhance greater interaction between Board members and senior management, the Company arranged directors to attend the Global Leadership Team ("GLT") annual meeting. The GLT meeting was launched virtually and face-to-face in Beijing, China, Hong Kong, S.A.R. of China, Italy and Brazil on October 12 to 14, 2020, with plenary sessions and breakout sessions in the three days. It presented an excellent opportunity for Lenovo's leaders on the one hand to work together, share ideas, identify challenges and, most importantly, develop solutions on specified topics; and on the other hand, to build cross-functional networking.

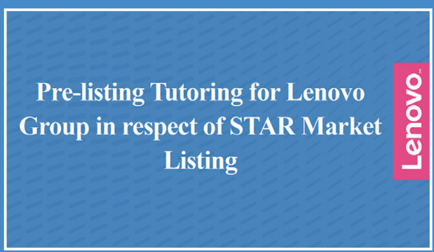
On October 28 and 29, 2020, the Company launched Lenovo Tech World virtually and invited the directors to join. Tech World was created to showcase Lenovo's innovation and provide a glimpse into the technology being developed in labs. It included keynotes, demonstrations and more than 140 content-rich discussions and breakout sessions covering key topics like "Tech and Business in the New Remote Environment", "Innovations in Edges", "Intelligent Automation and Artificial Intelligence", "Smart Vertical Solutions", "Optimized Remote Learning", "End-to-end IoT Solutions" and "Entertainment, Streaming and Gaming". The participants include directors, customers, the executives within the tech industry from around the world,

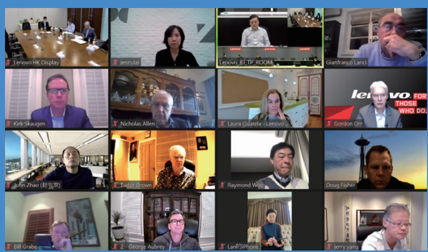
EXPERTS BRIEFING AND SEMINAR



Mr. Martin Hirt, Senior Partner of McKinsey & Company, was invited to be a guest speaker to share his research papers on "Getting ahead of the next stage of the Coronavirus Crisis".

The Company has arranged in-house experts briefing and seminars for directors to keep them abreast of the affairs relating to the Company. The directors are also encouraged to attend relevant external professional programs at the Company's expense to keep abreast of issues facing the changing business environment within which the Group operates.





In January 2021, a pre-listing tutorial in respect of proposed listing on the Science and Technology Innovation Board of the Shanghai Stock Exchange (English and Chinese sessions) for the Company was arranged by representatives from China International Capital Corporation, Zhong Lun Law Firm and PricewaterhouseCoopers.

During the year, the Company arranged experts briefing and in-house seminar for directors on topics relating to the impacts of COVID-19 and the Proposed Issuance and Admission of Chinese Depository Receipts ("CDRs") on the Science and Technology Innovation Board of the Shanghai Stock Exchange.

REGULATORY UPDATES

Directors are updated on a continuing basis by the Company Secretary on any new regulations and guidelines, as well as any amendments thereto issued by the Stock Exchange and other regulatory authorities, particularly the effects of such new or amended regulations and guidelines on directors specifically, and the Company and the Group.

In addition, director's induction handbook which contains organization structure, Board policies, corporate rules and policies, and other legal reference information will be updated regularly and made available on internal electronic platform of the Company for directors' review.

The Board considers the aforementioned training attended and/or participated in by the directors, and the continuing legal updates provided to the directors, as adequate to enhance the directors' skills and knowledge to carry out their duties as directors.

All directors are required to provide the Company with their training records on an annual basis and such records are maintained by the Company Secretary for regular review by the Nomination and Governance Committee. The Nomination and Governance Committee will, on a continuing basis, evaluate and determine the training and development needs of the directors, particularly on relevant new laws and regulations and essential practices for effective corporate governance, to enable the directors to sustain their active participation in Board deliberations and effectively discharge their duties.

In addition to directors' attendance at meetings and review of relevant materials provided by senior management during the year, the professional trainings attended by the directors are set out as follows:

Type of training / Name of directors	Reading regulatory updates/ Company policies	Attending experts briefing/ seminar/ conference relevant to the Company's business or director's duties
Executive director		
Mr. Yang Yuanqing	√	√
Non-executive directors		
Mr. Zhu Linan	√	√
Mr. Zhao John Huan	√	√
Independent non-executive directors		
Mr. Nicholas C. Allen	√	√
Mr. William O. Grabe	√	√
Mr. William Tudor Brown	√	√
Mr. Yang Chih-Yuan Jerry	√	√
Mr. Gordon Robert Halyburton Orr	√	√
Mr. Woo Chin Wan Raymond	√	√
Ms. Yang Lan	√	√
Mr. Nobuyuki Idei (retired as an independent non-executive director on July 9, 2020)	√	√

Remuneration of Directors and Senior Management

A formal and transparent procedure for fixing the remuneration packages of directors and senior management is in place. Details of remuneration policies, remuneration payable to senior management and other relevant information are set out in the Compensation Committee Report of this annual report on pages 126 to 136.

Company Secretary

The Company Secretary, Mr. Mok Chung Fu, Eric is responsible for facilitating the Board process, as well as communications among Board members with shareholders and management. During the year, the Company Secretary undertook appropriate professional training to update his skills and knowledge.

EFFECTIVENESS

Board's Responsibilities and Delegation

The Group is controlled through the Board who is responsible for steering the success of the Group by overseeing the overall strategy and directing and supervising its affairs in a responsible and effective manner. The Board also sets the Group's core values and adopts proper standards to ensure that the Company operates with integrity and complies with the relevant rules and regulations.

The Company has a formal schedule of matters specifically reserved to the Board and those delegated to management. The management is responsible for the daily operations and administration function of the Group under the leadership of the CEO. The Board has given clear directions to management as to the matters that must be approved by the Board before decisions are made on behalf of the Company or entering into any commitments on behalf of the Group. The types of decisions to be delegated by the Board to management include implementation of the strategy and direction determined by the Board, operation of the Group's businesses, preparation of financial statements and operating budgets, and compliance with applicable laws and regulations. These arrangements will be reviewed periodically to ensure that they remain appropriate to the Company's needs. A list of senior management and their biographies are set out on pages 146 to 149 of this annual report.

Key Matters Reserved for Board Approval	
Group strategy and management	**Financial**
• formulation of the Group's strategy and long-term objectives • approval of changes to capital structure • approval of major capital and equity transactions • approval of major disposals and acquisitions	• approval of the Group's financial statements and results announcements • recommendation on appointment or re-appointment of external auditor • recommendation or declaration of dividend • monitoring the Group's businesses against plan and budget
Board membership and committees	**Corporate governance and sustainability**
• appointment to the Board • setting the terms of reference of Board committees	• review the performance of Board and its committees • approval of shareholder communications, circular and notices of meetings • review Environmental, Social and Governance (ESG) practices and approval of ESG report of the Group • review and approval of certain Group's policies, including Nomination Policy, Board Diversity Policy, Dividend Policy, Continuous Disclosures Policy and Shareholders Communication Policy

Corporate governance report

Board Process

The Board recognises the importance of providing timely and appropriate information to directors so as to enable them to make informed decisions and to perform their duties and responsibilities effectively.

Regular Board Meeting

Meeting dates are set 2 years in advance

- To facilitate maximum attendance

The Board meets at least 4 times a year at approximately quarterly intervals

- To review financial performance, strategy and operations

Meeting agenda and notice

- Finalized by the Chairman in consultation with Board members
- Notice of not less than 30 days be given

Dispatch Board papers to directors

- Agenda and supporting documents 7 days, with updated financial figures 3 days (or other reasonable period) prior to the meeting
- Via electronic platform in timely and secure manner

Minutes of Board meeting recorded in sufficient detail with the matters considered by the Board and decisions reached, including any concerns raised by directors or dissenting views expressed.

Minutes of Board meeting were circulated to the respective Board members for comment where appropriate and duly kept in minute book for inspection by any director.

Other Board Meeting

- To consider ad hoc matters

Convene Board Meeting

- Notice of not less than 7 days (or other reasonable period) be given

Dispatch Board papers to directors

- Generally, not less than 3 days (or other reasonable period) before the meeting
- If appropriate, one-on-one briefing offered to each director prior to the meeting

BOARD MEETING

Other Key Features of Board Process	
Timely updates and discussion	The directors are supplied in a timely manner with all relevant documentation and financial information to assist them in the discharge of their duties. Monthly updates of the financial performance of the Company are furnished to the Board between regular Board Meetings.
	In addition to standing agenda items, there may be discussions on "deep-dive" topics. During the year, "deep-dive" presentations included the Group's specific strategy, business unit and function. In addition to the quarterly regular Board meetings (earnings), generally, board meetings focusing on the Group's strategy will be held on the day before each regular Board meeting (earnings) starting from the fiscal year 2017/18. During the year, one Board meeting on strategy and one with earnings and strategy sessions combined were held.
	Senior management are invited to attend Board meetings, where appropriate, to report on matters relating to their areas of responsibility, and also to brief and present details to the directors on recommendations submitted for the Board's consideration. Additional information or clarification may be required to be furnished, particularly with respect to complex and technical issues tabled to the Board.
	The Company has established continuous disclosure policy (the "Continuous Disclosure Policy") and its implementation guideline on monitoring, reporting and disseminating inside information. The critical concerns of the Group's operations and developments are communicated and addressed to the Board in a timely manner.
Executive sessions	As a good corporate governance practice, separate executive sessions were arranged for (i) the Chairman to meet with independent non-executive directors in the absence of management; and (ii) the Lead Independent Director to meet with other independent non-executive directors in the absence of executive director and management to discuss matters relating to any issue or other matters such persons would like to raise. At the request of the Lead Independent Director, other directors may be invited to attend this session to answer questions from independent non-executive directors.
	To enhance communication with and contribution from all the directors, the Chairman meets with each non-executive director on a one-on-one basis at least once a year. As a follow up action item from FY2017/18 Board evaluation, the Company arranges one-on-one meeting at least once a year for (1) the Lead Independent Director to meet with each independent non-executive director; and (2) the Committee Chairman to meet with each Committee member.

Other Key Features of Board Process	
Professional advices	All directors have direct access to the Chief Legal Officer and the Company Secretary of the Company who are responsible for advising the Board on corporate governance and compliance issues.
	Written procedures are in place for directors to seek, at the Company's expense, independent professional advice in performing directors' duties. During the year, external consultant was engaged to provide independent professional advice to directors in a project.
Access to information	All directors were provided with a tablet and/or a notebook to gain access to meeting materials of the Board and Board committees meetings through an electronic platform.
Communication with senior management	To enhance the communication between directors and senior management and understand management planning, directors are invited to attend Lenovo's GLT event and participate in small group discussions with relevant senior management. Also, senior management are invited to attend Board meetings so that they can report relevant corporate matters and reply any questions from directors.
Indemnification and insurance	As permitted by the Articles of Association, a director or a former director of the Company may be indemnified out of the Company's assets against any liability incurred by the director to a person other than the Company or an associated company of the Company that attaches to such director in his/her capacity as a director of the Company, to the extent permitted by law.
	The Company has arranged appropriate insurance to cover the liabilities of the directors arising from corporate activities. The insurance coverage is reviewed on an annual basis.

Board Activities

Board activities are structured to assist the Board in achieving its goal to support and advise senior management on the delivery of the Group's strategy within a transparent governance framework.

The diagram below shows the key areas of focus for the Board, which appear as items on the Board's agenda at relevant times throughout the financial year. Concentrated discussion of these items assists the Board in making the most appropriate decision based on the long-term opportunities for the business.

FINANCIAL AND OPERATIONAL PERFORMANCE

- CEO and Chief Financial Officer reports
- Financial and operational updates
- Annual budget
- Treasury items

STRATEGY AND RISKS

- Discussion of main strategic issues relating to business groups', geographic and structural areas
- Review of processes and controls for strategic and operational risks

GOVERNANCE AND SUSTAINABILITY

- Review and discussion of the practices of governance and sustainability matters
- Environmental, Social and Governance Report
- Board and Board Committees' effectiveness review
- Board diversity and succession planning
- Board Committees' reports

OTHERS

- COVID-19 impact
- Government relations and trade updates
- Employee engagement survey
- Ad hoc projects

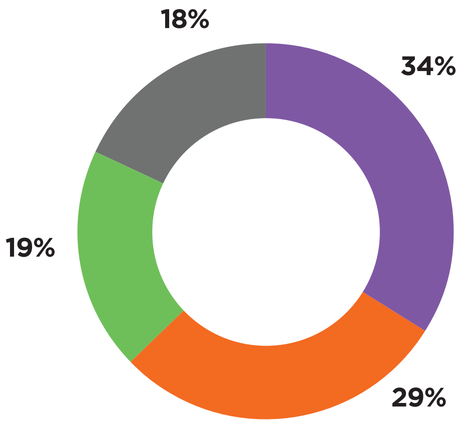
Corporate governance report

Main activities during FY2020/21

During the fiscal year 2020/21, a total of seven Board meetings were held, of which four Board meetings were primarily to review quarterly business performance and strategy execution (including one combining strategy session), one Board meeting focused on reviewing strategy in the business or other relevant areas, one for updating the directors the Company's proposal of issuance and admission of CDRs on the Science and Technology Innovation Board of the Shanghai Stock Exchange and the remaining one for updating directors the re-organization plan of the Group. Given the geographical spread of the Group's businesses, the Company usually hold face-to-face meetings in Hong Kong S.A.R. of China, New York and Beijing. Due to the global travelling restrictions under the impact of COVID-19 during the year, the Company held the Board meetings making use of the Company's well-established video conferencing facilities in Beijing and Hong Kong offices and other teleconferencing facilities. The below chart shows how the Board allocated its agenda time during the year.

The Board

Allocation of agenda time



	FY2020/21	FY2019/20
Financial & operational performance	34%	22%
Strategic matters	29%	37%
Governance, sustainability, training & Board Committees' reports	19%	30%
Other matters (including Ad hoc projects and human resources matters)	18%	11%

Directors are expected to attend all meetings of the Board and the Committees on which they serve and to devote sufficient time to the Company to perform their duties. Where directors are unable to attend a meeting, they receive papers for that meeting and also are given the opportunity to raise any issues with the Chairman in advance of the meeting.

At each scheduled meeting, the Board receives updates from the CEO and Chief Financial Officer on the financial and operational performance of the Group and any specific developments in their areas of the businesses for which they are directly responsible and of which the Board should be aware. Chairmen of the respective Board committees would also report on matters discussed and/or approved at the relevant Board committees' meetings held prior to the Board meetings. Meetings are structured so as to allow for consideration and debate of all matters.

The main matters and areas that the Board reviewed and considered at its seven meetings (including one specific meeting focusing on strategy) during the year were as follows:

FY2020/21 Matters considered by the Board	Financial and Operational Performance	Strategic Items	Governance and Sustainability	Human Resources/ Ad hoc projects
May 2020	• CEO and CFO Report • Annual results announcement and annual report • Final dividend • General Mandate to buy-back shares and to issue shares, re-election of directors and notice of annual general meeting • Reports from Chairmen of Audit Committee, Compensation Committee and Nomination and Governance Committee • Re-appointment of external auditor • Board composition, diversity and Board evaluation report	• US-China Trade update	• Sustainability update • Appointment of a member of the Nomination and Governance Committee • Delegation of Authority update • Executive session for the Lead Independent Director to meet all other independent non-executive Directors without management	• Organization human resources planning
June 2020		• External speaker sharing on "Getting ahead of the next stage of the Coronavirus crisis" • FY2020/21 Corporate Strategy • 5G IP and Product Strategy		
August 2020	• CEO and CFO Report • Quarterly results announcement • Reports from Chairmen (or acting Chairmen) of Audit Committee and Compensation Committee	• Government relations and Trade update	• Sustainability update and ESG Report	• Funding activities • Update of business in China
November 2020	• CEO and CFO Report • Interim results announcement and interim report • Interim dividend • Reports from Chairmen of Audit, Compensation and Nomination and Governance Committees		• GLT Debrief • Tech World Debrief	• Employee Engagement Survey
December 2020				• Proposal of Issuance and admission of CDRs on the Science and Technology Innovation Board of the Shanghai Stock Exchange
February 2021	• CEO and CFO Report • Quarterly results announcement • FY2021/22 budget • Reports from Chairmen of Audit Committee and Compensation Committee	• Corporate strategy update	• Re-organization plan	• Update on Proposal of issuance and admission of CDRs on the Science and Technology Innovation Board of the Shanghai Stock Exchange

Board Committees

As at the date of this annual report, the Company has preserved three Board committees (the "Board Committees") with defined terms of reference (which are posted on the Company's website and HKEx's website) – Audit Committee, Compensation Committee, and Nomination and Governance Committee. The terms of reference of the Audit Committee, Compensation Committee, and Nomination and Governance Committee reference those set out in the CG Code prevailing from time to time.

Board of directors

Key Responsibilities

- Set strategy, mission and values
- Provide leadership of the Company and direction for management
- Collective responsibility and accountability to shareholders for the long term success of the Group
- Review the performance of management and the operating and financial performance of the Group

Audit committee

Key responsibilities

- Assist the Board in carrying out its oversight responsibilities in relation to financial reporting, risk management and internal control, and in maintaining a relationship with external auditors

Compensation committee

Key responsibilities

- Assist the Board to assess and making recommendation on the compensation policy; and to determine the compensation level and package for the Chairman of the Board, CEO, other directors and senior management

Nomination and governance committee

Key responsibilities

- Assist the Board in overseeing Board organization and composition, succession planning, developing and reviewing the corporate governance principles and policies and responsible for the assessment of the performance of the Chairman of the Board and/or the CEO and the independence of independent non-executive directors

The Board may also establish committees on an ad hoc basis to approve specific projects as deemed necessary. Should the need arise, the Board will authorize an independent board committee comprising the independent non-executive directors to review, approve and monitor connected transactions (including continuing connected transactions) that should be approved by the Board.

All Board Committees follow the same principles and procedures as those of the Board and are provided with sufficient resources to perform their duties. The Board Committees will report to the Board on a regular basis, including their decisions or recommendations to the Board, unless there are legal or regulatory restrictions on their ability to do so. The member list of the Board Committees is also posted on the Company's website and HKEx's website.

AUDIT COMMITTEE

The Audit Committee is delegated by the Board to perform its duties within its terms of reference. Details of the Audit Committee, including its membership, responsibilities and main activities during the fiscal year 2020/21, are summarized in the Audit Committee Report as stated on pages 119 to 125 of this annual report.

COMPENSATION COMMITTEE

The Compensation Committee is delegated by the Board to perform its duties within its terms of reference. Details of the Compensation Committee, including its membership, responsibilities and work done during the fiscal year 2020/21, are summarized in the Compensation Committee Report as stated on pages 126 to 136 of this annual report.

NOMINATION AND GOVERNANCE COMMITTEE

Membership

The Nomination and Governance Committee (defined as "Committee" in this section) of the Board of the Company as at the date of this annual report is comprised of three members, two of whom are independent non-executive directors of the Company.

The members who held office during the year and up to the date of this annual report are:

Chairman	Mr. Yang Yuanqing	Chairman, CEO and executive director
Member	Mr. William O. Grabe	Independent non-executive director and Lead Independent Director
Member	Ms. Yang Lan (appointed as a member of the Committee on July 9, 2020)	Independent non-executive director
Member	Mr. Nobuyuki Idei (retired on July 9, 2020)	Independent non-executive director

More information on the skills and experience of the members of the Committee may be found in the directors' biographies set out on pages 143 to 146 of this annual report.

Responsibilities

The Committee is delegated by the Board with responsibility to review the composition of the Board and Board Committees to ensure they are properly constituted and balanced in terms of skills, experience and diversity. In addition to this, it is also responsible for:

- making recommendation to the Board on succession planning for directors and CEO;
- assessment of the performance of the Chairman and/or CEO and making proposals to the Compensation Committee;
- monitoring corporate governance issues and developments to ensure that the Company is in line with the international best practices;
- reviewing the policies and practices on corporate governance, and the compliance with legal and regulatory requirements of the Company;
- reviewing and determining the director induction and continuous professional development programs; and
- reviewing and monitoring the Board and Board Committees' evaluation and the progress of the implementation actions.

Key Features

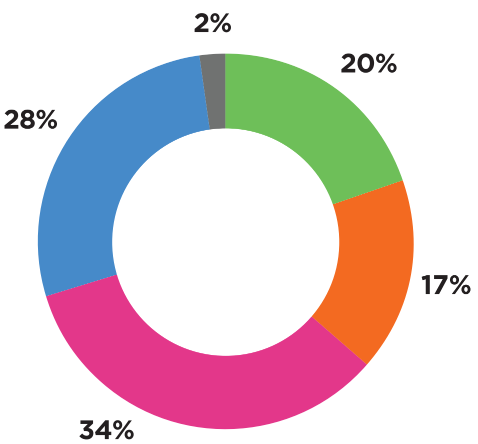
- The Committee's terms of reference which clearly deal with its membership, authority, duties and frequency of meetings are published on the Company's website and HKEx's website.
- The Committee is provided with sufficient resources to perform its duties.
- The Committee is authorised to obtain outside legal or other independent professional advice in performing its duties at the Company's expense. No request was made by any member for such advice during the year.
- Chief Legal Officer and Company Secretary are invited to attend the Committee meetings in order to provide insight and enhance the Committee's awareness of corporate governance issues and developments.
- The chairman of the Committee being also the Chairman and CEO, is required to excuse himself from the agenda items relating to succession planning of the Chairman and/or CEO and the assessment of performance of the Chairman and/or CEO.

Main Activities During FY2020/21

In the fiscal year ended March 31, 2021, the Committee held two meetings, with all members in attendance at each meeting. The attendance record of the Committee's members is set out on page 92 in this report and the chart below shows how the Committee allocated its time during the fiscal year 2020/21.

Nomination and Governance Committee

Allocation of agenda time



	FY2020/21	FY2019/20
Board & Board Committees' compositions	20%	4%
Assessment of the performance of the Chairman & CEO	17%	29%
Corporate Governance	34%	47%
Board & Board Committees' evaluation	28%	18%
Others	2%	2%

The main matters and areas that the Committee reviewed and considered during the year were as follows:

Board and Board Committees' compositions	• Reviewed and recommended to the Board on the structure, size and composition of the Board including the diversity and balance of skills, knowledge and experience of the directors. • Discussed the requirements of candidate(s) and identified potential candidate(s) as new board member(s) from the perspectives of gender, skills, knowledge, qualifications and experience. • Considered and recommended the appointment of Ms. Yang Lan as a member of Nomination and Governance Committee. • Reviewed and discussed the progress against Board diversity targets.
Assessment of the performance of the Chairman and CEO	• Assessed the performance of the Chairman and CEO for the fiscal year 2019/20 and provided recommendation to the Compensation Committee. • Reviewed the arrangement of same person acting as Chairman and CEO.
Corporate Governance	• Reviewed corporate governance disclosures in 2019/20 annual report and 2020/21 interim report. • Reviewed and assessed the independence of independent non-executive directors and affirmed the Committee's view over their independence. • Reviewed and discussed the continuous professional development programs for the directors of the Company. • Reviewed the policies and practices on corporate governance, and the compliance with legal and regulatory requirements of the Group.
Board and Board Committees' evaluation	• Reviewed report on the results of the Board evaluation for the fiscal year 2019/20 and discussed and proposed actions to be taken. • Discussed the progress of the follow-up actions of the Board evaluation.

Corporate governance report

Board and Board Committees Meetings

During the year ended March 31, 2021, the overall attendance rate of directors at Board and Board Committees meetings was 99% (2019/20: 92%).

The individual attendance records of each director at the meetings of the annual general meeting, Board, Audit Committee, Compensation Committee and Nomination and Governance Committee during the year ended March 31, 2021 are set out below:

Name of directors	Meetings attended/held					General Meeting held on February 4, 2021
	Board *(Notes 1 & 2)*	Audit Committee *(Notes 1 & 4)*	Compensation Committee *(Note 1)*	Nomination and Governance Committee *(Notes 1 & 5)*	Annual General Meeting *(Notes 3 & 4)*	
Executive director						
Mr. Yang Yuanqing *(Chairman & CEO)*	7/7	–	–	2/2	1/1	1/1
Non-executive directors						
Mr. Zhu Linan	6/7	–	–	–	0/1	0/1
Mr. Zhao John Huan	7/7	–	4/4	–	0/1	0/1
Independent non-executive directors						
Mr. Nicholas C. Allen	7/7	4/4	–	–	1/1	1/1
Mr. William O. Grabe *(Lead Independent Director)*	7/7	–	4/4	2/2	1/1	1/1
Mr. William Tudor Brown	7/7	4/4	4/4	–	1/1	0/1
Mr. Yang Chih-Yuan Jerry	7/7	–	–	–	0/1	0/1
Mr. Gordon Robert Halyburton Orr	7/7	4/4	4/4	–	1/1	1/1
Mr. Woo Chin Wan, Raymond	7/7	4/4	–	–	1/1	1/1
Ms. Yang Lan(7)	7/7	–	–	1/1	0/1	1/1
Mr. Nobuyuki Idei(6)	2/2	–	–	1/1	1/1	–

Notes:

(1) The attendance figure represents actual attendance/the number of meetings a director is entitled to attend.

(2) The Board held four regular meetings, one strategy meeting and two special meetings during the year.

(3) The Company held the annual general meeting on July 9, 2020.

(4) Representatives of the external auditor participated in every Audit Committee meeting, the annual general meeting and the general meeting held during the year.

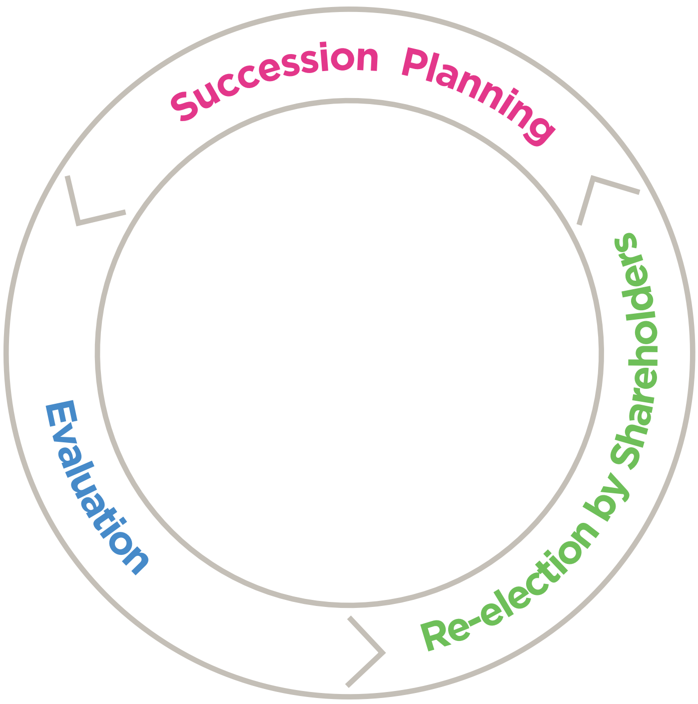
(5) For corporate governance reasons, Mr. Yang Yuanqing was required to excuse himself from the agenda item relating to assessment of the performance of the Chairman and CEO of the Nomination and Governance Committee meeting to avoid conflict of interest.

(6) Mr. Nobuyuki Idei retired as an independent non-executive director and a member of the Nomination and Governance Committee after conclusion of the 2020 annual general meeting held on July 9, 2020.

(7) Ms. Yang Lan was appointed as a member of the Nomination & Governance Committee on July 9, 2020.

Board and Board Committees' Effectiveness Review

The Board is aware of the importance of continually assessing its own performance in support of the leadership of the Group. The Board has a formal process, led by the Nomination and Governance Committee, for the evaluation of the performance of the Board and Board Committees, to ensure that they continue to act effectively and efficiently and to fulfill their respective duties. The process involves the following ways:



Succession Planning

The Board is ultimately responsible for succession planning for directorships and key management roles. During the year, the Board and the Nomination and Governance Committee have discussed and reviewed Board composition and succession planning to ensure that the successors for key roles are identified and their performance are also assessed.

Evaluation

The Board believes that the evaluation is helpful and provides a valuable opportunity for continuous improvement. The objectives of the evaluation were to build on the improvements made since the last evaluation, thereby improving the collective contribution of the Board as a whole and also the competence and effectiveness of each individual director. As agreed by the Board members, the evaluation is conducted every two years.

Mr. William O. Grabe, the Lead Independent Director, is delegated with authority to take a key role in the Board evaluation process. Mr. Grabe, in consultation with the Chairman and supported by the Chief Legal Officer and the Company Secretary, will compile and circulate a comprehensive electronic questionnaire for completion by all directors, the aim of which is to evaluate the performance and effectiveness of the Board and its committees.

The evaluation covered:

- Board processes and their effectiveness
- Time management of Board meetings
- Board composition and dynamics
- Strategic and operational oversight
- Professional Development
- Succession planning
- Board support
- Communications with shareholders and stakeholders

Evaluation process

The evaluation process involves the following three stages:

Stage 1

DETERMINE THE SCOPE

- Board and its Committees

DETERMINE THE APPROACH

- Conducted by completing a comprehensive questionnaire

Stage 2

DISCUSS AND REVIEW THE RESULTS

- Preparing the draft results report
- Discussing the draft results report between the Lead Independent Director and the Chairmen of Audit Committee and Compensation Committee
- Review of the results report by the Nomination and Governance Committee
- Finalizing the results report
- Reporting to the Board in a manner that did not identify individuals' specific responses, ensuring that these responses could be as open, frank and informative as possible

Stage 3

ACTION PLAN AGREED

- Following review of the results, the Board drew conclusions and agreed proposed implementation or action plan

MONITOR AND FOLLOW-UP MEETINGS

- Monitoring the progress of the implementation or action taken semi-annually
- Reporting back to the Board on the progress by Nomination and Governance Committee

Evaluation results

A consolidated report of the outputs from the evaluation will be prepared by Nomination and Governance Committee for review and consideration by the Board. The results of the evaluation and the implementation or action plan will be thoroughly discussed at a Board meeting.

Re-election by Shareholders

Pursuant to the Articles of Association, one-third of the directors for the time being shall retire from office at each annual general meeting. The retiring directors shall be eligible for re-election. New appointments either to fill a casual vacancy or as an addition to the Board are also subject to re-election by shareholders at the next following annual general meeting of the Company. The Nomination and Governance Committee has conducted a review of each director seeking re-election. The sufficient biographical and other information on those directors seeking re-election are provided in the annual report and the circular to enable shareholders to make an informed decision.

ACCOUNTABILITY AND AUDIT

Financial Reporting

The Board acknowledges its responsibility for presenting a balanced, clear and comprehensive assessment of the Group's performance, position and prospects. The Board is also responsible for the preparation of financial statements for each financial year which gives a true and fair view of the state of affairs of the Group on going concern basis while the external auditor's responsibilities to shareholders are set out in the Independent Auditor's Report on pages 168 to 173 of this annual report.

The practices of the Company on the timeline for publication of financial results and the related reports are set out below:

Annual Results
• Announced within 2 months
• Published the annual report within 15 days following the annual results announcement
Interim Results
• Announced within 1.5 months
• Published the interim report within 15 days following the interim results announcement
Quarterly Results
• Announced within 7 weeks following quarter end

Risk Management and Internal Control

At Lenovo, risk is defined as a potential action, event or circumstance that could impact the Company's ability, favorably or unfavorably, to meet its strategic goals. Risk is an inherent part of the Company and needs to be understood and managed properly to provide a foundation for the Company's sustained growth.

In line with the commitment to deliver sustainable value, Lenovo adopts a holistic risk management and internal controls framework to proactively manage risks. This framework is put into effect by Lenovo's Board of Directors and the Audit Committee to support the Board in monitoring risk exposures, the design and operating effectiveness of the underlying risk management and internal controls systems.

Board	• Has overall responsibility for the Lenovo's risk management and internal control systems. • Oversees and monitors the overall effectiveness of the risk management system and internal audit function through the Audit Committee.
Audit Committee	• Supports the Board in reviewing and monitoring the performance of the risk management system and key risks and internal control systems. • Reviews the process for identifying, assessing and reporting key risks and control issues of the Company. • Reviews the adequacy and efficiency of the Company's internal audit function. • Reviews the enterprise risk management approach. • Reviews risks raised during annual risk registration exercise, and other risks and concerns. • Approves Company's risk tolerance
Internal Audit (IA)	• Supports the Audit Committee in reviewing effectiveness of internal controls system. • Capitalizes on the audit processes to independently assess the effectiveness of established system of controls. • Independent investigations regarding certain allegations of fraud and violations of Lenovo's Code of Conduct ("the Code") and other company policies.
Senior Management	• Provide leadership and guidance for the balance of risk and return. • Designs, implements and reviews Lenovo's risk management framework. • Ensures that salient risks are highlighted to the Audit Committee, along with the status of actions taken to manage these risks.
Enterprise Risk Management (ERM)	• Responsible to design, implement, review and update Lenovo ERM framework. • Coordinates the risk identification and assessment process, highlights identified risks to the Audit Committee, along with the status of actions taken to manage these risks. • Risk management projects.
Business Functions	• ERM Risk Champions are appointed in each function where risk ownership is established. • Identify risk, assess and initiate control and mitigation measures in their areas of responsibility. • Establish group-wide policies and guidelines where appropriate. • Quarterly management disclosure and certification process trigger reporting of unusual items, occurring in of the ordinary course of our business, which raise significant financial or business risks.

This risk management and internal control framework is in place to improve communication of identified risks with management, measure the impact of the identified risks and facilitate implementation of coordinated mitigating measures.

Internal Control

For many years, the Company has had an integrated approach for internal control which is consistent with the Committee of Sponsoring Organizations of the Treadway Commission (COSO) internal control framework.

Monitoring:

The internal control process is continually monitored. Modifications are made to improve internal control activities as a result of the monitoring process.

Control Environment:

The internal organizational environment is driven by the management operating philosophy, risk appetite, integrity, and ethical values.

Information and Communication:

Relevant information is communicated in an acceptable format and timely to enable the organization to meet its objectives.

Control Activities:

Policies and procedures are implemented to ensure organizational objectives and risk-mitigation activities are effectively implemented.

Risk Assessment:

Risks are identified and the likely impact on the organization is assessed.

Within this framework, management is responsible for setting the appropriate tone from the top, performing risk assessments, and owning the design, implementation and maintenance of internal control. Other teams such as Finance, Legal, and Human Resources provide assistance and expertise to management to assist it in undertaking its responsibilities. The Board and the Audit Committee oversee the actions of management and monitor the effectiveness of the established controls, assisted by assurance provided by the external and internal auditors. Lenovo's internal control framework is designed to manage rather than eliminate the risk of failure to achieve business objectives, and as such, provides reasonable (rather than absolute) assurance against material misstatement or loss.

Management of internal control

Essential to this internal control system are well defined policies and procedures that are properly documented and communicated to employees. The corporate policies form the basis of all the Company's major guidelines and procedures and set forth the control standards required for the functioning of the Company's business entities.

Corporate governance report

Additionally, Lenovo has a strong corporate culture based on ethical business conduct. Lenovo's Code of Conduct (the "Code"), is the cornerstone of our commitment to conducting business legally, ethically, and with integrity. The Code establishes clear expectations for legal and ethical business conduct and compliance with Lenovo policies. As the Code is not intended to describe every law, policy, procedure or business process that applies to Lenovo, the Code also provides guidance on when and how to seek additional guidance or report potential concerns.

The Code is available in multiple languages on the Company's website. Training on the Code and related policies is provided to reinforce the Company's commitment to compliance and conducting business with integrity. Lenovo regards any violation of the Code as a serious matter. Failure to follow the Code, or violation of the policies described in the Code, can result in disciplinary action, including termination of employment or relationship.

Lenovo has also developed and implemented numerous policies to provide more detailed guidance to employees on compliance with rules and laws, including those related to the prevention and detection of bribery and corruption. Lenovo maintains an Anti- Bribery and Anti-Corruption Policy, a Conflicts of Interest Policy, and a Gift, Entertainment, Corporate Hospitality and Travel Policy.

Lenovo recognizes that a culture of compliance where employees feel empowered to report concerns is necessary to the success of the Company's internal control system. Lenovo provides employees with confidential and anonymous methods for raising concerns or reporting suspected misconduct, as permitted by applicable law. Lenovo is committed to maintaining the confidentiality of reports, investigating all alleged misconduct, and non-retaliation. Lenovo does not tolerate retaliation against any employee, consultant or contractor for reporting an issue or raising a concern believed to be true, cooperating with an investigation or audit, or refusing to participate in activities that violate the Code, laws or company policies.

Another feature of Lenovo's internal control system is the execution of key control self-testing by management to reasonably assure that internal controls are working as intended and that necessary actions have been taken to address control weaknesses. Specific employees with controls knowledge and expertise have been identified within the business to further assist management with designing, executing, and monitoring controls.

This comprehensive internal control framework established by the Company covers all activities and transactions. Management performs periodic enterprise wide risk assessments and continuously monitors and reports progress of action plans to address these key risks. Management also assesses business risks when formulating corporate strategies, and tracks and reports on the implementation of strategic initiatives, business plans, budgets and financial results regularly to the Board. Additionally, as part of Lenovo's commitment to financial integrity, all relevant senior executives regularly verify the accuracy and completeness of the quarterly financial statements and confirm compliance with key internal controls.

To assist the Audit Committee in its oversight and monitoring activities, the Company maintains an independent, worldwide Internal Audit function. Internal Audit provides objective assurance to the Audit Committee that the system of internal controls is effective and operating as intended. The mission of Internal Audit is to provide the Board and Lenovo management with:

- Independent and objective assessment of Lenovo's system of internal controls;
- Guidance to Lenovo stakeholders for improving risk management;

- Proactive support to improve Lenovo's control posture; and

- Independent investigations regarding certain allegations of fraud and violations of the Code and other company policies.

To enable it to fulfill its mission, Internal Audit has unrestricted access to all corporate operations, records, data files, computer programs, property, and personnel. To preserve the independence of the Internal Audit function, the Head of Internal Audit reports directly to the Audit Committee on all audit matters and to the Chief Financial Officer on administrative matters. The Head of Internal Audit is authorized to communicate directly with the Chairman of the Board, the Chairman of the Audit Committee and other Board members as deemed necessary. To help ensure the quality of the Internal Audit function and provide assurance that the Internal Audit function is in conformity with the standards of the Institute of Internal Auditors, Internal Audit has implemented a comprehensive and continuous quality assurance and improvement program covering all Internal Audit activities. In addition, the Audit Committee periodically commissions an independent, external quality assurance review of the Internal Audit function.

In selecting the audits to perform each year, Internal Audit performs a risk assessment using information collected from process owners, the enterprise risk management team, senior executives, the external auditor and the Board along with an analysis of prior audit issues and other data. Internal Audit develops an audit plan that prioritizes areas with significant risks or deemed to be strategic in nature to the business. The audit plan is reviewed by the Audit Committee, which is also provided quarterly updates on the performance of the plan and key findings. As necessary throughout the year, the audit plan will be modified to reflect emerging risks or changes to business plans. Ad hoc reviews of areas of concern identified by management or the Audit Committee may also be performed. During the year, Internal Audit issued multiple reports covering all significant operational and financial units worldwide. Internal Audit regularly monitors the status of management action plans resulting from audit findings to ensure completion and reports progress each quarter to the Audit Committee.

Audit Committee reporting also includes identified key control issues to provide the Audit Committee full visibility to the status of Lenovo's control environment.

Furthermore, Internal Audit is responsible for investigating certain allegations of potential violations of the Code, or any other company policies as appropriate. Internal Audit partners with Legal, Ethics and Compliance, Human Resources, and other subject matter experts where necessary to ensure the appropriate expertise when performing these investigations. Management and the Audit Committee are informed of the results of these investigations, any resulting required actions, and status updates on actions.

Inside information

Regarding procedures and internal controls for the handling and dissemination of inside information, the Company:

(i) is aware of its obligations under the SFO and the Listing Rules and the overriding principle that inside information should be announced immediately if it is the subject to the requirements and the safe harbors as provided in SFO;

(ii) conducts its affairs with close regard to the applicable laws and regulations prevailing in Hong Kong S.A.R. of China;

(iii) has included in the Code a strict prohibition on the unauthorized use of non-public or inside information;

Corporate governance report

(iv) has established a Continuous Disclosure Policy along with its guidance notes for monitoring, reporting and disseminating inside information to our shareholders, investors, analysts and media. These policy and guidance notes also identify who are the Company's authorized spokespersons and their responsibilities for communications with stakeholders; and

(v) has communicated to all relevant staff regarding the implementation of the Continuous Disclosure Policy and the relevant trainings are also provided.

Control effectiveness

The Board, through the Audit Committee of the Company, conducts a continuous review of the effectiveness of the internal control system operating in the Company and considers it to be adequate and effective. The review covers all material controls, including financial, operational, information technology, and compliance controls, and risk management functions. The Board is not aware of any significant areas of concern which may affect the shareholders. The Board is satisfied that the Company has fully complied with the code provisions on internal controls as set forth in the CG Code.

Enterprise Risk Management

Lenovo's ERM framework is effected by Lenovo's Board of Directors and management team, and is applied in strategy setting and across all major functions of the Company. It involves:–

- The ERM team, who is responsible to design, implement, review, and update Lenovo ERM framework.

- All Lenovo major functions, where risk ownership is established via the appointment of ERM Champions in each function.

Lenovo recognizes that risk management is the responsibility of everyone within Lenovo, and that risk is best managed when business functions take responsibility and are accountable for risks. Rather than being a separate and standalone process, risk management is therefore incorporated as part of Lenovo annual strategic planning process across all major functions of the Company. During strategy planning, all business functions are required to identify material risks that may impact their strategy objectives. They also identify, assess and evaluate operational risks. Many aspects of risks are considered.

Plans to mitigate the identified risks are, at the same time, developed for implementation, to continuously deliver sustainable value.

With this practical and effective framework, risk management features are integrated into each function. Critical and major risks of the business functions, especially in view of the changing business environment, are identified and assessed based on a risk assessment matrix that helps to rank the risks and prioritize risk management effort to determine the appropriate risk mitigation plans.

Risk Rating Matrix

IMPACT					
4	Extreme	H	H	VH	VH
3	High	M	M	H	H
2	Moderate	L	L	M	M
1	Low	L	L	L	L
		Remote	Unlikely	Possible	Almost Certain
		1	2	3	4

LIKELIHOOD

Risk Rating

VH - Very High	H - High	M - Moderate	L - Low

The risks are monitored and reviewed by each business function as well as at the group level. And at least annually, the ERM team coordinates the risk identification and assessment process and the identified risks are highlighted to the Audit Committee, along with the status of actions taken to manage these risks.

Risk Champions

- Identify risks
- Assess
- Manage
- Monitor
- Review

ERM Team

- Risk registration
- Report risks to Audit Committee
- Risk projects
- Engage actuarial work
- Recommend risk tolerance

Audit Committee

- Review risks
- Raise concerns
- Approve risk tolerance

Board of Directors

Details of some of these risks may be found under "Material Risks of the Group" on page 23. This framework will continue to be strengthened to create a robust and holistic risk management culture to safeguard the value of the Company.

At the enterprise level, Lenovo's risk tolerance is also reviewed periodically, and changes are approved by the Audit Committee. The ERM team engages actuarial studies to quantify risks, and the Company's risk tolerance is adjusted when appropriate. The risk tolerance represents the amount of risk the Company is willing to undertake in the pursuit of its strategic and business objectives. Where necessary, ERM employs risk transfer strategies through insurance management. ERM also initiates risk management projects to improve risk awareness.

External Auditor

Independence of external auditor

The Group's external auditor is PricewaterhouseCoopers ("PwC"), who is remunerated mainly for its audit services provided to the Group. The Company has adopted a policy on engagement of the external auditor for non-audit services, under which the external auditor is required to comply with the independence requirements under the Code of Ethics for Professional Accountants issued by the Hong Kong Institute of Certified Public Accountants. The external auditor may provide certain non-audit services to the Group given that these do not involve any management or decision making functions for and on behalf of the Group; do not perform any self-assessments; and do not act in an advocacy role for the Group. The engagement of the external auditor for permitted and approved non-audit services shall be approved by the Audit Committee if the value of such non-audit services is equal to or above US$320,000.

During the year, PwC provided audit and non-audit services to the Group.

Remuneration of external auditor

The fees paid or payable to PwC for audit and non-audit services for the financial year ended March 31, 2021 and the comparative figures for the financial year ended March 31, 2020 are as follows:

Nature of services	**2021 US$ million**	2020 US$ million
Audit services	**11.1**	8.6
Non-audit services		
– Tax	**0.4**	0.5
– IT	**0.6**	1.4
– Advisory	**0.1**	–
– Other services	**3.0**	0.7
Total	**15.2**	11.2

INVESTOR RELATIONS

Lenovo is devoted to developing effective two-way communications with shareholders, investors, and equity analysts to enhance the transparency of the Company. The Investor Relations (IR) team is committed to maintaining interactive communications with the capital market to facilitate better understanding by the investment community of Lenovo's intelligent transformation strategy, business operations, and latest developments. The team also proactively responds to major issues of concern to the capital market to offer all necessary information in a timely and accurate manner.

Communication with Investors

During the fiscal year 2020/21, the Company continued to facilitate effective communications with its shareholders, investors, and analysts through multiple channels including investor conferences, non-deal roadshows, one-on-one and group meetings, teleconferences, company visits, an Investor Relations website, social media, IR newsletters, and IR alerts.

BlackRock Corporate CEO Virtual Roundtable
June 12, 2020 | Virtual

Mr. Yang Yuanqing, the Company's Chairman and CEO, along with several other CEOs from renowned listed companies, took part in the world's largest and most prestigious asset manager's event and exchanged valuable thoughts.

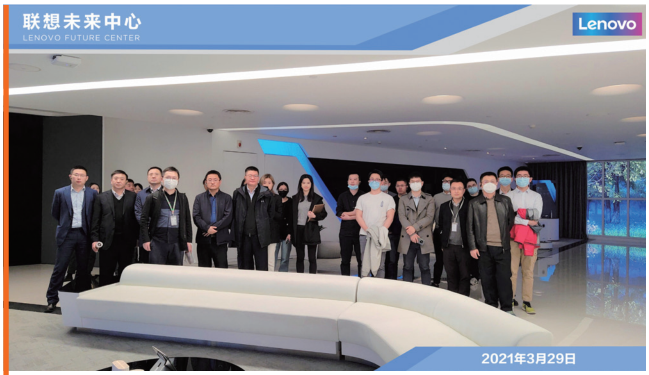
Lenovo Tech World
October 28-29, 2020 | Virtual

Lenovo's annual global innovation event, Tech World, moved online for the first time in October 2020, allowing a much wider global audience to gain access to content. As a result of the new online format, the event enjoyed its biggest and broadest lineup of keynote speakers, innovation theme breakouts, in-depth thought leadership sessions, and product demonstrations since the inaugural event in 2015.

A headline keynote speech on the technology sector and the future vision for Lenovo's business by Chairman Yang, as well as 140+ breakout sessions offered a deeper understanding of future technologies across the full spectrum of Lenovo's business.

The Lenovo Investor Relations team invited global investors and equity analysts to join virtually. To echo this event, the IR team also hosted a virtual Expert Access conference, featuring Mr. Kirk Skaugen, President of the Data Centre Group, to provide a significant market opportunity with regard to Lenovo's unique position for data infrastructure, which spans the entire edge-to-cloud space.

Corporate governance report



Lenovo Investor Day
March 30, 2021 | Beijing and virtual

The Lenovo Investor Day returned this year and brought our investors and analysts to Beijing. A tour to the Future Centre offered a chance for the investment community to experience the latest Lenovo technology. The tour was also on a live broadcast for those who could not be present in Beijing due to COVID-19 travel restrictions.

After the tour, the audience was invited to join a management breakout session hosted by Mr. Tong Fuyao, Senior Vice President of the Lenovo Group and President of the Lenovo Enterprise Technology Group, and Mr. Dai Wei, Vice President of the Lenovo Group and General Manager for China. The two gentlemen guided investors through the development of the data centre business against the backdrop of New Infrastructure in China and provided insights and interesting case examples of our services business in the region.

Other Quarterly IR Activities

Results Announcements

The senior management team presented the annual and quarterly earnings results through webcasts, conference calls, social media, and face-to-face meetings to communicate with international and domestic shareholders, investors, and analysts. The various communications enhanced the understanding of the capital market with regard to the business strategy, development tactics, and the competitive edge of the Company.

Expert Access Call Series

The IR team introduced the new Expert Access series this year to provide the investment community with more insights into the technology sector and the latest developments. Each quarter, the IR team will design a specific topic based on investors' appetites and invite experts in different business groups, to give a talk. Topics covered in the FY20/21 included our development in software and services, our market outlook and unique position in the data centre business, and our promising growth potential in the mainland China market.

Post-results Non-deal Roadshows and Key Investor Meetings

Every quarter, the IR Team joins Non-Deal Roadshows (NDR) to meet with current and potential investors. In FY20/21, all overseas NDRs moved online and we reached out to investors in Europe, North America, and Asia. The team also arranged two physical NDRs in December 2020 and March 2021 in Shanghai and Beijing, respectively, to reach out to more investors from mainland China.

The IR team also conducted one-on-one meetings with key investors and continued our efforts to build effective communication channels with the investment community.

IR Webpage and News Alerts

In this fiscal year, the IR team continued to use its webpage and news alerts to inform its buy-sell investors and analysts when there were new developments.

Social Media

Lenovo is devoted to leveraging various social media platforms to blast out updates on results announcements and key company events, with the aim of enjoying multi-point engagement via social media with the Company's stakeholders. The team also proactively pushed out updates and key event news wrap-ups on, for example, Lenovo Tech World, CES, MWC, and results announcements, to provide one-stop snapshots to investors.

Followers and mentions of the Company's social media platforms continued to increase throughout the fiscal year.

Please follow Lenovo at:

Investor Conferences
To maintain active communications with institutional investors around the world, the senior management team participated in the following investor conferences held by major international investment banks.

Investor Conferences Attended FY2020/21

Date	Conference	Location
June 2, 2020	Merrill Lynch 2020 Global Technology Virtual conference	Virtual
June 3, 2020	CGS-CIMB 7th Annual HK (China) Smartphone & 5G Virtual Corporate Day	Virtual
June 9, 2020	Merrill Lynch 2020 Innovative China Virtual Conference	Virtual
July 8, 2020	Daiwa HK (China) Investment Seminar	Virtual
August 19, 2020	GF Securities Technology Corporate Day	Virtual
September 1, 2020	Morgan Stanley Virtual Asia TMT Conference	Virtual
September 7, 2020	21st Credit Suisse Asian Technology Conference	Virtual
September 7, 2020	JPMorgan Asia Pacific CEO-CFO Conference	Virtual
September 9, 2020	27th Annual CITIC CLSA Flagship Investors' Forum	Virtual
November 4, 2020	Goldman Sachs China Conference	Virtual
November 5, 2020	Citi China Investor Conference 2020	Virtual
November 16, 2020	JP Morgan 2020 Global TMT Conference in Asia	Virtual
November 18, 2020	Morgan Stanley Virtual Asia Pacific Summit	Virtual
November 18, 2020	President Securities 2021 Investment Forum	Virtual
November 30, 2020	Daiwa Investment Conference 2020	Virtual
March 15, 2021	Merrill Lynch 2021 APAC TMT Conference	Virtual
March 16, 2021	China Everbright Virtual Strategy Conference	Virtual
March 22, 2021	24th Credit Suisse Asian Investment Conference	Virtual

Market Recognition

Lenovo has made unceasing efforts to enhance investor relations and the Company has been well-recognized by the investment community. The Company received the awards listed below during the year from various organizers in recognition of its efforts to complement its IR programs:

- **IR Magazine Greater China Awards 2020**
  - Best crisis management
  - Best use of multimedia for IR

- **2020 ARC awards**
  - Grand Award: Best of Category: PHOTOGRAPHY
  - Gold: Photography: IT Services & Solutions
  - Gold: Infographics: IT Services & Solutions
  - Gold: Photography: Technologies/Engineering

- **HKMA Best Annual Reports Awards 2020**
  - Excellence Award for H Shares and Red Chip Entries

- **HKIRA 6th Investor Relations Awards**
  - Certificate of Excellence

- **ESG Leading Enterprises 2020 Awards**
  - ESG Leading Enterprises Award – market cap over HK$20 billion
  - Leading Environmental Initiative Award
  - Leading Social Initiative Award
- **5th Golden Hong Kong Stock Awards**
  - Grand Award
  - Best CEO award

- **New Fortune Best IR Hong Kong Listed Company**
- **Quam IR Awards 2019 – Sustainable Development Category**

- **HKICPA Best Corporate Governance Awards 2020 – Gold Award**
- **CHKLC Award of Excellence in Corporate Governance**

- **BDO ESG Awards**
  - ESG Report of The Year (Technology) Awards
  - Best in Reporting Awards (Main Board – Large Market Capitalisation)
  - Best in ESG Awards (Main board – Large Market Capitalisation)

Index Recognition

Lenovo has always been well recognized by the capital market and the Company is currently a constituent stock of the following indexes:

- BBG HKSE all
- BI China High Yield Issuers Top Peers
- BI Global Computer Hardware & Storage Competitive Peers
- BI Global Computer Hardware Valuation Peers
- BI Global Mobile Handset Manufacturers Competitive Peers
- BI Global Personal Computing Competitive Peers
- Bloomberg Asia Pacific Technology Index
- Bloomberg Asia Pacific-World Index
- Bloomberg ESG Data Index
- Bloomberg ESG Score Universe
- Bloomberg World Computer Index
- Bloomberg World Index
- Bloomberg World Technology Index
- BlueStar Asia Technology Index Net Total Return
- BOCI China International Index
- CES SCHK100
- CES SHSC300
- Corporate Knights Global 100
- CSI Cross-Straits 500 Index
- CSI HK Dividend Index
- CSI Hong Kong 100 Index
- CSI Hong Kong State owned Mainland Enterprises Index
- CSI RAFI Hong Kong 50 Index
- Democracy Investments International Index
- EDE15BL
- EDE15BV
- EM (EMERGING MARKETS) HIGH DIVIDEND YIELD Index
- FactSet China Global Leaders Index (NTR)
- Fidelity Global ex. U.S. Index PR
- FTSE All World ex Greece Index USD
- FTSE All-World ex North America Index USD
- FTSE Asia ex Japan ESG Price Return Index
- FTSE Asia Pacific ex Japan Australia and New Zealand Net Index AUD
- FTSE Custom Composite UK All-Share 50% Net Tax Index
- FTSE Custom Composite UK All-Share 60% Dev Europe ex UK Net Tax
- FTSE Developed Asia Pacific All Cap Net Tax (US RIC) Index
- FTSE Developed Blended (022 & 045) PGGM Customized For NE NI CO2 Optimised PGGM
- FTSE Developed ex North America High Dividend Yield Net Tax Index
- FTSE Developed ex US All Cap Net Tax (US RIC) Index
- FTSE Developed Large Cap Total Return Index
- Hang Seng China (Hong Kong-listed) 100 Index
- Hang Seng China High Dividend Yield Index
- Hang Seng Composite Index
- Hang Seng Composite Information Technology Index
- Hang Seng Composite Large Cap Index
- Hang Seng Corporate Sustainability Index
- Hang Seng TECH Index
- Invesco China All-Cap ETF INAV Index
- Invesco MSCI Emerging Markets Equal Country Weight ETF INAV Index
- iSTOXX Northern Trust Emerging Markets High Dividend Climate ESG Net Return USD
- iSTOXX Northern Trust Emerging Markets Low Volatility Climate ESG Net Return USD
- John Hancock Dimensional Emerging Markets Index
- MSCI AC Asia ex Japan 10/40 Index
- MSCI AC AsiaPacific ESG Leaders Index STRD USD EOD
- MSCI ACWI ex Australia Preliminary USD Net Total Return Index
- MSCI EM IMI (VRS Taxes) Net Return USD Index
- MSCI Emerging Markets Choice ESG Screened 5% Issuer Capped Index
- MSCI Emerging Markets ex India Net Return USD Index
- MSCI EMERGING MARKETS IMI ex TOBACCO AUD STRD
- MSCI IR and SD ACWI ex US (NJD) USD Price Return Index
- MSCI OFI Revenue Weighted Global ESG RT Price Return USD Index
- NASDAQ AlphaDEX® China Net Total Return Index
- NYSE FactSet Global Robotics and Artificial Intelligence Index
- S&P Asia Pacific Emerging BMI (US Dollar)
- S&P China 500 USD Index
- S&P China BMI (US Dollar)
- S&P Emerging BMI (US Dollar)
- S&P Emerging LargeMidCap (US Dollar)
- S&P Emerging Plus LargeMidCap (US Dollar)
- S&P Global BMI (US Dollar)
- S&P Global BMI Information Technology USD PR
- S&P Global Dvd Aristo Index
- S&P Global Ex-Japan LargeMidCap (Japanese Yen)
- S&P Global Ex-U.S. BMI (US Dollar)
- S&P Global Large Cap Index
- S&P Global LargeMidCap (US Dollar)
- S&P Pan Asia BMI (US Dollar)
- S&P/IFCI China (USD)
- SG Global Value Beta Index Price Return EUR
- SG Global Value Beta Net Total Return Index EUR
- Solactive ISS ESG Global Low Carbon Custom Index NTR
- Solactive L&G Emerging Markets Future Core ESG (ex Fossil-Fuel) Index NTR
- STOXX Asia 1200 Price Index
- STOXX Emerging Markets 1500 Index
- STOXX Global 3000 Price Index
- STOXX Global Total Market Price Index
- Vanguard ESG International Stock ETF iNAV Index
- Vanguard FTSE Pacific ETF INAV
- Vanguard Total International Stock Index Fund ETF IOPV
- Vident Core International Equity Index
- WisdomTree Emerging Markets Dividend Index
- WisdomTree Emerging Markets Equity Income UCITS Index
- WisdomTree Emerging Markets High Dividend Index
- WisdomTree Global Equity Income Fund IOPV
- WisdomTree Global High Dividend Index
- WisdomTree International Equity Index
- WT Global Dividend

SHAREHOLDERS

Communications with Shareholders

The Company is committed to safeguard shareholders' interests and believes that effective communication with shareholders and other stakeholders is essential for enhancing investor relations and investor understanding of the business performance and strategies of the Group. To achieve this, the Company has established the shareholders communication policy (the "Shareholders Communication Policy") setting out various formal channels of communication with shareholders and other stakeholders for ensuring fair disclosure and comprehensive and transparent reporting of the Company's performance and activities. The Nomination and Governance Committee of the Company reviews the Shareholders Communication Policy on a regular basis to ensure its effectiveness.

COMMUNICATION CHANNELS WITH SHAREHOLDERS AND OTHER STAKEHOLDERS

- Teleconferences and webcasts for analysts and media briefings
- Publication of financial reports, announcements, circulars and press releases
- Shareholders' meetings
- Investment community communications such as roadshow, site visits and analyst roundtable events
- Company's website

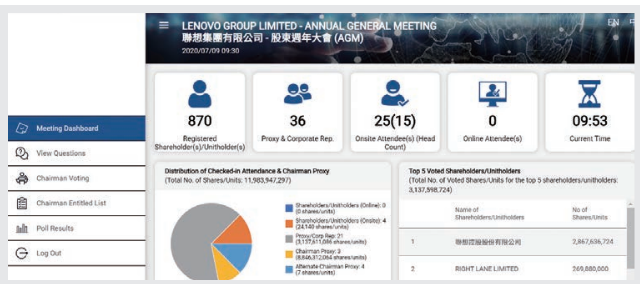
Constructive use of the general meetings

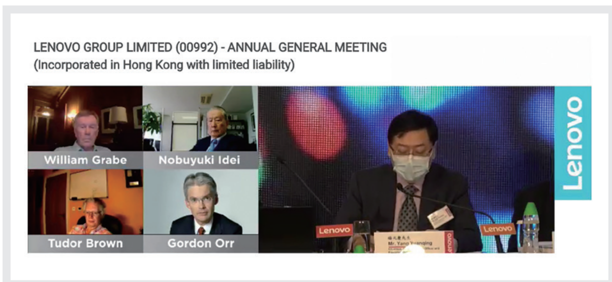
The annual general meeting and other general meetings of the Company are the primary forum for communication by the Company with its shareholders and for shareholders' participation. The Board encourages shareholders to participate in general meetings as it provides a valuable opportunity to discuss the Company, its corporate governance and other important matters. Notice of the annual general meeting and related papers are sent to shareholders at least 20 clear business days prior to the date of the annual general meeting and at least 10 clear business days prior to the date of other general meeting respectively. The information sent to shareholders includes a summary of the business to be covered at the general meeting, where a separate resolution is prepared for each substantive matter.

The Company arranges a question and answer session in general meeting for shareholders and media to communicate directly with Chairman and senior management.

2020 Annual General Meeting

Under the impact of the COVID-19 outbreak, the annual general meeting of the Company held on July 9, 2020 (the "2020 Annual General Meeting") was held in a way of hybrid meeting, shareholders could attend in person or join via online. The 2020 Annual General Meeting was attended by, among others, the Chairman and CEO, Chief Financial Officer, chairmen of the Audit Committee, Compensation Committee and Nomination and Governance Committee, the Lead Independent Director and representatives of the external auditor PwC to answer questions raised by shareholders at the meeting.





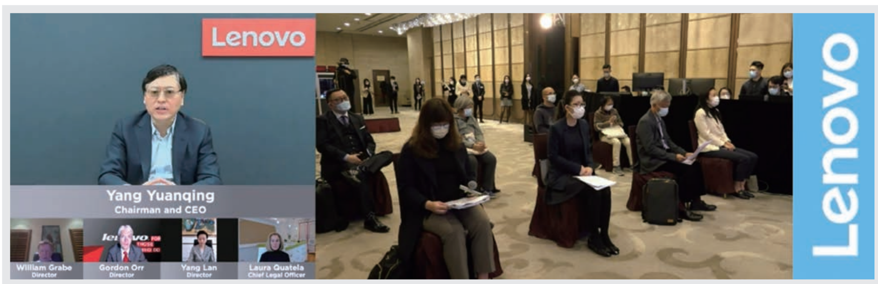
Corporate governance report

Separate resolutions were proposed on each issue, including the re-election of individual retiring directors. The matters resolved and the percentages of votes cast in favour of the resolutions are summarised below:

Matters Being Voted Upon	Percentage of Affirmative Votes
Received and considered the audited consolidated financial statements and the reports of the directors and the independent auditor for the year ended March 31, 2020	100%
Declaration of a final dividend for the issued shares of the Company for the year ended March 31, 2020	100%
Re-election of retiring directors, approval of not filling up vacated office resulting from the retirement of a director and authorization of the Board to fix directors' fees	89.34% to 99.99% with respect to each individual resolution
Re-appointment of PricewaterhouseCoopers as auditor and authorization of the Board to fix auditor's remuneration	98.93%
Approval of granting the general mandate to the directors to allot, issue and deal with additional shares not exceeding 20% of the aggregate number of shares in issue of the Company	67.86%
Approval of granting the general mandate to the directors to buy back shares not exceeding 10% of the aggregate number of shares in issue of the Company	99.86%
Approval of extending the general mandate to the directors to issue new shares by adding the number of shares bought back	68.04%

General Meeting

During the year, the Company convened and held a general meeting in a way of hybrid meeting on February 4, 2021 (the "2021 February General Meeting") under the impact of the COVID-19 outbreak, to consider and approve the proposed issuance and admission of Chinese Depository Receipts ("CDRs") and related matters and the proposed amendments of the Articles of Association of the Company, and authorization to the Board and its authorized person(s) dealing with matters in relation thereto, which meeting was attended by the Chairman and CEO, Chief Financial Officer, Chief Legal Officer, the Lead Independent Director and Chairmen (or his delegate) of the Audit Committee, Compensation Committee and Nomination and Governance Committee and representatives of the external auditor PwC.



Separate resolutions were proposed on each issue, including the re-election of individual retiring directors. The matters resolved and the percentages of votes cast in favour of the resolutions are summarised below:

Matters Being Voted Upon	Percentage of Affirmative Votes
Ordinary Resolution – Considered and approved the Proposed Issuance and Admission of CDRs and the Specific Mandate	99.30%
Ordinary Resolution – Considered and approved the authorization to the Board and its authorized person(s) to deal with matters relating to the Proposed Issuance and Admission of CDRs	99.39%
Ordinary Resolution – Considered and approved the plan for distribution of profits accumulated and undistributed before the Proposed Issuance and Admission of CDRs*	99.41%
Ordinary Resolution – Considered and approved the price stabilisation plan of CDRs for three years after the Proposed Issuance and Admission of CDRs*	99.40%
Ordinary Resolution – Considered and approved the dividend return plan for shareholders for three years after the Proposed Issuance and Admission of CDRs*	99.50%
Ordinary Resolution – Considered and approved the use of proceeds from the Proposed Issuance and Admission of CDRs*	99.48%
Ordinary Resolution – Considered and approved the risk alert regarding dilution of immediate return by the public offering of CDRs and relevant recovery measures*	99.39%
Ordinary Resolution – Considered and approved the binding measures on non-performance of relevant undertakings in connection with the Proposed Issuance and Admission of CDRs*	99.39%
Ordinary Resolution – Considered and approved the adoption of rules of procedure of general meetings*	99.53%
Ordinary Resolution – Considered and approved the adoption of rules of procedure of board meetings*	99.53%
Special Resolution – Considered and approved the amendments to the Articles of Association and the adoption of the amended and restated articles of association of the Company*	99.39%

* Note: These resolutions will take effect upon the listing of the CDRs on the STAR Market.

All of the resolutions proposed at the 2020 Annual General Meeting and the 2021 February General Meeting were decided by way of poll voting. Procedures for conducting the poll were explained by the Chairman at the commencement of the meeting. The poll was conducted by Tricor Abacus Limited, the Company's share registrar, as scrutineer and the details of poll voting results were posted on the Company's website (https://investor.lenovo.com/en/publications/news.php) and HKEx's website (www.hkexnews.hk) on July 9, 2020 and February 4, 2021 respectively.

2021 Annual General Meeting
To encourage shareholders' participation at the Company's 2021 annual general meeting under the impact on COVID-19 outbreak, shareholders will be provided with the option of attending or joining the annual general meeting online. Same as attending the meeting in person, the registered shareholders who join the meeting online will have the right to vote and submit questions online. Details of the proposed resolutions for the 2021 annual general meeting and arrangements of the hybrid meeting are set out in the circular which will be dispatched to the Company's shareholders with this annual report.

Shareholders' Rights

Procedures for convening a general meeting
Shareholder(s) representing at least 5% of the total voting rights of the Company of all the shareholders having a right to vote at general meetings may, in accordance with the requirements and procedures set out in the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) (the "Companies Ordinance"), request the Board to convene a general meeting by requisition, by stating the general nature of the business to be dealt at a general meeting and depositing the signed requisition at the registered office of the Company for the attention of the Company Secretary in hard copy form.

Procedures for putting forward proposals at an annual general meeting
(a) Shareholder(s) representing at least 2.5% of the total voting rights of all the shareholders of the Company having a right to vote on the resolution at the annual general meeting; or (b) at least 50 shareholders having a right to vote on the resolution at the annual general meeting may, in accordance with the requirements and procedures set out in the Companies Ordinance, requisition for the circulation of resolutions to be moved at annual general meetings and circulation of statements of not more than 1,000 words with respect to the matter referred to in the proposed resolution. Such written request must (i) state the resolution and be signed by all the requisitionists in one or more documents in like form; and (ii) be deposited in hard copy form at the registered office of the Company for the attention of the Company Secretary not less than six weeks before the annual general meeting; or if later, the time at which notice is given of that annual general meeting.

The detailed procedures for shareholders to convene and put forward proposals at an annual general meeting or general meeting, including proposing a person other than a retiring director for election as a director are set out in the Corporate Governance section of the Company's website. Shareholders may send their enquiries requiring the Board's attention to the Company at the registered address of the Company.

Constitutional documents
Rights of the shareholders are also provided under the Articles of Association. During the year under review, there are no changes in the Articles of Association. An up to date consolidated version of the Articles of Association is available on the Company's website and the HKEx's website.

Dividend Policy

The Company adopts a dividend policy of providing shareholders with sustainable dividends on a semi-annual basis. The level of dividends shall be determined in line with the growth in the Company's consolidated profits attributable to shareholders of the relevant financial period (after adjustments for restructuring or other one-off non-cash items, if any) after considering the factors including the Company's operations, business plans and strategies, cash flows, financial conditions, operating and capital requirements and other contractual or regulatory restrictions. Whilst the Company does not intend to set any pre-determined dividend distribution ratio in order to allow for financial flexibility, the Company endeavors to strike a proper balance between shareholders' interests and prudent capital management.

Shareholding Structure

Shareholding Structure as of March 31, 2021

According to the register of members of the Company as of March 31, 2021, there were 759 registered shareholders of whom 98.16% had their registered addresses in Hong Kong S.A.R. of China and the remaining in Mainland China, United Kingdom, Canada and Macau. Based on the best available data from external research company, the shareholders comprised institutions, private investors and related parties including substantial shareholders, directors and employees of the Company.

(i) Details of shareholders by category as of March 31, 2021 are as follows:

Type	Number of shares held	Percentage of the total number of shares in issue
Institutions	4,140,317,274	34.38%
Private Investors	749,784,733	6.23%
Related Parties	5,247,414,870	43.58%
Others including brokers, custodians and nominees etc.	1,904,188,737	15.81%
Total	**12,041,705,614**	**100.00%**

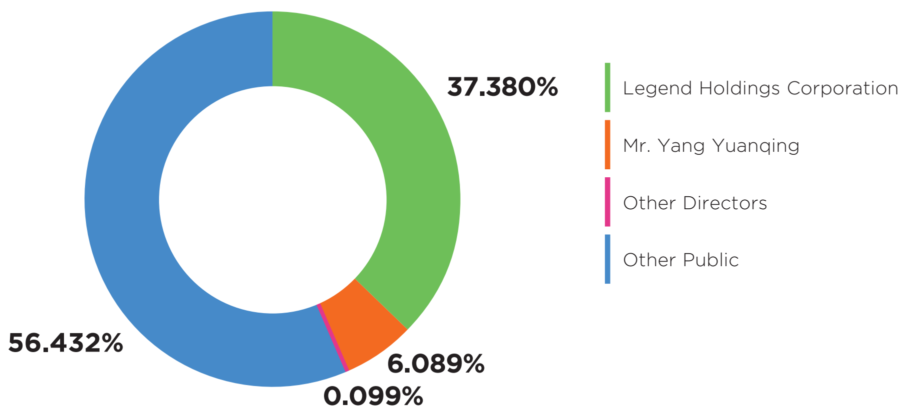
(ii) Details of institutional shareholders by domicile as of March 31, 2021 are as follows:

Domicile	Number of institutional Shareholders	Percentage of total number of institutional Shareholders	Number of shares held	Percentage of the total number of shares in issue
Hong Kong S.A.R. of China	40	11.02%	371,123,928	3.08%
United Kingdom and Ireland	48	13.22%	537,439,438	4.46%
Europe (excluding United Kingdom and Ireland)	73	20.11%	490,381,819	4.07%
America	127	34.99%	2,134,898,929	17.73%
Asia (excluding Hong Kong S.A.R. of China)	55	15.15%	575,210,879	4.78%
Rest of World	20	5.51%	31,262,281	0.26%
Subtotal of institutional shareholders	**363**	**100.00%**	**4,140,317,274**	**34.38%**

Remarks:
(i) A board lot size comprises 2,000 Shares.
(ii) According to the addresses registered/shown on the register of members of the Company.
(iii) 73.34% of all the issued Shares were held through HKSCC Nominees Limited.

Shareholding structure according to the interest disclosed under the Securities and Futures Ordinance as of March 31, 2021

Shareholding Structure as of March 31, 2021



Remarks:

(i) The approximate percentage of shareholding is calculated based on the aggregate long positions held in the total number of shares in issue of the Company (other than the positions held in or pursuant to equity derivatives) by the relevant holder or group of holders as recorded in the registers maintained under the SFO.

(ii) The approximate percentage of shareholding is calculated on the basis of 12,041,705,614 Shares of the Company in issue as of March 31, 2021.

KEY SHAREHOLDERS INFORMATION

Listing Information

Lenovo Group Limited's shares are listed on the Stock of Exchange of Hong Kong. In addition, shares are traded in the United States through an American Depositary Receipt (ADR) Level 1 Programme.

Market Capitalization and Public Float

As at March 31, 2021, the market capitalization of listed shares of the Company was approximately HK$133.18 billion, based on the total number of 12,041,705,614 issued Shares of the Company and the closing price of HK$11.06 per share.

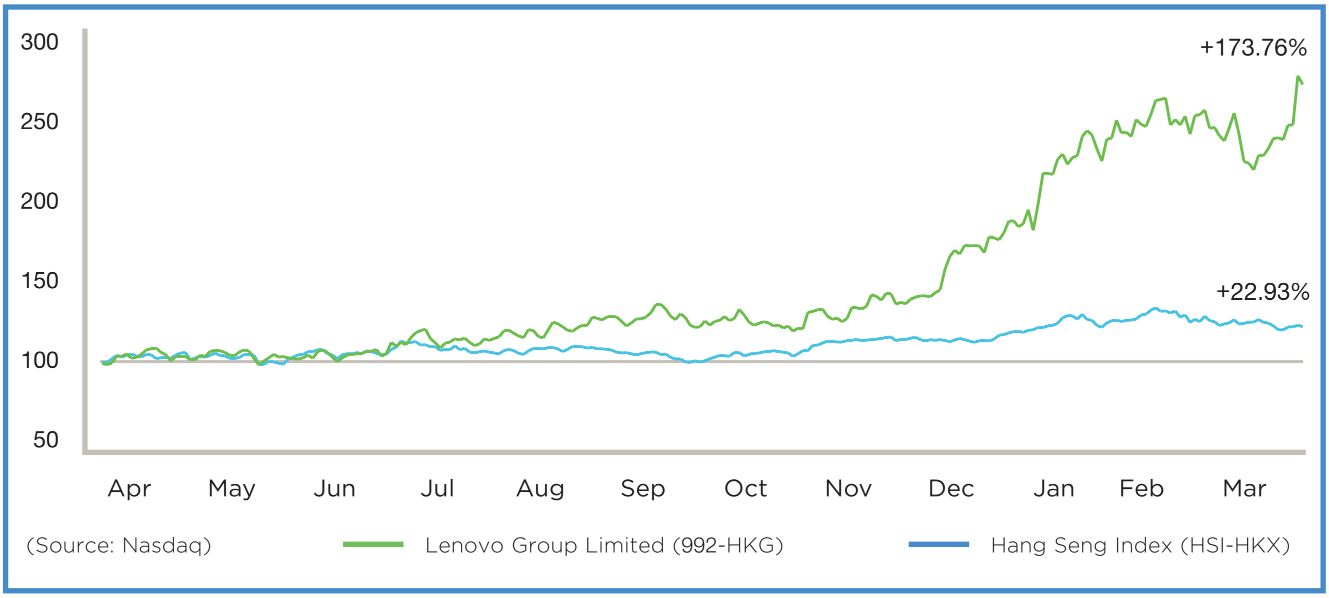
The daily average number of traded Shares was approximately 61.60 million Shares over an approximate free float of 6,795 million Shares in the fiscal year 2020/21. The highest closing price for the share was HK$11.28 per share on March 30, 2021 and the lowest was HK$4.00 per share on May 22, 2020.

Ordinary Shares (as at March 31, 2021)	
Listing	Hong Kong Stock Exchange
Stock code	992
Board lot size	2,000 shares
Ordinary shares outstanding as of March 31, 2021	12,041,705,614 shares
Free float	approximately 6,795 million shares
Market capitalization as of March 31, 2021	HK$133.18 billion (approximately US$17.14 billion)

Corporate governance report

Lenovo's share price from April 1, 2020 to March 31, 2021

During the fiscal year, Lenovo's share price outperformed HSI by over 150 percentage point.



American Depositary Receipts Level I Program	
Ordinary share to ADR	20:1
Stock code	LNVGY
Basic Earnings per Share	
Basic earnings per share for the year ended March 31, 2021	US9.54 cents
Dividend per Share	
Dividend per ordinary share for the year ended March 31, 2021	
– Interim	HK6.6 cents
– Final[1]	HK24.0 cents
Financial Calendar 2020/21 (Hong Kong Time)	
First Quarter Results Announcement	August 13, 2020
Interim Results Announcement	November 3, 2020
Third Quarter Results Announcement	February 3, 2021
Annual Results Announcement	May 27, 2021
General Meeting	February 4, 2021
Annual General Meeting	July 20, 2021

The investor relations team values and is eager to hear suggestions and comments from shareholders and investors. For enquiries from institutional investors and equity analysts, please contact ir@lenovo.com.

Note:
1 Subject to shareholders' approval at the forthcoming annual general meeting.

Audit committee report

THE AUDIT COMMITTEE

The audit committee (the "Audit Committee") of the board of directors (the "Board") of Lenovo Group Limited (the "Company") has been established since 1999 and as at the date of this annual report, is comprised of four members, all of whom including the Audit Committee chairman are independent non-executive directors of the Company (the "Independent Non-executive Directors").

The members who held office during the year and up to the date of this annual report are:

Chairman	Mr. Nicholas C. Allen	Independent Non-executive Director
Member	Mr. William Tudor Brown	Independent Non-executive Director
Member	Mr. Gordon Robert Halyburton Orr	Independent Non-executive Director
Member	Mr. Woo Chin Wan Raymond	Independent Non-executive Director

Both Mr. Allen and Mr. Woo, being the chairman and a member of the Audit Committee respectively, have appropriate professional qualifications and experience in accounting or related financial management expertise as required under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). More information on the skills and experience of the members of Audit Committee may be found in the directors' biographies set out on pages 143 to 146 of this annual report.

RESPONSIBILITIES

The Audit Committee is delegated by the Board with responsibility to provide an independent review of the financial reporting, and assess the effectiveness of risk management and internal control systems. It also reviews the adequacy of the Company's internal audit function and manages the Company's relationship with PricewaterhouseCoopers ("PwC"), the external auditor. The main responsibilities of the Audit Committee can be grouped into below different areas of competency:

AUDIT COMMITTEE
Main areas of oversight

FINANCIAL REPORTING
- The quality and acceptability of accounting policies and practices
- The clarity of the disclosures and compliance with financial reporting standards
- Material areas in which significant judgements have been applied

RISK MANAGEMENT AND INTERNAL CONTROL
- Effectiveness of risk management and internal control systems
- Internal audit plan and scope of the internal audit work
- Analysis of main areas of risk
- Adequacy and efficiency of internal audit function

EXTERNAL AUDIT
- Appointment or re-appointment and their remuneration
- Scope and status of the audit work
- Areas of key audit focus
- Independence and performance of external auditor

OTHERS
- Tax and treasury matters
- Key litigation and legal exposures
- Compliance with ethical rules and concerns

Audit committee report

Key Features
• The Audit Committee's terms of reference which clearly deal with its membership, authority, duties and frequency of meetings are published on the websites of the Company and Hong Kong Exchanges and Clearing Limited.
• The Audit Committee meets with external auditor, Chief Financial Officer, Chief Legal Officer, Chief Auditor and management of the accounting and financial reporting functions of the Company at least four times a year at quarterly intervals and is provided with sufficient resources to perform its duties.
• The Audit Committee is authorised to obtain outside legal or other independent professional advice in performing its duties at the Company's expense. No request was made by any member for such advice during the year.
• Other management from the business is also invited to attend certain meetings from time to time in order to provide insight and enhance the Audit Committee's awareness of key issues and developments.
• Separate executive sessions were arranged for the Audit Committee to meet with external auditor, Chief Auditor and Chief Legal Officer in the absence of management to discuss matters relating to any issues arising from the audit and any other matters such persons would like to raise.
• External auditor, Chief Auditor and Chief Legal Officer have direct access to the Audit Committee should they wish to raise any concerns outside formal meetings.
• In addition to standing agenda items, the Audit Committee may also request to discuss on particular "deep-dive" topics.
• The chairman will report back to the Board after each of the Audit Committee meeting on its decisions or recommendations.
• The company secretary will circulate a list of follow-up actions together with the minutes of the last meeting to management and the Audit Committee within a reasonable time after such meeting is held.

MAIN ACTIVITIES DURING FY2020/21

The work of the Audit Committee follows an agreed annual work plan and principally falls under three main areas: financial reporting; risk management and internal control; the oversight of external audit and the management of the Company's relationship with PwC, the external auditor. The timetable of the Audit Committee for the fiscal year 2020/21 is set out in the below diagram.

SPECIFIC ITEMS

MAY

- **Annual results, including review of:**
  - reports to the Audit Committee from Chief Financial Officer, Chief Auditor and external auditor
  - draft annual report incorporating directors' report, corporate governance report and financial statements
  - draft results announcement
- Review and assess of enterprise risk management
- Review of the performance and independence of external auditor
- Review of annual agenda of the Audit Committee
- Meeting with external auditor in the absence of management
- Meeting with Chief Auditor and Chief Legal Officer in the absence of management
- **Recommendations to the Board on:**
  - the annual results, annual report and related results announcement
  - re-appointment of external auditor

AUGUST/FEBRUARY

- **Quarterly results, including review of:**
  - reports to the Audit Committee from Chief Financial Officer, Chief Auditor and external auditor
  - draft results announcement
- Review of the Ethics and Compliance program of the Group including the whistleblowing arrangements
- Review and conduct annual review of adequacy of resources, staff qualifications and experience, training programmes and budget of the accounting, internal audit and financial reporting function
- **Recommendations to the Board on the quarterly results and related results announcement**

NOVEMBER

- **Interim results, including review of:**
  - reports to the Audit Committee from Chief Financial Officer, Chief Auditor and external auditor
  - draft interim report
  - draft results announcement
- Half year review and assess of very high-risk items in enterprise risk management
- Meeting with external auditor in the absence of management
- Meeting with Chief Auditor and Chief Legal Officer in the absence of management
- **Recommendations to the Board on the interim results, interim report and related results announcement**

STANDING ITEMS

FINANCIAL REPORTING

- Key accounting items
- Key assumptions, judgements and estimates
- Key litigation and legal exposures

RISK MANAGEMENT AND INTERNAL CONTROL

- Internal audit planning methodology/ approach
- Summary of internal audit and investigations
- Non-audit services provided by the external auditor
- Internal control of the Group including key control issues

EXTERNAL AUDIT

- Audit plan
- Scope and status of the audit work
- Area of key audit focus
- Significant accounting matters

OTHERS

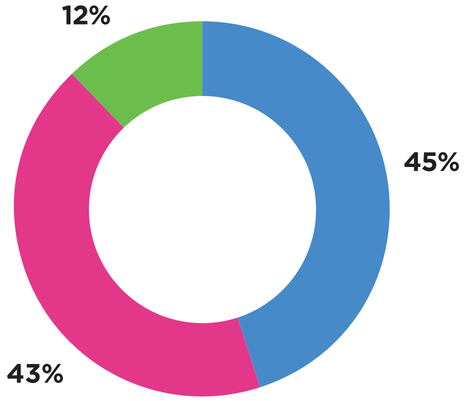
- Minutes of previous meeting
- Reports on actions taken or status of follow-up items arose from previous meetings
- Discuss on particular "deep-dive" topics

Audit committee report

In the fiscal year ended March 31, 2021, the Audit Committee held four meetings, with all members in attendance at each meeting. The attendance record of the Audit Committee's members is set out in the Corporate Governance Report on page 92 and the chart below shows how the Audit Committee allocated its time during the fiscal year 2020/21.

AUDIT COMMITTEE

Allocation of agenda time



	FY2020/21	FY2019/20
Financial reporting	**45%**	47%
Risk management and internal control and others (including compliance, tax and treasury matters)	**43%**	41%
External audit	**12%**	12%

At each meeting, the Audit Committee received reports and presentations on key financial reporting, internal control and audit matters from management who attend the meetings to report on significant issues and respond to queries raised by the Audit Committee. The main matters and areas that the Audit Committee reviewed and considered at its four meetings during the year and how the Audit Committee discharges its responsibilities were as follows:

Financial Reporting

With the support of the external auditor, the Audit Committee assessed whether suitable accounting policies had been adopted, whether management had made appropriate estimates and judgements and whether disclosures were in compliance with the financial reporting standards. The Audit Committee:

- Reviewed and recommended to the Board for approval the audited financial results of the Company and its subsidiaries (collectively, the "Group") for the year ended March 31, 2020 together with the related annual results announcement and the annual report incorporating the directors' report and corporate governance report after discussion with the management and external auditor;
- Reviewed and recommended to the Board for approval the unaudited interim financial results of the Group for the six months ended September 30, 2020 together with the related interim results announcement and the interim report after discussion with the management and external auditor;
- Reviewed and recommended to the Board for approval the unaudited financial results of the Group for the three months ended June 30, 2020 and for the nine months ended December 31, 2020 together with its respective results announcements after discussion with the management and external auditor;
- Received reports from and met with external auditor and internal auditor to discuss the scope of their review and findings;
- Reviewed the impairment assessment of goodwill and other intangible assets with indefinite useful lives; and
- Reviewed and discussed with management on significant judgements and key assumptions together with presentational and disclosure issues associated with accounting standards and interpretive guidance affecting the Group's financial statements and financial results announcements; items reviewed and discussed included (a) net current liabilities position and deferred income tax assets; (b) the accounting treatment for strategic business developments; (c) the accounting treatment for material transactions and projects; (d) the accounting treatment on the Group's goodwill; and (e) the accounting provisions and treatments for indirect tax receivables, inventories, and employees benefit plans.

Risk Management and Internal Control

To discharge the responsibility of reviewing and monitoring the effectiveness of the Group's risk management and internal control systems, the Audit Committee received regular reports from the Chief Auditor and if required from management including legal and other business units. At each meeting, the Audit Committee reviewed the process for identifying, assessing and reporting key risks and control issues of the Group. The Audit Committee:

- Discussed the yearly internal audit plan of the Group to ensure adequate scope, coverage over the activities of the Group and the resource requirements of internal audit to carry out its functions and also reviewed the results of the internal audit work quarterly;

- Reviewed the effectiveness of the internal control system (including the adequacy of resources, staff qualification and experience, training programmes and budget of the Group's internal audit, accounting and financial reporting function) operating in the Group and reviewed the corrective actions taken by management;

- Reviewed half-yearly the enterprise risk management (the "ERM") of the Group including Group ERM approach, risk management status and conclusion, risk registration results for fiscal year 2020/21, top 5 risks from 2013 to 2020, COVID-19 and manufacturing & supply chain risk management updates;

- Reviewed the management letter point status of the Group and reviewed the actions/processes undertaken by the Group;

- Reviewed the cyber security incidents, risks, concerns and actions taken/to be taken by the Group; and

- Reviewed the risk assessment of litigation cases of the Group.

External Audit

To discharge the responsibility of overseeing the Board's relationship with the external auditor and monitoring the external auditor's performance, objectivity and independence and also the effectiveness of the audit process, the Audit Committee:

- Reviewed and considered the external auditor's statutory audit scope and results for the fiscal year 2019/20, including their plan and the terms of engagement, and the letter of representation to be given by the Board in respect of the financial year ended March 31, 2020;

- Reviewed and considered the external auditor's audit plan and scope for the fiscal year 2020/21;

- Reviewed the results of the audit and the reports submitted by external auditor, which summarised matters arising from their audit on the Group during the year ended March 31, 2021, together with management's responses and/or comments to the findings;

- Assessed the external auditor's independence and objectivity including a review of the non-audit services provided by the external auditor;

- Evaluated the performance of PwC and recommended to the Board for approval of the re-appointment of PwC as the external auditor of the Group for the year ended March 31, 2021;

- Reviewed the annual reporting of continuing connected transactions provided by the external auditor; and

- Reviewed and discussed the financial reporting requirement updates on proposed issuance and admission of Chinese Depository Receipts on the Science and Technology Innovation Board of Shanghai Stock Exchange provided by the external auditor.

Others

During the fiscal year 2020/21, the Audit Committee also:

- Reviewed the succession planning of the finance organization of the Group;
- Received and reviewed the reports from Chief Legal Officer regarding key litigation and other legal matters of the Group;
- Reviewed the Ethics and Compliance program including the whistleblowing procedure of the Group for employees to raise concerns about possible improprieties in financial reporting, internal control or other matters, and the enhancements to this program;
- Reviewed updates on treasury items, including risk and cost analysis;
- Reviewed updates on China cyber security;
- Reviewed updates on tax model;
- Reviewed and approved the Audit Committee report for incorporating into the annual report for the fiscal year 2019/20; and
- Reviewed and approved the annual agenda of the Audit Committee for the fiscal year 2020/21.

REVIEW OF FINANCIAL RESULTS

At the meeting held on May 26, 2021, the Audit Committee:

- reviewed the key accounting judgements and policies adopted by the Group and confirmed that these are appropriate. The significant areas of judgement identified by the Audit Committee, in conjunction with management and the external auditor, together with a number of other areas that the Audit Committee deemed to be significant in the context of the consolidated financial statements of the Group for the year ended March 31, 2021 are set out in the Independent Auditor's Report on pages 168 to 173;
- after discussion with management and the external auditor, and having considered the Group's financial position, the Audit Committee satisfied that the Group and the Company had adequate resources to continue in operational existence for the foreseeable future and confirmed to the Board that it was appropriate for the consolidated financial statements of the Group for the year ended March 31, 2021 to be prepared on a going concern basis; and
- reviewed the consolidated financial statements of the Group for the year ended March 31, 2021 in conjunction with the narrative sections of this annual report. The Audit Committee was satisfied that, taken as a whole, this annual report was present a balanced, clear and comprehensible assessment of the Group's performance, position and prospects.

Based on the reviews and discussions referred to above, the Audit Committee recommended to the Board the approval of the audited consolidated financial statements of the Group for the year ended March 31, 2021 together with the related annual results announcement and this annual report incorporating the directors' report and corporate governance report.

REVIEW OF RISK MANAGEMENT AND INTERNAL CONTROL SYSTEMS

The Group's internal control system covers every activity and transaction. Within this framework, management performs periodic enterprise wide risk assessments and continuously monitors and reports the progress of actions plans to address the key risks. Further information about the risk management and internal control framework and control processes are set out in the Corporate Governance Report on pages 95 to 101.

Based on the information and confirmation received from management, external auditor and internal auditor, the Audit Committee concluded that for the year ended March 31, 2021, the Group's risk management and internal control systems were adequate and effective. The Audit Committee also confirmed that the Group had, in the fiscal year 2020/21, satisfactorily complied with the code provisions on risk management and internal control as set forth in the Corporate Governance Code and Corporate Governance Report in Appendix 14 to the Listing Rules.

RECOMMENDATION FOR RE-APPOINTMENT OF THE EXTERNAL AUDITOR

The Audit Committee recognizes the importance of maintaining the independence of the external auditor. Consistent with its terms of reference, the Audit Committee has evaluated PwC's qualifications, performance, and independence, including that of the lead audit partner. The Company has established a policy pursuant to which non-audit services equal to or above US$320,000, provided by the external auditor must be pre-approved by the Audit Committee. This policy is more fully described in the Corporate Governance Report on page 102. The Audit Committee has concluded that provision of the non-audit services described in that section was compatible with maintaining the independence of PwC. In addition, PwC has provided the Audit Committee an independence statement confirming that for the year ended March 31, 2021 and thereafter to the date of this annual report, they are independent of the Group in accordance with the independence requirements of the Hong Kong Institute of Certified Public Accountants.

Based on the review and discussions referred to above, the Audit Committee was satisfied with the external auditor's work, its independence and objectivity, and therefore recommended to the Board the re-appointment of PwC as the Group's external auditor for the financial year ending March 31, 2022 for shareholders' approval at the forthcoming annual general meeting to be held on July 20, 2021.

PRIORITIES FOR FY2021/22

Looking ahead, the priorities of the Audit Committee for the fiscal year 2021/22 are:

- To stay focused on high standard financial accounting and reporting, audit quality, effective risk management and internal control.

- To remain vigilant on the impacts of the economic conditions on the Group.

Compensation committee report

THE COMPENSATION COMMITTEE

The compensation committee (the "Compensation Committee") of the board of directors (the "Board") of Lenovo Group Limited (the "Company") as of the date of this annual report is comprised of four members, all of whom are non-executive directors of the Company (the "Non-executive Directors") and majority of whom including the Compensation Committee chairman are independent non-executive directors of the Company (the "Independent Non-executive Directors").

The members who held office during the year and up to the date of this annual report are:

Chairman	Mr. William Tudor Brown	Independent Non-executive Director
Member	Mr. William O. Grabe	Independent Non-executive Director and Lead Independent Director
Member	Mr. Gordon Robert Halyburton Orr	Independent Non-executive Director
Member	Mr. Zhao John Huan	Non-executive Director

More information on the skills and experience of the members of the Compensation Committee may be found in the directors' biographies set out on pages 143 to 146 of this annual report.

RESPONSIBILITIES

The Compensation Committee is delegated by the Board with the following responsibilities

- Establish a formal and transparent procedure for developing compensation policy for the Chairman of the Board ("Chairman"), Chief Executive Officer ("CEO"), other directors and senior management;
- Approve the amount and forms of compensation to be provided to the Chairman, CEO, other directors and senior management;
- Review the incentive compensation arrangements to determine whether they encourage excessive risk-taking, and evaluate compensation policies and practices that could mitigate any such risk, and also encourage pay for performance;
- Evaluate the need for, and provisions of severance arrangements for our executive officers; and
- Review the recommendation from independent professional adviser on the compensation of Non-executive Directors.

KEY FEATURES
The Compensation Committee's terms of reference which clearly deal with its membership, authority, duties and frequency of meetings are published on the websites of the Company and Hong Kong Exchanges and Clearing Limited.
The Compensation Committee meets with management and external independent professional adviser at least four times a year at quarterly intervals and is provided with sufficient resources to perform its duties.
The Compensation Committee is authorised to obtain outside independent professional advice in performing its duties at the Company's expense.

KEY FEATURES
The Compensation Committee shall ensure that no director is involved in deciding his or her own individual compensation.
Separate executive session was arranged for the Compensation Committee to meet with its independent consultant in the absence of executive director and management to discuss matters relating to any issues and any other matters such persons would like to raise.
The chairman will report back to the Board after each of the Compensation Committee meeting regarding decisions or recommendations.

SUMMARY OF WORK IN 2020/21

In the fiscal year ended March 31, 2021, the Compensation Committee held four meetings, with all members in attendance at each meeting. The attendance record of the Compensation Committee's members is set out in the Corporate Governance Report on page 92.

The main matters and areas that the Compensation Committee reviewed and considered at its four meetings during the year were as follows:

Review of Company and Market Information

- Reviewed overall compensation strategy;
- Reviewed and approved the peer group for the CEO and senior management;
- Reviewed the market positioning for the compensation of CEO and senior management including pay levels and pay mix;
- Reviewed pay efficiency to support understanding of pay affordability and sustainability for the entire company;
- Reviewed the compensation and remuneration trends and regulatory developments in technology industry.

Compensation Program

- Reviewed the CEO pay and performance evaluation process;
- Reviewed and approved FY2019/20 bonus, long-term incentive ("LTI") and FY2020/21 proposed target compensation level for Chairman and CEO, and senior management;
- Reviewed and approved FY2020/21 bonus plan;
- Reviewed and approved FY2020/21 LTI plan, including key plan features such as award vehicles, performance metrics, grant and vesting schedules, and LTI budget for the entire company;
- Reviewed the holding power and share ownership positions of both senior management and Non-executive Directors;
- Reviewed the analysis and recommendations from an independent consultant on FY2020/21 Non-executive Directors' fee arrangement;

Others

- Reviewed the Compensation Committee Report for incorporating into the annual report for the FY2019/20; and
- Reviewed and approved the annual agenda of the Compensation Committee for the FY2020/21.

COMPENSATION POLICY

Overall Principles

Lenovo recognizes the importance of attracting and retaining top-calibre talent and is strongly committed to effective corporate governance. Consistent with this philosophy, the Company has a formal, transparent and performance-driven compensation policy covering its directors, senior management and general employees.

Generally, Lenovo's compensation serves to support the Company's business strategy, assist in the attraction and retention of top talent, reinforce the Company's pay-for-performance culture, as well as reflecting market practices of other leading international IT enterprises, with particular focus on Lenovo's closest competitors.

Compensation committee report

The Compensation Committee makes regular reviews of Lenovo's compensation practices to ensure they reflect the five overall principles and objectives as presented below.

Balance short and long-term focus, ensuring alignment with shareholder value creation

Flexibility to adjust to diverse businesses and talent markets

Pay for Performance: Strong linkage between financial success, individual performance and employee reward

Pay competitiveness against peer companies, enabling the Company to recognize contribution of key talent

Support effective corporate governance practices

Non-executive Directors

The Compensation Committee regularly reviews the compensation programs for our Non-executive Directors to ensure its appropriateness considering the Non-executive Directors' time commitment, workload, job requirements and responsibilities versus Lenovo's peer companies and the broader market. Details of the current package and the review carried out in this fiscal year are set out in the section headed "Remuneration Reviews" below.

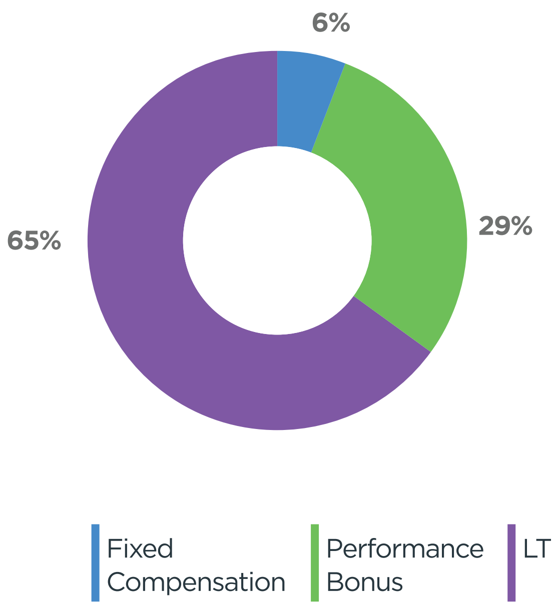
Chairman/CEO and Senior Management

To ensure Lenovo's compensation for the Chairman/CEO and senior management reflect the policy and principles described above, the Compensation Committee considers a number of relevant factors in the determination of their compensation. Such factors include salary and total compensation paid by peer companies, job responsibilities and scopes, the Company's business performance and individual performance.

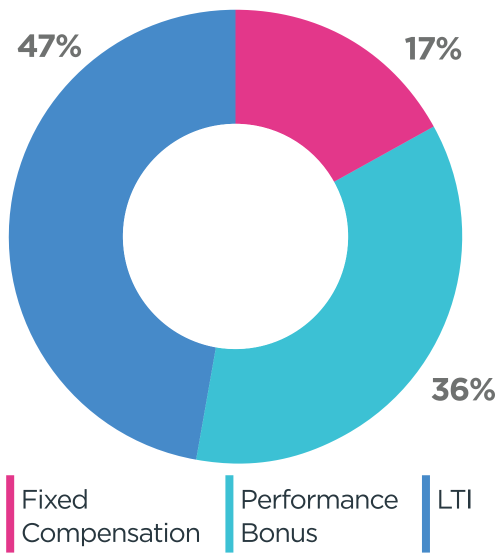
The compensation structure of Lenovo's Chairman/CEO and senior management consists of base salaries, allowances, performance-based bonuses, LTI, retirement benefits, and benefits-in-kind. These components and their mix are described below.

The Chairman/CEO pay mix chart reflects FY2020/21 emoluments disclosed in note 10 to the financial statements. The senior management pay mix chart reflects average FY2020/21 emolument including LTI that were awarded in June 2020.

Chairman / CEO pay mix



Senior management pay mix (Average)



Fixed Compensation
Fixed compensation includes base salary, allowances and benefits-in-kind (e.g. medical, dental and life insurance, etc.). Base salary and allowances are set and reviewed annually for each position, reflecting the executive's responsibility, experience, competitive market positioning for comparable positions, as well as the Company's performance and individual contribution to the business. Allowances are provided to facilitate temporary and permanent staff relocations. Benefits-in-kind are reviewed regularly taking into consideration relevant industry and local market practices.

Performance Bonus
The Chairman/CEO and senior management are eligible to receive performance bonuses. The amounts paid under the plan are based on the performance of the Company, using selected financial and non-financial metrics, its subsidiaries, relevant business groups and/or geographies as appropriate, as well as individual performance.

Long-Term Incentive Program ("LTI Program")
The Company operates a LTI Program which was adopted by the Company in 2005 and amended in 2008 and 2016 respectively. The purpose of the LTI Program is to attract, retain, reward and motivate executive and Non-executive Directors, senior management and selected top-performing employees of the Company and its subsidiaries, while reinforcing direct alignment with shareholders' interests.

Under the LTI Program, the Company maintains two types of equity-based compensation vehicles: (i) share appreciation rights, and (ii) restricted share units. These vehicles are described in more detail below.

(i) Share Appreciation Rights ("SARs")

SARs entitle the holder to receive the appreciation in value of the Company's share price above a predetermined level. SARs are typically subject to a vesting schedule of up to three years.

(ii) Restricted Share Units ("RSUs")

RSU is equivalent to the value of one ordinary share of the Company. Once vested, RSU is converted to an ordinary share, or its cash equivalent. RSUs are typically subject to a vesting schedule of up to three years. Dividends are typically not paid on RSUs before vesting date.

The Company reserves the right to settle any awards under the LTI Program in cash or in ordinary shares at its discretion. The Company has created and funded a trust to pay shares to eligible recipients. In the case of SARs, shares are due after exercise by the recipient. In the case of RSUs, shares are due after the employee satisfies any vesting conditions.

The number of units awarded under the LTI Program is set and reviewed annually, by considering each individual's contribution to the long-term performance of the company, Lenovo's performance, and competitive market positioning of their total compensation packages. In certain circumstances, awards under the LTI Program may be made to support strategic new hires.

In fiscal year 2020/21, the Company did not issue any new shares under this program, and the program is currently operated through purchasing existing shares from the market.

Retirement Benefits
The Company operates a number of retirement schemes for its employees, including executive directors and senior management. These schemes are reviewed regularly and are intended to deliver benefit levels that are consistent with local market practices. Details of the retirement schemes are set out in the directors' report on pages 153 to 156.

General Employees

As at March 31, 2021, the Group had a headcount of approximately 71,500 worldwide with 52,000 regular employees and 19,500 long-term contracting plant workers.

Lenovo believes that employees are its most important strategic resource and recognizes that each employee must be valued as an individual and treated fairly and equitably. Lenovo's compensation philosophy supports this value and targets compensation competitively within the relevant competitive market, with significant upside for achieving exceptional performance. Lenovo seeks to identify and reward exceptional performance in ways that sends clear messages about the Company's priorities and values.

Total Compensation for General Employees = **Fixed Compensation** + **Performance Bonus** + **Restricted Share Units**

Similar to senior management, employees at Lenovo are eligible for fixed compensation including base salary, allowances and benefits-in-kind. Eligible employees would also receive performance bonus based on individual, business group and/or geographies, and company performance. In addition, selected top-performing employees are eligible to participate in the LTI Program which will be delivered 100% in Restricted Share Units.

REMUNERATION REVIEWS

The Compensation Committee regularly reviews the Company's compensation programs to ensure alignment with its stated objectives as well as competitiveness in the talent market. Typically, reviews for base salary, performance bonus, and LTI award are conducted on an annual basis. Non-executive Directors' fees are reviewed for alignment with market practice on an annual basis as well.

Fiscal Year 2020/21 Non-executive Directors Review

In May 2020, the Compensation Committee engaged an independent international compensation consulting firm to conduct an analysis of the compensation package of the Non-executive Directors. Based on the assessment, the existing compensation package provided to Lenovo's directors is competitive at 50th percentile of Lenovo's peer companies and the broader market, hence, it is recommended to remain constant for FY20/21.

Final recommendations as subsequently approved by the Board (comprising executive director of the Company only) based on the delegation from shareholders of the Company are summarized in the table below:

Compensation Element	2020/21 (US$)	2019/20 (US$)
Cash Retainer	**100,000**	100,000
LTI Award	**230,000**	230,000
Total Remuneration	**330,000**	330,000

* The LTI award is delivered in RSUs, which can be settled in either Lenovo shares or cash equivalent upon vesting. RSUs are subject to a three-year vesting period and are otherwise subject to the same terms and conditions of the RSU scheme described above.

Consistent with prior practice, the chairman of the Audit Committee of the Company received an additional cash payment equal to US$27,500 (approximately HK$213,700), while the chairman of the Compensation Committee of the Company received an additional cash payment equal to US$20,000 (approximately HK$155,000), and the Lead Independent Director received an additional cash payment equal to US$35,000 (approximately HK$272,000) per year.

Further details of the compensation of the Non-executive Directors are included in note 10 to the financial statements. SAR and RSU awards outstanding for Non-executive Directors as of March 31, 2021 under this scheme are presented in the "Long-Term Incentive Scheme" section of this report.

Fiscal Year 2020/21 Chairman/CEO and Senior Management Review

Fixed Compensation

As a part of its annual review process, the Compensation Committee had reviewed and approved base pay for the Chairman/CEO and senior management in May 2020, with effect from July 1, 2020.

Base salary for the Chairman/CEO remained constant at RMB8,808,815 (approximately US$1,301,202 (Note: the translation of RMB into USD is based on the exchange rate of RMB1.00 to USD0.147715 and is for information purposes only) (actual pay delivered in local currency)). Base salaries for senior management also remained constant in light of COVID-19 and associated uncertainty.

Performance Bonus

Chairman/CEO and senior management's FY19/20 performance bonus payouts were approved at the May 2020 Compensation Committee meeting. Final bonus payouts for Chairman/CEO and senior management were determined based on overall pre-tax income, total revenue, customer experience as well as individual performance.

The Compensation Committee approved to add Services & Software as a key performance measure for FY20/21 Performance Bonus Plan to align with the Company's focus on service-led transformation.

Pre-tax Income	Revenue	Services & Software	Customer Experience	Individual Performance

Approved performance bonus payments for FY20/21 will be delivered in June 2021.

LTI Program

The most recent full cycle of LTI awards including both SARs and RSUs was made in June 2020. Selected executives, including the Chairman/CEO and senior management, received LTI awards based on Company's and individual's performance during fiscal year 2019/20. The next cycle of LTI awards including SARs and RSUs is expected to be in June 2021.

Employee Share Purchase Plan (ESPP)

The Company has launched an employee share purchase plan ("Plan") since October 2016. The purpose of the Plan is to facilitate and encourage Lenovo share ownership by the general employee population. Under the Plan, eligible employees are awarded one matching restricted share unit for every four ordinary shares of the Company purchased through qualified employee contributions. The matching restricted share units are subject to a vesting schedule of up to two years. Executive and Non-executive Director and senior management of the Company are not eligible to participate in the Plan.

For fiscal year 2020/21, the Company did not issue any new shares under this plan, and the plan is currently operated through purchasing existing shares from the market.

Compensation committee report

Remuneration of Senior Management

The remuneration of senior management fell within the following bands for the year ended March 31, 2021:

Remuneration bands	Number of senior management
US$3,418,162 to US$3,482,655	1
US$4,579,048 to US$4,643,540	1
US$4,643,541 to US$4,708,034	1
US$4,772,529 to US$4,837,021	1
US$4,901,516 to US$4,966,008	1
US$4,966,010 to US$5,030,502	1
US$5,352,971 to US$5,417,464	1
US$6,255,882 to US$6,320,375	1
US$8,061,704 to US$8,126,196	1
US$8,319,678 to US$8,384,171	1
US$8,706,640 to US$8,771,133	1
US$30,376,499 to US$30,440,992	1

Emoluments of Directors for FY2020/21 and Five Highest Paid Individuals

Details of the emoluments of directors and the five highest paid individuals are set out in note 10 to the financial statements.

Fiscal Year 2020/21 Employees Review

Fixed Compensation

Each year, management conducts a market review to ensure fixed compensation changes are aligned and competitive with market trends. The review incorporates input from several external survey providers and formal assessments of individual performance. In FY20/21, in relation to the COVID-19 pandemic, the company implemented salary freeze across all markets except Argentina due to its high inflation rate.

Performance Bonus

Performance bonus for general employees is based on individual performance and performance of their respective business unit or "Performance Groups". For fiscal year 2020/21, there were a total of approximately 120 different Performance Units within the Company each with its unique performance metrics and targets, which consist of a financial component, services and software component and a customer experience component. For the fiscal year 2020/21 performance bonus, mid-year progress payment was made in December 2020, and full payment based on annual business outcomes will be trued-up in June 2021 based on approved final bonus funding.

Final Bonus Payout = **Target Bonus** × **Performance Unit Score** × **Individual Performance Modifier**

Performance Unit scores may range from 0% to 300% based on final results against targets. Individual Performance Modifiers range from 0% to 150% and are linked to the employee Performance Ratings and progress against established Key Performance Indicators (KPIs).

To strengthen focus on longer-term performance and alignment with shareholders' interests, for the Chairman/CEO, senior management and other executives, when actual bonus payout is higher than 200% of Target Bonus, the portion of actual incentive exceeding 200% will be delivered in deferred LTI award, and vested fully in Restricted Share Units one year later.

LTI Program

For fiscal year 2020/21, 15.9% of eligible employees (excluding executive directors) received an award under the LTI Program. These awards were granted in June 2020.

LONG-TERM INCENTIVE PROGRAM

The Company implemented the LTI Program to attract, retain, reward and motivate Executive and Non-executive Directors, senior management and selected top-performing employees of the Company and its subsidiaries.

The movements in the share awards of the Executive and Non-executive Directors during the fiscal year are as follows:

				Number of units							
Name	Award type	Fiscal year of award	Effective price (HK$)	As at April 1, 2020 (unvested)	Awarded during the period	Vested during the period	Exercised during the period	Lapsed/ nullified during the period *(Note 1)*	As at March 31, 2021 (unvested)	Total outstanding as at March 31, 2021	Vesting period (mm.dd.yyyy)
Mr. Yang Yuanqing	SAR	13/14	9.815	-	-	-	-	-	-	14,520,062	06.03.2015 - 06.03.2018
	SAR	15/16	12.29	-	-	-	-	-	-	12,703,664	06.01.2016 - 06.01.2019
	SAR	16/17	4.90	-	-	-	-	-	-	126,972,471	06.01.2017 - 06.01.2019
	SAR	17/18	4.95	15,297,925	-	15,297,925	-	-	-	45,893,773	06.01.2018 - 06.01.2020
	SAR	18/19	4.00	19,652,821	-	13,104,502	-	-	6,548,319	39,305,643	06.01.2019 - 06.01.2021
	SAR	19/20	5.79	79,451,149	-	46,346,504	-	-	33,104,645	79,451,149	06.03.2020 - 06.03.2022
	SAR	20/21	4.22	-	76,048,055	-	-	-	76,048,055	76,048,055	06.01.2021 - 06.01.2023
	RSU	17/18	4.95	3,965,222	-	3,965,222	-	-	-	-	06.01.2018 - 06.01.2020
	RSU	18/19	4.00	4,684,250	-	3,122,833	-	-	1,561,417	1,561,417	06.01.2019 - 06.01.2021
	RSU	19/20	5.79	15,564,480	-	9,079,280	-	-	6,485,200	6,485,200	06.03.2020 - 06.03.2022
	RSU	20/21	4.22	-	18,776,263	-	-	-	18,776,263	18,776,263	06.01.2021 - 06.01.2023
	RSU	20/21	4.22	-	3,988,776	-	-	-	3,988,776	3,988,776	06.01.2021
Mr. Zhu Linan	SAR	13/14	7.88	-	-	-	-	242,723	-	-	08.16.2014 - 08.16.2016
	SAR	14/15	11.48	-	-	-	-	-	-	275,884	08.15.2015 - 08.15.2017
	SAR	15/16	7.49	-	-	-	-	-	-	403,970	08.14.2016 - 08.14.2018
	SAR	16/17	5.38	-	-	-	-	-	-	205,253	08.19.2017 - 08.19.2019
	SAR	17/18	4.74	318,438	-	318,438	-	-	-	636,877	08.21.2018 - 08.21.2020
	SAR	18/19	4.39	750,155	-	375,077	-	-	375,078	1,125,232	08.17.2019 - 08.17.2021
	RSU	17/18	4.74	55,027	-	55,027	-	-	-	-	08.21.2018 - 08.21.2020
	RSU	18/19	4.39	119,199	-	59,599	-	-	59,600	59,600	08.17.2019 - 08.17.2021
	RSU	19/20	5.48	328,629	-	109,543	-	-	219,086	219,086	09.19.2020 - 09.19.2022
	RSU	20/21	5.01	-	355,877	-	-	-	355,877	355,877	09.01.2021 - 09.01.2023
Mr. Zhao John Huan	SAR	13/14	7.88	-	-	-	-	364,084	-	-	08.16.2014 - 08.16.2016
	SAR	14/15	11.48	-	-	-	-	-	-	275,884	08.15.2015 - 08.15.2017
	SAR	15/16	7.49	-	-	-	-	-	-	403,970	08.14.2016 - 08.14.2018
	SAR	16/17	5.38	-	-	-	-	-	-	615,761	08.19.2017 - 08.19.2019
	SAR	17/18	4.74	318,438	-	318,438	-	-	-	955,316	08.21.2018 - 08.21.2020
	SAR	18/19	4.39	750,155	-	375,077	-	-	375,078	1,125,232	08.17.2019 - 08.17.2021
	RSU	17/18	4.74	55,027	-	55,027	-	-	-	-	08.21.2018 - 08.21.2020
	RSU	18/19	4.39	119,199	-	59,599	-	-	59,600	59,600	08.17.2019 - 08.17.2021
	RSU	19/20	5.48	328,629	-	109,543	-	-	219,086	219,086	09.19.2020 - 09.19.2022
	RSU	20/21	5.01	-	355,877	-	-	-	355,877	355,877	09.01.2021 - 09.01.2023

				Number of units							
Name	Award type	Fiscal year of award	Effective price (HK$)	As at April 1, 2020 (unvested)	Awarded during the period	Vested during the period	Exercised during the period	Lapsed/ nullified during the period *(Note 1)*	As at March 31, 2021 (unvested)	Total outstanding as at March 31, 2021	Vesting period (mm.dd.yyyy)
Mr. Nicholas C. Allen	SAR	13/14	7.88	–	–	–	–	364,084	–	–	08.16.2014 - 08.16.2016
	SAR	14/15	11.48	–	–	–	–	–	–	275,884	08.15.2015 - 08.15.2017
	SAR	15/16	7.49	–	–	–	–	–	–	403,970	08.14.2016 - 08.14.2018
	SAR	16/17	5.38	–	–	–	615,761	329,796	–	–	08.19.2017 - 08.19.2019
	SAR	17/18	4.74	318,439	–	318,439	–	–	–	955,316	08.21.2018 - 08.21.2020
	SAR	18/19	4.39	750,155	–	375,077	750,154	327,843	375,078	375,078	08.17.2019 - 08.17.2021
	RSU	17/18	4.74	55,027	–	55,027	–	–	–	–	08.21.2018 - 08.21.2020
	RSU	18/19	4.39	119,200	–	59,600	–	–	59,600	59,600	08.17.2019 - 08.17.2021
	RSU	19/20	5.48	328,629	–	109,543	–	–	219,086	219,086	09.19.2020 - 09.19.2022
	RSU	20/21	5.01	–	355,877	–	–	–	355,877	355,877	09.01.2021 - 09.01.2023
Mr. William O. Grabe	SAR	13/14	7.88	–	–	–	–	364,084	–	–	08.16.2014 - 08.16.2016
	SAR	14/15	11.48	–	–	–	–	–	–	275,884	08.15.2015 - 08.15.2017
	SAR	15/16	7.49	–	–	–	–	–	–	403,970	08.14.2016 - 08.14.2018
	SAR	16/17	5.38	–	–	–	–	–	–	615,761	08.19.2017 - 08.19.2019
	SAR	17/18	4.74	318,439	–	318,439	–	–	–	955,316	08.21.2018 - 08.21.2020
	SAR	18/19	4.39	750,155	–	375,077	–	–	375,078	1,125,232	08.17.2019 - 08.17.2021
	RSU	17/18	4.74	55,027	–	55,027	–	–	–	–	08.21.2018 - 08.21.2020
	RSU	18/19	4.39	119,200	–	59,600	–	–	59,600	59,600	08.17.2019 - 08.17.2021
	RSU	19/20	5.48	328,629	–	109,543	–	–	219,086	219,086	09.19.2020 - 09.19.2022
	RSU	20/21	5.01	–	355,877	–	–	–	355,877	355,877	09.01.2021 - 09.01.2023
	RSU (Deferral)	19/20	4.23	–	61,851	61,851	–	–	–	–	Note 2
	RSU (Deferral)	19/20	4.23	–	61,851	61,851	–	–	–	–	Note 2
	RSU (Deferral)	20/21	5.01	–	52,221	52,221	–	–	–	–	Note 2
	RSU (Deferral)	20/21	10.27	–	25,495	25,495	–	–	–	–	Note 2
	RSU (Deferral)	20/21	10.27	–	25,495	25,495	–	–	–	–	Note 2
Mr. William Tudor Brown	SAR	13/14	7.88	–	–	–	–	364,084	–	–	08.16.2014 - 08.16.2016
	SAR	14/15	11.48	–	–	–	–	–	–	275,884	08.15.2015 - 08.15.2017
	SAR	15/16	7.49	–	–	–	–	–	–	403,970	08.14.2016 - 08.14.2018
	SAR	16/17	5.38	–	–	–	–	–	–	615,761	08.19.2017 - 08.19.2019
	SAR	17/18	4.74	318,439	–	318,439	–	–	–	955,316	08.21.2018 - 08.21.2020
	SAR	18/19	4.39	750,155	–	375,077	–	–	375,078	1,125,232	08.17.2019 - 08.17.2021
	RSU	17/18	4.74	55,027	–	55,027	–	–	–	–	08.21.2018 - 08.21.2020
	RSU	18/19	4.39	119,200	–	59,600	–	–	59,600	59,600	08.17.2019 - 08.17.2021
	RSU	19/20	5.48	328,629	–	109,543	–	–	219,086	219,086	09.19.2020 - 09.19.2022
	RSU	20/21	5.01	–	355,877	–	–	–	355,877	355,877	09.01.2021 - 09.01.2023
Mr. Yang Chih-Yuan Jerry	SAR	13/14	7.88	–	–	–	–	245,757	–	–	08.16.2014 - 08.16.2016
	SAR	14/15	11.48	–	–	–	–	–	–	186,221	08.15.2015 - 08.15.2017
	SAR	14/15	11.07	–	–	–	–	–	–	37,202	11.16.2015 - 11.16.2017
	SAR	15/16	7.49	–	–	–	–	–	–	403,970	08.14.2016 - 08.14.2018
	SAR	16/17	5.38	–	–	–	–	–	–	615,761	08.19.2017 - 08.19.2019
	SAR	17/18	4.74	318,439	–	318,439	–	–	–	955,316	08.21.2018 - 08.21.2020
	SAR	18/19	4.39	750,155	–	375,077	–	–	375,078	1,125,232	08.17.2019 - 08.17.2021
	RSU	17/18	4.74	55,027	–	55,027	–	–	–	–	08.21.2018 - 08.21.2020
	RSU	18/19	4.39	119,200	–	59,600	–	–	59,600	59,600	08.17.2019 - 08.17.2021
	RSU	19/20	5.48	328,629	–	109,543	–	–	219,086	219,086	09.19.2020 - 09.19.2022
	RSU	20/21	5.01	–	355,877	–	–	–	355,877	355,877	09.01.2021 - 09.01.2023

				Number of units							
Name	Award type	Fiscal year of award	Effective price (HK$)	As at April 1, 2020 (unvested)	Awarded during the period	Vested during the period	Exercised during the period	Lapsed/ nullified during the period *(Note 1)*	As at March 31, 2021 (unvested)	Total outstanding as at March 31, 2021	Vesting period (mm.dd.yyyy)
Mr. Gordon Robert Halyburton Orr	SAR	15/16	7.25	-	-	-	-	-	-	224,107	09.18.2016 - 09.18.2018
	SAR	16/17	5.38	-	-	-	-	-	-	615,761	08.19.2017 - 08.19.2019
	SAR	17/18	4.74	318,439	-	318,439	-	-	-	955,316	08.21.2018 - 08.21.2020
	SAR	18/19	4.39	750,155	-	375,077	-	-	375,078	1,125,232	08.17.2019 - 08.17.2021
	RSU	17/18	4.74	55,027	-	55,027	-	-	-	-	08.21.2018 - 08.21.2020
	RSU	18/19	4.39	119,200	-	59,600	-	-	59,600	59,600	08.17.2019 - 08.17.2021
	RSU	19/20	5.48	328,629	-	109,543	-	-	219,086	219,086	09.19.2020 - 09.19.2022
	RSU	20/21	5.01	-	355,877	-	-	-	355,877	355,877	09.01.2021 - 09.01.2023
Mr. Woo Chin Wan, Raymond	RSU	19/20	5.48	358,380	-	119,460	-	-	238,920	238,920	09.19.2020 - 09.19.2022
	RSU	20/21	5.01	-	355,877	-	-	-	355,877	355,877	09.01.2021 - 09.01.2023
Ms. Yang Lan	RSU	20/21	5.01	-	312,733	-	-	-	312,733	312,733	09.01.2021 - 09.01.2023

Note 1: These units were nullified in accordance with the operation of the SAR plan rules.

Note 2: Proceeds in respect of quarterly deferral grants to be paid only at point of termination from the board of directors or unforeseen emergency.

OTHER SHAREHOLDER ORIENTED FEATURES

Share Ownership Guidelines

Lenovo maintains share ownership guidelines for selected executives, including the Chairman/ CEO and senior management. The guidelines help to align executives with shareholders and focus executives on the long-term performance of Lenovo by requiring certain levels of share ownership. The guidelines (expressed as a multiple of base salary) vary by role and level and are expected to be achieved within 5 years of becoming an eligible executive. If the guidelines are not achieved, executives are required to retain a minimum portion of vested shares delivered through Lenovo's incentive plans until the guidelines are met. The guidelines are then expected to be maintained throughout the executives' remaining employment. As of fiscal year end, 94% of executives covered by the guidelines have achieved the targeted level of ownership, and with the upcoming annual LTI grant in June 2021, 100% of executives covered by the guidelines will achieve the targeted level of ownership. Additionally, the Non-executive Directors are subject to similar guidelines and are in full compliance.

Claw Back Policy

Lenovo maintains a claw back policy for selected executives, including the Chairman/CEO and senior management. The policy states that in the event of a restatement of the Company's previously issued financial statements as a result of errors, omission, fraud or non-compliance, the Board may, in its discretion, attempt to recover all or a portion of compensation, with respect to any fiscal year in which the Company's financial results are negatively affected by such restatement.

Directors' report

The directors of Lenovo Group Limited (the "Company") submit their report together with the audited consolidated financial statements of the Company and its subsidiaries (collectively the "Group") for the year ended March 31, 2021.

PRINCIPAL BUSINESS AND GEOGRAPHICAL ANALYSIS OF OPERATIONS

The principal activity of the Company is investment holding. The activities of its principal subsidiaries are set out in note 36 to the financial statements.

Details of the analyses of the Group's performance for the year by operating segment are set out in note 5 to the financial statements.

BUSINESS REVIEW

A discussion and analysis of the activities as required by Schedule 5 to the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), including a fair review of the business and a discussion of the principal risks and uncertainties facing the Group, particulars of important events affecting the Group that have occurred since the end of the financial year 2020, and an indication of likely future development in the Group's business, can be found in the "Five-Year Financial Summary", "Chairman & CEO Statement" and "Management's Discussion & Analysis" sections of this annual report. These discussions form part of this directors' report.

RESULTS AND APPROPRIATIONS

The results of the Group for the year are set out in the consolidated income statement on page 174 of this annual report.

The state of affairs of the Group and of the Company as at March 31, 2021 is set out in the consolidated balance sheet on pages 176 and 177 of this annual report and the balance sheet of the Company in note 30(a) to the financial statements respectively.

The cash flows of the Group for the year are set out in the consolidated cash flow statement on pages 178 and 179 of this annual report.

An interim dividend of HK6.6 cents (2020: HK6.3 cents) per share, amounting to a total of approximately US$102.3 million (2020: approximately US$96.6 million), was paid to shareholders during the year.

The Board has resolved to recommend the payment of a final dividend of HK24.0 cents per share for the year ended March 31, 2021 (2020: HK21.5 cents). Subject to shareholders' approval at the forthcoming annual general meeting of the Company to be held on July 20, 2021 ("AGM"), the proposed final dividend will be payable on August 10, 2021 to the shareholders whose names appear on the register of members of the Company on July 28, 2021.

For the purposes of determining shareholders' eligibility to attend and vote at the AGM, and entitlement to the proposed final dividend, the register of members of the Company will be closed. Details of such closures are set out below:

(i) For determining shareholders' eligibility to attend and vote at the AGM:

Latest time to lodge transfer documents for registration	4:30 p.m. on July 12, 2021
Closure of register of members	From July 13 to July 20, 2021
Record date	July 13, 2021

RESULTS AND APPROPRIATIONS *(continued)*

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

Latest time to lodge transfer documents for registration	4:30 p.m. on July 27, 2021
Closure of register of members	July 28, 2021
Record date	July 28, 2021

During the above closure periods, no transfer of shares will be registered. To be eligible to attend and vote at the AGM, and to qualify for the proposed final dividend, all properly completed transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's share registrar, Tricor Abacus Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than the aforementioned latest times.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results for the year and of the assets and liabilities of the Group as at March 31, 2021 and for the last four financial years are set out on page 279 of this annual report.

DISTRIBUTABLE RESERVES

As at March 31, 2021, the distributable reserves of the Company amounted to US$1,354,102,000 (2020: US$1,227,188,000).

BANK BORROWINGS

Particulars of bank borrowings as at March 31, 2021 are set out in note 26 to the financial statements.

DONATIONS

Charitable and other donations made by the Group during the year amounted to US$10,937,000 (2020: US$6,811,000).

SHARE CAPITAL

Details of movement of share capital of the Company during the year are set out in note 28 to the financial statements.

CONVERTIBLE BONDS

On January 24, 2019, the Company issued US$675,000,000 3.375% convertible bonds ("Bonds") due 2024 to third party professional investors only and the Bonds were listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on January 25, 2019.

The market price of the Company's shares on January 15, 2019, being the date on which the terms of the issuance of the Bonds were determined, was HK$5.710 per share. As at March 31, 2021, the Bonds are convertible into a maximum of 741,902,700 ordinary shares at the adjusted conversion price of HK$7.13 per share ("Conversion Shares"), which represents (i) approximately 6.16% of the existing issued share capital of the Company as at March 31, 2021; and (ii) approximately 5.80% of the issued share capital of the Company, as enlarged by full conversion of the Bonds (assuming there will be no other changes in the Company's shares in issue).

The Conversion Shares to be issued upon conversion of the Bonds will be fully paid and in all respects rank pari passu with the Company's shares in issue on the relevant registration date. The Conversion Shares (if and when issued) will be issued under the general mandate granted to the directors pursuant to an ordinary resolution of the Company passed at the annual general meeting held on July 5, 2018.

CONVERTIBLE BONDS *(continued)*

On January 24, 2021, the bondholder exercised its redemption rights to require the Company to redeem and the Company redeemed part of the Bonds at the principal amount of US$0.5 million which is the aggregate amount paid by the Company. There had not been any conversion of the Bonds, and no redemption right had been exercised by the Company for the period ended March 31, 2021 since the issue date of the Bonds. As at March 31, 2021, the total outstanding principal amount of the Bonds was US$674.5 million.

Assuming the Bonds were fully exercised on March 31, 2021, the shareholdings of the Company immediately before and after the full exercise of the Bonds are set out below for illustration purposes:

Shareholders	Shareholding immediately before the full exercise of the Bonds		Upon full conversion of the Bonds at the adjusted conversion price of HK$7.13 each	
	Number of Shares	Approximate % of the total issued share capital	Number of Shares	Approximate % of the total issued share capital
Legend Holdings Corporation(1)	2,867,636,724	23.81%	2,867,636,724	22.43%
Right Lane Limited(2)	388,819,317	3.23%	388,819,317	3.04%
Legion Elite Limited(3)	480,900,000	3.99%	480,900,000	3.76%
Sureinvest Holdings Limited(4)	622,804,000	5.17%	622,804,000	4.87%
Union Star Limited(5)	764,868,248	6.35%	764,868,248	5.99%
Directors of the Company(6)	121,642,300	1.01%	121,642,300	0.95%
Subscribers of the Bonds	–	–	741,902,700	5.80%
Other public Shareholders	6,795,035,025	56.44%	6,795,035,025	53.16%
Total	12,041,705,614	100.00%	12,783,608,314	100.00%

Notes:

(1) Legend Holdings Corporation ("LHL"), a company incorporated in the PRC, the H shares of which are listed on the Stock Exchange (stock code: 3396).

(2) Right Lane Limited ("RLL"), a company incorporated in Hong Kong with limited liability and a wholly owned subsidiary of LHL.

(3) Legion Elite Limited ("LEL"), a company incorporated in the British Virgin Islands and a wholly owned subsidiary of RLL.

(4) Sureinvest Holdings Limited ("SHL"), a company incorporated in the British Virgin Islands and an investment holding company held as to approximately 87.00% by Mr. Yang Yuanqing, 4.65% by Mr. Wong Wai Ming (Chief Financial Officer of the Company) and 8.35% by eight other individuals, respectively.

(5) Union Star Limited ("Union Star"), a company incorporated in the Cayman Islands and is held as to approximately 24.49%, 37.91% and 37.60% by SHL, LHL (through LEL) and Red Eagle Group (PTC) Limited (through Harvest Star Limited), respectively. Harvest Star Limited is a company incorporated in the Cayman Island and a wholly owned subsidiary of Red Eagle Group (PTC) Limited (a company incorporated in the British Virgin Islands and a trust holding company of an employee benefit trust of the Company).

(6) Without taking into account of the share awards held by the Directors.

Based on the cash and cash equivalents as at March 31, 2021 and the cash flow from operating activities of the Company, the Company has the ability to meet its redemption obligation under the Bonds.

CONVERTIBLE BONDS *(continued)*

The analysis of the Company's share price at which it would be equally financially advantageous for the Bondholders to convert the Bonds based on their implied rate of return at a range of dates in the future is as follows:

Conversion date	Company's share price HK$	Implied rate of return of Bondholders
September 30, 2021	7.47	10%
March 31, 2022	7.41	8%

Please refer to note 26 to the financial statements and the announcement of the Company dated January 15, 2019 for further details of the Bonds.

DEBENTURES ISSUED

On April 24, 2020, the Company issued US$650,000,000 5.875% unsecured notes due 2025 under the medium term note programme established by the Company on March 8, 2020. The Company has received a consideration of US$649,846,340 and the proceeds were applied for refinancing and general corporate purposes. On May 12, 2020, the Company further issued US$350,000,000 5.875% unsecured notes due 2025. The Company has received a consideration of US$354,493,125 and the proceeds were applied for refinancing and general corporate purposes. The 2025 notes were listed on the Stock Exchange.

On November 2, 2020, the Company issued US$1,000,000,000 3.421% notes due 2030. The notes are listed on the Stock Exchange. The Company has received a consideration of US$1,000,000,000 from the issuance. The proceeds of this issuance were used to repurchase part of (i) the outstanding US$1,000,000,000 5.375% perpetual securities issued by Lenovo Perpetual Securities Limited ("LPSL") (a wholly owned subsidiary of the Company) and guaranteed by the Company, (ii) the Company's US$500,000,000 3.875% notes due 2022 ("2022 Notes"), and (iii) the Company's US$750,000,000 4.750% notes due 2023 ("2023 Notes"), in accordance with the terms of the tender offer announced by the Company on October 22, 2020. The 2022 Notes and 2023 Notes are listed on the Stock Exchange. Details as to the aggregate principal amount of such outstanding perpetual securities purchased by LPSL and notes repurchased by the Company, as well as the aggregate principal amount of such securities and notes outstanding are set out in the announcement of the Company dated November 3, 2020 regarding settlement of the tender offer.

EQUITY-LINKED AGREEMENTS

Pursuant to the subscription agreement entered into between the Company and Union Star dated September 29, 2017, Union Star subscribed for 90,613,689 units of bonus warrants ("Bonus Warrants") at the initial exercise price of HK$5.17 per Bonus Warrant on November 17, 2017. The exercise in full of the subscription rights attaching to the Bonus Warrants will result in the issue of 90,613,689 ordinary shares of the Company. On November 16, 2020, 26,914,000 units of the Bonus Warrants were exercised at the adjusted exercise price of HK$5.1445 per Bonus Warrant and the remaining outstanding Bonus Warrants were lapsed. The gross proceeds from the exercise of Bonus Warrants were approximately HK$138,459,073. As at March 31, 2021, no Bonus Warrants remained outstanding. For further details of the Bonus Warrants, please refer to note 11 to the financial statements, and also the Company's announcements dated September 29, 2017, November 17, 2017 and November 17, 2020 in relation to the issuance of the Bonus Warrants and the completion of issuance of warrant shares.

Directors' report

SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

Particulars of the Company's principal subsidiaries, associates and joint ventures as at March 31, 2021 are set out in notes 36 and 17 to the financial statements respectively.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the Group sold less than 21% of its goods and services to its five largest customers. The percentages of purchases for the year attributable to the Group's major suppliers are as follows:

The largest supplier	19%
Five largest suppliers combined	37%

None of the directors of the Company, their close associates or any shareholder (which to the knowledge of the directors own more than 5% of the number of issued shares of the Company) had an interest in the major suppliers noted above.

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

Save as disclosed above, during the year ended March 31, 2021, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities, except that the respective trustee of the long-term incentive program and the employee share purchase plan of the Company purchased a total of 707,963,793 shares from the market for award to employees upon vesting. Details of these program and plan are set out under sections headed "Long-Term Incentive Program" and "Employee Share Purchase Plan" in the Compensation Committee Report on page 129 and page 131 respectively of this annual report.

DIRECTORS

The directors during the year and up to the date of this report are:

Chairman and Executive Director

Mr. Yang Yuanqing

Non-executive Directors

Mr. Zhu Linan
Mr. Zhao John Huan

Independent Non-executive Directors

Mr. Nicholas C. Allen
Mr. William O. Grabe
Mr. William Tudor Brown
Mr. Yang Chih-Yuan Jerry
Mr. Gordon Robert Halyburton Orr
Mr. Woo Chin Wan Raymond
Ms. Yang Lan
Mr. Nobuyuki Idei (retired on July 9, 2020)

In accordance with article 107 of the Company's articles of association, Mr. Zhu Linan, Mr. Zhao John Huan and Mr. Nicholas C. Allen will retire by rotation at the AGM and, being eligible, have offered themselves for re-election, except for Mr. Nicholas C. Allen who will not stand for re-election after having served as an independent non-executive director of the Company for about 12 years.

DIRECTORS *(continued)*

The Company has received from each of the independent non-executive directors an annual confirmation of his/her independence pursuant to rule 3.13 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). The Nomination and Governance Committee has duly reviewed the independence of each of these directors. The Company considered that all independent non-executive directors meet the independence guidelines set out in rule 3.13 of the Listing Rules and are independent in accordance with the terms of the guidelines.

The list of directors who have served on the boards of directors of the subsidiaries of the Company during the year ended March 31, 2021 or during the period from April 1, 2020 to the date of this report is available on the Company's website (https://investor.lenovo.com/en/publications/list_directors.php).

BIOGRAPHY OF DIRECTORS AND SENIOR MANAGEMENT

Honorary Chairman

Mr. Liu Chuanzhi, 77, has been the Honorary Chairman and Senior Advisor of the Company since November 3, 2011. Mr. Liu is the founder of the Group and held the positions of executive director, non-executive director and chairman of the Board at different times from 1993 until his resignation from the Board on November 3, 2011. As our Honorary Chairman, Mr. Liu is not a director or an officer of the Company or of any subsidiary of the Company, and does not have any management role in the Company or any of its subsidiaries. He graduated from the Radar Navigation Department of People's Liberation Army Institute of Telecommunication Engineering (中國人民解放軍軍事電信工程學院雷達導航系) (now known as Xidian University) in China in 1966 and has substantial experiences in corporate management. Mr. Liu is the honorary chairman of the board of directors and senior advisor (previously the chairman of the board and executive director) of Legend Holdings Corporation (HKSE listed) which holds substantial interests in the issued shares of the Company.

Biography of directors

Chairman and executive director

Mr. Yang Yuanqing, 56, is the Chairman of the Board, Chief Executive Officer and an executive director of the Company. He is also a director and a shareholder of Sureinvest Holdings Limited which holds interests in the issued shares of the Company. Mr. Yang assumed the duties of chief executive officer of the Company on February 5, 2009. Prior to that, he was the chairman of the Board from April 30, 2005. Before taking up the office as chairman, Mr. Yang was the chief executive officer and has been an executive director of the Company since December 16, 1997.

Mr. Yang has over 30 years of experience in IT industry. Under his leadership, Lenovo has been China's best-selling PC brand since 1997 and is the leading PC vendor, one of the major players in global smartphone and server markets. Mr. Yang received a master's degree in computer science from the University of Science and Technology of China, and Bachelor degree in computer science and engineering from Shanghai Jiao Tong University. Mr. Yang is currently an independent director of Baidu, Inc. (NASDAQ and HKSE listed) and Taikang Insurance Group Inc. Mr. Yang is also a guest professor at the University of Science and Technology of China and a member of the International Advisory Council of Brookings Institute.

Non-executive directors

Mr. Zhu Linan, 58, has been a non-executive director of the Company since April 30, 2005. Mr. Zhu graduated with a master's degree in electronic engineering from Shanghai Jiao Tong University and has more than 20 years of management experience. He was previously a senior vice president of the Group. Mr. Zhu has been re-designated as a non-executive director with effect from January 1, 2020 and prior to that, he was executive director, president and member of executive committee of Legend Holdings Corporation (HKSE listed), a company holding substantial interests in the issued shares of the Company. He was a non-executive director of CAR Inc. (HKSE listed).

BIOGRAPHY OF DIRECTORS AND SENIOR MANAGEMENT *(continued)*

Biography of directors *(continued)*

Non-executive directors *(continued)*

Mr. Zhao John Huan, 58, has been a non-executive director of the Company since November 3, 2011. Mr. Zhao holds a master's degree in business administration from the Kellogg School of Management at Northwestern University, dual master's degrees in electric engineering and physics from Northern Illinois University and a bachelor's degree in physics from Nanjing University. He has been re-designated as a non-executive director with effect from January 1, 2020 and prior to that, he was an executive director, executive vice president and member of executive committee of Legend Holdings Corporation (HKSE listed), a company having substantial interests in the issued shares of the Company. He is also the chairman and president of Hony Capital Limited.

In addition, he currently holds the following positions: non-executive director of China Glass Holdings Limited, the chairman of the board and executive director of Best Food Holding Company Limited, chairman of the board and executive director of Goldstream Investment Limited (formerly known as "International Elite Ltd.") (all HKSE listed), a non-executive director of Shanghai Jin Jiang International Hotels Company Limited 上海錦江國際酒店股份有限公司 (formerly known as "Shanghai Jin Jiang International Hotels Development Company Limited 上海錦江國際酒店發展股份有限公司") and ENN Natural Gas Co., Ltd. 新奧天然氣股份有限公司 (formerly known as "ENN Ecological Holdings Co., Ltd 新奧生態控股股份有限公司") (both listed on the Shanghai Stock Exchange), a non-executive director of Zoomlion Heavy Industry Science and Technology Co., Ltd. 中聯重科股份有限公司 (HKSE and Shenzhen Stock Exchange listed), Simcere Pharmaceutical Group Limited (HKSE listed) and Eros STX Global Corporation (NYSE listed).

Mr. Zhao was previously the deputy chairman of Shanghai Environment Group Co., Ltd. 上海環境集團股份有限公司 and chairman of the board and non-executive director of Hospital Corporation of China Limited.

Independent non-executive directors

Mr. Nicholas C. Allen, 66, has been an independent non-executive director of the Company since November 6, 2009. Mr. Allen received a bachelor of arts degree in economics/social studies from The University of Manchester, United Kingdom. He is a fellow of the Institute of Chartered Accountants in England and Wales and a member of the Hong Kong Institute of Certified Public Accountants. Mr. Allen has extensive experience in accounting and auditing and was a partner of PricewaterhouseCoopers until his retirement in June 2007. Mr. Allen is the chairman of the board of directors and an independent non-executive director of the Manager of Link Real Estate Investment Trust, an independent non-executive director of CLP Holdings Limited and an independent non-executive director of Hong Kong Exchanges and Clearing Limited (all HKSE listed). He was previously an independent non-executive director of Hysan Development Company Limited and VinaLand Limited.

Mr. William O. Grabe, 83, has been an independent non-executive director of the Company since February 8, 2012 and was appointed as the lead independent director of the Company on May 23, 2013. Before that, he was a non-executive director of the Company since May 17, 2005. Mr. Grabe is currently a director of Gartner Inc. (NYSE listed). He was previously an independent director of Compuware Corporation and a director of Covisint Corporation and QTS Realty Trust, Inc.. Mr. Grabe is an advisory director of General Atlantic LLC. He formerly served as a managing director of General Atlantic LLC and has been associated with General Atlantic Group since 1992. Prior to that, he served as a corporate vice president and officer of IBM.

Biography of directors *(continued)*

Independent non-executive directors *(continued)*

Mr. William Tudor Brown, 62, has been an independent non-executive director of the Company since January 30, 2013. Mr. Brown is a Chartered Engineer and holds an MA (Cantab) Degree in electrical sciences from Cambridge University. He is a fellow of the Institution of Engineering and Technology and a fellow of the Royal Academy of Engineering. He was awarded as Member of the Order of the British Empire (MBE) on June 15, 2013.

Mr. Brown was one of the founders of ARM Holdings plc ("ARM") (London Stock Exchange and NASDAQ listed). During the years with ARM, he held a broad range of leadership positions including engineering director, chief technical officer, executive vice president for global development, chief operating officer and president. He had responsibility for developing high-level relationships with industry partners and governmental agencies and for regional development. He also served as a director of ARM from October 2001 to May 3, 2012. Before joining ARM, he was the principal engineer at Acorn Computers Ltd., working exclusively on the ARM research & development programme since 1984.

Mr. Brown is currently an independent non-executive director of Semiconductor Manufacturing International Corporation (HKSE and Shanghai Stock Exchange listed) and Ceres Power Holdings plc (London Stock Exchange listed) and a director of Marvell Technology Group Ltd. (NASDAQ listed). He was previously an independent non-executive director of P2i Limited and Xperi Corporation. He also served on the UK Government Asia Task Force until May 2012.

Mr. Yang Chih-Yuan Jerry, 52, has been an independent non-executive director of the Company since November 6, 2014. Prior to that, he was the board observer of the Company since February 20, 2013. He holds a master's degree and a bachelor's degree of science in electrical engineering from Stanford University, where he served on the Board of Trustees from June 2005 until September 2015 and from October 2017 to the present.

Mr. Yang co-founded Yahoo! Inc. (NASDAQ listed) and served as its chief executive officer from June 2007 to January 2009. He also served as a member of the board of directors of Yahoo! Inc. until January 17, 2012. During such appointment, Mr. Yang focused on corporate strategy and technology vision. Mr. Yang was also instrumental in building strategic business partnerships, international joint ventures and recruiting key talent.

Mr. Yang also served as a director of Yahoo! Japan Corporation from January 1996 to January 2012, an independent director of Cisco Systems, Inc. from July 2000 to November 2012. Mr. Yang is currently an independent director of Workday Inc. (NASDAQ listed) and Alibaba Group Holding Limited (NYSE and HKSE listed).

Mr. Gordon Robert Halyburton Orr, 58, was re-designated as an independent non-executive director of the Company on September 1, 2016. Prior to that, he was a non-executive director of the Company since 2015. He holds a Master of Arts degree in Engineering Science from Oxford University, United Kingdom and a Master of Business Administration degree from Harvard University.

Mr. Orr joined McKinsey & Company ("McKinsey") in 1986 and held a broad range of senior positions in McKinsey until his retirement in August 2015. During the years with McKinsey, he was Greater China Managing Partner and subsequently Senior Partner (1999-2015), Managing Partner of McKinsey Asia (2008-2014) and Member of McKinsey's global Operating Committee (2008-2015). He also served on McKinsey's Global Shareholder's Board (2003-2015) and chaired the Governance and Risk Committee.

In the past 20 years, Mr. Orr has served a broad range of clients in Asia, with primary focus on China and technology related sectors across Asia. Mr. Orr is currently an independent non-executive director of Swire Pacific Limited and Meituan (formerly known as "Meituan Dianping") (both HKSE listed) and he is also the chairman of the audit committee and member of corporate governance committee of Meituan. Mr. Orr currently is a board member of EQT AB (listed on the Nasdaq Stockholm). He is also a vice chairman of the China-Britain Business Council.

BIOGRAPHY OF DIRECTORS AND SENIOR MANAGEMENT *(continued)*

Biography of directors *(continued)*

Independent non-executive directors *(continued)*

Mr. Woo Chin Wan Raymond, 66, has been appointed as an independent non-executive director of the Company since February 22, 2019. Mr. Woo is a retired partner of Ernst & Young ("Ernst & Young"). Before his retirement in June 2015, he had held various senior positions with Ernst & Young in the Greater China area. He was a director and the general manager of Ernst & Young Hua Ming CPA, a member of Ernst & Young's Greater China Leadership Team, and the managing partner of Ernst & Young's Greater China Operations. He has more than 30 years of professional experience, specializing in audit, corporate restructuring, IPO, risk management, and mergers and acquisitions. Mr. Woo is a Canadian Chartered Accountant and a Hong Kong Certified Public Accountant. He obtained his master's degree in Business Administration from York University (Canada) in 1982.

Mr. Woo is currently an independent non-executive director of Bank of Communications Co., Ltd. (HKSE listed). He was previously an independent non-executive director of Great Wall Pan Asia Holdings Limited and an independent non-executive director of Dah Chong Hong Holdings Limited.

Ms. Yang Lan, 53, was appointed as an independent non-executive director of the Company on May 15, 2020. Ms. Yang is currently a broadcast journalist and media entrepreneur with approximately 30 years' experience in the industry. She is the co-founder and chairperson of Sun Media Group and Sun Culture Foundation. Sun Media Group is a private media group in China with businesses ranging from production of high-quality programmes and integrated marketing in film & television, education, women's community, publishing and location-based entertainment and sports across Mainland China, Hong Kong S.A.R. of China and the United States, while Sun Culture Foundation is a non-profit organization aiming to improve education and promote philanthropy. Ms. Yang obtained her bachelor's degree in English Language & Literature from Beijing Foreign Studies University, China in 1990 and her master's degree in International Affairs from Columbia University, the United States of America in 1996.

Prior to that, she was a creator, executive producer and anchor of talk show series "Yang Lan Studio" (now known as "Yang Lan One on One") in Phoenix Television. Ms. Yang has in-depth researches, delivered documentary series and published a book on Artificial Intelligence ("AI"). She is currently a global ambassador and international board member for the Special Olympics Movement, a member of Lincoln Center President's Council, and the vice-president and standing board member of China Charity Alliance. She served as the presenter for Beijing's bid for both the 2008 Olympic Games and 2022 Olympic Winter Games and the Goodwill Ambassador for 2010 Shanghai Expo. Ms. Yang was ranked among The World's 100 Most Powerful Women by Forbes.

Biography of senior management

Mr. Gianfranco Lanci, 66, joined the Group in April 2012 and is currently the Corporate President and Chief Operating Officer of the Company responsible for the principal operations of all the Group's five geographies, and the Intelligent Device Group, which includes the Company's PC, Smart Devices and Mobile Device businesses. Before taking up the office as Corporate President, Mr. Lanci was Chief Operating Officer and Executive Vice President of the Company and President of the PC Group, EMEA and AP. Mr. Lanci has substantial experience across the PC business, including leadership roles at Texas Instruments and Acer. He was appointed as president of Acer Inc. in 2005 and in 2008 became chief executive officer and president. Under his leadership, he led Acer to the number two position globally and number one in EMEA while recording record profitability for three consecutive years. He holds a degree in engineering from the Politecnico of Turin. Mr. Lanci will retire from the Group in this financial year.

Biography of senior management *(continued)*

Ms. Gao Lan, 55, joined the Group in 2009 and is currently the Senior Vice President of Human Resources of the Company, responsible for human resources, organizational development, global talent, compensation and benefits, as well as nurturing the Company's culture. Prior to this role, Ms. Gao held several Vice President roles leading the HR functions of many teams, including Emerging Markets Group, APLA & China Geography, People & Organization Capability and HR Strategy & Operations. Before joining the Group, Ms. Gao held senior positions in HR in various multinational companies. Ms. Gao holds a bachelor degree of science from Nankai University, studied M.Phil. degree from Cambridge University in the UK, completed human resource management course at the Western Management Institute of Beijing and the Leadership Excellence for Business HR Program at Stanford University in the US.

Mr. He Zhiqiang, 58, joined the Group in 1986 and is currently the Senior Vice President of the Company and President of the Lenovo Capital and Incubator Group. This group is responsible for driving innovation through investment in startups, spinning off new businesses and exploring new technologies. Prior to that, Mr. He held various leadership positions in the Group including the President of the Ecosystem and Cloud Services Business Group and was the Chief Technology Officer overseeing Lenovo's Research & Technology initiatives and systems. Mr. He holds a bachelor's degree in computer communication from Beijing University of Posts and Telecommunications and a master's degree in computer engineering from the Institute of Computing Technology of the Chinese Academy of Sciences.

Mr. Liu Jun, 52, joined the Group in 1993 and is currently an Executive Vice President and the President of the China geography, responsible for leading the China business platform and sales across all three Lenovo business groups through an integrated go-to-market strategy. Prior to this role, he held a broad range of leadership positions at Lenovo including a Senior Vice President of the Company, the President of the Mobile Business Group, President of the Lenovo Business Group, Products Group, Consumer Business Group, Global Supply Chain, and Chief Operating Officer of Lenovo China. Lenovo's famous Dual Model (transactional and relationship models) was developed under his direct leadership and remains crucial part of Lenovo business to this day. Mr. Liu holds a bachelor's degree in automation and an EMBA, both from Tsinghua University. He also completed executive programs at Harvard and Stanford universities.

Ms. Qiao Jian, 53, joined the Group in 1990 and is currently the Senior Vice President and Chief Strategy Officer and Chief Marketing Officer of the Company, overseeing Lenovo's strategy and planning, global brand, marketing and communications. Before this role, Ms. Qiao was Co-President of the Mobile Business Group focusing on Lenovo's Mobile business in China. Prior to that, Ms. Qiao was the Senior Vice President of Human Resources. Ms. Qiao held various senior positions in the Group including Senior Vice President of Strategy and Planning and Vice President of Human Resources in China – both before and after the acquisition of IBM's PC Division. Ms. Qiao has extensive experience in strategy, marketing and branding, and human resources. She holds a bachelor's degree in management science from Fudan University and holds an EMBA from the China Europe International Business School.

Ms. Laura G. Quatela, 63, joined the Group in October 2016 as a Senior Vice President and the Chief Legal Officer responsible for the Group's legal, IP, litigation, government relations and ESG (environmental, social and governance) matters globally. Before joining the Group, Ms. Quatela had a 15-year career with Eastman Kodak Company ("Kodak") holding a broad range of leadership positions including chief intellectual property officer, general counsel, senior vice president, co-chief operating officer and president of the company. She had responsibility for licensing Kodak's technology, patents and trademarks and leading Kodak's consumer film, photographic paper, retail photo kiosk, event imaging and OLED businesses. Prior to joining Kodak, Ms. Quatela worked for Clover Capital Management, Inc., SASIB Railway GRS, and Bausch & Lomb. In private law practice, she was a defense litigator specializing in mass tort cases. Ms. Quatela is a graduate of Denison University, B.A., International Politics and Case Western Reserve University School of Law, J.D., where she was inducted into the Society of Benchers. Ms. Quatela is conversant in Mandarin.

BIOGRAPHY OF DIRECTORS AND SENIOR MANAGEMENT *(continued)*

Biography of senior management *(continued)*

Mr. Luca Rossi, 48, joined the Group in 2015 and is currently a Senior Vice President of the Company and President of the Intelligent Devices Group (IDG) overseeing Lenovo's global business in PCs, smartphones, tablets, workstations and other products. Prior to this role, he served as President of the Europe Middle East Africa (EMEA) and Latin America (LATAM) geographies, leading the PC, smartphone, tablet and server businesses. Before joining Lenovo, Mr. Rossi held numerous global leadership roles in Europe including president of EMEA of Acer, leading the consumer business and the product business of Packard Bell and general manager of Asus Europe. Mr. Rossi started his career as a 19-year-old entrepreneur setting up an Italian systems integrator under the Geo Microsystems brand. Mr. Rossi holds a diploma in accounting and studied in Bocconi University.

Dr. Yong Rui, 51, joined the Group in 2016 as Senior Vice President and Corporate Chief Technology Officer. He oversees Lenovo's corporate technical strategy, research and development directions, and leads the Lenovo Research organization. He drives Lenovo's effort in AI, AR, 5G, Edge/Cloud Computing, Device Innovation, and various smart vertical solutions. Before joining the Group, he had an 18-year career with Microsoft, where he held various leadership roles in R&D strategy, basic research, technology incubation and product development. Dr. Rui is a world-renowned technologist in computer science and artificial intelligence, a Fellow of ACM, IEEE, IAPR, and SPIE, and a Foreign Member of Academia Europaea. He received his BS from Southeast University, his MS from Tsinghua University, and his PhD from University of Illinois at Urbana-Champaign (UIUC).

Mr. Kirk Skaugen, 50, joined the Group in November 2016 as an Executive Vice President of the Company and President of the Infrastructure Solutions Group. In this capacity he leads the end-to-end data center business including Hyperscale & Cloud, High Performance Computing & Artificial Intelligence, Software Defined Infrastructure, Edge/IOT servers, Telecommunications, and Lenovo's related server, storage, software and services business. This includes strategy, architecture, hardware and software engineering, supply chain and procurement, quality, customer service, sales and marketing across Lenovo ISG's five geographies with business in 180 countries. Prior to Lenovo, Mr. Skaugen worked at Intel for 24 years where in his most recent positions he led the Data Center Group and Client Computing Groups as senior vice president. As head of Client Computing, Mr. Skaugen was responsible for Intel's largest revenue and profit contributor including Intel's PC, tablet, and phone businesses. Mr. Skaugen holds a bachelor of science in electrical engineering from Purdue University.

Mr. Ken Wong, 47, was with IBM and moved to Lenovo with its purchase of IBM's PC division in 2005. He is a Senior Vice President of the Company and President of the Solutions & Services Group (SSG), leading the Company's business worldwide in smart verticals, attached services, managed services and "as a service" offerings including Device-as-a-Service and Truscale™. Prior to this role, he led Lenovo Asia Pacific PCs and Smart Devices for five years, where he grew the business to the #1 position. From 2016 to early 2021, he was chairman of NEC Lenovo Japan Group, and from 2018 to early 2021, he was chairman of Fujitsu Client Computing Limited, where he remains a member of the board of directors. Previously, he was responsible for driving the development and implementation of Lenovo's global corporate strategy, reporting directly to the Company CEO and Chairman Mr. Yang Yuanqing. Mr. Wong graduated from The University of Hong Kong with a bachelor of engineering in computer science, and also holds an Executive MBA jointly awarded by The University of Hong Kong, Columbia University and the London Business School.

BIOGRAPHY OF DIRECTORS AND SENIOR MANAGEMENT *(continued)*

Biography of senior management *(continued)*

Mr. Wong Wai Ming, 63, is currently the Executive Vice President and the Chief Financial Officer of the Company. He was previously an investment banker for more than 15 years and also held senior management positions in listed companies in Hong Kong. He was an independent non-executive director of the Company from March 30, 1999 until his appointment to the position of Chief Financial Officer in 2007. Mr. Wong is a member of the Hong Kong Institute of Certified Public Accountants and the Institute of Chartered Accountants in England and Wales and holds a bachelor's degree in management sciences from the Victoria University of Manchester in the United Kingdom.

Mr. Matthew Zielinski, 42, joined the Group in 2018 and is currently a Senior Vice President of the Company and President of the International Sales Organization (ISO) of the Company, responsible for driving revenue and profit growth across all Lenovo businesses while reinforcing a customer-centric culture. He leads the ISO geographies, namely Asia Pacific, Japan, EMEA, Latin America and North America. Prior to that, he served as the President of the North America Intelligent Devices Group (IDG) where he was responsible for sales, daily operations, growth and profitability for the United States and Canada. Prior to joining Lenovo, he was the corporate vice president and general manager, head of worldwide OEM sales at AMD. He was responsible for leading AMD's end-to-end efforts for all strategic OEMs, as well as global responsibility for end-user sales through all consumer and commercial routes to market. Mr. Zielinski holds a bachelor of science in engineering (BSE) degree in electrical engineering from the University of Michigan.

DIRECTORS' SERVICE CONTRACTS

There is no service contract, which is not determinable by the Company within one year without payment of compensation (other than statutory compensation), in respect of any director proposed for re-election at the AGM.

DIRECTORS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

No other transactions, arrangements or contracts that is significant in relation to the Group's business to which the Company, its holding company, any of its subsidiaries or fellow subsidiaries was a party and in which a director of the Company or his or her connected entities had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

DIRECTORS' INDEMNITIES AND INSURANCE

As permitted by the articles of association of the Company, a director or a former director of the Company may be indemnified out of the Company's assets against any liability incurred by the director to a person other than the Company or an associated company of the Company that attaches to such director in his or her capacity as a director of the Company, to the extent permitted by law. Such permitted indemnity provision is in force throughout the year and up to the date of this report.

The Company has also taken out and maintained directors' and officers' liability insurance throughout the year, which provides appropriate cover for certain legal actions brought against its directors and officers.

DIRECTORS' INTERESTS

As at March 31, 2021, the interests and short positions of the directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register maintained by the Company under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") in the Listing Rules were as follows:

DIRECTORS' INTERESTS *(continued)*

(i) Interests in the shares and underlying shares of the Company

Name of director	Interests in shares/ underlying shares *(Note 1)*	Capacity and number of shares/ underlying shares held: Personal interests	Corporate interests	Aggregate long position	Approximate percentage of interests *(Note 2)*
Mr. Yang Yuanqing	Ordinary shares	110,461,722	622,804,000 *(Note 3)*	733,265,722	
	Share awards	425,706,473	-	425,706,473	
				1,158,972,195	9.62%
Mr. Zhu Linan	Ordinary shares	2,987,155	-	2,987,155	
	Share awards	3,281,779	-	3,281,779	
				6,268,934	0.05%
Mr. Zhao John Huan	Ordinary shares	990,262	-	990,262	
	Share awards	4,010,726	-	4,010,726	
				5,000,988	0.04%
Mr. Nicholas C. Allen	Ordinary shares	748,503	-	748,503	
	Share awards	2,644,811	-	2,644,811	
				3,393,314	0.03%
Mr. William O. Grabe	Ordinary shares	3,886,668	744,281	4,630,949	
	Share awards	4,010,726	-	4,010,726	
				8,641,675	0.07%
Mr. William Tudor Brown	Ordinary shares	963,861	-	963,861	
	Share awards	4,010,726	-	4,010,726	
				4,974,587	0.04%
Mr. Yang Chih-Yuan Jerry	Ordinary shares	848,016	-	848,016	
	Share awards	3,958,265	-	3,958,265	
				4,806,281	0.04%
Mr. Gordon Robert Halyburton Orr	Ordinary shares	636,653	-	636,653	
	Share awards	3,554,979	-	3,554,979	
				4,191,632	0.03%
Mr. Woo Chin Wan, Raymond	Ordinary shares	119,460	-	119,460	
	Share awards	594,797	-	594,797	
				714,257	0.01%
Ms. Yang Lan	Share awards	312,733	-	312,733	0.00%

DIRECTORS' INTERESTS *(continued)*

(ii) Interests in shares and underlying shares of the associated corporations of the Company

Name of director	Name of associated corporations	Long position/ short position	Capacity/ nature of interests	Number and class of shares/ underlying shares/ registered capital held	Approximate percentage of interests *(Note 4)*
Mr. Yang Yuanqing	SHAREit Technology Holdings Inc.	Long position	Personal interests held as beneficial owner	4,996,633 series A preferred shares	16.06%
	北京平安聯想智慧醫療信息技術有限公司 (formerly known as 北京聯想智慧醫療信息技術有限公司)	Long position	Personal interests held as beneficial owner	registered capital of RMB2,400,000	1.25% *(Note 5)*
	國民認證科技(北京)有限公司	Long position	Personal interests held as beneficial owner	registered capital of RMB1,097,144	4.09% *(Note 5)*
	北京聯想雲科技有限公司	Long position	Personal interests held as beneficial owner	registered capital of RMB3,200,000	5.74% *(Note 5)*
	深圳聯想懂的通信有限公司	Long position	Personal interests held as beneficial owner	registered capital of RMB2,584,615	3.69% *(Note 5)*
	聯想教育科技(北京)有限公司	Long position	Personal interests held as beneficial owner	registered capital of RMB1,000,000	2.00% *(Note 5)*
	鼎道智聯(北京)科技有限公司	Long position	Personal interests held as beneficial owner	registered capital of RMB2,100,000	2.10% *(Note 5)*

Notes:

1. Share awards represent underlying shares convertible into ordinary shares. Details of share awards are set out under the section headed "Long-Term Incentive Program" in the Compensation Committee Report.

2. The approximate percentage of interests is based on the shares/underlying shares comprising the interests held as a percentage of the total number of shares in issue of the Company of the same class immediately after the relevant event and as recorded in the register maintained under section 352 of the SFO.

3. The shares are held by Sureinvest Holdings Limited in which Mr. Yang Yuanqing holds more than one-third of the voting power at its general meetings. Therefore, Mr. Yang is taken to have an interest in 622,804,000 shares under the SFO and such interest is also reported under the below section headed "Substantial Shareholders' and Other Persons' Interests".

4. The approximate percentage of interests is based on the shares comprising the interests held as a percentage of the total number of shares in issue of the associated corporation of the same class immediately after the relevant event and as recorded in the register maintained under section 352 of the SFO.

5. Mr. Yang Yuanqing holds the interests of RMB2,400,000 (being 1.25%), RMB1,097,144 (being 4.09%), RMB3,200,000 (being 5.74%), RMB2,584,615 (being 3.69%), RMB1,000,000 (being 2.00%) and RMB2,100,000 (being 2.10%) in the registered capital in 北京平安聯想智慧醫療信息技術有限公司, 國民認證科技(北京)有限公司, 北京聯想雲科技有限公司, 深圳聯想懂的通信有限公司, 聯想教育科技(北京)有限公司 and 鼎道智聯(北京)科技有限公司 respectively.

Save as disclosed above, as at March 31, 2021, none of the directors or chief executive of the Company or their associates had any interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register maintained by the Company under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Under the long-term incentive program of the Company, the Board or the trustee of the program shall select the employees (including but not limited to the directors) of the Group for participation in the program, and determine the number of shares to be awarded.

Details of the movements in the share awards for the year ended March 31, 2021 are set out under the section headed "Long-Term Incentive Scheme" in the Compensation Committee Report and in the note 28 to the financial statements.

Save as disclosed in the sections headed "Directors' Interests" of this report, and "Long-Term Incentive Program" of the Compensation Committee Report, at no time during the year ended March 31, 2021 was the Company or a specified undertaking of the Company a party to any arrangements to enable the directors of the Company to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS

As at March 31, 2021, the following persons (other than the directors and chief executive of the Company as disclosed above) had interests or short positions in the shares and/or underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO:

Name	Long position/ Short position	Capacity and number of shares/ underlying shares held: Beneficial owner	Capacity and number of shares/ underlying shares held: Corporate interests	Aggregate long and short positions *(Note 2)*	Approximate percentage of interests *(Note 1)*
Legend Holdings Corporation	Long position	2,867,636,724	1,634,587,565 *(Note 3)*	4,502,224,289	37.39%
Right Lane Limited	Long position	388,819,317	1,245,768,248 *(Note 4)*	1,634,587,565	13.57%
Legion Elite Limited	Long position	480,900,000	764,868,248 *(Note 5)*	1,245,768,248	10.34%
Red Eagle Group (PTC) Limited	Long position	–	764,868,248	764,868,248 *(Note 6)*	6.35%
Harvest Star Limited	Long position	–	764,868,248	764,868,248 *(Note 7)*	6.35%
Union Star Limited	Long position	764,868,248	–	764,868,248	6.35%
Sureinvest Holdings Limited	Long position	622,804,000	–	622,804,000 *(Note 8)*	5.17%
BlackRock, Inc.	Long position Short position	– –	673,834,479 238,000	673,834,479 238,000	5.60% 0.00%

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS *(continued)*

Notes:

1. The percentage were complied based on the 12,041,705,614 ordinary shares in issued of the Company as at March 31, 2021.

2. The interests include underlying shares as follows:–

Name	Cash settled unlisted equity derivatives Long position	Short position
BlackRock, Inc.	2,898,000	238,000

3. Out of these 1,634,587,565 shares corporate interest held by Legend Holdings Corporation, 388,819,317 shares are directly held by Right Lane Limited ("Right Lane"), a direct wholly-owned subsidiary of Legend Holdings Corporation; 480,900,000 shares are held by Legion Elite Limited ("Legion Elite"), a wholly-owned subsidiary of Right Lane; and 764,868,248 shares are held by Union Star Limited ("Union Star"), a corporation of which more than one-third of its voting power at general meetings is held by Legion Elite and thus Legion Elite is deemed to have interests in those 764,868,248 shares of the Company held by Union Star under the SFO.

4. Part of these shares are directly/indirectly held by Legion Elite.

5. These shares are directly held by Union Star.

6. These shares are indirectly held by Harvest Star Limited through Union Star.

7. These shares are directly held by Union Star.

8. Mr. Yang Yuanqing holds more than one-third of the voting power at general meetings of Sureinvest Holdings Limited ("Sureinvest"). Accordingly, Mr. Yang is deemed to have interests in those 622,804,000 shares of the Company held by Sureinvest under the SFO. This interest is also included as corporate interests of Mr. Yang in the above section headed "Directors' Interests".

Save as disclosed above, as at March 31, 2021, no other persons (other than the directors and chief executive of the Company, whose interests are set out in the above section headed "Directors' Interests") had any interests or short positions in the shares and/or underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO.

RETIREMENT SCHEME ARRANGEMENTS

The Company contributes toward retirement income protection for its employees through the provision of defined benefit pension plans, defined contribution plans, and/or contributions to various public retirement schemes in certain jurisdictions. These benefits form an important part of the Company's total compensation and benefits program that is designed to attract and retain highly skilled and talented employees.

Defined Benefit Pensions Plans

Chinese Mainland – Retirement Schemes

The Group participates in respective local municipal government retirement schemes in the mainland of China ("Chinese Mainland") whereby it is required to make an annual contribution of no more than 20% of three times the monthly average salaries as set out by the local municipal government each year. The local municipal governments undertake to assume the retirement benefit obligations of all retirees of the qualified employees in the Chinese Mainland. In July 2006, the Group has established a supplemental retirement program for its employees in Chinese Mainland. This is a defined contribution plan, with voluntary employee participation.

In addition to the above, the Group has defined benefit and/or defined contribution plans that cover substantially all regular employees, and supplemental retirement plans that cover certain executives. Information on the principal pension plans sponsored by the Group is summarized in this section.

RETIREMENT SCHEME ARRANGEMENTS *(continued)*

Defined Benefit Pensions Plans *(continued)*

United States of America ("US") – Lenovo Pension Plan

The Company provides US regular, full-time and part-time employees who were employed by IBM prior to being hired by the Company and who were members of the IBM Personal Pension Plan ("PPP") with non-contributory defined benefit pension benefits via the Lenovo Pension Plan. As of December 31, 2015, the plan was frozen.

The Lenovo Pension Plan consists of a tax-qualified plan and a non-tax-qualified (non-qualified) plan. The qualified plan is funded by Company contributions to an irrevocable trust fund, which is held for the sole benefit of participants and beneficiaries. The non-qualified plan, which provides benefits in excess of US Internal Revenue Service limitations for tax-qualified plans, is unfunded.

Pension benefits are calculated using a five-year average final pay formula that determines benefits based on a participant's salary and years of service, including prior service with IBM. The benefit is reduced by the amount of the IBM PPP benefit accrued to May 1, 2005, which will be paid by IBM's trust.

For the year ended March 31, 2021, an amount of US$998,159 was charged to the consolidated income statement with respect to the qualified and non-qualified plans.

The principal results of the most recent actuarial valuation of the plan at March 31, 2021 were the following:

- The actuarial valuation was prepared by Fidelity. The actuaries involved are fully qualified under the requirements of US law.

- The actuarial method used was the Projected Unit Credit Cost method and the principal actuarial assumptions were:

– Discount rate:	2.50%
– Expected return on plan assets:	2.50%
– Future salary increases:	N/A

- The qualified plan was 65% funded at the actuarial valuation date.

- There was a net liability of US$35,948,130 under the qualified plan for this reason at the actuarial valuation date.

Japan – Pension Plan

The Company operates a hybrid plan that consists of a defined contribution up to the annual tax-deductible limit plus a cash balance plan with contributions of 7% of pay. The plan is funded by Company contributions to a qualified pension fund, which is held for the sole benefit of participants and beneficiaries.

For the year ended March 31, 2021, an amount of JPY1,243,861,094 was charged to the consolidated income statement with respect to this plan.

RETIREMENT SCHEME ARRANGEMENTS *(continued)*

Defined Benefit Pensions Plans *(continued)*

Japan – Pension Plan *(continued)*

The principal results of the most recent actuarial valuation of the plan at March 31, 2021 were the following:

- The actuarial valuation was prepared by JP Actuary Consulting Co., Ltd.. The actuaries involved are fully qualified under the requirements of Japanese law.

- The actuarial method used was the Projected Unit Credit Cost method and the principal actuarial assumptions were:

–	Discount rate:	0.75%
–	Expected return on plan assets:	0.75%
–	Future salary increases:	Age-group based

- The plan was 73% funded at the actuarial valuation date.

- There was a net liability of JPY8,838,486,404 under this plan at the actuarial valuation date.

Germany – Pension Plan

The Company operates a hybrid plan that provides a defined contribution for some participants and a final pay defined benefit for other participants, depending on which former IBM plan they were in. The Company also operates a defined benefit plan for Motorola Mobility employees.

Employees hired by IBM before January 1, 1992 have a defined benefit based on a final pay formula. Employees hired from 1992 to 1999 have a combination of a defined benefit based on a final pay formula and a defined contribution plan with employee required contributions of 7% of pay above the social security ceiling and a 100% company match. Employees hired in or after 2000 have a combination of a cash balance plan with an employer contribution of 2.95% of pay below the social security ceiling, and a voluntary defined contribution plan where employees can contribute specific amounts through salary sacrifice. Employees of Motorola Mobility have a defined benefit based on a final pay formula.

The plan is partially funded by Company and employee contributions to an insured support fund with DBV-Winterthur up to the maximum tax-deductible limits. In line with standard practice in Germany, the remainder is unfunded (book reserve).

For the year ended March 31, 2021, an amount of EUR2,629,436 was charged to the consolidated income statement with respect to this plan.

The principal results of the most recent actuarial valuation of the plan at March 31, 2021 were the following:

- The actuarial valuation was prepared by Kern, Mauch & Kollegen (Motorola Mobility valuation prepared by WillisTowersWatson). The actuaries involved are fully qualified under German law.

- The actuarial method used was the Projected Unit Credit Cost method and the principal actuarial assumptions were:

–	Discount rate:	0.50%
–	Future salary increases:	Age-group based
–	Future pension increases:	1.75%

RETIREMENT SCHEME ARRANGEMENTS *(continued)*

Defined Benefit Pensions Plans *(continued)*

Germany – Pension Plan *(continued)*

- The plans were 30% funded at the actuarial valuation date.

- There was a net liability of EUR170,744,573 under this plan at the actuarial valuation date.

Defined Contribution Plans

United States of America ("US") – Lenovo Savings Plan

U.S. regular, full-time and part-time employees of Lenovo (United States) Inc., including employees of Motorola Mobility LLC, are eligible to participate in the Lenovo Savings Plan, which is a tax-qualified defined contribution plan under section 401(k) of the Internal Revenue Code. The Motorola Mobility 401(k) Plan merged into the Lenovo Savings Plan effective December 31, 2015. The Company matches 100% of the employee's contribution up to the first 6% of the employee's eligible compensation. Employee contributions are voluntary. All contributions, including the Company match, are made in cash, in accordance with the participants' investment elections. The Company match is immediately vested.

US Lenovo Executive Deferred Compensation Plan

The Company also maintains an unfunded, non-qualified, defined contribution plan, the Lenovo Executive Deferred Compensation Plan, which allows eligible executives to defer compensation, and to receive Company matching contributions, with respect to amounts in excess of Internal Revenue Service limits for tax-qualified plans. Compensation deferred under the plan, as well as Company matching contributions are recorded as liabilities.

Deferred compensation amounts may be directed by participants into an account that replicates the return that would be received had the amounts been invested in similar Lenovo Savings Plan investment options. Company matching contributions, are directed to participant accounts and fluctuate based on changes in the stock prices of the underlying investment portfolio.

United Kingdom ("UK") – Lenovo Stakeholders Plan

UK regular, full-time, part-time and fixed term Lenovo contract employees are eligible to participate in the Lenovo Stakeholders Plan, which is a tax-qualified defined contribution "stakeholder" plan. The Company contributes 8.7% of an employee's eligible salary to the employee's pension account each year and the employer contributions are dependent on employee contributing no less than 3% of their salary to the same fund.

Canada – Defined Contribution Pension Plan

Canadian regular, full-time and part-time employees are eligible to participate in the Defined Contribution Pension Plan, which is a tax-qualified defined contribution plan. The Company contributes 4% of the employee's eligible compensation, in addition the Company matches 50% of the employee's contribution up to the first 4% of the employee's eligible compensation. All contributions are made in cash, in accordance with the participants' investment elections. Employee contributions are voluntary.

Hong Kong S.A.R. of China – Mandatory Provident Fund

The Group operates a Mandatory Provident Fund Scheme for all qualified employees employed in Hong Kong S.A.R. of China. They are required to contribute 5% of their compensation (subject to the ceiling under the requirements set out in the Mandatory Provident Fund legislation). The employer's contribution will increase from 5% to 7.5% and 10% respectively after completion of five and ten years of service by the relevant employees.

CONTINUING CONNECTED TRANSACTIONS

During the year, the Group conducted certain continuing connected transactions with certain connected persons (as defined in the Listing Rules) which are required to be disclosed pursuant to rules 14A.49 and 14A.71 of the Listing Rules.

(i) Continuing connected transactions with NEC Corporation and its associates

During the year, the Group conducted the following continuing connected transactions with NEC Corporation and its associates, details of which are set out as follows:

Lenovo NEC Holdings B.V. ("JVCo", together with its subsidiaries the "JVCo Group"), is a joint venture company held as to 66.6% by the Company (through Lenovo International Coöperatief U.A. (formerly known as Lenovo (International) B.V.), an indirect wholly-owned subsidiary of the Company and 33.4% by NEC Corporation ("NEC", together with its subsidiaries the "NEC Group") to own and operate their respective personal computer businesses in Japan pursuant to the Business Combination Agreement entered into between the Company and amongst others, NEC dated January 27, 2011 and became effective on July 1, 2011 (the "Closing Date") and as amended on October 7, 2014.

At or prior to the Closing Date, NEC or other members of the NEC Group entered into various agreements (the "CCT Agreements") with the Company, the JVCo or other members of the JVCo Group in respect of the provision of certain services and products to or by the JVCo Group to facilitate the operation of its personal computer business in Japan. Details of the CCT Agreements are set out in the announcement dated April 21, 2011 and the circular issued by the Company to the shareholders on May 11, 2011. The continuing connected transactions under the NEC Mobiling Agreement ceased subsequently in June 2013 following NEC's disposal of the shares in NEC Mobiling, Ltd..

Upon the Closing Date, JVCo became an indirect non-wholly-owned subsidiary of the Company. As NEC is a substantial shareholder of the JVCo and therefore a connected person of the Company, the transactions contemplated under the CCT Agreements constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

On May 25, 2017, the annual caps for the CCTs were set for the period from May 25, 2017 to March 31, 2018 and for the two financial years ended March 31, 2019 and 2020 given the established business relationship between the Company and NEC and the mutual business development needs and goals.

On February 21, 2020, the annual caps for the CCTs were set for the financial year ended March 31, 2021 and two financial years ending March 31, 2022 and 2023 (the "Revised Annual Caps") given the established business relationship between the Company and NEC and the mutual business development needs and goals. It was contemplated that the term of the CCT Agreements be automatically renewed for an additional year until a prescribed date or unless either party gives notice to the other of its intention to terminate such agreements (the "Automatic Renewal").

CONTINUING CONNECTED TRANSACTIONS *(continued)*

(i) Continuing connected transactions with NEC Corporation and its associates *(continued)*

Details of the CCT Agreements are set out below:

Supply Agreement

Date:	February 28, 2011 and amended on October 7, 2014
Parties:	NEC and NEC Embedded Products, Ltd. ("NECP") (formerly known as NEC Personal Products, Ltd.), a wholly-owned subsidiary of NEC (whose rights and obligations were transferred to NEC Personal Computers, Ltd. ("NECPC"), a member of the JVCo Group, on and following the Closing Date)
Services provided/received:	The supply of certain "NEC" branded personal computer products to NECPC.
Term:	Commenced from July 1, 2011 and continued until July 1, 2016, subject to Automatic Renewal thereafter.
Revised Annual Cap(Note):	1/4/2020 – 31/3/2021: JPY167,606 million (approximately US$1,525,216,000) 1/4/2021 – 31/3/2022: JPY167,606 million (approximately US$1,525,216,000) 1/4/2022 – 31/3/2023: JPY167,606 million (approximately US$1,525,216,000)

NEC Fielding Agreement

Date:	January 15, 2004
Parties:	NEC Fielding, Ltd., a subsidiary of NEC, and NECP (whose rights and obligations were transferred to NECPC, a member of the JVCo Group, on and following the Closing Date)
Services provided/received:	NEC Fielding, Ltd. agreed to provide maintenance and other ancillary services for certain equipment sold or leased and used by the NECPC following the Closing Date.
Term:	The initial term ended on March 31, 2004 and had been automatically renewed for an additional one-year term until July 1, 2016, subject to Automatic Renewal thereafter.
Revised Annual Cap(Note):	1/4/2020 – 31/3/2021: JPY3,009 million (approximately US$27,382,000) 1/4/2021 – 31/3/2022: JPY3,009 million (approximately US$27,382,000) 1/4/2022 – 31/3/2023: JPY3,009 million (approximately US$27,382,000)

(i) Continuing connected transactions with NEC Corporation and its associates *(continued)*

NESIC Agreement

Date:	August 18, 2003
Parties:	NEC Networks & System Integration Corporation ("NESIC"), a subsidiary of NEC, and NECP (whose rights and obligations were transferred to NECPC, a member of the JVCo Group, on and following the Closing Date)
Services provided/received:	NESIC agreed to provide NECPC with operation and maintenance services for intranet and other internal communication systems of NECPC following the Closing Date.
Term:	The initial term ended on March 31, 2004 and had been automatically renewed for an additional one-year term until July 1, 2016, subject to Automatic Renewal thereafter.
Revised Annual Cap(Note):	1/4/2020 – 31/3/2021: JPY123 million (approximately US$1,119,000) 1/4/2021 – 31/3/2022: JPY123 million (approximately US$1,119,000) 1/4/2022 – 31/3/2023: JPY123 million (approximately US$1,119,000)

NEC Newco Brand Licence Agreement and Ancillary Agreements

Date:	July 1, 2011 and amended on October 7, 2014
Parties:	NEC and NECPC (a member of the JVCo Group on and following the Closing Date)
Services provided/received:	NEC agreed to grant NECPC, JV Co and Lenovo Japan LLC (formerly known as Lenovo (Japan) Ltd.) (a member of JVCo Group) a licence to use certain rights in connection with the letters and the mark "NEC" at royalty payable to NEC by NECPC.
Revised Term:	Commenced from July 1, 2011 to June 30, 2018 and is subject to Automatic Renewal until up to June 30, 2026.
Revised Annual Cap(Note):	1/4/2020 – 31/3/2021: JPY338 million (approximately US$3,076,000) 1/4/2021 – 31/3/2022: JPY338 million (approximately US$3,076,000) 1/4/2022 – 31/3/2023: JPY338 million (approximately US$3,076,000)

CONTINUING CONNECTED TRANSACTIONS *(continued)*

(i) Continuing connected transactions with NEC Corporation and its associates *(continued)*

Transitional Services Agreement

Date:	May 30, 2011
Parties:	The Company and NEC
Services provided/received:	Services to be provided by NEC Group to JVCo Group and vice versa including business infrastructure related services, development & production services, sales related services, maintenance & support services, real estate services and information technology services.
Revised Term:	Commenced from July 1, 2011 and expired after June 30, 2016 but extended to June 30, 2017, subject to Automatic Renewal thereafter.
Revised Annual Cap(Note):	Annual fees for services provided to JVCo Group by NEC Group (payable to NEC): 1/4/2020 – 31/3/2021: JPY17,779 million (approximately US$161,789,000) 1/4/2021 – 31/3/2022: JPY17,779 million (approximately US$161,789,000) 1/4/2022 – 31/3/2023: JPY17,779 million (approximately US$161,789,000) Annual fees for services provided to NEC Group by JVCo Group (payable from NEC): 1/4/2020 – 31/3/2021: JPY824 million (approximately US$7,498,000) 1/4/2021 – 31/3/2022: JPY824 million (approximately US$7,498,000) 1/4/2022 – 31/3/2023: JPY824 million (approximately US$7,498,000)

Note: The translation of Japanese yen into United States dollars is based on the exchange rate of JPY1.00 to US$0.0091 for information purposes only.

Full details of the above continuing connected transactions are set out in the announcements and circulars published by the Company on January 27, 2011, April 21, 2011, May 11, 2011, January 20, 2014, February 24, 2014, October 7, 2014, May 25, 2017 and February 21, 2020 and on the websites of the Company and Hong Kong Exchanges and Clearing Limited.

CONTINUING CONNECTED TRANSACTIONS *(continued)*

(ii) Continuing connected transactions with Fujitsu Limited and its associates

During the year, the Group conducted the following continuing connected transactions with Fujitsu Limited and its associates, details of which are set out as follows:

Fujitsu Client Computing Limited ("FCCL"), is a joint venture company held as to 51% by the Company (through Lenovo International Coöperatief U.A.) and 44% by Fujitsu Limited ("Fujitsu", together with its subsidiaries the "Fujitsu Group") to engage in the business of personal computers and their related products pursuant to the Joint Venture Agreement entered into between the Company and amongst others, Fujitsu dated November 2, 2017 and became effective on May 2, 2018 (the "Completion Date").

At or prior to the Completion Date, Fujitsu or other members of the Fujitsu Group entered into various agreements (the "Fujitsu CCT Agreements") with FCCL in respect of the provision of certain services and products to or by FCCL to facilitate the operation of its personal computer business in Japan. Details of the Fujitsu CCT Agreements are set out in the announcement published by the Company on May 2, 2018.

Upon the Completion Date, FCCL became an indirect non-wholly-owned subsidiary of the Company. As Fujitsu is a substantial shareholder of FCCL and therefore a connected person of the Company, the transactions contemplated under the Fujitsu CCT Agreements constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules and are subject to reporting requirements under the Listing Rules.

On February 21, 2020, the annual caps of the Secondment Agreement, the Manufacturing Agreement (FIT) and the Fujitsu Trademark and Brand License Agreement, all of which form part of the Fujitsu CCT Agreements, for the two financial years ended March 31, 2020 and 2021 and two financial years ending March 31, 2022 and 2023 were revised (the "Revised Annual Caps"). Details of the Revised Annual Caps are set out in the announcement dated February 21, 2020.

CONTINUING CONNECTED TRANSACTIONS *(continued)*

(ii) Continuing connected transactions with Fujitsu Limited and its associates *(continued)*

Details of the Fujitsu CCT Agreements are set out below:

Transitional Services Agreement

Date:	May 2, 2018
Parties:	FCCL and Fujitsu
Services provided/received:	Transitional services provided by Fujitsu to FCCL and vice versa including research and development, sales and marketing, information technology support, development and management, customer care support, manufacturing support, supply chain management, procurement and corporate management.
Term:	Commenced from May 2, 2018 and continues until the earlier of last date of terms of the Transitional Services Agreement or the fifth anniversary of May 2, 2018.
Annual cap(Note 1):	Expenses incurred from the use of services provided by Fujitsu to FCCL: 1/4/2018 – 31/3/2019: JPY21,300 million (approximately US$195 million) 1/4/2019 – 31/3/2020: JPY21,300 million (approximately US$195 million) 1/4/2020 – 31/3/2021: JPY21,300 million (approximately US$195 million) 1/4/2021 – 31/3/2022: JPY21,300 million (approximately US$195 million) 1/4/2022 – 31/3/2023: JPY21,300 million (approximately US$195 million) Incomes generated for services to Fujitsu by FCCL: 1/4/2018 – 31/3/2019: JPY1,300 million (approximately US$12 million) 1/4/2019 – 31/3/2020: JPY1,300 million (approximately US$12 million) 1/4/2020 – 31/3/2021: JPY1,300 million (approximately US$12 million) 1/4/2021 – 31/3/2022: JPY1,300 million (approximately US$12 million) 1/4/2022 – 31/3/2023: JPY1,300 million (approximately US$12 million)

Secondment Agreement

Date:	May 2, 2018
Parties:	FCCL and Fujitsu
Services provided/received:	Secondment by Fujitsu to FCCL of certain employees of Fujitsu.
Term:	Commenced from May 2, 2018 and continues until the earlier of employment of all the seconded employees being transferred from Fujitsu to FCCL (or otherwise terminated) or termination in accordance with the terms of the Joint Venture Agreement or the fifth anniversary of May 2, 2018.
Revised Annual cap(Note 2):	Expenses incurred from the use of services provided by Fujitsu to FCCL: 1/4/2018 – 31/3/2019: JPY6,500 million (approximately US$60 million) 1/4/2019 – 31/3/2020: JPY7,350 million (approximately US$67 million) 1/4/2020 – 31/3/2021: JPY8,350 million (approximately US$76 million) 1/4/2021 – 31/3/2022: JPY8,350 million (approximately US$76 million) 1/4/2022 – 31/3/2023: JPY8,350 million (approximately US$76 million)

(ii) Continuing connected transactions with Fujitsu Limited and its associates *(continued)*

Services Agreement

Date:	May 2, 2018
Parties:	FCCL, Fujitsu Technology Solutions GMBH ("FTS") and Fujitsu Technology Solutions IP GMBH
Services provided/received:	FTS agreed to provide FCCL product management services, VAT support services, purchasing and supply chain management services and IP support services.
Term:	Commenced from May 2, 2018 and shall continue for a period of five years, subject to extension by mutual agreement.
Annual cap(Note 1):	Expenses incurred from the use of services provided by FTS to FCCL: 1/4/2018 – 31/3/2019: JPY400 million (approximately US$4 million) 1/4/2019 – 31/3/2020: JPY400 million (approximately US$4 million) 1/4/2020 – 31/3/2021: JPY400 million (approximately US$4 million) 1/4/2021 – 31/3/2022: JPY400 million (approximately US$4 million) 1/4/2022 – 31/3/2023: JPY400 million (approximately US$4 million)

Manufacture Agreement (FPE)

Date:	May 2, 2018
Parties:	FCCL and Fujitsu Peripherals Limited ("FPE")
Services provided/received:	FPE agreed to provide manufacturing services to FCCL. FCCL agreed to provide component sourcing services to FPE.
Term:	Commenced from May 2, 2018 and shall continue for a period of five years. The term may be extended under same terms and conditions by agreement between the parties.
Annual cap(Note 1):	Expenses incurred from the use of services provided by FPE to FCCL: 1/4/2018 – 31/3/2019: JPY300 million (approximately US$3 million) 1/4/2019 – 31/3/2020: JPY300 million (approximately US$3 million) 1/4/2020 – 31/3/2021: JPY300 million (approximately US$3 million) 1/4/2021 – 31/3/2022: JPY300 million (approximately US$3 million) 1/4/2022 – 31/3/2023: JPY300 million (approximately US$3 million) Incomes generated for services to FPE by FCCL: 1/4/2018 – 31/3/2019: JPY100 million (approximately US$1 million) 1/4/2019 – 31/3/2020: JPY200 million (approximately US$2 million) 1/4/2020 – 31/3/2021: JPY100 million (approximately US$1 million) 1/4/2021 – 31/3/2022: JPY100 million (approximately US$1 million) 1/4/2022 – 31/3/2023: JPY100 million (approximately US$1 million)

CONTINUING CONNECTED TRANSACTIONS *(continued)*

(ii) Continuing connected transactions with Fujitsu Limited and its associates *(continued)*

Manufacture Agreement (FIT)

Date:	May 2, 2018
Parties:	FCCL and Fujitsu Isotec Limited ("FIT")
Services provided/received:	FIT agreed to provide manufacturing services to FCCL. FCCL agreed to provide component sourcing services to FIT.
Term:	Commenced from May 2, 2018 and shall continue for a period of five years. The term may be extended under same terms and conditions by agreement between the parties.
Revised Annual cap:	Expenses incurred from the use of services provided by FIT to FCCL(Note 1): 1/4/2018 – 31/3/2019: JPY53,200 million (approximately US$488 million) 1/4/2019 – 31/3/2020: JPY55,700 million (approximately US$511 million) 1/4/2020 – 31/3/2021: JPY49,200 million (approximately US$451 million) 1/4/2021 – 31/3/2022: JPY50,800 million (approximately US$466 million) 1/4/2022 – 31/3/2023: JPY52,400 million (approximately US$481 million) Incomes generated for services to FIT by FCCL(Note 2): 1/4/2018 – 31/3/2019: JPY22,000 million (approximately US$202 million) 1/4/2019 – 31/3/2020: JPY27,500 million (approximately US$250 million) 1/4/2020 – 31/3/2021: JPY31,250 million (approximately US$284 million) 1/4/2021 – 31/3/2022: JPY31,250 million (approximately US$284 million) 1/4/2022 – 31/3/2023: JPY31,250 million (approximately US$284 million)

Sales and Distribution Agreement

Date:	May 2, 2018
Parties:	FCCL and Fujitsu
Services provided/received:	FCCL agreed to supply Fujitsu-branded products and such other products and services as agreed between the parties and services to Fujitsu.
Term:	Commenced from May 2, 2018 and shall continue for a period of five years. The term may be extended under same terms and conditions by agreement between the parties.
Annual cap(Note 1):	Incomes generated for services to Fujitsu by FCCL: 1/4/2018 – 31/3/2019: JPY333,800 million (approximately US$3,062 million) 1/4/2019 – 31/3/2020: JPY337,600 million (approximately US$3,097 million) 1/4/2020 – 31/3/2021: JPY325,600 million (approximately US$2,987 million) 1/4/2021 – 31/3/2022: JPY336,000 million (approximately US$3,083 million) 1/4/2022 – 31/3/2023: JPY346,700 million (approximately US$3,181 million)

(ii) Continuing connected transactions with Fujitsu Limited and its associates *(continued)*

Fujitsu Trademark and Brand License Agreement

Date:	May 2, 2018
Parties:	FCCL and Fujitsu
Services provided/received:	Fujitsu granted FCCL licenses to use Fujitsu name and trademarks.
Term:	Commenced from May 2, 2018 and shall continue for a period of five years. The term may be extended under same terms and conditions by mutual agreement between the parties or for a period of three years at FCCL's option.
Revised Annual cap(Note 2):	Royalty payable to Fujitsu: 1/4/2018 – 31/3/2019: JPY500 million (approximately US$5 million) 1/4/2019 – 31/3/2020: JPY605 million (approximately US$6 million) 1/4/2020 – 31/3/2021: JPY685 million (approximately US$6 million) 1/4/2021 – 31/3/2022: JPY685 million (approximately US$6 million) 1/4/2022 – 31/3/2023: JPY685 million (approximately US$6 million)

Manufacturing and Services Agreement

Date:	May 2, 2018
Parties:	FCCL and FTS
Services provided/received:	FTS agreed to manufacture products and provide the purchasing and supply chain management services to FCCL. FCCL agreed to provide component sourcing services to FTS.
Term:	Commenced from May 2, 2018 and shall continue for a period of five years. The term may be extended under same terms and conditions by agreement between the parties.
Annual cap(Note 1):	Expenses incurred from the use of services provided by FTS to FCCL: 1/4/2018 – 31/3/2019: JPY130,400 million (approximately US$1,196 million) 1/4/2019 – 31/3/2020: JPY139,700 million (approximately US$1,282 million) 1/4/2020 – 31/3/2021: JPY125,700 million (approximately US$1,153 million) 1/4/2021 – 31/3/2022: JPY129,700 million (approximately US$1,190 million) 1/4/2022 – 31/3/2023: JPY133,900 million (approximately US$1,228 million) Incomes generated for services to FTS by FCCL: 1/4/2018 – 31/3/2019: JPY52,400 million (approximately US$481 million) 1/4/2019 – 31/3/2020: JPY55,500 million (approximately US$509 million) 1/4/2020 – 31/3/2021: JPY45,600 million (approximately US$418 million) 1/4/2021 – 31/3/2022: JPY47,000 million (approximately US$431 million) 1/4/2022 – 31/3/2023: JPY48,500 million (approximately US$445 million)

CONTINUING CONNECTED TRANSACTIONS *(continued)*

(ii) Continuing connected transactions with Fujitsu Limited and its associates *(continued)*

R&D Services Agreement

Date:	May 2, 2018
Parties:	FCCL and FTS
Services provided/received:	FTS agreed to provide research and development services to FCCL.
Term:	Commenced from May 2, 2018 and remain in force for the Initial Business Plan Period. After Initial Business Plan Period, the terms shall be automatically renewed annually and expire at the fifth anniversary of May 2, 2018.
Annual cap(Note 1):	Expenses incurred from the use of services provided by FTS to FCCL: 1/4/2018 – 31/3/2019: JPY2,600 million (approximately US$24 million) 1/4/2019 – 31/3/2020: JPY2,600 million (approximately US$24 million) 1/4/2020 – 31/3/2021: JPY2,600 million (approximately US$24 million) 1/4/2021 – 31/3/2022: JPY2,600 million (approximately US$24 million) 1/4/2022 – 31/3/2023: JPY2,600 million (approximately US$24 million)

Notes:

(1) The translation of Japanese yen into United States dollars is based on the exchange rate of JPY1.00 to US$0.0092 for information purposes only.

(2) The translation of Japanese yen into United States dollars is based on the exchange rate of JPY1.00 to US$0.0091 for information purposes only.

Full details of the above continuing connected transactions are set out in the announcements published by the Company on November 2, 2017, May 2, 2018, and February 21, 2020 and on the websites of the Company and Hong Kong Exchanges and Clearing Limited.

In accordance with rule 14A.55 of the Listing Rules, the independent non-executive directors of the Company reviewed the continuing connected transactions as mentioned in sections (i) and (ii) above and confirmed that the transactions were entered into:

(1) in the ordinary and usual course of business of the Group;

(2) on normal commercial terms or better; and

(3) according to the relevant agreement governing them on terms that are fair and reasonable and in the interests of the shareholders of the Group as a whole.

Pursuant to rule 14A.56 of the Listing Rules, the Company's external auditor, PricewaterhouseCoopers ("PwC") was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. PwC has issued an unqualified letter containing findings and conclusions in respect of the continuing connected transactions disclosed by the Group in the paragraph above in accordance with rule 14A.56 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

SIGNIFICANT RELATED PARTY TRANSACTIONS

During the year, the Group entered into certain transactions with parties regarded as "related parties" under applicable accounting principles. Details of the significant related party transactions undertaken in the normal course of business are set out in note 31 to the financial statements. None of these transactions constitutes a discloseable connected transaction as defined under the Listing Rules.

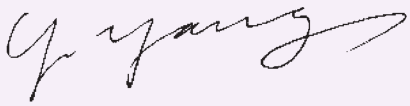
AUDITOR

The financial statements for the year have been audited by PwC who retire and, being eligible, offer themselves for re-appointment.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the directors of the Company, as at the date of this report, there is sufficient public float of more than 25% of the Company's total number of issued shares as required under the Listing Rules.

On behalf of the Board



Yang Yuanqing
Chairman and Chief Executive Officer
May 27, 2021

Independent auditor’s report

INDEPENDENT AUDITOR’S REPORT
TO THE MEMBERS OF LENOVO GROUP LIMITED

(incorporated in Hong Kong with limited liability)

OPINION

What we have audited

The consolidated financial statements of Lenovo Group Limited (the “Company”) and its subsidiaries (the “Group”) set out on pages 174 to 278, which comprise:

- the consolidated balance sheet as at March 31, 2021;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated cash flow statement for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at March 31, 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing (“HKSAs”) issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the HKICPA’s Code of Ethics for Professional Accountants (“the Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

KEY AUDIT MATTERS *(continued)*

Key audit matters identified in our audit are summarised as follows:

- Impairment assessment of goodwill and other intangible assets with indefinite useful lives
- Recognition of deferred income tax assets

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment assessment of goodwill and other intangible assets with indefinite useful lives	
Refer to notes 4(a) and 16 to the consolidated financial statements As at March 31, 2021, the Group had goodwill and other intangible assets with indefinite useful lives totaling US$6,119 million. The Group tests at least annually whether goodwill and other intangible assets that have indefinite useful lives have suffered any impairment. For the purpose of assessing impairment, assets are grouped at the lowest level for which there are separately identified cash flows cash generating units ("CGUs"). The recoverable amount of each CGU was determined based on value in use calculations using cash flow projections. We focused on the impairment of goodwill and other intangible assets with indefinite useful lives because the estimation of recoverable amount is subject to high degree of estimation uncertainty. The inherent risk in relation to the impairment of goodwill and other intangible assets with indefinite useful lives is considered significant due to significant management judgement to appropriately identify CGUs and to determine the key assumptions, including revenue growth rates, operating margins, discount rates and the length of time and severity of the impact of COVID-19. Management are of the view that there was no evidence of impairment of goodwill or other intangible assets with indefinite useful lives as at March 31, 2021.	Our procedures in relation to the Group's impairment assessment included: • Assessing the value in use calculation methodology adopted by management. • Understanding management's controls and processes for determining the recoverable amount and assessing the inherent risk of material misstatement by considering the degree of estimation uncertainty and the judgement involved in determining assumptions to be applied. • Assessing management's identification of CGUs based on the Group's accounting policies and our understanding of the Group's business. • Challenging the reasonableness of key assumptions such as revenue growth rates, operating margins, discount rates and the length of time and severity of the impact of COVID-19 with reference to the business and industry circumstances. • Reconciling input data to supporting evidence, such as approved forecasts of future profits and strategic plans. • Considering the reasonableness of the forecasts of future profits and strategic plans by comparing them against past results achieved. • Assessing management's sensitivity analysis around the key assumptions, to ascertain the extent to which adverse changes, both individually or in aggregate, might impact on the outcome of the impairment assessment of the goodwill and other intangible assets with indefinite useful lives. We found the judgements made by management in relation to the impairment assessment to be supportable based on the available evidence.

KEY AUDIT MATTERS *(continued)*

Key Audit Matter	How our audit addressed the Key Audit Matter
Recognition of deferred income tax assets	
Refer to notes 4(b) and 19 to the consolidated financial statements As at March 31, 2021, the Group had deferred income tax assets of US$2,345 million. Deferred income tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and expected to apply when the related deferred tax income asset is realized. We focused on the recognition of deferred income tax assets because the estimation of future taxable profit is subject to high degree of estimation uncertainty. The inherent risk in relation to the recognition of deferred income tax assets is considered significant due to significant management judgement regarding the future financial performance of the entity in which the deferred income tax asset has been recognized. A number of factors are evaluated in considering whether there is evidence that it is probable the deferred income tax assets will be realized, including whether there will be sufficient taxable profits available during the utilization periods, the length of time and severity of the impact of COVID-19, existence of taxable temporary differences, group relief and tax planning strategies. Management has performed its assessment on the recognition of these deferred income tax assets and considers that the realization of these assets is probable as at March 31, 2021.	Our procedures in relation to the recognition of deferred income tax assets included: • Understanding management's controls and processes for the recognition of deferred income tax assets and assessing the inherent risk of material misstatement by considering the degree of estimation uncertainty and the judgement involved in determining assumptions to be applied. • Evaluating management's assessment as to whether there will be sufficient taxable profits in future periods by reference to forecasts of future profits/strategic plans and future reversals of taxable temporary differences to support the recognition of deferred income tax assets. • Assessing the underlying assumptions used in management's approved forecasts of future profits such as revenue growth rates and operating margins by comparison to historical results and future strategic and tax plans and with reference to the business and industry circumstances. • Testing management's reconciliations of forecast profits to forecast taxable profits to supporting evidence on a sample basis. • Validating available tax losses, including the respective expiry periods to tax returns and tax correspondence of the relevant subsidiaries. • Testing the calculation of deferred income tax assets by reference to tax rates enacted or substantively enacted by the balance sheet date. We found the judgements made by management in relation to recognition of deferred income tax assets to be supportable based on the available evidence.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THE AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit Committee is responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, in accordance with Section 405 of the Hong Kong Companies Ordinance and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

Independent auditor's report

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Cheng Woon Yin Michael.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, May 27, 2021

Consolidated income statement

For the year ended March 31, 2021

	Note	**2021 US$'000**	2020 US$'000
Revenue	5	**60,742,312**	50,716,349
Cost of sales		**(50,974,425)**	(42,359,045)
Gross profit		**9,767,887**	8,357,304
Selling and distribution expenses		**(3,044,967)**	(2,972,260)
Administrative expenses		**(2,984,356)**	(2,524,818)
Research and development expenses		**(1,453,912)**	(1,335,744)
Other operating income/(expenses) – net		**(104,245)**	(85,886)
Operating profit	6	**2,180,407**	1,438,596
Finance income	7(a)	**34,754**	47,850
Finance costs	7(b)	**(408,640)**	(454,194)
Share of losses of associates and joint ventures	17	**(32,323)**	(14,545)
Profit before taxation		**1,774,198**	1,017,707
Taxation	8	**(461,199)**	(213,204)
Profit for the year		**1,312,999**	804,503
Profit attributable to:			
Equity holders of the Company		**1,178,307**	665,091
Perpetual securities holders		**32,532**	53,760
Other non-controlling interests		**102,160**	85,652
		1,312,999	804,503
Earnings per share attributable to equity holders of the Company			
Basic	11(a)	**US9.54 cents**	US5.58 cents
Diluted	11(b)	**US8.91 cents**	US5.43 cents
Dividends	12	**474,573**	429,902

Consolidated statement of comprehensive income

For the year ended March 31, 2021

	Note	**2021 US$'000**	2020 US$'000
Profit for the year		**1,312,999**	804,503
Other comprehensive income/(loss):			
Items that will not be reclassified to profit or loss			
Remeasurements of post-employment benefit obligations, net of taxes	8, 35	**35,735**	(46,275)
Fair value change on financial assets at fair value through other comprehensive income, net of taxes	8, 20	**(5,081)**	(10,925)
Items that have been reclassified or may be subsequently reclassified to profit or loss			
Fair value change on cash flow hedges from foreign exchange forward contracts, net of taxes	8		
– Fair value (loss)/gain, net of taxes		**(240,325)**	177,545
– Reclassified to consolidated income statement		**255,312**	(142,296)
Currency translation differences	8	**104,133**	(424,422)
Other comprehensive income/(loss) for the year		**149,774**	(446,373)
Total comprehensive income for the year		**1,462,773**	358,130
Total comprehensive income attributable to:			
Equity holders of the Company		**1,336,074**	216,055
Perpetual securities holders		**32,532**	53,760
Other non-controlling interests		**94,167**	88,315
		1,462,773	358,130

Consolidated balance sheet

At March 31, 2021

	Note	2021 US$'000	2020 US$'000
Non-current assets			
Property, plant and equipment	13	**1,573,875**	1,398,440
Right-of-use assets	14	**893,422**	812,235
Construction-in-progress	15	**207,614**	304,241
Intangible assets	16	**8,405,005**	7,984,582
Interests in associates and joint ventures	17	**65,455**	60,307
Deferred income tax assets	19	**2,344,740**	2,059,582
Financial assets at fair value through profit or loss	20	**805,013**	494,807
Financial assets at fair value through other comprehensive income	20	**84,796**	56,136
Other non-current assets		**275,359**	224,396
		14,655,279	13,394,726
Current assets			
Inventories	21	**6,380,576**	4,946,914
Trade receivables	22(a)	**8,397,825**	6,263,012
Notes receivable	22(b)	**78,939**	11,529
Derivative financial assets		**118,299**	138,813
Deposits, prepayments and other receivables	22(c)	**4,977,501**	3,559,239
Income tax recoverable		**254,442**	196,464
Bank deposits	23	**59,385**	66,480
Cash and cash equivalents	23	**3,068,385**	3,550,990
		23,335,352	18,733,441
Total assets		**37,990,631**	32,128,167

Consolidated balance sheet

At March 31, 2021

	Note	2021 US$'000	2020 US$'000
Share capital	28	**3,203,913**	3,185,923
Reserves		**355,123**	11,619
Equity attributable to owners of the Company		**3,559,036**	3,197,542
Perpetual securities	29	**-**	993,670
Other non-controlling interests		**817,735**	634,321
Put option written on non-controlling interests	27(b)	**(766,238)**	(766,238)
Total equity		**3,610,533**	4,059,295
Non-current liabilities			
Borrowings	26	**3,299,582**	1,564,619
Warranty provision	25(b)	**266,313**	258,840
Deferred revenue		**1,183,247**	864,805
Retirement benefit obligations	35	**431,905**	458,386
Deferred income tax liabilities	19	**391,258**	342,805
Other non-current liabilities	27	**1,436,156**	1,321,296
		7,008,461	4,810,751
Current liabilities			
Trade payables	24(a)	**10,220,796**	7,509,724
Notes payable	24(b)	**885,628**	1,458,645
Derivative financial liabilities		**35,944**	73,784
Other payables and accruals	25(a)	**13,178,498**	9,025,643
Provisions	25(b)	**910,380**	718,771
Deferred revenue		**1,046,677**	819,199
Income tax payable		**395,443**	357,375
Borrowings	26	**698,271**	3,294,980
		27,371,637	23,258,121
Total liabilities		**34,380,098**	28,068,872
Total equity and liabilities		**37,990,631**	32,128,167

On behalf of the Board

Yang Yuanqing
Chairman and Chief Executive Officer

Zhu Linan
Director

Consolidated cash flow statement

For the year ended March 31, 2021

	Note	2021 US$'000	2020 US$'000
Cash flows from operating activities			
Net cash generated from operations	34	**4,585,995**	3,006,556
Interest paid		**(309,361)**	(404,691)
Tax paid		**(623,861)**	(391,942)
Net cash generated from operating activities		**3,652,773**	2,209,923
Cash flows from investing activities			
Purchase of property, plant and equipment		**(302,920)**	(246,663)
Sale of property, plant and equipment		**89,344**	15,338
Acquisition of subsidiaries, net of cash acquired		**(5,049)**	–
Disposal of subsidiaries, net of cash disposed		**(37,289)**	(18,155)
Deemed disposal of subsidiaries, net of cash disposed		**(1,816)**	–
Interest acquired in associates and a joint venture		**(3,657)**	(1,616)
Prepaid lease payments		**-**	(15,734)
Payment for construction-in-progress		**(394,084)**	(417,552)
Payment for intangible assets		**(146,746)**	(273,131)
Purchase of financial assets at fair value through profit or loss		**(210,661)**	(86,498)
Purchase of financial assets at fair value through other comprehensive income		**(29,556)**	(429)
Loan to a joint venture		**-**	(72,603)
Net proceeds from sale of financial assets at fair value through profit or loss		**139,622**	99,296
Net proceeds from sale of financial assets at fair value through other comprehensive income		**557**	2,803
Payment of contingent consideration		**(117,390)**	–
Decrease in bank deposits		**7,095**	3,730
Dividends received		**1,897**	6,411
Interest received		**34,754**	47,850
Net cash used in investing activities		**(975,899)**	(956,953)

Consolidated cash flow statement

For the year ended March 31, 2021

	Note	**2021 US$'000**	2020 US$'000
Cash flows from financing activities			
Issue of warrant shares		**17,990**	–
Capital contribution from other non-controlling interests		**87,175**	76,357
Contribution to employee share trusts		**(737,867)**	(159,147)
Issue of convertible preferred shares		**-**	300,000
Issue of notes		**2,003,500**	–
Issuing costs of notes		**(14,383)**	–
Repayment of notes		**(791,555)**	(786,244)
Principal elements of lease payments		**(165,150)**	(130,993)
Dividends paid		**(434,269)**	(431,148)
Dividends paid to other non-controlling interests		**(5,156)**	(4,620)
Distribution to perpetual securities holders		**(34,772)**	(53,760)
Dividends paid to convertible preferred shares holders		**(11,600)**	(6,000)
Repurchase of convertible preferred shares		**(16,575)**	–
Proceeds from borrowings		**4,925,628**	4,092,870
Repayments of borrowings		**(7,005,300)**	(3,135,800)
Repurchase of perpetual securities		**(1,045,320)**	–
Redemption of convertible bonds		**(500)**	–
Net cash used in financing activities		**(3,228,154)**	(238,485)
(Decrease)/increase in cash and cash equivalents		**(551,280)**	1,014,485
Effect of foreign exchange rate changes		**68,675**	(126,349)
Cash and cash equivalents at the beginning of the year		**3,550,990**	2,662,854
Cash and cash equivalents at the end of the year	23	**3,068,385**	3,550,990

Consolidated statement of changes in equity

For the year ended March 31, 2021

	Attributable to equity holders of the Company											
	Share capital US$'000	Investment revaluation reserve US$'000	Employee share trusts US$'000	Share-based compensation reserve US$'000	Hedging reserve US$'000	Exchange reserve US$'000	Other reserves US$'000	Retained earnings US$'000	Perpetual securities US$'000	Other non-controlling interests US$'000	Put option written on non-controlling interests US$'000	Total US$'000
At April 1, 2019	3,185,923	(36,095)	(140,209)	311,540	23,240	(1,371,932)	163,241	1,260,745	993,670	473,178	(766,238)	4,097,063
Profit for the year	-	-	-	-	-	-	-	665,091	53,760	85,652	-	804,503
Other comprehensive (loss)/income	-	(10,925)	-	-	35,249	(427,085)	-	(46,275)	-	2,663	-	(446,373)
Total comprehensive (loss)/income for the year	-	(10,925)	-	-	35,249	(427,085)	-	618,816	53,760	88,315	-	358,130
Transfer to statutory reserve	-	-	-	-	-	-	11,995	(11,995)	-	-	-	-
Transfer of investment revaluation reserve upon disposal of financial assets at fair value through other comprehensive income to retained earnings	-	(1,696)	-	-	-	-	-	1,696	-	-	-	-
Vesting of shares under long-term incentive program	-	-	197,889	(275,551)	-	-	-	-	-	-	-	(77,662)
Deferred tax in relation to long-term incentive program	-	-	-	(7,025)	-	-	-	-	-	-	-	(7,025)
Disposal of subsidiaries	-	-	-	-	-	-	(267)	-	-	-	-	(267)
Share-based compensation	-	-	-	258,610	-	-	-	-	-	-	-	258,610
Contribution to employee share trusts	-	-	(159,147)	-	-	-	-	-	-	-	-	(159,147)
Dividends paid	-	-	-	-	-	-	-	(431,148)	-	-	-	(431,148)
Capital contribution from other non-controlling interests	-	-	-	-	-	-	-	-	-	79,121	-	79,121
Change of ownership of subsidiaries without loss of control	-	-	-	-	-	-	1,673	-	-	(1,673)	-	-
Dividends paid to other non-controlling interests	-	-	-	-	-	-	-	-	-	(4,620)	-	(4,620)
Distribution to perpetual securities holders	-	-	-	-	-	-	-	-	(53,760)	-	-	(53,760)
At March 31, 2020	3,185,923	(48,716)	(101,467)	287,574	58,489	(1,799,017)	176,642	1,438,114	993,670	634,321	(766,238)	4,059,295

Consolidated statement of changes in equity

For the year ended March 31, 2021

	Attributable to equity holders of the Company											
	Share capital US$'000	Investment revaluation reserve US$'000	Employee share trusts US$'000	Share-based compensation reserve US$'000	Hedging reserve US$'000	Exchange reserve US$'000	Other reserves US$'000	Retained earnings US$'000	Perpetual securities US$'000	Other non-controlling interests US$'000	Put option written on non-controlling interests US$'000	Total US$'000
At April 1, 2020	3,185,923	(48,716)	(101,467)	287,574	58,489	(1,799,017)	176,642	1,438,114	993,670	634,321	(766,238)	4,059,295
Profit for the year	-	-	-	-	-	-	-	1,178,307	32,532	102,160	-	1,312,999
Other comprehensive (loss)/income	-	(5,081)	-	-	14,987	112,126	-	35,735	-	(7,993)	-	149,774
Total comprehensive (loss)/income for the year	-	(5,081)	-	-	14,987	112,126	-	1,214,042	32,532	94,167	-	1,462,773
Transfer to statutory reserve	-	-	-	-	-	-	8,890	(8,890)	-	-	-	-
Transfer of investment revaluation reserve upon disposal of financial assets at fair value through other comprehensive income to retained earnings	-	4,664	-	-	-	-	-	(4,664)	-	-	-	-
Repurchase of perpetual securities	-	-	-	-	-	-	(53,890)	-	(991,430)	-	-	(1,045,320)
Issue of warrant shares	17,990	-	-	-	-	-	-	-	-	-	-	17,990
Vesting of shares under long-term incentive program	-	-	339,057	(472,153)	-	-	-	-	-	-	-	(133,096)
Deferred tax in relation to long-term incentive program	-	-	-	45,774	-	-	-	-	-	-	-	45,774
Acquisition of subsidiaries	-	-	-	-	-	-	-	-	-	2,113	-	2,113
Disposal and deemed disposal of subsidiaries	-	-	-	-	-	(4,057)	(1,819)	-	-	3,006	-	(2,870)
Settlement of bonus through long-term incentive program	-	-	-	34,444	-	-	-	-	-	-	-	34,444
Share-based compensation	-	-	-	291,737	-	-	-	-	-	-	-	291,737
Contribution to employee share trusts	-	-	(737,867)	-	-	-	-	-	-	-	-	(737,867)
Dividends paid	-	-	-	-	-	-	-	(434,269)	-	-	-	(434,269)
Dividends paid to other non-controlling interests	-	-	-	-	-	-	-	-	-	(5,156)	-	(5,156)
Capital contribution from other non-controlling interests	-	-	-	-	-	-	-	-	-	89,758	-	89,758
Change of ownership of subsidiaries without loss of control	-	-	-	-	-	-	474	-	-	(474)	-	-
Distribution to perpetual securities holders	-	-	-	-	-	-	-	-	(34,772)	-	-	(34,772)
Redemption of convertible bonds	-	-	-	-	-	-	(57)	56	-	-	-	(1)
At March 31, 2021	3,203,913	(49,133)	(500,277)	187,376	73,476	(1,690,948)	130,240	2,204,389	-	817,735	(766,238)	3,610,533

Notes to the financial statements

1 GENERAL INFORMATION AND BASIS OF PREPARATION

Lenovo Group Limited (the "Company") and its subsidiaries (together, the "Group") develop, manufacture and market reliable, high-quality, secure and easy-to-use technology products and services. Its product lines include legendary Think-branded commercial personal computers and Idea-branded consumer personal computers, as well as servers, workstations, and a family of mobile internet devices, including tablets and smartphones.

The Company is a limited liability company incorporated in Hong Kong S.A.R. of China. The address of its registered office is 23rd Floor, Lincoln House, Taikoo Place, 979 King's Road, Quarry Bay, Hong Kong S.A.R. of China. The Company has its primary listing on The Stock Exchange of Hong Kong Limited.

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"). The consolidated financial statements have been prepared under the historical cost convention except that certain financial assets and financial liabilities are stated at fair values, as explained in the significant accounting policies set out in Note 2.

The preparation of the consolidated financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

Changes in accounting policies and disclosures

The below amended 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 amended standards.

- Amendments to HKFRS 3, Definition of a business

- Amendments to HKAS 1 and HKAS 8, Definition of material

- Amendments to HKFRS 9, HKAS 39 and HKFRS 7, Interest rate benchmark reform

1 GENERAL INFORMATION AND BASIS OF PREPARATION *(continued)*

Changes in accounting policies and disclosures *(continued)*

New amendments to existing standards not yet effective

The following new amendments to existing standards, which are considered appropriate and relevant to the Group's operations, have been issued but are not effective for the year ended March 31, 2021 and have not been early adopted:

	Effective for annual periods beginning on or after
Amendments to HKFRS 16, COVID-19-Related rent concessions	June 1, 2020
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16, Interest rate benchmark reform – Phase 2	January 1, 2021
Amendment to HKFRS 16, COVID-19-Related rent concessions beyond 30 June 2021	April 1, 2021
Amendments to HKAS 37, Onerous contracts – Cost of fulfilling a contract	January 1, 2022
Annual improvements to HKFRS Standards 2018-2020 cycle	January 1, 2022
Amendments to HKAS 16, Property, plant and equipment: Proceeds before intended use	January 1, 2022
Amendments to HKFRS 3, Reference to the conceptual framework	January 1, 2022
Amendments to HKAS 1, Classification of liabilities as current or non-current	January 1, 2023
Amendments to HKFRS 10 and HKAS 28, Consolidated financial statements and investments in associates	Date to be determined

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

2 SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Principles of consolidation and equity accounting

(i) Subsidiaries

The consolidated financial statements include the financial statements of the Company and all of its subsidiaries made up to March 31.

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group (refer to (ii)).

Intra-group transactions, balances, income and expenses on transactions are eliminated. Profits and losses resulting from intra-group transactions that are recognized in assets are also eliminated.

Adjustments have been made to the financial statements of subsidiaries when necessary to align their accounting policies to ensure consistency with the policies adopted by the Group.

For subsidiaries which adopted December 31 as their financial year end date for statutory reporting purposes, their financial statements for the years ended March 31, 2021 and 2020 have been used for the preparation of the Group's consolidated financial statements.

(ii) Business combinations

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognizes any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognized amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(a) Principles of consolidation and equity accounting *(continued)*

(ii) Business combinations *(continued)*

If the business combination is achieved in stages, the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognized in profit or loss.

Any contingent consideration to be transferred by the Group is recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognized in the consolidated income statement. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

Goodwill is initially measured as the excess of the aggregate of the consideration transferred, the amount of any non-controlling interest in the acquiree and, in a business combination achieved in stages the acquisition-date fair value of any previous equity interest in the acquiree over the net identifiable assets acquired and liabilities assumed (Note 2(g)(i)). If it is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized directly in the consolidated income statement.

(iii) Changes in ownership interests

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognized in a separate reserve within equity attributable to owners of the Company.

When the Group ceases to consolidate or equity account for an investment because of a loss of control, joint control or significant influence, any retained interest in the entity is re-measured to its fair value with the change in carrying amount recognized in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequent accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized in other comprehensive income are reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs.

If the ownership interest in a joint venture or an associate is reduced but joint control or significant influence is retained, only a proportionate share of the amounts previously recognized in other comprehensive income are reclassified to profit or loss where appropriate.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(a) Principles of consolidation and equity accounting *(continued)*

(iii) Changes in ownership interests *(continued)*

The potential cash payments related to put options issued by the Group over the equity of a subsidiary are accounted for as financial liabilities. The amount that may become payable under the option on exercise is initially recognized at present value of redemption amount as a written put option liability with a corresponding charge directly to equity.

A written put option liability is subsequently 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 option expires unexercised, the written put option liability is derecognized with a corresponding adjustment to equity.

(iv) Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognized in the consolidated income statement. The fair value is the initial carrying amount for the purposes of subsequent accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognized as other comprehensive income or loss in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized as other comprehensive income or loss are reclassified to the consolidated income statement.

(v) Separate financial statements

Investments in subsidiaries in the Company's balance sheet are accounted for at cost less impairment. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

(b) Associates and joint arrangements

Associates are entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights.

Investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor, rather than the legal structures of the joint arrangements. The Group has assessed the nature of its joint arrangements and applied HKFRS 11 in preparing the consolidated financial statements.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(b) Associates and joint arrangements *(continued)*

Associates and joint ventures

Interests in associates and joint ventures are accounted for using the equity method of accounting and are initially recognized at cost. The Group's interests in associates and joint ventures include goodwill identified on acquisition, net of any accumulated impairment losses.

The Group's share of its associates' and joint ventures' post-acquisition profits or losses is recognized in the consolidated income statement, and its share of post-acquisition movements in other comprehensive income or loss is recognized as other comprehensive income or loss with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate or a joint venture equals or exceeds its interest in the associate or the joint venture including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate or the joint venture.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate and joint venture is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value and recognizes the amount adjacent to share of profit/(loss) of associates and joint ventures in the consolidated income statement.

Profits and losses resulting from upstream and downstream transactions between the Group and its associates or joint ventures are recognized in the Group's consolidated financial statements only to the extent of unrelated investor's interests in the associates or the joint ventures. Unrealized losses are eliminated unless the transaction provides evidence of an impairment of the assets transferred.

Accounting policies of associates and joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

For associates and joint ventures which adopted December 31 as their financial year end date for statutory reporting purposes, their financial statements for the years ended March 31, 2021 and 2020 have been used for the preparation of the Group's consolidated financial statements.

Joint operation

Joint operations arise where the investors have rights to the assets and obligations for the liabilities of an arrangement. Investments in joint operations are accounted for such that each joint operator recognizes its assets (including its share of any assets jointly held), its liabilities (including its share of any liabilities incurred jointly), its revenue (including its share of revenue from the sale of the output by the joint operation) and its expenses (including its share of any expenses incurred jointly). Each joint operator accounts for the assets and liabilities, as well as revenues and expenses, relating to its interest in the joint operation in accordance with the applicable standards.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(c) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Lenovo Executive Committee (the "LEC") that makes strategic decisions.

(d) Translation of foreign currencies

(i) Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The financial statements of the Company and of the Group are presented in United States dollars, which is the Company's functional and the Group's presentation currency.

(ii) Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognized in the income statement. They are deferred in equity if they are related to qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

All foreign exchange gains and losses that relate to monetary assets and liabilities denominated in foreign currency are presented in the income statement within "Other operating income/(expenses) – net".

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on financial assets and liabilities carried at fair value are as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss ("FVPL") are recognized in profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equities classified as fair value through other comprehensive income ("FVOCI") are recognized in other comprehensive income or loss.

(iii) The results and financial position of all the group entities that have a functional currency different from the Group's presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

- income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rates on the dates of the transactions); and

- all resulting exchange differences are recognized as other comprehensive income or loss.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognized as other comprehensive income or loss and included in the exchange reserve in equity.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(d) Translation of foreign currencies *(continued)*

(iv) On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary, loss of joint control of a joint venture, or loss of significant influence over an associate that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the equity holders of the Company are reclassified to the consolidated income statement.

In the case of a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of the accumulated exchange differences are re-attributed to non-controlling interests and are not recognized in the consolidated income statement. For all other partial disposals (that is, reductions in the Group's ownership interest in an associate or a joint venture that do not result in the Group losing influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to the consolidated income statement.

(e) Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognized when replaced. All other repairs and maintenance are charged in the consolidated income statement during the financial period in which they are incurred.

Freehold land and buildings comprise mainly factories and office premises. All freehold lands are located outside Hong Kong S.A.R. of China and are not depreciated. Depreciation of buildings, buildings related equipment and leasehold improvements is calculated using the straight-line method to allocate their costs to their estimated residual values over the unexpired periods of the leases or their expected useful lives to the Group ranging from 10 to 50 years whichever is shorter.

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their costs to their estimated residual values over their estimated useful lives to the Group. The principal annual rates used for this purpose are:

Plant and machinery	
Tooling equipment	50% – 100%
Other machinery	14% – 20%
Furniture and fixtures	20% – 25%
Office equipment	20% – 33%
Motor vehicles	20%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2(h)).

Gain or loss on disposal of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognized within "Other operating income/(expenses) – net" in the consolidated income statement.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(f) Construction-in-progress

Construction-in-progress represents buildings, plant and machinery and internal use software under construction and pending installation and is stated at historical cost, less any accumulated impairment losses. Historical cost comprises all direct and indirect costs of acquisition or construction or installation of buildings, plant and machinery or internal use software as well as interest expenses and exchange differences on the related funds borrowed during the construction, installation and testing periods and prior to the date when the assets were available for use. No depreciation or amortization is provided for on construction-in-progress. On completion, the carrying values of the buildings, plant and machinery or internal use software are transferred from construction-in-progress to property, plant and equipment or intangible assets.

Gain on disposal of construction-in-progress is the difference between the net sales proceeds and the carrying amount of the relevant asset and is recognized within "Other operating income/ (expenses) – net" in the consolidated income statement.

(g) Intangible assets

(i) Goodwill

Goodwill represents the excess of the consideration of an acquisition transferred over the Group's interests in the fair value of the acquiree's identifiable assets acquired and liabilities assumed at the acquisition date. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of associates and joint ventures is included in interests in associates and joint ventures.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("CGU"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs to sell. Any impairment is recognized immediately as an expense and is not subsequently reversed.

(ii) Trademarks and trade names

Separately acquired trademarks and trade names are shown at historical cost. Trademarks and trade names acquired in a business combination are recognized at fair value at the acquisition date.

Trademarks and trade names that have an indefinite useful life are tested annually for impairment and carried at cost less accumulated impairment losses. They are considered to have an indefinite useful life as there is no foreseeable limit to the period over which they are expected to generate net cash inflows.

(iii) Customer relationships

Customer relationships acquired in a business combination are recognized at fair value at the acquisition date. Customer relationships have a definite useful life and are carried at cost less accumulated amortization. Amortization is calculated using the straight-line method over their estimated useful lives of not more than 15 years.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(g) Intangible assets *(continued)*

(iv) Internal use software

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software.

Development costs that are directly attributable to the design and testing of identifiable and unique software controlled by the Group are recognized as intangible assets when the following criteria are met:

- it is technically feasible to complete the software so that it will be available for use;
- management intends to complete the software and use or sell it;
- there is an ability to use or sell the software;
- it can be demonstrated how the software will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software are available; and
- the expenditure attributable to the software during its development can be reliably measured.

Development costs include the employee costs incurred as a result of developing software and an appropriate portion of relevant overheads.

Other development expenditures that do not meet these criteria are recognized as an expense as incurred. Development costs previously recognized as an expense are not recognized as an asset in a subsequent period.

Costs associated with maintaining computer software are recognized as an expense as incurred.

Acquired computer software licenses costs and computer software development costs are amortized using the straight-line method over their estimated useful lives of not more than 8 years.

(v) Patents and technology

Expenditure on acquired patents and technology is capitalized at historical cost upon acquisition and amortized using the straight-line method over their estimated useful lives of not more than 10 years.

(vi) Exclusive right

An exclusive right acquired in a business combination is recognized at fair value at the acquisition date. An exclusive right has a definite useful life and is carried at cost less accumulated amortization. Amortization is calculated using the straight-line method over their estimated useful lives of not more than 15 years.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(h) Impairment of non-financial assets

Assets that have an indefinite useful life or are not yet available for use are not subject to depreciation or amortization and are tested annually for impairment. Assets that are subject to depreciation or amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest level for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

(i) Financial assets

(i) Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income or through profit or loss), and

- those to be measured at amortized cost.

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investments at FVOCI.

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

(ii) Recognition and derecognition

Regular way purchases and sales of financial assets are recognized on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

(iii) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at FVPL, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(i) Financial assets *(continued)*

(iii) Measurement *(continued)*

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the assets and the cash flow characteristics of the assets. There are three measurement categories into which the Group classifies its debt instruments:

- Amortized cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. Interest income from these financial assets, impairment losses, foreign exchange gains and losses, and gain or loss arising on derecognition are recognized directly in profit or loss.

- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment losses, interest income and foreign exchange gains and losses which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss.

- FVPL: Assets that do not meet the criteria for amortized cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognized in profit or loss in the period in which it arises.

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognized in profit or loss when the Group's right to receive payments is established. On disposal of these equity investments, any related balance within the investment revaluation reserve is reclassified to retained earnings. Changes in the fair value of financial assets at FVPL are recognized in profit or loss as applicable.

Financial assets at FVOCI comprise equity investments which are not held for trading, and which the Group has irrevocably elected at initial recognition to recognize in this category. These are strategic investments and the Group considers this classification to be more relevant.

Financial assets at FVPL comprise equity investments which are held for trading, and which the Group has not elected to recognize fair value gains and losses through other comprehensive income.

Details on how the fair value of financial instruments is determined are disclosed in Note 3(d).

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(i) Financial assets *(continued)*

(iv) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

(j) Impairment of financial assets

The Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortized cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognized from initial recognition of the receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

Impairment losses on trade receivables are presented as net impairment losses in the consolidated income statement. Subsequent recoveries of amounts previously written off are credited against the same line item.

(k) Derivative financial instruments and hedging activities

Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair values. The method of recognizing the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as either: (i) hedges of the fair value of recognized assets or liabilities or a firm commitment (fair value hedge) or (ii) hedges of highly probable forecast transactions (cash flow hedges).

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months, and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or liability.

(i) Fair value hedge

Changes in the fair value of derivatives that are designated and qualified as fair value hedges are recorded in the consolidated income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

(k) Derivative financial instruments and hedging activities *(continued)*

(ii) Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualified as cash flow hedges is recognized as other comprehensive income or loss. The gain or loss relating to the ineffective portion is recognized immediately in the consolidated income statement.

Amounts accumulated in equity are reclassified to the consolidated income statement in the periods when the hedged item affects profit or loss (for example, when the forecast sale or purchase that is hedged takes place). The gain or loss relating to the effective portion of interest rate swaps hedging variable rate borrowings is recognized in the consolidated income statement within "Finance costs". The gain or loss relating to the ineffective portion is recognized in the consolidated income statement within "Other operating income/(expenses) – net".

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gains or losses on the hedging instrument that has been recognized as other comprehensive income from the period when the hedge was effective shall remain separately in equity until the forecast transaction occurs. When a forecast transaction is no longer expected to occur, the cumulative gains or losses on the hedging instrument that has been recognized as other comprehensive income from the period when the hedge was effective shall be reclassified from equity to the consolidated income statement immediately.

(iii) Derivatives that do not qualify for hedge accounting

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instruments that do not qualify for hedge accounting are recognized immediately in the consolidated income statement.

(l) Financial guarantee contracts

Financial guarantee contracts are recognized as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of:

- the amount determined in accordance with the expected credit loss model under HKFRS 9 and

- the amount initially recognized less, where appropriate, the cumulative amount of income recognized in accordance with the principles of HKFRS 15.

The fair value of financial guarantees is determined as the present value of the difference in net cash flows between the contractual payments under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

Where guarantees in relation to loans or other payables of associates are provided for no compensation, the fair values are accounted for as contributions and recognized as part of the cost of the investment.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(m) Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined on a weighted average basis. The cost of finished goods (except for trading products) and work-in-progress comprises direct materials, direct labour and an attributable proportion of production overheads. For trading products, cost represents invoiced value on purchases, less purchase returns and discounts. Net realizable value is determined on the basis of anticipated sales proceeds less estimated selling expenses.

(n) Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. Majority of other receivables are amounts due from subcontractors for part components sold in the ordinary course of business. Trade receivables are recognized initially at fair value and subsequently measured at FVOCI, less loss allowance. Other receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. See Note 2(i) for further information about the Group's accounting for trade receivables and Note 2(j) for a description of the Group's impairment policies.

If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

(o) Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents mainly comprise cash on hand, deposits held at call with banks, other short-term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the consolidated balance sheet.

(p) Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Where any group company purchases the Company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes), is deducted from equity attributable to the Company's equity holders until the shares are cancelled or reissued. Where such shares are subsequently reissued, any consideration received (net of any directly attributable incremental transaction costs and the related income tax effects) is included in equity attributable to the Company's equity holders.

(q) Borrowings and borrowing costs

Borrowings are recognized initially at fair value, net of transaction costs incurred. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability, including fees and commissions paid to agents, advisers, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Borrowings are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the consolidated income statement over the period of the borrowings using the effective interest method.

(q) Borrowings and borrowing costs *(continued)*

Preferred shares, which are mandatory redeemable on a special date, are classified as liabilities. The dividends on these preferred shares are recognized in profit or loss as finance costs.

The Group designated the convertible preferred shares as financial liability at fair value through profit or loss ("FVPL"). Subsequent to initial recognition, the convertible preferred shares are carried at fair value with changes in fair value recognized in profit or loss in the period in which it arises.

The fair value of the liability portion of a convertible bond is determined using a market interest rate for an equivalent non-convertible bond. This amount is recorded as a liability on an amortized cost basis until extinguished on conversion or maturity of the bonds. The remainder of the proceeds is allocated to the conversion option. This is recognized and included in shareholders' equity, net of income tax effects.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

(r) Trade and other payables

Trade payables are obligations to pay for part components or services that have been acquired in the ordinary course of business from suppliers. Majority of other payables are obligations to pay for finished goods that have been acquired in the ordinary course of business from subcontractors. Trade and other payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

Trade and other payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

(s) Provisions

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(s) Provisions *(continued)*

(i) Warranty provision

The Group records warranty liabilities at the time of sale for the estimated costs that will be incurred under its basic limited warranty. The specific warranty terms and conditions vary depending upon the product and the country in which it was sold, but generally includes technical support, repair parts and labor associated with warranty repair and service actions. The period ranges from one to three years. The Group reevaluates its estimates on a quarterly basis to assess the adequacy of its recorded warranty liabilities and adjusts the amounts as necessary.

(ii) Other provisions

Provisions for environmental restoration, restructuring costs and legal claims are recognized when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Restructuring costs provision comprises lease termination penalties and employee termination payments. Provisions are not recognized for future operating losses.

(t) Current and deferred income tax

The tax expense for the period comprises current and deferred income tax.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries, joint ventures and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax liabilities are not recognized if they arise from the initial recognition of goodwill; deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, joint ventures and associates, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same tax authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(u) Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognized because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognized but is disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that the outflow is probable, it will then be recognized as a provision.

(v) Revenue

Income is classified by the Group as revenue when it arises from the sales of goods and the provision of services in the ordinary course of the Group's business.

(i) Sale of goods and provision of services

Revenue from sale of hardware, software, peripherals and mobile devices and the provision of services is recognized when control over such products or services is transferred to the customer at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value-added tax, an allowance for estimated returns, rebates and discounts.

The Group enters into different shipping terms with customers. Control of hardware, software, peripherals and mobile devices is transferred when delivery has occurred. Delivery is generally considered as occurred once the goods are shipped. For certain transactions that the Group retains control during the course of shipment, the Group defers the recognition of revenue and cost of such products until they are delivered to the designated locations. The Group's obligation to repair or replace faulty products under the standard warranty terms is recognized as a provision.

Control of systems integration service, information technology technical service and extended warranty service is transferred over time during the contract period or when services are rendered.

The Group recognizes revenue on a gross or net basis depending on whether the Group is acting as a principal or an agent in the transaction.

No element of financing is deemed present as the sales are made with a credit term of 0 – 120 days, which is consistent with market practice. A receivable is recognized when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

(ii) Interest income

Interest income is recognized using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired receivables is recognized using the original effective interest rate.

(iii) Dividend income

Dividend income is recognized when the right to receive payment is established.

Notes to the financial statements

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(w) Non-base manufacturing costs

Non-base manufacturing costs are costs that are periodic in nature as opposed to product specific. They are typically incurred after the physical completion of the product and include items such as outbound freight for in-country finished goods shipments, warranty costs, engineering charges, storage and warehousing costs, and contribute to bringing inventories to their present location and condition. Non-base manufacturing costs enter into the calculation of gross margin but are not inventoriable costs.

(x) Employee benefits

(i) Pension obligations

The Group operates various pension schemes. The schemes are generally funded through payments to insurance companies or trustee-administered funds, determined by periodic actuarial calculations. The Group has both defined benefit and defined contribution plans.

A defined benefit plan is a pension plan which defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognized in the consolidated balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. Significant portion of the defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation. In countries where there is no deep market in such bonds, the market rates on government bonds are used.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is included in employee benefit expense in the consolidated income statement.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognized as other comprehensive income or loss in the year in which they arise. They are included in retained earnings in the consolidated statement of changes in equity and in the consolidated balance sheet.

Past service costs are recognized immediately in the consolidated income statement. Changes in the present value of the defined benefit obligation resulting from plan amendments or curtailments are recognized immediately in profit or loss as past service costs.

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. The contributions are recognized as employee benefit expense when they are due and are reduced by employer's portion of voluntary contributions forfeited by those employees who leave the scheme prior to vesting fully. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in the future payments is available.

(x) Employee benefits *(continued)*

(i) Pension obligations *(continued)*

The Group's contributions to local municipal government retirement schemes in connection with retirement benefit schemes in the Mainland of China ("Chinese Mainland") are expensed as incurred. The local municipal governments in the Chinese Mainland assume the retirement benefit obligations of the qualified employees.

(ii) Post-employment medical benefits

The Group operates a number of post-employment medical benefit schemes, the largest being in the United States. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment using an accounting methodology similar to that for defined benefit pension plans. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognized as other comprehensive income or loss in the period in which they arise. The obligations of these schemes in the United States are valued annually by independent qualified actuaries.

(iii) Long-term incentive program

The Group operates a long-term incentive program to recognize employees' individual and collective contributions, and includes two types of awards, namely share appreciation rights and restricted share units ("Long-term Incentive Awards"). The Company reserves the right, at its discretion, to pay the award in cash or ordinary shares of the Company. The fair value of the employee services received in exchange for the grant of the Long-term Incentive Awards is recognized as employee benefit expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the Long-term Incentive Awards granted, including any market performance conditions (for example, an entity's share price); excluding the impact of any service and non-market performance vesting conditions (for example, profitability and sales growth targets); and including the impact of non-vesting conditions. Non-market performance and service conditions are included in assumptions about the number of Long-term Incentive Awards that are expected to become exercisable/vested. The total expense is recognized over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied.

At each balance sheet date, the Group revises its estimates of the number of Long-term Incentive Awards that are expected to become exercisable. It recognizes the impact of the revision of original estimates, if any, in the consolidated income statement, with a corresponding adjustment to share-based compensation reserve under equity.

Employee share trusts are established for the purposes of awarding shares to eligible employees under the long-term incentive program. The employee share trusts are administered by independent trustees and are funded by the Group's cash contributions and recorded as contributions to employee share trusts, an equity component. The administrator of the employee share trusts buys the Company's shares in the open market for award to employees upon vesting.

Upon vesting, the corresponding amounts in the share-based compensation reserve will be transferred to share capital for new allotment of shares to employees, or to the employee share trusts for shares awarded to employees by the employee share trusts.

Notes to the financial statements

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(x) Employee benefits *(continued)*

(iv) Termination benefit

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognizes termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the entity recognizes costs for a restructuring that is within the scope of HKAS 37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

(y) Government grants

Grants from the government are recognized at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognized as "Other operating income/(expenses) – net" in the consolidated income statement over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to property, plant and equipment are included in other non-current liabilities as deferred government grants and are credited to the consolidated income statement on a straight-line basis over the expected lives of the related assets.

(z) Leases (as the lessee)

Leases are recognized as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payments that are based on an index or a rate
- amounts expected to be payable by the lessee under residual value guarantees
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(z) Leases (as the lessee) *(continued)*

Some property leases contain variable payment terms that are linked to sales generated from stores. There is a wide range of sales percentages applied. Variable payment terms are used for a variety of reasons, including minimising the fixed costs base for newly established stores. Variable lease payments that depend on sales are recognized as a profit or loss in the period in which the event or condition that triggers those payments occurs.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liabilities
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Payments associated with leases of low-value assets are recognized on a straight-line basis as an expense in profit or loss. Low-value assets mainly comprise office equipment.

The Group's right-of-use assets include interest in leasehold land and building and prepaid lease payments for leasehold land. Prepaid lease payments represent the payments for land use rights held by the Group in the Chinese Mainland under term leases between 10 to 50 years. Rental contracts for leasehold land and building are typically made for fixed periods of 1 to 9 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Lease liabilities are presented within "other payables and accruals" (for current portion) and "other non-current liabilities" (for non-current portion) in the consolidated balance sheet.

(aa) Related party transactions

A related party transaction is a transfer of resources, services or obligations between the Group and a related party of the Group, regardless of whether a price is charged.

(i) A person, or a close member of that person's family, is related to the Group if that person:

- has control or joint control over the Group;
- has significant influence over the Group; or
- is a member of the key management personnel of the Group or the Group's parent.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(aa) Related party transactions *(continued)*

(ii) An entity is related to the Group if any of the following conditions applies:

- The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

- One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

- Both entities are joint ventures of the same third party.

- One entity is a joint venture of a third entity and the other entity is an associate of the third party.

- The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

- The entity is controlled or jointly controlled by a person identified in (i) above.

- A person, or a close member of that person's family, who has control or joint control over the Group, has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(ab) Dividend distribution

Dividend distribution to the Company's shareholders is recognized as a liability in the Group's and Company's financial statements in the period in which the dividends are approved by the Company's shareholders in case of final dividend and by the Company's directors in case of interim dividend.

3 FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks, such as market risk (including foreign currency risk, cash flow interest rate risk and price risk), credit risk, and liquidity risk. The Group's overall financial risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to hedge certain risk exposures. Financial risk management is carried out by the centralized treasury department ("Group Treasury").

(a) Financial risk factors

(i) Foreign currency risk

The Group operates internationally and is exposed to foreign currency risk arising from various currency exposures, primarily with respect to United States dollar, Renminbi and Euro. Foreign currency risk arises from future commercial transactions, recognized assets and liabilities and net investment in foreign operations denominated in a currency that is not the group companies' functional currency.

Management has set up a policy to require group companies to manage their foreign currency risk against their functional currency. The Group's forward foreign currency contracts are either used to hedge a percentage of anticipated cash flows (mainly export sales and purchase of inventories) which are highly probable, or used as fair value hedges for the identified assets and liabilities.

For segment reporting purposes, external hedge contracts on assets, liabilities or future transactions are designated to each operating segment, as appropriate.

3 FINANCIAL RISK MANAGEMENT *(continued)*

(a) Financial risk factors *(continued)*

(i) *Foreign currency risk* *(continued)*

The following tables detail the Group's exposure at the balance sheet date to currency risk arising from recognized assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate, except for the currency risk between United States dollar and Hong Kong dollar given the two currencies are under the linked exchange rate system. For presentation purposes, the amounts of the exposure are shown in United States dollar, translated using the spot rate at the balance sheet date. Differences resulting from the translation of the financial statements of foreign operations into the Group's presentation currency are excluded.

	2021			2020		
	United States dollar US$'000	**Renminbi US$'000**	**Euro US$'000**	United States dollar US$'000	Renminbi US$'000	Euro US$'000
Trade and other receivables	**345,911**	**23,149**	**175,220**	242,131	3,760	95,724
Bank deposits and cash and cash equivalents	**45,456**	**20,857**	**33,212**	20,703	3,790	175,614
Trade and other payables	**(483,935)**	**(38,425)**	**(35,240)**	(221,554)	(26,077)	(11,084)
Borrowings	**-**	**-**	**-**	–	(563,249)	–
Intercompany balances before elimination	**(1,514,790)**	**1,037,500**	**(195,056)**	(3,579,291)	468,450	(371,022)
Gross exposure	**(1,607,358)**	**1,043,081**	**(21,864)**	(3,538,011)	(113,326)	(110,768)
Notional amounts of forward exchange contracts used as economic hedges	**2,315,015**	**(586,253)**	**85,961**	3,516,807	204,153	91,638
Net exposure	**707,657**	**456,828**	**64,097**	(21,204)	90,827	(19,130)

(ii) *Cash flow interest rate risk*

The Group's interest rate risk mainly arises from short-term and long-term borrowings denominated in United States dollar. It is the Group's policy to mitigate interest rate risk through the use of appropriate interest rate hedging instruments when necessary. Generally, the Group manages its cash flow interest rate risk by using floating-to-fixed interest rate swaps. Such interest rate swaps have the economic effect of converting borrowings from floating rates to fixed rates. Under the interest rate swaps, the Group agrees with other parties to settle the difference between cash flow arising from fixed contract rates and floating-rate interest of the notional amounts at specified intervals (primarily quarterly).

The Group operates various trade financing programs. The Group is exposed to fluctuation of interest rates of all the currencies covered by those programs.

Notes to the financial statements

3 FINANCIAL RISK MANAGEMENT *(continued)*

(a) Financial risk factors *(continued)*

(iii) Credit risk

Credit risk is managed on a group basis. Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to customers and subcontractors, including outstanding receivables and committed transactions.

For banks and other financial institutions, the Group controls its credit risk through monitoring their credit rating and setting approved counterparty credit limits that are regularly reviewed.

The Group has no significant concentration of customer credit risk. The Group has a credit policy in place and exposures to these credit risks are monitored on an ongoing basis.

No credit limits were exceeded by any customers during the reporting period, and management does not expect any significant losses from non-performance by these counterparties.

The Group applies the simplified approach to provide for expected credit losses prescribed by HKFRS 9, which permits the use of the lifetime expected credit loss provision for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on the days past due. The gross carrying amount of the trade receivables and the loss allowance analyzed by aging band are set out below:

March 31, 2021	**Gross carrying amount US$'000**	**Loss allowance US$'000**	**Expected credit loss rate**
Not past due	**7,835,578**	**(401)**	**0%**
Past due less than 31 days	**332,967**	**(183)**	**0%**
Past due within 31 to 60 days	**95,218**	**(7)**	**0%**
Past due within 61 to 90 days	**53,418**	**(177)**	**0%**
Past due over 90 days	**225,850**	**(144,438)**	**64%**
	8,543,031	**(145,206)**	

March 31, 2020	Gross carrying amount US$'000	Loss allowance US$'000	Expected credit loss rate
Not past due	5,457,313	(42)	0%
Past due less than 31 days	521,561	(17)	0%
Past due within 31 to 60 days	149,097	(1)	0%
Past due within 61 to 90 days	72,908	(262)	0%
Past due over 90 days	157,589	(95,134)	60%
	6,358,468	(95,456)	

3 FINANCIAL RISK MANAGEMENT *(continued)*

(a) Financial risk factors *(continued)*

(iv) Liquidity risk

Cash flow forecasting at least for next 12 months of the Group is performed by Group Treasury. It monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational, financing and investing needs while maintaining sufficient headroom on its undrawn committed borrowing facilities (Note 26) at all times so that the Group does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities. Such forecasting takes into consideration the Group's debt financing plans, net current liabilities position, covenant compliance, compliance with internal balance sheet ratio targets, the COVID-19 impact and, if applicable external regulatory or legal requirements, for example, currency restrictions.

Surplus cash held by the operating entities over and above balances required for working capital management are transferred to Group Treasury. Group Treasury invests surplus cash in interest bearing current accounts, time deposits, money market funds and marketable securities, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient headroom as determined by the above-mentioned forecasts. At the balance sheet date, the Group did not hold any money market funds (2020: US$522,379,000) (Note 23).

3 FINANCIAL RISK MANAGEMENT *(continued)*

(a) Financial risk factors *(continued)*

(iv) Liquidity risk *(continued)*

The tables below analyze the Group's non-derivative financial liabilities and derivative financial liabilities into relevant maturity groupings based on the remaining periods at the balance sheet date to the contractual maturity dates. Derivative financial liabilities are included in the analysis if their contractual maturities are essential for an understanding of the timing of the cash flows. The amounts disclosed in the tables are the contractual undiscounted cash outflows/(inflows).

	Repayable on demand or 3 months or less US$'000	Over 3 months to 1 year US$'000	Over 1 to 3 years US$'000	Over 3 to 5 years US$'000	Over 5 years US$'000	Total US$'000
At March 31, 2020						
Borrowings	2,683,046	799,893	1,713,860	–	–	5,196,799
Trade, notes and other payables and accruals	13,293,339	2,872,936	–	–	–	16,166,275
Deferred consideration	–	–	25,072	–	–	25,072
Contingent consideration	117,387	–	–	–	–	117,387
Written put option liabilities	–	–	312,365	552,933	–	865,298
Lease liabilities	29,753	79,836	158,485	106,345	120,576	494,995
Others	–	–	27,382	34,993	–	62,375
Derivatives settled in gross:						
Forward foreign exchange contracts						
– outflow	7,040,808	672,034	–	–	–	7,712,842
– inflow	(7,093,967)	(676,556)	–	–	–	(7,770,523)
At March 31, 2021						
Borrowings	**66,924**	**802,622**	**1,630,089**	**1,157,539**	**1,173,711**	**4,830,885**
Trade, notes and other payables and accruals	**20,033,088**	**1,329,875**	**-**	**-**	**-**	**21,362,963**
Deferred consideration	**-**	**-**	**25,072**	**-**	**-**	**25,072**
Written put option liabilities	**-**	**338,370**	**542,691**	**-**	**-**	**881,061**
Lease liabilities	**32,085**	**121,863**	**201,583**	**107,650**	**78,641**	**541,822**
Others	**-**	**-**	**215,312**	**248,436**	**-**	**463,748**
Derivatives settled in gross:						
Forward foreign exchange contracts						
– outflow	**10,542,111**	**56,608**	**-**	**-**	**-**	**10,598,719**
– inflow	**(10,616,227)**	**(58,000)**	**-**	**-**	**-**	**(10,674,227)**

3 FINANCIAL RISK MANAGEMENT *(continued)*

(b) Market risk sensitivity analysis

HKFRS 7 "Financial instruments: Disclosures" requires the disclosure of a sensitivity analysis for market risks that show the effects of a hypothetical change in the relevant market risk variable to which the Group is exposed to at the balance sheet date on profit or loss and total equity.

The sensitivity analysis for each type of market risks does not reflect inter-dependencies between risk variables. The sensitivity analysis assumes that a hypothetical change of the relevant risk variable had occurred at the balance sheet date and had been applied to the relevant risk variable in existence on that date. The bases and assumptions adopted in the preparation of the analyses will by definition, seldom equal to the related actual results.

The disclosure of the sensitivity analysis on market risks is solely for compliance with HKFRS 7 disclosure requirements in respect of financial instruments, and are for illustration purposes only; and it should be noted that the hypothetical amounts so generated do not represent a projection of likely future events and profits or losses of the Group.

(i) Foreign currency exchange rate sensitivity analysis

At March 31, 2021, if United States dollar had weakened/strengthened by one percent against the major currencies with all other variables held constant, pre-tax profit for the year would have been US$1.9 million lower/higher (2020: US$0.9 million higher/lower), mainly as a result of foreign exchange gains/losses on translation of unhedged portion of receivable and payable balances.

The analysis above is based on the assumption that United States dollar weakened or strengthened against all other currencies in the same direction and magnitude, but it may not be necessarily true in reality.

(ii) Interest rate sensitivity analysis

At March 31, 2021, if interest rate on borrowings had been 25 basis points higher/lower with all other variables held constant, pre-tax profit for the year would have been US$4.9 million lower/higher (2020: US$6.0 million lower/higher).

At March 31, 2021, if interest rates on trade financing programs had been 25 basis points higher/lower with all other variables held constant, pre-tax profit for the year would have been US$10.0 million lower/higher (2020: US$9.7 million lower/higher). This analysis is based on the assumption that the interest rates of all the currencies covered by the trade financing programs go up and down at the same time and with the same magnitude; however, such assumptions may not be necessarily true in reality.

3 FINANCIAL RISK MANAGEMENT *(continued)*

(b) Market risk sensitivity analysis *(continued)*

(iii) Price risk sensitivity analysis

Exposure

The Group's exposure to equity securities price risk arises from investments held by the Group and classified in the consolidated balance sheet either as financial assets at FVPL (Note 20(a)) or FVOCI (Note 20(b)).

To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Group.

The Group's listed equity investments are determined based on respective quoted market prices. The fair value of unlisted equity investments is determined based on valuation techniques, please refer to Note 3(d) for details.

Sensitivity

The table below summarizes the impact of increases/decreases of the quoted market prices of the listed equity investments and the prices of unlisted equity investments on the Group's equity and pre-tax profit for the year. The analysis is based on the assumption that the fair value of the equity investments had increased/decreased by 5% with all other variables held constant.

	Impact on pre-tax profit		Pre-tax impact on other components of equity	
	2021 US$'000	2020 US$'000	**2021 US$'000**	2020 US$'000
Increase by 5%	**40,251**	24,740	**4,240**	2,807
Decrease by 5%	**(40,251)**	(24,740)	**(4,240)**	(2,807)

(c) Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

3 FINANCIAL RISK MANAGEMENT *(continued)*

(c) Capital risk management *(continued)*

Consistent with others in the industry, the Group monitors capital on the basis of gearing ratio. This ratio is calculated as total borrowings (including current and non-current borrowings) divided by total equity. The Group's strategy remains unchanged and the gearing ratios and net debt position of the Group as at March 31, 2021 and 2020 are as follows:

	2021 US$ million	2020 US$ million
Bank deposits and cash and cash equivalents	**3,128**	3,617
Less: total borrowings	**(3,998)**	(4,860)
Net debt position	**(870)**	(1,243)
Total equity	**3,611**	4,059
Gearing ratio	**1.11**	1.20

(d) Fair value estimation

The table below analyzes financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1 Quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices)
- Level 3 Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs)

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in Level 1.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3.

3 FINANCIAL RISK MANAGEMENT *(continued)*

(d) Fair value estimation *(continued)*

Specific valuation techniques used to value financial instruments include:

– The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves.

– The fair value of forward foreign exchange contracts is determined using quoted forward exchange rates at the balance sheet date, with the resulting value discounted back to present value.

– Other techniques, such as estimated discounted cash flows and recent transaction for similar instruments, are used to determine fair value for the remaining financial instruments.

The following table presents the assets and liabilities that are measured at fair value at March 31, 2021 and 2020.

	2021				2020			
	Level 1 US$'000	**Level 2 US$'000**	**Level 3 US$'000**	**Total US$'000**	Level 1 US$'000	Level 2 US$'000	Level 3 US$'000	Total US$'000
Assets								
Financial assets at FVPL								
Listed equity investments	**138,039**	**-**	**217,025**	**355,064**	77,539	-	-	77,539
Unlisted equity investments	**-**	**-**	**449,949**	**449,949**	-	-	417,268	417,268
Financial assets at FVOCI								
Listed equity investments	**56,914**	**-**	**-**	**56,914**	24,382	-	-	24,382
Unlisted equity investments	**-**	**-**	**27,882**	**27,882**	-	-	31,754	31,754
Trade receivables	**-**	**8,397,825**	**-**	**8,397,825**	-	6,263,012	-	6,263,012
Derivative financial assets	**-**	**118,299**	**-**	**118,299**	-	138,813	-	138,813
	194,953	**8,516,124**	**694,856**	**9,405,933**	101,921	6,401,825	449,022	6,952,768
Liabilities								
Derivative financial liabilities	**-**	**35,944**	**-**	**35,944**	-	73,784	-	73,784
Contingent consideration	**-**	**-**	**-**	**-**	-	-	117,387	117,387
Convertible preferred shares	**-**	**-**	**303,372**	**303,372**	-	-	317,826	317,826
	-	**35,944**	**303,372**	**339,316**	-	73,784	435,213	508,997

3 FINANCIAL RISK MANAGEMENT *(continued)*

(d) Fair value estimation *(continued)*

The movements in the financial assets and liabilities included in Level 3 fair value hierarchy for the years ended March 31, 2021 and 2020 are as follows:

Equity securities

	Financial assets at FVPL		Financial assets at FVOCI	
	2021 US$'000	2020 US$'000	**2021 US$'000**	2020 US$'000
At the beginning of the year	**417,268**	253,138	**31,754**	40,628
Exchange adjustment	**34,212**	(11,687)	**1,629**	(1,587)
Fair value change recognized in other comprehensive income	**-**	–	**(9,993)**	(4,913)
Fair value change recognized in profit or loss	**8,157**	90,117	**-**	–
Additions	**210,661**	91,406	**5,049**	429
Disposals	**(3,324)**	(5,706)	**(557)**	(2,803)
At the end of the year	**666,974**	417,268	**27,882**	31,754

A reasonable possible change in key assumptions used in the fair value measurement of equity securities would not result in any significant potential financial impact.

Contingent consideration

	2021 US$'000	2020 US$'000
At the beginning of the year	**117,387**	113,283
Exchange adjustment	**3**	2,254
Settlement	**(117,390)**	–
Fair value change recognized in profit or loss	**-**	1,850
At the end of the year	**-**	117,387
Total losses for the year included in profit or loss under "finance costs"	**-**	1,850

The contingent consideration is valued with reference to the performance indicators of Fujitsu Client Computing Limited and its subsidiary, Shimane Fujitsu Limited ("FCCL").

3 FINANCIAL RISK MANAGEMENT *(continued)*

(d) Fair value estimation *(continued)*

Convertible preferred shares

	2021 US$'000	2020 US$'000
At the beginning of the year	**317,826**	–
Additions	**-**	300,000
Repurchase	**(16,575)**	–
Dividends paid	**(11,600)**	(6,000)
Fair value change recognized in profit or loss	**13,721**	23,826
At the end of the year	**303,372**	317,826

If the discount rate increased/decreased by 0.5%, the convertible preferred shares would have decreased/increased by approximately US$7 million and US$8 million respectively (2020: US$12 million and US$14 million respectively) with the corresponding gain/loss recognized in the consolidated income statement.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of financial statements often requires the use of judgment to select specific accounting methods and policies from several acceptable alternatives. Estimates and judgments used in preparing the financial statements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The following are the more significant assumptions and estimates, as well as the accounting policies and methods used in the preparation of the financial statements:

(a) Impairment of non-financial assets

The Group tests at least annually whether goodwill and other assets that have indefinite useful lives have suffered any impairment. Other assets that are subject to depreciation and amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset exceeds its recoverable amount. The recoverable amounts of an asset or a cash-generating unit have been determined based on value-in-use calculations. These calculations require the use of estimates.

The value-in-use calculations use cash flow projection based on financial budgets approved by management covering a five-year period with a terminal value related to the future cash flows extrapolated using constant projection of cash flows beyond the five-year period. There are a number of assumptions and estimates involved for the preparation of cash flow projections for the period covered by the approved budget and the estimated terminal value. Key assumptions include the expected growth in revenues and operating margins, estimated compound growth rates, selection of discount rates and the COVID-19 impact.

Management prepared the financial budgets reflecting actual and prior year performance and market development expectations. Judgment is required to determine key assumptions adopted in the cash flow projections and changes to key assumptions can significantly affect these cash flow projections and therefore the results of the impairment reviews.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS *(continued)*

(b) Income taxes

The Group is subject to income taxes in numerous jurisdictions. Significant judgment is required in determining the worldwide provision for income taxes. There are certain transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The tax liabilities recognized are based on management's assessment of the likely outcome taking into consideration precedent tax ruling in the relevant jurisdiction.

The Group recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying values in the financial statements.

Deferred income tax assets are mainly recognized for temporary differences such as warranty provision, accrued sales rebates, bonus accruals, and other accrued expenses, and unused tax losses carried forward to the extent it is probable that future taxable profits will be available against which deductible temporary differences and the unused tax losses can be utilized, based on all available evidence. Recognition primarily involves judgment regarding the future financial performance of the particular legal entity or tax group taking into consideration the COVID-19 impact in which the deferred income tax asset has been recognized. A variety of other factors are also evaluated in considering whether there is convincing evidence that it is probable that some portion or all of the deferred income tax assets will ultimately be realized, such as the existence of taxable temporary differences, group relief, tax planning strategies and the periods in which estimated tax losses can be utilized. The carrying amount of deferred income tax assets and related financial models and budgets are reviewed at each balance sheet date and to the extent that there is insufficient convincing evidence that sufficient taxable profits will be available within the utilization periods to allow utilization of the carry forward tax losses, the asset balance will be reduced and the difference charged to the consolidated income statement.

Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax provisions and deferred income tax assets and liabilities in the period in which such determination is made.

(c) Warranty provision

Warranty provision is based on the estimated cost of product warranties when revenue is recognized. Factors that affect the Group's warranty liability include the number of sold units currently under warranty, historical and anticipated rates of warranty claims on those units, and cost per claim to satisfy our warranty obligation. The estimation basis is reviewed on an on-going basis and revised where appropriate. Certain of these costs are reimbursable from the suppliers in accordance with the terms of relevant arrangements with the suppliers. These amounts are recognized as a separate asset, to the extent of the amount of the provision made, when it is virtually certain that reimbursement will be received if the Group settles the obligation.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS *(continued)*

(d) Revenue recognition

Application of various accounting principles related to the measurement and recognition of revenue requires the Group to make judgments and estimates. Specifically, complex arrangements with non-standard terms and conditions may require significant contract interpretation to determine the appropriate accounting, including whether the deliverables specified in a multiple element arrangement should be treated as separate performance obligations. Other significant judgments include determining whether the Group or a reseller is acting as the principal in a transaction and whether separate contracts are considered part of one arrangement.

The Group sells products to channels. Sales through channels are primarily made under agreements allowing for volume discounts, price protection and rebates, and marketing development funds. The Group monitors the channel inventory level with reference to historical data. Revenue recognition is also impacted by the Group's ability to estimate volume discounts, price protection and rebates, and marketing development funds. The Group considers various factors, including review of specific transactions, historical experience, market and economic conditions and channel inventory level when calculating these provisions and allowances. Revenue is only recognized to the extent that it is highly probable that a significant reversal will not occur.

Revenue from sales of goods is recognized when the control of the goods is transferred to customers, which are generally occurred upon shipment. For certain transactions that the Group retains control during the course of shipment, the Group defers the recognition of revenue and cost of such products until they are delivered to the designated locations.

(e) Retirement benefits

Pension and other post-retirement benefit costs and obligations are dependent on various assumptions. The Group's major assumptions primarily relate to discount rate, expected return on assets, and salary growth. In determining the discount rate, the Group references market yields at the balance sheet date on high quality corporate bonds. The currency and term of the bonds are consistent with the currency and estimated term of the benefit obligations being valued. The expected return on plan assets is based on market expectations for returns over the life of the related assets and obligations. The salary growth assumptions reflect the Group's long-term actual experience and future and near-term outlook. Actual results that differ from the assumptions are generally recognized in the year they occur.

(f) Fair value of derivatives and other financial instruments

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. The Group uses its judgment to select a variety of methods and make assumptions that are mainly based on market conditions existing at each balance sheet date.

(g) Fair value of identifiable assets and liabilities acquired through business combinations

The Group applies the acquisition method to account for business combinations, which requires the Group to record assets acquired and liabilities assumed at their fair values on the date of acquisition. Significant judgment is used to estimate the fair values of the assets and liabilities acquired, including estimating future cash flows from the acquired business, determining appropriate discount rates, asset lives and other assumptions.

5 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") and Data Center Group ("DCG").

The LEC assesses the performance of the operating segments based on a measure of pre-tax income/(loss). This measurement basis excludes the effects of non-recurring expenses such as restructuring costs from the operating segments. The measurement basis also excludes the effects of 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 not allocated to segments when these types of activities are driven by the central treasury function which manages the cash position of the Group.

Supplementary information on segment assets and liabilities presented below is primarily based on the business group of the entities or operations which carry the assets and liabilities, except for entities performing centralized functions for the Group the assets and liabilities of which are not allocated to any segment.

Notes to the financial statements

5 SEGMENT INFORMATION *(continued)*

(a) Segment revenue and pre-tax income/(loss) for reportable segments

	2021		2020	
	Revenue from external customers US$'000	**Pre-tax income/(loss) US$'000**	Revenue from external customers US$'000	Pre-tax income/(loss) US$'000
IDG	**54,411,212**	**3,107,456**	45,216,190	2,301,621
DCG	**6,331,100**	**(168,766)**	5,500,159	(225,497)
Segment total	**60,742,312**	**2,938,690**	50,716,349	2,076,124
Unallocated:				
Headquarters and corporate income/(expenses) – net		**(967,114)**		(725,457)
Depreciation and amortization		**(242,225)**		(168,485)
Impairment of intangible assets		**(52,606)**		–
Finance income		**19,699**		24,959
Finance costs		**(221,937)**		(216,106)
Share of losses of associates and joint ventures		**(32,323)**		(14,545)
Gain/(loss) on disposal of property, plant and equipment		**85,038**		(9,423)
Fair value gain on financial assets at FVPL		**201,597**		66,036
Fair value loss on a financial liability at FVPL		**(13,721)**		(23,826)
Dilution gain on interest in an associate		**31,374**		–
Gain on deemed disposal of subsidiaries		**2,964**		–
Gain on disposal of subsidiaries		**22,978**		–
Gain on disposal of interest in an associate		**-**		3,922
Dividend income		**1,784**		4,508
Consolidated profit before taxation		**1,774,198**		1,017,707

5 SEGMENT INFORMATION *(continued)*

(b) Segment assets for reportable segments

	2021 US$'000	2020 US$'000
IDG	**24,832,408**	20,045,317
DCG	**5,192,122**	4,656,685
Segment assets for reportable segments	**30,024,530**	24,702,002
Unallocated:		
Deferred income tax assets	**2,344,740**	2,059,582
Financial assets at FVPL	**805,013**	494,807
Financial assets at FVOCI	**84,796**	56,136
Derivative financial assets	**118,299**	138,813
Interests in associates and joint ventures	**65,455**	60,307
Bank deposits and cash and cash equivalents	**3,127,770**	3,617,470
Unallocated deposits, prepayments and other receivables	**650,892**	379,429
Income tax recoverable	**254,442**	196,464
Other unallocated assets	**514,694**	423,157
Total assets per consolidated balance sheet	**37,990,631**	32,128,167

5 SEGMENT INFORMATION *(continued)*

(c) Segment liabilities for reportable segments

	2021 US$'000	2020 US$'000
IDG	**26,543,826**	20,271,781
DCG	**2,202,485**	1,666,557
Segment liabilities for reportable segments	**28,746,311**	21,938,338
Unallocated:		
Deferred income tax liabilities	**391,258**	342,805
Derivative financial liabilities	**35,944**	73,784
Borrowings	**3,997,853**	4,859,599
Unallocated other payables and accruals	**786,028**	470,200
Unallocated other non-current liabilities	**27,261**	26,771
Income tax payable	**395,443**	357,375
Total liabilities per consolidated balance sheet	**34,380,098**	28,068,872

(d) Analysis of revenue by geography

	2021 US$'000	2020 US$'000
China	**14,257,290**	10,857,955
Asia Pacific ("AP")	**11,797,083**	11,263,518
Europe-Middle East-Africa ("EMEA")	**15,882,576**	12,419,641
Americas ("AG")	**18,805,363**	16,175,235
	60,742,312	50,716,349

(e) Analysis of revenue by timing of revenue recognition

	2021 US$'000	2020 US$'000
Point in time	**59,080,578**	49,406,643
Over time	**1,661,734**	1,309,706
	60,742,312	50,716,349

5 SEGMENT INFORMATION *(continued)*

(f) Revenue recognized in relation to deferred revenue and receipt in advance

Deferred revenue and receipt in advance (included in "other payables and accruals") amounting to US$2,374 million (2020: US$1,866 million) primarily relate to the Group's unfulfilled performance obligations for which consideration has been received at the reporting date. Revenue is recognized in the period when the performance obligations are fulfilled. US$1,002 million (2020: US$997 million) was recognized as revenue during the year that was included in such balance at the beginning of the year.

(g) Transaction price allocated to the remaining performance obligations

The following table includes revenue expected to be recognized in the future related to performance obligations that are unsatisfied or partially unsatisfied at the reporting date.

	2021 US$'000	2020 US$'000
Within one year	**1,190,970**	1,001,557
More than one year	**1,183,247**	864,805
	2,374,217	1,866,362

(h) Other segment information

	IDG		DCG		Total	
	2021 US$'000	2020 US$'000	**2021 US$'000**	2020 US$'000	**2021 US$'000**	2020 US$'000
Depreciation and amortization	**571,606**	562,748	**246,187**	238,554	**817,793**	801,302
Finance income	**13,781**	20,101	**1,274**	2,790	**15,055**	22,891
Finance costs	**133,327**	218,726	**53,376**	19,362	**186,703**	238,088
Additions to non-current assets (Note)	**1,394,699**	919,915	**177,283**	244,487	**1,571,982**	1,164,402

Note: Excluding other non-current assets and including non-current assets acquired through acquisition of subsidiaries.

The total of non-current assets other than financial instruments, deferred income tax assets and post-employment benefit assets (there are no rights arising under insurance contracts) located in Chinese Mainland and other countries is approximately US$5,097,235,000 (2020: US$4,515,808,000) and US$6,323,495,000 (2020: US$6,268,393,000) respectively.

Notes to the financial statements

6 OPERATING PROFIT

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

	2021 US$'000	2020 US$'000
Depreciation of property, plant and equipment	**301,483**	276,453
Depreciation of right-of-use assets	**99,795**	103,600
Amortization of intangible assets	**658,740**	589,734
Impairment of intangible assets	**52,606**	–
Employee benefit costs (Note 9)	**5,149,862**	4,446,884
Cost of inventories sold	**48,230,328**	40,097,169
Auditor's remuneration (Note)		
– Audit services	**9,871**	9,952
– Non-audit services	**1,625**	2,615
Rental expenses	**14,361**	15,820
Government grants (Note 27(c))	**(54,623)**	(85,470)
Net foreign exchange loss	**116,046**	92,614
Net loss/(gain) on foreign exchange forward contracts for cash flow hedges reclassified from equity	**255,312**	(142,296)
(Gain)/loss on disposal of property, plant and equipment	**(110,004)**	11,467
Loss on disposal of intangible assets	**1,574**	1,067
Fair value gain on financial assets at FVPL	**(201,597)**	(66,036)
Fair value loss on a financial liability at FVPL	**13,721**	23,826
Dilution gain on interest in an associate	**(31,374)**	–
Gain on deemed disposal of subsidiaries	**(2,964)**	–
Gain on disposal of subsidiaries	**(36,029)**	(12,844)
Gain on disposal of interest in an associate	**-**	(3,922)

Note: Audit services fee of US$2,960,000 and non-audit services fee of US$2,460,000 paid or payable to the Company's auditor for the proposed issuance of Chinese depository receipts was not recognized in profit or loss and will be deducted from equity upon the completion of the issuance of Chinese depository receipts. Included in the above audit services fee, US$8,172,000 (2020: US$8,600,000) is payable to the Company's auditor.

7 FINANCE INCOME AND COSTS

(a) Finance income

	2021 US$'000	2020 US$'000
Interest on bank deposits	**32,788**	40,050
Interest on money market funds	**1,966**	7,800
	34,754	47,850

(b) Finance costs

	2021 US$'000	2020 US$'000
Interest on bank loans and overdrafts	**43,845**	87,859
Interest on convertible bonds	**39,853**	39,488
Interest on notes	**136,983**	90,529
Interest on lease liabilities	**20,005**	17,270
Factoring costs	**136,820**	189,363
Interest on contingent consideration and written put option liabilities	**26,329**	26,556
Others	**4,805**	3,129
	408,640	454,194

8 TAXATION

The amount of taxation in the consolidated income statement represents:

	2021 US$'000	2020 US$'000
Current tax		
– Profits tax in Hong Kong S.A.R. of China	**118,751**	73,957
– Taxation outside Hong Kong S.A.R. of China	**537,973**	398,905
Deferred tax (Note 19)		
– Credit for the year	**(195,525)**	(259,658)
	461,199	213,204

8 TAXATION *(continued)*

Profits tax in Hong Kong S.A.R. of China has been provided for at the rate of 16.5% (2020: 16.5%) on the estimated assessable profit for the year. Taxation outside Hong Kong S.A.R. of China represents income and irrecoverable withholding taxes of subsidiaries operating in the Chinese Mainland and overseas, calculated at rates applicable in the respective jurisdictions.

The Group has been granted certain tax concessions by tax authorities in the Chinese Mainland and overseas whereby the subsidiaries operating in the respective jurisdictions are entitled to tax concessions.

The differences between the Group's expected tax charge, calculated at the domestic rates applicable to the countries concerned, and the Group's tax charge for the year are as follows:

	2021 US$'000	2020 US$'000
Profit before taxation	**1,774,198**	1,017,707
Tax calculated at domestic rates applicable in countries concerned	**576,223**	333,430
Income not subject to taxation	**(517,533)**	(408,883)
Expenses not deductible for taxation purposes	**279,905**	307,631
Recognition/utilization of previously unrecognized temporary differences/tax losses	**(46,216)**	(50,924)
Deferred income tax assets not recognized	**155,670**	32,278
Under/(over)-provision in prior years	**13,150**	(328)
	461,199	213,204

The weighted average applicable tax rate for the year was 32.5% (2020: 32.8%). The decrease is caused by changes in tax concessions and profitability of the Group's subsidiaries in respective countries they are operating.

The tax (charge)/credit relating to components of other comprehensive income is as follows:

	2021			2020		
	Before tax US$'000	**Tax charge US$'000**	**After tax US$'000**	Before tax US$'000	Tax credit US$'000	After tax US$'000
Fair value change on financial assets at FVOCI	**(4,398)**	**(683)**	**(5,081)**	(11,305)	380	(10,925)
Fair value change on cash flow hedges	**14,987**	**-**	**14,987**	35,249	–	35,249
Remeasurements of post-employment benefit obligations (Note 35)	**35,735**	**-**	**35,735**	(46,275)	–	(46,275)
Currency translation differences	**104,133**	**-**	**104,133**	(424,422)	–	(424,422)
Other comprehensive income/(loss)	**150,457**	**(683)**	**149,774**	(446,753)	380	(446,373)
Deferred tax (Note 19)		**(683)**			380	

9 EMPLOYEE BENEFIT COSTS

	2021 US$'000	2020 US$'000
Wages and salaries, including severance and other related costs of US$75,006,000 (2020: nil)	**4,028,934**	3,401,087
Social security costs	**282,753**	266,126
Long-term incentive awards granted (Note 28)	**291,737**	258,610
Pension costs		
– Defined contribution plans	**188,551**	197,318
– Defined benefit plans (Note 35)	**26,157**	21,610
Others	**331,730**	302,133
	5,149,862	4,446,884

The Group contributes to respective local municipal government retirement schemes which are available to all qualified employees in the Chinese Mainland. Contributions to these schemes are calculated with reference to the monthly average salaries as set out by the local municipal government.

The Group participates in various defined contribution schemes, either voluntary or mandatory, for all qualified employees. The assets of those defined contribution schemes are held separately from those of the Group in independently administered funds.

The Group also contributes to certain defined benefit pension schemes, details of which are set out in Note 35.

10 EMOLUMENTS OF DIRECTORS AND HIGHEST PAID INDIVIDUALS

(a) Directors' and senior management's emoluments

Directors' emoluments comprise payments by the Group to directors of the Company in connection with the management of the affairs of the Company and its subsidiaries. The remuneration of each director and the chief executive who is also a director, for the years ended March 31, 2021 and 2020 is set out below:

	2021						
Name of Director	Fees US$'000	Salaries US$'000	Discretionary bonuses (i) US$'000	Long-term incentive awards (ii) US$'000	Retirement payments and employer's contribution to pension schemes US$'000	Other benefits in-kind US$'000	Total US$'000
Executive director							
Mr. Yang Yuanqing (CEO)	-	1,301	5,855	18,448	137	425	26,166
Non-executive directors							
Mr. Zhu Linan	100	-	-	220	-	-	320
Mr. Zhao John Huan	100	-	-	220	-	-	320
Independent non-executive directors							
Mr. Nicholas C. Allen	128	-	-	220	-	-	348
Mr. Nobuyuki Idei	53	-	-	289	-	-	342
Mr. William O. Grabe	135	-	-	220	-	-	355
Mr. William Tudor Brown	120	-	-	220	-	-	340
Mr. Yang Chih-Yuan Jerry	100	-	-	220	-	-	320
Mr. Gordon Robert Halyburton Orr	100	-	-	220	-	-	320
Mr. Woo Chin Wan Raymond	100	-	-	182	-	-	282
Ms. Yang Lan	63	-	-	62	-	-	125
	999	1,301	5,855	20,521	137	425	29,238

10 EMOLUMENTS OF DIRECTORS AND HIGHEST PAID INDIVIDUALS *(continued)*

(a) Directors' and senior management's emoluments *(continued)*

	2020						
Name of Director	Fees US$'000	Salaries US$'000	Discretionary bonuses (i) US$'000	Long-term incentive awards (ii) US$'000	Retirement payments and employer's contribution to pension schemes US$'000	Other benefits in-kind US$'000	Total US$'000
Executive director							
Mr. Yang Yuanqing (CEO)	–	1,270	7,533	15,041	133	686	24,663
Non-executive directors							
Mr. Zhu Linan	98	–	–	204	–	–	302
Mr. Zhao John Huan	98	–	–	204	–	–	302
Independent non-executive directors							
Dr. Tian Suning	74	–	–	178	–	–	252
Mr. Nicholas C. Allen	125	–	–	204	–	–	329
Mr. Nobuyuki Idei	98	–	–	204	–	–	302
Mr. William O. Grabe	135	–	–	204	–	–	339
Mr. William Tudor Brown	101	–	–	204	–	–	305
Ms. Ma Xuezheng	78	–	–	431	–	–	509
Mr. Yang Chih-Yuan Jerry	98	–	–	204	–	–	302
Mr. Gordon Robert Halyburton Orr	98	–	–	204	–	–	302
Mr. Woo Chin Wan Raymond	85	–	–	76	–	–	161
	1,088	1,270	7,533	17,358	133	686	28,068

10 EMOLUMENTS OF DIRECTORS AND HIGHEST PAID INDIVIDUALS *(continued)*

(a) Directors' and senior management's emoluments *(continued)*

Notes:

(i) Discretionary bonuses paid for the two years ended March 31, 2021 and 2020 represent the amounts in connection with the performance bonuses for the two years ended March 31, 2020 and 2019 respectively.

(ii) Details of the long-term incentive program of the Company are set out in Note 28. The fair value of the employee services received in exchange for the grant of the long-term incentive awards is recognized as an expense. The total amount to be amortized over the vesting period is determined by reference to the fair value of the long-term incentive awards at the date of grant. The amounts disclosed above represent the amortized amounts for the two years ended March 31, 2021 and 2020.

(iii) Mr. William O. Grabe has elected to defer his receipt of the cash of director's fee into fully vested share units under the long-term incentive program (Note 28) for the two years ended March 31, 2021 and 2020.

(iv) During the years ended March 31, 2021 and 2020, annual pension payment of US$1.5 million was made to Mr. Liu Chuanzhi, a retired director.

(v) Ms. Yang Lan was appointed as an independent non-executive director on May 15, 2020.

(vi) Mr. Nobuyuki Idei retired from the position of an independent non-executive director on July 9, 2020.

(vii) Dr. Tian Suning retired from the position of an independent non-executive director on July 9, 2019. Ms. Ma Xuezheng passed away and ceased to be an independent non-executive director of the Company on August 31, 2019.

During the year, no retirement benefits, payments or benefits in respect of termination of directors' services were paid or made, directly or indirectly, to the directors; nor any are payable (2020: nil). No consideration was provided to or receivable by third parties for making available directors' service (2020: nil). There are no loans, quasi-loans or other dealings in favour of the directors, their controlled body corporate and connected entities (2020: nil).

No director of the Company had a material interest, directly or indirectly, in any significant transactions, arrangements and contracts in relation to the Company's business to which the Company was or is a party that subsisted at the end of the year or at any time during the year (2020: nil).

10 EMOLUMENTS OF DIRECTORS AND HIGHEST PAID INDIVIDUALS *(continued)*

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include one (2020: one) director whose emoluments are reflected in the analysis presented above. The emoluments of the remaining four (2020: four) individuals during the year are as follows:

	2021 US$'000	2020 US$'000
Basic salaries, allowances, and other benefits-in-kind	**4,590**	4,400
Discretionary bonuses (i)	**17,739**	18,503
Retirement payments and employer's contribution to pension schemes	**4,730**	5,828
Long-term incentive awards	**28,871**	26,094
Others	**1,046**	503
	56,976	55,328

Note:

(i) Discretionary bonuses paid for the two years ended March 31, 2021 and 2020 represent the amounts in connection with the performance bonuses for the two years ended March 31, 2020 and 2019 respectively.

The emoluments fell within the following bands:

	Number of individuals	
	2021	2020
Emolument bands		
US$8,319,678 – US$8,384,171	**1**	2
US$8,706,640 – US$8,771,133	**1**	-
US$9,480,564 – US$9,545,056	**1**	-
US$9,867,525 – US$9,932,018	**–**	1
US$28,699,665 – US$28,764,158	**–**	1
US$30,376,499 – US$30,440,992	**1**	-

Notes to the financial statements

11 EARNINGS PER SHARE

(a) Basic

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

	2021	2020
Weighted average number of ordinary shares in issue	**12,024,746,107**	12,014,791,614
Adjustment for shares held by employee share trusts	**(114,835,047)**	(92,013,352)
Weighted average number of ordinary shares in issue for calculation of basic earnings per share	**11,909,911,060**	11,922,778,262

	2021 US$'000	2020 US$'000
Profit attributable to equity holders of the Company	**1,178,307**	665,091
Adjustment for tender premium on repurchase of perpetual securities	**(42,609)**	-
Profit attributable to equity holders of the Company used to determine basic earnings per share	**1,135,698**	665,091

(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 issued by the Group, as appropriate. The weighted average number of ordinary shares used in the calculation is the weighted average number of ordinary shares in issue during the year, 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.

11 EARNINGS PER SHARE *(continued)*

(b) Diluted *(continued)*

The Group has five (2020: five) categories of potential ordinary shares, namely long-term incentive awards, bonus warrants, put option written on non-controlling interests, convertible bonds and convertible preferred shares. Long-term incentive awards and convertible bonds were dilutive for the years ended March 31, 2021 and 2020. Put option written on non-controlling interests and convertible preferred shares were anti-dilutive for the years ended March 31, 2021 and 2020. Bonus warrants were anti-dilutive for the year ended March 31, 2021 and dilutive for the year ended March 31, 2020. On November 16, 2020, 26,914,000 units of bonus warrants were exercised, the remaining units were expired during the year.

	2021	2020
Weighted average number of ordinary shares in issue for calculation of basic earnings per share	**11,909,911,060**	11,922,778,262
Adjustment for long-term incentive awards	**471,364,397**	233,802,440
Adjustment for bonus warrants	**-**	7,856,832
Adjustment for convertible bonds	**741,902,700**	694,709,646
Weighted average number of ordinary shares in issue for calculation of diluted earnings per share	**13,123,178,157**	12,859,147,180

	2021 US$'000	2020 US$'000
Profit attributable to equity holders of the Company used to determine basic earnings per share	**1,135,698**	665,091
Adjustment for interest on convertible bonds, net of tax	**33,278**	32,972
Profit attributable to equity holders of the Company used to determine diluted earnings per share	**1,168,976**	698,063

12 DIVIDENDS

	2021 US$'000	2020 US$'000
Interim dividend of HK6.6 cents (2020: HK6.3 cents) per ordinary share, paid on December 10, 2020	**102,298**	96,640
Proposed final dividend – HK24.0 cents (2020: HK21.5 cents) per ordinary share	**372,275**	333,262
	474,573	429,902

Notes to the financial statements

13 PROPERTY, PLANT AND EQUIPMENT

	Freehold land and buildings US$'000	Leasehold improvements US$'000	Plant and machinery US$'000	Furniture and fixtures US$'000	Office equipment US$'000	Motor vehicles US$'000	Total US$'000
At April 1 , 2019							
Cost	858,096	479,171	788,336	76,589	650,985	9,736	2,862,913
Accumulated depreciation and impairment losses	109,356	247,627	554,565	57,028	458,640	4,880	1,432,096
Net book amount	748,740	231,544	233,771	19,561	192,345	4,856	1,430,817
Year ended March 31, 2020							
Opening net book amount	748,740	231,544	233,771	19,561	192,345	4,856	1,430,817
Exchange adjustment	(35,966)	(4,187)	(6,161)	(973)	(12,505)	(1,010)	(60,802)
Disposal of subsidiaries	-	-	-	-	(152)	-	(152)
Additions	13,861	11,652	118,532	4,884	95,966	1,768	246,663
Transfers	8,331	43,320	6,386	26,689	446	-	85,172
Disposals	(5,690)	(253)	(13,748)	(1,188)	(5,701)	(225)	(26,805)
Depreciation	(22,586)	(49,482)	(104,489)	(14,983)	(83,565)	(1,348)	(276,453)
Closing net book amount	706,690	232,594	234,291	33,990	186,834	4,041	1,398,440
At March 31, 2020							
Cost	833,471	515,678	837,614	92,798	677,408	8,210	2,965,179
Accumulated depreciation and impairment losses	126,781	283,084	603,323	58,808	490,574	4,169	1,566,739
Net book amount	706,690	232,594	234,291	33,990	186,834	4,041	1,398,440
Year ended March 31, 2021							
Opening net book amount	**706,690**	**232,594**	**234,291**	**33,990**	**186,834**	**4,041**	**1,398,440**
Exchange adjustment	**30,960**	**2,292**	**5,053**	**1,295**	**5,026**	**171**	**44,797**
Acquisition of subsidiaries	**322**	**-**	**-**	**-**	**19**	**7**	**348**
Disposal of subsidiaries	**(7)**	**(206)**	**(207)**	**(27)**	**(2,011)**	**-**	**(2,458)**
Additions	**21,092**	**25,877**	**150,333**	**5,377**	**99,298**	**943**	**302,920**
Transfers	**124,225**	**14,761**	**46,360**	**34,121**	**6,823**	**6**	**226,296**
Disposals	**(71,899)**	**(3,886)**	**(13,110)**	**(301)**	**(5,342)**	**(447)**	**(94,985)**
Depreciation	**(24,920)**	**(53,437)**	**(105,327)**	**(29,863)**	**(86,577)**	**(1,359)**	**(301,483)**
Closing net book amount	**786,463**	**217,995**	**317,393**	**44,592**	**204,070**	**3,362**	**1,573,875**
At March 31, 2021							
Cost	**946,688**	**547,309**	**955,603**	**128,635**	**651,667**	**8,262**	**3,238,164**
Accumulated depreciation and impairment losses	**160,225**	**329,314**	**638,210**	**84,043**	**447,597**	**4,900**	**1,664,289**
Net book amount	**786,463**	**217,995**	**317,393**	**44,592**	**204,070**	**3,362**	**1,573,875**

14 RIGHT-OF-USE ASSETS

	2021 US$'000	2020 US$'000
At the beginning of the year	**812,235**	–
Change in accounting policy	**-**	784,170
Adjusted balance at the beginning of the year	**812,235**	784,170
Exchange adjustment	**37,743**	(32,114)
Acquisition of subsidiaries	**28**	–
Disposal of subsidiaries	**(16)**	–
Additions	**168,750**	218,056
Disposals	**(14,842)**	(44,720)
Depreciation	**(110,476)**	(113,157)
At the end of the year	**893,422**	812,235

15 CONSTRUCTION-IN-PROGRESS

	Buildings under construction		Internal use software		Others		Total	
	2021 US$'000	2020 US$'000	2021 US$'000	2020 US$'000	2021 US$'000	2020 US$'000	2021 US$'000	2020 US$'000
At the beginning of the year	**62,918**	38,056	**228,234**	174,878	**13,089**	19,163	**304,241**	232,097
Exchange adjustment	**15,771**	(21,348)	**7,115**	(13,018)	**(1,394)**	(2,524)	**21,492**	(36,890)
Disposal of subsidiaries	**(36,626)**	-	**-**	-	**-**	-	**(36,626)**	-
Additions	**137,155**	80,002	**277,386**	297,315	**52,077**	40,235	**466,618**	417,552
Transfers	**(155,928)**	(33,792)	**(343,835)**	(230,941)	**(48,348)**	(43,785)	**(548,111)**	(308,518)
At the end of the year	**23,290**	62,918	**168,900**	228,234	**15,424**	13,089	**207,614**	304,241

16 INTANGIBLE ASSETS

(a)

	Goodwill (b) US$'000	Trademarks and trade names (b) US$'000	Internal use software US$'000	Customer relationships US$'000	Patent and technology (c) US$'000	Exclusive right US$'000	Total US$'000
At April 1, 2019							
Cost	4,942,289	1,307,330	1,288,725	1,544,885	1,988,698	48,600	11,120,527
Accumulated amortization and impairment losses	-	38,745	907,345	596,505	1,253,357	-	2,795,952
Net book amount	4,942,289	1,268,585	381,380	948,380	735,341	48,600	8,324,575
Year ended March 31, 2020							
Opening net book amount	4,942,289	1,268,585	381,380	948,380	735,341	48,600	8,324,575
Exchange adjustment	(226,976)	(871)	(12,081)	(5,256)	(7,161)	(2,324)	(254,669)
Additions	-	-	21,888	-	260,243	-	282,131
Transfer from construction-in-progress	-	-	197,515	-	25,831	-	223,346
Disposals	-	-	(196)	-	(871)	-	(1,067)
Amortization	-	-	(151,989)	(141,940)	(292,160)	(3,645)	(589,734)
Closing net book amount	4,715,313	1,267,714	436,517	801,184	721,223	42,631	7,984,582
At March 31, 2020							
Cost	4,715,313	1,304,568	1,467,163	1,528,255	2,269,831	46,159	11,331,289
Accumulated amortization and impairment losses	-	36,854	1,030,646	727,071	1,548,608	3,528	3,346,707
Net book amount	4,715,313	1,267,714	436,517	801,184	721,223	42,631	7,984,582
Year ended March 31, 2021							
Opening net book amount	**4,715,313**	**1,267,714**	**436,517**	**801,184**	**721,223**	**42,631**	**7,984,582**
Exchange adjustment	**120,972**	**4,143**	**33,613**	**11,741**	**3,547**	**4,339**	**178,355**
Acquisition of subsidiaries	**11,106**	**-**	**568**	**156**	**297**	**4,807**	**16,934**
Disposals of subsidiaries	**-**	**-**	**(145)**	**-**	**-**	**-**	**(145)**
Additions	**-**	**-**	**34,905**	**-**	**581,479**	**-**	**616,384**
Transfer from construction-in-progress	**-**	**-**	**252,049**	**-**	**69,766**	**-**	**321,815**
Disposals	**-**	**-**	**(658)**	**-**	**(916)**	**-**	**(1,574)**
Amortization	**-**	**-**	**(190,786)**	**(142,865)**	**(321,848)**	**(3,241)**	**(658,740)**
Impairment	**-**	**-**	**-**	**-**	**(52,606)**	**-**	**(52,606)**
Closing net book amount	**4,847,391**	**1,271,857**	**566,063**	**670,216**	**1,000,942**	**48,536**	**8,405,005**
At March 31, 2021							
Cost	**4,847,391**	**1,308,752**	**1,811,116**	**1,553,325**	**2,835,244**	**55,693**	**12,411,521**
Accumulated amortization and impairment losses	**-**	**36,895**	**1,245,053**	**883,109**	**1,834,302**	**7,157**	**4,006,516**
Net book amount	**4,847,391**	**1,271,857**	**566,063**	**670,216**	**1,000,942**	**48,536**	**8,405,005**

16 INTANGIBLE ASSETS *(continued)*

(a) *(continued)*

Amortization of US$43,154,000 (2020: US$16,127,000), US$11,057,000 (2020: US$8,366,000), US$445,904,000 (2020: US$413,894,000) and US$158,625,000 (2020: US$151,347,000) are included in the 'cost of sales', 'selling and distribution expenses', 'administrative expenses' and 'research and development expenses' in the consolidated income statement respectively.

(b) Impairment tests for goodwill and intangible assets with indefinite useful lives

The carrying amounts of goodwill and trademarks and trade names with indefinite useful lives are presented below:

	China US$ million	AP US$ million	EMEA US$ million	AG US$ million	Mature Market US$ million	Emerging Market US$ million	Total US$ million
At March 31, 2021							
Goodwill							
- PC and Smart Device Business Group ("PCSD")	**1,089**	**683**	**234**	**295**	**-**	**-**	**2,301**
- Mobile Business Group ("MBG")	**-**	**-**	**-**	**-**	**676**	**774**	**1,450**
- DCG	**508**	**159**	**85**	**344**	**-**	**-**	**1,096**
Trademarks and trade names							
- PCSD	**209**	**59**	**107**	**67**	**-**	**-**	**442**
- MBG	**-**	**-**	**-**	**-**	**197**	**263**	**460**
- DCG	**162**	**54**	**31**	**123**	**-**	**-**	**370**
At March 31, 2020							
Goodwill							
- PCSD	1,002	686	215	297	-	-	2,200
- MBG	-	-	-	-	666	799	1,465
- DCG	471	159	77	343	-	-	1,050
Trademarks and trade names							
- PCSD	209	59	103	67	-	-	438
- MBG	-	-	-	-	197	263	460
- DCG	162	54	31	123	-	-	370

16 INTANGIBLE ASSETS *(continued)*

(b) Impairment tests for goodwill and intangible assets with indefinite useful lives *(continued)*

The Group completed its annual impairment test for goodwill allocated to the Group's various CGUs by comparing their recoverable amounts to their carrying amounts as at the reporting date. The recoverable amount of a CGU is determined based on value in use. These assessments use pre-tax cash flow projections based on financial budgets approved by management covering a five-year period with a terminal value related to the future cash flow of the CGU extrapolated using constant projection of cash flows beyond the five-year period. The estimated growth rates adopted do not exceed the long-term average growth rates for the businesses in which the CGU operates.

Future cash flows are discounted at the rate of 10%, 12% and 11% for PCSD, MBG and DCG respectively (2020: 9%, 11% and 10% respectively). The estimated compound annual growth rates used for value-in-use calculations under the five-year financial budgets period are as follows:

	2021			2020		
	PCSD	**MBG**	**DCG**	PCSD	MBG	DCG
China	**-1%**	**N/A**	**16%**	2%	N/A	29%
AP	**-4%**	**N/A**	**20%**	-3%	N/A	22%
EMEA	**-5%**	**N/A**	**17%**	0%	N/A	23%
AG	**-4%**	**N/A**	**24%**	-2%	N/A	29%
Mature Market	**N/A**	**25%**	**N/A**	N/A	30%	N/A
Emerging Market	**N/A**	**19%**	**N/A**	N/A	17%	N/A

Management determined budgeted gross margins based on past performance and its expectations for the market development. The budgeted growth rates are based on management expectations taking into consideration the COVID-19 impact, and where considered appropriate, with adjustments made with reference to industry reports which are more conservative for the purpose of goodwill impairment test. The discount rates are pre-tax and reflect specific risks relating to the relevant segments.

The directors are of the view that there was no impairment of goodwill and trademarks and trade names based on impairment tests performed as at March 31, 2021 (2020: nil).

The Group has performed a sensitivity analysis on key assumptions used for the annual impairment test for goodwill. A reasonably possible change in key assumptions used in the impairment test for goodwill would not cause any CGU's carrying amount to exceed its respective recoverable amount.

(c) At March 31, 2021, patent and technology of US$77,163,000 (2020: US$34,545,000) is under development.

17 INTERESTS IN ASSOCIATES AND JOINT VENTURES

	2021 US$'000	2020 US$'000
Share of net assets		
– Associates	60,618	53,291
– Joint ventures	4,837	7,016
	65,455	60,307

The following is a list of the principal associates and joint ventures:

Company name	Place of incorporation/ establishment	Interest held indirectly 2021	2020	Principal activities
Associates				
北京閃聯雲視信息技術有限公司 (Beijing Shanlian Yunshi Information Technology Limited) (ii)	Chinese Mainland	23.7%	23.7%	Distribution and development of IT technology
茄子技術控股有限公司 (Shareit Technology Holdings Inc.) (ii)	Cayman Islands	38.0%	43.7%	Software development
北京平安聯想智慧醫療信息技術有限公司 (Beijing Lenovo Healthcare Information Technology Ltd.) (ii)	Chinese Mainland	25.4%	25.4%	Development of hospital and regional healthcare information system
Joint ventures				
聯想新視界(北京)科技有限公司 (Lenovo New Vision (Beijing) Technology Co., Ltd.) (ii)	Chinese Mainland	37.6%	37.1%	Software development
聯想教育科技(北京)有限公司 (Lenovo Education Technology (Beijing) Co., Ltd. (ii)	Chinese Mainland	49.0%	49.0%	Talent development in vocational education

Notes:

(i) Majority of the above associates and joint ventures operate principally in their respective places of incorporation or establishment.

(ii) The English name of the company is a direct translation or transliteration of its Chinese registered name.

The following sets out the aggregate amount of the Group's share of associates and joint ventures:

	2021 US$'000	2020 US$'000
Share of losses of associates	27,087	13,381
Share of losses of joint ventures	5,236	1,164
	32,323	14,545

Notes to the financial statements

18 FINANCIAL INSTRUMENTS BY CATEGORY

	Financial assets at amortized cost US$'000	Financial assets at FVPL US$'000	Derivatives used for hedging US$'000	Financial assets at FVOCI (non-recycling) US$'000	Other financial assets at FVOCI (recycling) US$'000	Total US$'000
Assets						
At March 31, 2021						
Financial assets at FVPL	-	805,013	-	-	-	805,013
Financial assets at FVOCI	-	-	-	84,796	-	84,796
Derivative financial assets	-	179	118,120	-	-	118,299
Trade receivables	-	-	-	-	8,397,825	8,397,825
Notes receivable	78,939	-	-	-	-	78,939
Deposits and other receivables	3,804,465	-	-	-	-	3,804,465
Bank deposits	59,385	-	-	-	-	59,385
Cash and cash equivalents	3,068,385	-	-	-	-	3,068,385
	7,011,174	805,192	118,120	84,796	8,397,825	16,417,107
At March 31, 2020						
Financial assets at FVPL	–	494,807	–	–	–	494,807
Financial assets at FVOCI	–	–	–	56,136	–	56,136
Derivative financial assets	–	–	138,813	–	–	138,813
Trade receivables	–	–	–	–	6,263,012	6,263,012
Notes receivable	11,529	–	–	–	–	11,529
Deposits and other receivables	2,394,352	–	–	–	–	2,394,352
Bank deposits	66,480	–	–	–	–	66,480
Cash and cash equivalents	3,550,990	–	–	–	–	3,550,990
	6,023,351	494,807	138,813	56,136	6,263,012	12,976,119

18 FINANCIAL INSTRUMENTS BY CATEGORY *(continued)*

	Financial liabilities at amortized cost US$'000	Financial liabilities at FVPL US$'000	Derivatives used for hedging US$'000	Total US$'000
Liabilities				
At March 31, 2021				
Trade payables	**10,220,796**	**-**	**-**	**10,220,796**
Notes payable	**885,628**	**-**	**-**	**885,628**
Derivative financial liabilities	**-**	**202**	**35,742**	**35,944**
Other payables and accruals	**10,256,539**	**-**	**-**	**10,256,539**
Lease liabilities	**466,926**	**-**	**-**	**466,926**
Borrowings	**3,694,481**	**303,372**	**-**	**3,997,853**
Deferred consideration	**25,072**	**-**	**-**	**25,072**
Written put option liabilities	**842,776**	**-**	**-**	**842,776**
Others	**463,748**	**-**	**-**	**463,748**
	26,855,966	**303,574**	**35,742**	**27,195,282**
At March 31, 2020				
Trade payables	7,509,724	–	–	7,509,724
Notes payable	1,458,645	–	–	1,458,645
Derivative financial liabilities	–	10,052	63,732	73,784
Other payables and accruals	7,197,906	–	–	7,197,906
Lease liabilities	438,782	–	–	438,782
Borrowings	4,541,773	317,826	–	4,859,599
Deferred consideration	25,072	–	–	25,072
Contingent consideration	–	117,387	–	117,387
Written put option liabilities	802,273	–	–	802,273
Others	62,375	–	–	62,375
	22,036,550	445,265	63,732	22,545,547

19 DEFERRED INCOME TAX ASSETS AND LIABILITIES

Deferred income tax is calculated in full on temporary differences under the liability method using the rates applicable in the respective jurisdictions.

Deferred income tax assets and liabilities are netted off when the taxes relate to the same tax authority and where offsetting is legally enforceable. The following amounts, determined after appropriate offsetting, are shown separately on the consolidated balance sheet:

	2021 US$'000	2020 US$'000
Deferred income tax assets:		
Recoverable within 12 months	**935,870**	745,307
Recoverable after 12 months	**1,408,870**	1,314,275
	2,344,740	2,059,582
Deferred income tax liabilities:		
Settled after 12 months	**(391,258)**	(342,805)
Net deferred income tax assets	**1,953,482**	1,716,777

The movements in the net deferred income tax assets are as follows:

	2021 US$'000	2020 US$'000
At the beginning of the year	**1,716,777**	1,503,223
Reclassification and exchange adjustment	**(2,465)**	(39,459)
Credited to consolidated income statement (Note 8)	**195,525**	259,658
(Charged)/credited to other comprehensive income (Note 8)	**(683)**	380
Credited/(charged) to share-based compensation reserve	**45,774**	(7,025)
Acquisition of subsidiaries	**(1,446)**	–
At the end of the year	**1,953,482**	1,716,777

19 DEFERRED INCOME TAX ASSETS AND LIABILITIES *(continued)*

(a) The movements in deferred income tax assets (prior to offsetting of balances within the same tax jurisdiction), analyzed by major components, during the year are as follows:

	Provisions and accruals US$'000	Tax losses US$'000	Tax depreciation allowance US$'000	Deferred revenue US$'000	Share-based payment US$'000	Others US$'000	Total US$'000
At April 1, 2019	560,203	1,089,351	73,569	109,967	36,517	1,548	1,871,155
Reclassification and exchange adjustments	(21,961)	(8,150)	(3,053)	(2,566)	-	(579)	(36,309)
(Charged)/credited to consolidated income statement	(15,628)	233,598	13,734	44,520	(11,921)	267	264,570
Charged to share-based compensation reserve	-	-	-	-	(7,025)	-	(7,025)
At March 31, 2020	**522,614**	**1,314,799**	**84,250**	**151,921**	**17,571**	**1,236**	**2,092,391**
Reclassification and exchange adjustments	**6,430**	**992**	**318**	**(788)**	**-**	**(151)**	**6,801**
Credited to consolidated income statement	**46,634**	**86,658**	**11,425**	**35,321**	**45,600**	**-**	**225,638**
Credited to share-based compensation reserve	**-**	**-**	**-**	**-**	**45,774**	**-**	**45,774**
At March 31, 2021	**575,678**	**1,402,449**	**95,993**	**186,454**	**108,945**	**1,085**	**2,370,604**

Deferred income tax assets are recognized for deductible temporary differences and tax losses carried forward to the extent that realization of the related tax benefit through the future taxable profits is probable.

19 DEFERRED INCOME TAX ASSETS AND LIABILITIES *(continued)*

(a) *(continued)*

At March 31, 2021, the Group did not recognize deferred income tax assets in respect of deductible temporary differences of approximately US$1,841,623,000 (2020: US$1,247,291,000) and tax losses of approximately US$2,667,943,000 (2020: US$2,420,630,000) that can be carried forward against future taxable income, of which, tax losses of US$1,269,280,000 (2020: US$1,062,078,000) can be carried forward indefinitely. The remaining balances of tax losses will expire as follows:

	2021 US$'000	2020 US$'000
Expiring in		
– 2020	**–**	54,107
– 2021	**321,978**	137,612
– 2022	**185,616**	380,786
– 2023	**297,610**	128,383
– 2024	**79,408**	185,843
– 2025	**175,976**	326,975
– 2026	**250,998**	9,577
– 2027	**17,618**	18,364
– 2028	**3,198**	528
– 2029	**187**	116,377
– 2030	**66,074**	–
	1,398,663	1,358,552

19 DEFERRED INCOME TAX ASSETS AND LIABILITIES *(continued)*

(b) The movements in deferred income tax liabilities (prior to offsetting of balances within the same tax jurisdiction), analyzed by major components, during the year are as follows:

	Intangible valuation US$'000	Undistributed earnings US$'000	Property valuation US$'000	Accelerated tax depreciation US$'000	Others US$'000	Total US$'000
At April 1, 2019	146,830	80,729	2,164	135,935	2,274	367,932
Reclassification and exchange adjustments	(10,737)	466	(427)	13,668	180	3,150
(Credited)/charged to consolidated income statement	(7,825)	599	-	11,399	739	4,912
Credited to other comprehensive income	-	-	-	-	(380)	(380)
At March 31, 2020	**128,268**	**81,794**	**1,737**	**161,002**	**2,813**	**375,614**
Reclassification and exchange adjustments	**(1,447)**	**(768)**	**1,936**	**9,642**	**(97)**	**9,266**
(Credited)/charged to consolidated income statement	**(16,782)**	**17,434**	**-**	**18,999**	**10,462**	**30,113**
Charged to other comprehensive income	**-**	**-**	**-**	**-**	**683**	**683**
Acquisition of subsidiaries	**1,446**	**-**	**-**	**-**	**-**	**1,446**
At March 31, 2021	**111,485**	**98,460**	**3,673**	**189,643**	**13,861**	**417,122**

Notes to the financial statements

20 FINANCIAL ASSETS

(a) Financial assets at FVPL

	2021 US$'000	2020 US$'000
At the beginning of the year	**494,807**	449,363
Exchange adjustment	**37,570**	(12,702)
Fair value change recognized in profit or loss	**201,597**	66,036
Additions	**210,661**	91,406
Disposals	**(139,622)**	(99,296)
At the end of the year	**805,013**	494,807
Listed equity securities:		
– In Hong Kong S.A.R. of China	**42,613**	34,345
– Outside Hong Kong S.A.R. of China	**312,451**	43,194
	355,064	77,539
Unlisted equity securities	**449,949**	417,268
	805,013	494,807

20 FINANCIAL ASSETS *(continued)*

(b) Financial assets at FVOCI

	2021 US$'000	2020 US$'000
At the beginning of the year	**56,136**	71,486
Exchange adjustment	**4,059**	(1,671)
Fair value change recognized in other comprehensive income	**(4,398)**	(11,305)
Additions	**29,556**	429
Disposals	**(557)**	(2,803)
At the end of the year	**84,796**	56,136
Listed equity securities:		
– In Hong Kong S.A.R. of China	**14,211**	7,845
– Outside Hong Kong S.A.R. of China	**42,703**	16,537
	56,914	24,382
Unlisted equity securities	**27,882**	31,754
	84,796	56,136

21 INVENTORIES

	2021 US$'000	2020 US$'000
Raw materials and work-in-progress	**4,155,268**	3,571,141
Finished goods	**1,920,660**	1,020,718
Service parts	**304,648**	355,055
	6,380,576	4,946,914

22 RECEIVABLES

(a) Customers are generally granted credit terms 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:

	2021 US$'000	2020 US$'000
0 – 30 days	**6,301,112**	4,768,436
31 – 60 days	**1,315,788**	878,135
61 – 90 days	**457,658**	192,075
Over 90 days	**468,473**	519,822
	8,543,031	6,358,468
Less: loss allowance	**(145,206)**	(95,456)
Trade receivables – net	**8,397,825**	6,263,012

At March 31, 2021, trade receivables, net of loss allowance, of US$562,648,000 (2020: US$805,741,000) were past due. The ageing of these receivables, based on due date, is as follows:

	2021 US$'000	2020 US$'000
Within 30 days	**332,784**	521,544
31 – 60 days	**95,211**	149,096
61 – 90 days	**53,241**	72,646
Over 90 days	**81,412**	62,455
	562,648	805,741

22 RECEIVABLES *(continued)*

(a) *(continued)*

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

	2021 US$'000	2020 US$'000
At the beginning of the year	**95,456**	100,342
Exchange adjustment	**(4,954)**	(1,059)
Increase in loss allowance recognized in profit or loss	**142,663**	44,423
Uncollectible receivables written off	**(53,366)**	(14,926)
Unused amounts reversed	**(34,593)**	(33,324)
At the end of the year	**145,206**	95,456

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

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

	2021 US$'000	2020 US$'000
Deposits	**16,731**	14,502
Other receivables	**3,787,734**	2,379,850
Prepayments	**1,173,036**	1,164,887
	4,977,501	3,559,239

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

(d) The carrying amounts of trade receivables, notes receivable, deposits and other receivables approximate their fair values. The maximum exposure to credit risk at the balance sheet date is the fair value of each class of receivable mentioned above.

23 BANK DEPOSITS AND CASH AND CASH EQUIVALENTS

	2021 US$'000	2020 US$'000
Bank deposits		
– maturing between three to twelve months	**13,211**	15,930
– restricted bank balances	**46,174**	50,550
	59,385	66,480
Cash and cash equivalents		
– cash at bank and in hand	**3,068,385**	3,028,611
– money market funds	**-**	522,379
	3,068,385	3,550,990
	3,127,770	3,617,470
Maximum exposure to credit risk	**3,127,770**	3,617,470
Effective annual interest rates	**0%-2.75%**	0%-3.75%

24 PAYABLES

(a) Aging analysis of trade payables of the Group at the balance sheet date, based on invoice date, is as follows:

	2021 US$'000	2020 US$'000
0 – 30 days	**6,824,377**	4,793,837
31 – 60 days	**2,049,369**	1,699,192
61 – 90 days	**949,294**	596,027
Over 90 days	**397,756**	420,668
	10,220,796	7,509,724

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

(c) The carrying amounts of trade payables and notes payable approximate their fair values.

25 PROVISIONS, OTHER PAYABLES AND ACCRUALS

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

	2021 US$'000	2020 US$'000
Accruals	**3,385,903**	2,340,811
Allowance for billing adjustments (i)	**2,464,020**	1,618,374
Contingent consideration (Note 27(a))	**-**	117,387
Written put option liabilities (Note 27(b)(ii))	**324,277**	–
Other payables (ii)	**6,870,636**	4,857,095
Lease liabilities	**133,662**	91,976
	13,178,498	9,025,643

Notes:

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

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

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

25 PROVISIONS, OTHER PAYABLES AND ACCRUALS *(continued)*

(b) The components of provisions of the Group are as follows:

	Warranty US$'000	Environmental restoration US$'000	Restructuring US$'000	Total US$'000
Year ended March 31, 2020				
At the beginning of the year	976,278	33,297	15,486	1,025,061
Exchange adjustment	(32,815)	626	(91)	(32,280)
Provisions made	824,687	20,126	–	844,813
Amounts utilized	(793,311)	(18,445)	(15,395)	(827,151)
	974,839	35,604	–	1,010,443
Long-term portion classified as non-current liabilities	(258,840)	(32,832)	–	(291,672)
At the end of the year	715,999	2,772	–	718,771
Year ended March 31, 2021				
At the beginning of the year	**974,839**	**35,604**	**-**	**1,010,443**
Exchange adjustment	**42,328**	**(431)**	**-**	**41,897**
Provisions made	**992,112**	**18,172**	**-**	**1,010,284**
Amounts utilized	**(835,397)**	**(21,195)**	**-**	**(856,592)**
	1,173,882	**32,150**	**-**	**1,206,032**
Long-term portion classified as non-current liabilities	**(266,313)**	**(29,339)**	**-**	**(295,652)**
At the end of the year	**907,569**	**2,811**	**-**	**910,380**

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 lease termination obligations and 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.

26 BORROWINGS

	2021 US$'000	2020 US$'000
Current liabilities		
Short-term loans (a)	**58,190**	2,124,562
Notes (b)	**336,709**	563,249
Convertible bonds (c)	**-**	607,169
Convertible preferred shares (d)	**303,372**	–
	698,271	3,294,980
Non-current liabilities		
Long-term loan (a)	**2,070**	3,079
Notes (b)	**2,673,688**	1,243,714
Convertible bonds (c)	**623,824**	–
Convertible preferred shares (d)	**-**	317,826
	3,299,582	1,564,619
	3,997,853	4,859,599

Notes:

(a) Majority of the short-term and long-term loans are denominated in United States dollars. As at March 31, 2021, the Group has total revolving and short-term loan facilities of US$3,029 million (2020: US$2,834 million) which has been utilized to the extent of US$47 million (2020: US$2,134 million).

(b)

Issue date	Principal amount	Term	Interest rate per annum	Due date	2021 US$'000	2020 US$'000
June 10, 2015	RMB4 billion	5 years	4.95%	June 2020	**-**	563,249
March 16, 2017	US$337 million/ US$500 million	5 years	3.875%	March 2022	**336,709**	498,225
March 29, 2018	US$687 million/ US$750 million	5 years	4.75%	March 2023	**683,982**	745,489
April 24, 2020 and May 12, 2020	US$1 billion	5 years	5.875%	April 2025	**999,199**	–
November 2, 2020	US$1 billion	10 years	3.421%	November 2030	**990,507**	–
					3,010,397	1,806,963

On November 3, 2020, approximately US$163 million in principal amount of the 2022 Notes and approximately US$63 million in principal amount of the 2023 Notes were purchased by the Company. Approximately US$337 million in principal amount of the 2022 Notes and approximately US$687 million in principal amount of the 2023 Notes remain outstanding.

(c) On January 24, 2019, the Company completed the issuance of 5-Year US$675 million convertible bonds bearing annual interest at 3.375% due in January 2024 ("the Bonds") to third party professional investors ("the bondholders"). The proceeds were used to repay previous notes and for general corporate purposes. The bondholders have the right, at any time on or after 41 days after the date of issue up to the 10th day prior to the maturity date, to convert part or all of the outstanding principal amount of the Bonds into ordinary shares of the Company at a conversion price of HK$7.99 per share, subject to adjustments. The conversion price was adjusted to HK$7.13 per share effective on November 28, 2020. The Group expects that it will be able to meet its redemption obligations based on the financial position of the Group.

26 BORROWINGS *(continued)*

(c) *(continued)*

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

The outstanding principal amount of the Bonds is repayable by the Company upon the maturity of the Bonds on January 24, 2024, if not previously redeemed, converted or purchased and cancelled. On January 24, 2021, the bondholders had the right, at the bondholders' option, to require the Company to redeem part or all of the Bonds on January 24, 2021 at their principal amount and US$0.5 million were redeemed. The remaining principal amount of the Bonds has been reclassified to non-current liabilities as a result of the lapse of the redemption option. Assuming full conversion of the Bonds at the adjusted conversion price of HK$7.13 per share, the Bonds will be convertible into 741,902,700 shares.

(d) On June 21, 2019, the Group completed the issuance of 2,054,791 convertible preferred shares through its wholly owned subsidiary, Lenovo Enterprise Technology Company Limited ("LETCL").

The convertible preferred shares are convertible to 20% of the enlarged issued ordinary share capital of LETCL on an as-converted and fully-diluted basis. The holders of the convertible preferred shares will be entitled cash dividends of 4% per annum payable semi-annually on the original subscription price until December 31, 2023. As at March 31, 2021, due to the occurrence of certain specified conditions, the holders of convertible preferred shares have the right to require LETCL to redeem or the Company to purchase all of their convertible preferred shares at the predetermined consideration and the convertible preferred shares have been reclassified to current liabilities. The convertible preferred shares are classified as a financial liability.

The aggregated subscription price of convertible preferred shares was approximately US$300 million. The net proceeds from the issuance were used by LETCL and its subsidiaries towards general corporate funding and capital expenditure of LETCL and its subsidiaries.

Key assumption used to determine the fair value of the convertible preferred shares includes discount rate.

The Group expects that it will be able to meet its redemption obligations based on the financial position of the Group.

The exposure of all the borrowings of the Group to interest rate changes and the contractual repricing dates as at March 31, 2021 and 2020 are as follows:

	2021 US$'000	2020 US$'000
Within 1 year	**698,271**	3,294,980
Over 1 to 2 years	**685,008**	499,234
Over 2 to 5 years	**1,624,067**	1,065,385
Over 5 years	**990,507**	–
	3,997,853	4,859,599

The fair values of the notes and convertible bonds as at March 31, 2021 were US$3,215 million and US$1,140 million respectively (2020: US$1,848 million and US$656 million respectively). The carrying amounts of other borrowings are either at fair value or approximate their fair values as the impact of discounting is not significant.

26 BORROWINGS *(continued)*

Total bank facilities of the Group are as follows:

	Total facilities		Utilized amounts	
	2021 US$'000	2020 US$'000	**2021 US$'000**	2020 US$'000
Revolving loans	**2,000,000**	1,800,000	**-**	1,800,000
Short-term loans	**1,028,706**	1,033,800	**46,958**	333,800
Foreign exchange contracts	**12,022,799**	9,278,064	**11,975,409**	9,221,635
Other trade finance facilities	**2,002,760**	2,547,270	**1,637,437**	2,046,845
	17,054,265	14,659,134	**13,659,804**	13,402,280

All borrowings are unsecured and the effective annual interest rates at March 31, 2021 and 2020 are as follows:

	United States dollar	
	2021	2020
Short-term loans	**1.72%-5.85%**	1.66%-5.84%
Convertible bonds	**6.15%**	6.15%

27 OTHER NON-CURRENT LIABILITIES

	2021 US$'000	2020 US$'000
Deferred consideration (a)	**25,072**	25,072
Written put option liabilities (b)	**518,499**	802,273
Lease liabilities	**333,264**	346,806
Environmental restoration (Note 25(b))	**29,339**	32,832
Government incentives and grants received in advance (c)	**66,234**	51,938
Others	**463,748**	62,375
	1,436,156	1,321,296

27 OTHER NON-CURRENT LIABILITIES *(continued)*

Notes:

(a) Pursuant to the completion of business combinations, the Group is required to pay in cash to the respective sellers contingent consideration with reference to certain performance indicators as written in the respective agreements with the sellers; and deferred consideration. Accordingly, current and non-current liabilities in respect of the fair value of contingent consideration and present value of deferred consideration have been recognized. The contingent consideration is subsequently re-measured at its fair values as a result of change in the expected performance at each balance sheet date, with any resulting gain or loss recognized in the consolidated income statement. Deferred consideration is subsequently carried at amortized cost.

The contingent consideration to Fujitsu Limited ("Fujitsu") was paid in May 2020 (Note 25(a)). As at March 31, 2021, the potential undiscounted amount of future payment in respect of the deferred consideration that the Group could be required to make to the respective seller under such arrangement is as follows:

Joint venture with NEC Corporation	US$25 million

(b) (i) Pursuant to the joint venture agreement entered into between the Company and 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 FCCL. Both options will be exercisable following the fifth anniversary of the date of completion. The exercise price for the call and put options will be determined based on the fair value of the 49% interest as of the day of exercising the option. FCCL will pay to its shareholders by way of dividends in their respective shareholding proportion in a range of FCCL's profits available for distribution under applicable law in respect of each financial year during the term of the joint venture agreement, after making transfers to reserves and provisions.

(ii) During the year ended March 31, 2019, Hefei Zhi Ju Sheng Bao Equity Investment Co., Ltd ("ZJSB") acquired the 49% interest in a joint venture company ("JV Co") from Compal Electronics, Inc. The Company and ZJSB respectively own 51% and 49% of the interest in the JV Co. Pursuant to the option agreement entered into between a wholly owned subsidiary of the Group and Hefei Yuan Jia Start-up Investment LLP ("Yuan Jia"), which holds 99.31% interest in ZJSB, the Group and Yuan Jia are respectively granted call and put options which entitle the Group to purchase from Yuan Jia, or Yuan Jia to sell to the Group, the 99.31% interest in ZJSB. The call and put options will be exercisable at any time after August 31, 2022 and August 31, 2021 respectively. The exercise price for the call and put options will be determined in accordance with the joint venture agreement, and up to a maximum of RMB2,300 million (approximately US$351 million). As at March 31, 2021, the written put option liabilities to Yuan Jia has been reclassified to current liabilities as it may fall due for settlement within the next twelve months.

The financial liability that may become payable under the put option and dividend requirement is initially recognized at the present value of redemption amount within other non-current liabilities with a corresponding charge directly to equity, as a put option written on a 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 are mainly related 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 incentive and grants are credited to the consolidated income statement upon fulfillment of those conditions and on a straight line basis over the expected life of the related assets respectively.

28 SHARE CAPITAL

	2021		2020	
	Number of shares	**US$'000**	Number of shares	US$'000
Issued and fully paid:				
Voting ordinary shares:				
At the beginning of the year	**12,014,791,614**	**3,185,923**	12,014,791,614	3,185,923
Issue of warrant shares	**26,914,000**	**17,990**	–	–
At the end of the year	**12,041,705,614**	**3,203,913**	12,014,791,614	3,185,923

On November 16, 2020, the Company completed the issuance of 26,914,000 warrant shares at exercise price of HK$5.1445 each.

Long-term incentive program

A performance-related long-term incentive program was approved on May 26, 2005 for the purpose of rewarding and motivating directors, executives and top-performing employees of the Company and its subsidiaries (the "Participants"). The long-term incentive program is designed to enable the Company to attract and retain the best available personnel, and encourage and motivate Participants to work towards enhancing the value of the Company and its shares by aligning their interests with those of the shareholders of the Company.

The Company also approved a share-based compensation package for non-executive directors.

Under the long-term incentive program, the Company may grant awards, at its discretion, using any of the two types of equity-based compensation: (i) share appreciation rights and (ii) restricted share units, which are described below:

(i) Share Appreciation Rights ("SARs")

An SAR entitles the holder to receive the appreciation in value of the Company's share price above a predetermined level.

(ii) Restricted Share Units ("RSUs")

An RSU equals to the value of one ordinary share of the Company. Once vested, an RSU is converted to an ordinary share.

Under the two types of compensation, the Company reserves the right, at its discretion, to settle the award in cash or ordinary shares of the Company.

28 SHARE CAPITAL *(continued)*

Long-term incentive program *(continued)*

Movements in the number of units of award granted during the year and their related weighted average fair values are as follows:

	Number of units	
	SARs	RSUs
Outstanding at April 1, 2019	989,503,512	600,379,592
Granted during the year	767,102,217	298,713,376
Vested during the year	(549,532,751)	(325,175,587)
Cancelled during the year	(38,222,743)	(36,788,134)
Outstanding at March 31, 2020	**1,168,850,235**	**537,129,247**
Granted during the year	**777,991,660**	**395,749,492**
Vested during the year	**(766,516,032)**	**(358,490,323)**
Cancelled during the year	**(72,718,578)**	**(35,268,323)**
Outstanding at March 31, 2021	**1,107,607,285**	**539,120,093**
Average fair value per unit (HK$)		
– At March 31, 2020	0.74	5.12
– At March 31, 2021	**0.71**	**4.69**

The fair values of the SARs awarded under the long-term incentive program were calculated by applying a Black-Scholes pricing model. For the year ended March 31, 2021, the model inputs were the fair value (i.e. market value) of the Company's shares at the grant date, taking into account the expected volatility of 32.82 percent (2020: 28.83 percent), expected dividends during the vesting periods of 4.75 percent (2020: 6.03 percent), contractual life of 4.4 years (2020: 4.4 years), and a risk-free interest rate of 0.39 percent (2020: 1.72 percent).

The remaining vesting periods of the awards under the long-term incentive program as at March 31, 2021 ranged from 0.15 to 2.84 years (2020: 0.15 to 2.89 years).

29 PERPETUAL SECURITIES

In March 2017, the Group issued a total of US$850 million perpetual securities through its wholly owned subsidiary, Lenovo Perpetual Securities Limited ("the issuer"). The net proceeds amounted to approximately US$842 million. The securities are perpetual, non-callable in the first 5 years and entitle the holders to receive distributions at a distribution rate of 5.375% per annum in the first 5 years, floating thereafter and with a fixed step up margin, payable semi-annually in arrears, cumulative and compounding. As the perpetual securities do not contain any contractual obligation to pay cash or other financial assets pursuant to the terms and conditions of the issue; in accordance with HKAS 32, they are classified as equity and for accounting purpose regarded as part of non-controlling interests.

In April 2017, the Group issued an additional US$150 million perpetual securities under the same terms, which are fungible with and form a single series with the aforementioned US$850 million perpetual securities.

On November 3, 2020, approximately US$819 million in principal amount of the perpetual securities were purchased and cancelled by the issuer pursuant to a tender offer made by the issuer on October 22, 2020, and the remaining approximately US$181 million in principal amount of the perpetual securities were redeemed and cancelled on December 10, 2020.

30 BALANCE SHEET AND MOVEMENT OF RESERVES OF THE COMPANY

(a) Balance sheet of the Company

	At March 31	
	2021 **US$'000**	2020 US$'000
Non-current assets		
Property, plant and equipment	**1,398**	785
Right-of-use assets	**561**	2,081
Intangible assets	**425**	609
Interest in an associate	**1,887**	1,887
Investments in subsidiaries	**9,676,753**	9,137,538
Financial assets at FVPL	**35,633**	45,628
Financial assets at FVOCI	**15,080**	11,851
Other non-current assets	**–**	22,500
	9,731,737	9,222,879
Current assets		
Derivative financial assets	**179**	–
Deposits, prepayments and other receivables	**292,028**	242,929
Amounts due from subsidiaries	**6,802,788**	6,893,599
Cash and cash equivalents	**185,150**	12,198
	7,280,145	7,148,726
Total assets	**17,011,882**	16,371,605

Notes to the financial statements

30 BALANCE SHEET AND MOVEMENT OF RESERVES OF THE COMPANY *(continued)*

(a) Balance sheet of the Company *(continued)*

	At March 31	
	2021 **US$'000**	2020 US$'000
Share capital	**3,203,913**	3,185,923
Reserves (Note 30(b))	**1,565,116**	1,580,951
Total equity	**4,769,029**	4,766,874
Non-current liabilities		
Borrowings	**3,297,512**	1,243,714
Amount due to a subsidiary	**-**	1,000,000
Deferred income tax liabilities	**1,345**	1,106
Other non-current liabilities	**25,579**	26,472
	3,324,436	2,271,292
Current liabilities		
Derivative financial liabilities	**202**	10,052
Other payables and accruals	**91,269**	171,843
Borrowings	**336,709**	3,255,188
Amounts due to subsidiaries	**8,490,237**	5,896,356
	8,918,417	9,333,439
Total liabilities	**12,242,853**	11,604,731
Total equity and liabilities	**17,011,882**	16,371,605

On behalf of the Board

Yang Yuanqing
Chairman and Chief Executive Officer

Zhu Linan
Director

30 BALANCE SHEET AND MOVEMENT OF RESERVES OF THE COMPANY *(continued)*

(b) Movement of reserves of the Company

The changes in the reserves of the Company during the years ended March 31, 2021 and 2020 are as follows:

	Investment revaluation reserve US$'000	Share-based compensation reserve US$'000	Exchange reserve US$'000	Other reserves US$'000	Retained earnings US$'000	Total US$'000
At April 1, 2019	(19,642)	304,516	10,204	79,557	1,014,943	1,389,578
Profit for the year	–	–	–	–	644,256	644,256
Other comprehensive loss	(3,931)	–	–	–	–	(3,931)
Total comprehensive (loss)/ income for the year	(3,931)	–	–	–	644,256	640,325
Vesting of shares under long-term incentive program	–	(275,551)	–	–	–	(275,551)
Share-based compensation	–	258,610	–	–	–	258,610
Dividends paid	–	–	–	–	(432,011)	(432,011)
At March 31, 2020	**(23,573)**	**287,575**	**10,204**	**79,557**	**1,227,188**	**1,580,951**
Profit for the year	**-**	**-**	**-**	**-**	**562,621**	**562,621**
Other comprehensive income	**3,280**	**-**	**-**	**-**	**-**	**3,280**
Total comprehensive income for the year	**3,280**	**-**	**-**	**-**	**562,621**	**565,901**
Vesting of shares under long-term incentive program	**-**	**(472,153)**	**-**	**-**	**-**	**(472,153)**
Share-based compensation	**-**	**291,737**	**-**	**-**	**-**	**291,737**
Settlement of bonus through long-term incentive program	**-**	**34,444**	**-**	**-**	**-**	**34,444**
Redemption of convertible bonds	**-**	**-**	**-**	**(57)**	**56**	**(1)**
Dividends paid	**-**	**-**	**-**	**-**	**(435,763)**	**(435,763)**
At March 31, 2021	**(20,293)**	**141,603**	**10,204**	**79,500**	**1,354,102**	**1,565,116**

31 SIGNIFICANT RELATED PARTY TRANSACTIONS

(a) The Group had the following significant related party transactions in the normal course of business during the year:

	2021 US$'000	2020 US$'000
閃聯信息技術工程中心有限公司 (IGRS Engineering Lab Limited) (an associate) (i)		
– Purchase of goods	**7,186**	15,152
異能者(南京)電子科技有限公司 (Yinengzhe (Nanjing) Electronic Technology Limited) (an associate) (i)		
– Sale of goods	**2,700**	–

Note:

(i) The English name of the company is a direct translation or transliteration of its Chinese registered name.

(b) Key management compensation

Details on key management compensation are set out in Note 10.

32 CAPITAL COMMITMENTS

Apart from disclosed elsewhere in these financial statements, on March 31, 2021 and 2020, the Group had the following other capital commitments:

	2021 US$'000	2020 US$'000
Contracted but not provided for:		
– Property, plant and equipment	**131,073**	66,182
– Intangible assets	**2,927**	2,749
– Investment in financial assets	**7,578**	14,799
	141,578	83,730

33 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.

34 RECONCILIATION OF PROFIT BEFORE TAXATION TO NET CASH GENERATED FROM OPERATIONS

	2021 US$'000	2020 US$'000
Profit before taxation	**1,774,198**	1,017,707
Share of losses of associates and joint ventures	**32,323**	14,545
Finance income	**(34,754)**	(47,850)
Finance costs	**408,640**	454,194
Depreciation of property, plant and equipment	**301,483**	276,453
Depreciation of right-of-use assets	**99,795**	103,600
Amortization of intangible assets	**658,740**	589,734
Impairment of intangible assets	**52,606**	–
Share-based compensation	**291,737**	258,610
(Gain)/loss on disposal of property, plant and equipment	**(110,004)**	11,467
Loss on disposal of intangible assets	**1,574**	1,067
Dilution gain on interest in an associate	**(31,374)**	–
Gain on deemed disposal of subsidiaries	**(2,964)**	–
Gain on disposal of subsidiaries	**(36,029)**	(12,844)
Gain on disposal of interest in an associate	**-**	(3,922)
Fair value change on bonus warrants	**(1,138)**	(20,856)
Fair value change on financial instruments	**(1,201)**	(12,378)
Fair value change on financial assets at FVPL	**(201,597)**	(66,036)
Fair value change on a financial liability at FVPL	**13,721**	23,826
Dividend income	**(1,897)**	(6,411)
Increase in inventories	**(1,481,367)**	(1,526,131)
(Increase)/decrease in trade receivables, notes receivable, deposits, prepayments and other receivables	**(3,646,837)**	674,050
Increase in trade payables, notes payable, provisions, other payables and accruals	**6,789,649**	1,128,570
Effect of foreign exchange rate changes	**(289,309)**	149,161
Net cash generated from operations	**4,585,995**	3,006,556

34 RECONCILIATION OF PROFIT BEFORE TAXATION TO NET CASH GENERATED FROM OPERATIONS *(continued)*

(a) Reconciliation of financing liabilities

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

Financing liabilities	2021 US$'000	2020 US$'000
Short-term loans – current	**58,190**	2,124,562
Long-term loan – non-current	**2,070**	3,079
Notes – current	**336,709**	563,249
Notes – non-current	**2,673,688**	1,243,714
Convertible bonds – current	**-**	607,169
Convertible bonds – non-current	**623,824**	–
Convertible preferred shares – current	**303,372**	–
Convertible preferred shares – non-current	**-**	317,826
Lease liabilities – current	**133,662**	91,976
Lease liabilities – non-current	**333,264**	346,806
	4,464,779	5,298,381
Short-term loans – variable interest rates	**39,672**	2,123,571
Short-term loans – fixed interest rates	**18,518**	991
Long-term loan – fixed interest rates	**2,070**	3,079
Notes – fixed interest rates	**3,010,397**	1,806,963
Convertible bonds – fixed interest rates	**623,824**	607,169
Convertible preferred shares – fair value	**303,372**	317,826
Lease liabilities – fixed interest rates	**466,926**	438,782
	4,464,779	5,298,381

34 RECONCILIATION OF PROFIT BEFORE TAXATION TO NET CASH GENERATED FROM OPERATIONS *(continued)*

(a) Reconciliation of financing liabilities *(continued)*

	Short-term loans current US$'000	Long-term loan non-current US$'000	Notes Current US$'000	Notes non-current US$'000	Convertible bonds current US$'000	Convertible bonds non-current US$'000	Convertible preferred shares current US$'000	Convertible preferred shares non-current US$'000	Lease liabilities current US$'000	Lease liabilities non-current US$'000	Total US$'000
Financing liabilities as at April 1, 2019	1,166,907	-	786,136	1,836,264	-	590,506	-	-	-	-	4,379,813
Change in accounting policy	-	-	-	-	-	-	-	-	77,903	331,441	409,344
Proceeds from borrowings	4,089,791	3,079	-	-	-	-	-	-	-	-	4,092,870
Repayments of borrowings	(3,135,800)	-	-	-	-	-	-	-	-	-	(3,135,800)
Repayments of notes	-	-	(786,244)	-	-	-	-	-	-	-	(786,244)
Transfer	-	-	581,389	(581,389)	602,983	(602,983)	-	-	91,422	(91,422)	-
Issue of convertible preferred shares	-	-	-	-	-	-	-	300,000	-	-	300,000
Principal elements of lease payments	-	-	-	-	-	-	-	-	(130,993)	-	(130,993)
Dividends paid	-	-	-	-	-	-	-	(6,000)	-	-	(6,000)
Foreign exchange adjustments	-	-	(18,770)	(13,548)	-	-	-	-	(370)	(863)	(33,551)
Other non-cash movements	3,664	-	738	2,387	4,186	12,477	-	23,826	54,014	107,650	208,942
Financing liabilities as at March 31, 2020	**2,124,562**	**3,079**	**563,249**	**1,243,714**	**607,169**	**-**	**-**	**317,826**	**91,976**	**346,806**	**5,298,381**
Proceeds from borrowings	**4,925,628**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**4,925,628**
Repayments of borrowings	**(7,005,300)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(7,005,300)**
Repayment of notes	**-**	**-**	**(565,643)**	**(225,912)**	**-**	**-**	**-**	**-**	**-**	**-**	**(791,555)**
Repurchase of convertible preferred shares	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(16,575)**	**-**	**-**	**(16,575)**
Redemption of convertible bonds	**-**	**-**	**-**	**-**	**-**	**(500)**	**-**	**-**	**-**	**-**	**(500)**
Transfer	**1,009**	**(1,009)**	**336,709**	**(336,709)**	**(619,537)**	**619,537**	**303,372**	**(303,372)**	**107,474**	**(107,474)**	**-**
Issue of notes	**-**	**-**	**-**	**2,003,500**	**-**	**-**	**-**	**-**	**-**	**-**	**2,003,500**
Issuing costs of notes	**-**	**-**	**-**	**(14,383)**	**-**	**-**	**-**	**-**	**-**	**-**	**(14,383)**
Principal elements of lease payments	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(165,150)**	**-**	**(165,150)**
Acquisition of a subsidiary	**1,770**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1,770**
Dividends paid	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(11,600)**	**-**	**-**	**(11,600)**
Foreign exchange adjustments	**292**	**-**	**2,058**	**-**	**-**	**-**	**-**	**-**	**13,907**	**5,474**	**21,731**
Other non-cash movements	**10,229**	**-**	**336**	**3,478**	**12,368**	**4,787**	**-**	**13,721**	**85,455**	**88,458**	**218,832**
Financing liabilities as at March 31, 2021	**58,190**	**2,070**	**336,709**	**2,673,688**	**-**	**623,824**	**303,372**	**-**	**133,662**	**333,264**	**4,464,779**

35 RETIREMENT BENEFIT OBLIGATIONS

	2021 US$'000	2020 US$'000
Pension obligation included in non-current liabilities		
Pension benefits	**401,699**	430,272
Post-employment medical benefits	**30,206**	28,114
	431,905	458,386
Expensed in consolidated income statement		
Pension benefits (Note 9)	**26,157**	21,610
Post-employment medical benefits	**894**	1,389
	27,051	22,999
Remeasurements for:		
Defined pension benefits	**(37,211)**	45,937
Post-employment medical benefits	**1,476**	338
	(35,735)	46,275

The Group's largest pension liabilities are now in Germany. The Group operates a sectionalized plan that has both defined contribution and defined benefit features in Germany, including benefits based on a final pay formula. This plan is closed to new entrants. The defined benefit plan for Motorola Mobility in Germany contains no employees, only a large number of retirees and former employees with benefits which have vested, but where payment will be deferred until they retire.

The Group continues to maintain significant pension liabilities in Japan, where a cash balance benefit is provided for substantially all employees.

In the US, the defined benefit plan is closed to new entrants, and now covers only less than 1.0% of employees. There is also a supplemental defined benefit plan that covers certain executives.

The Group also operates final salary defined benefit plans in a number of countries as a result of past acquisitions.

The Group's major plans are valued by qualified actuaries annually using the projected unit credit method.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income in the period in which they arise.

35 RETIREMENT BENEFIT OBLIGATIONS *(continued)*

(a) Pension benefits

The amounts recognized in the consolidated balance sheet are determined as follows:

	2021 US$'000	2020 US$'000
Present value of funded obligations	**641,174**	629,242
Fair value of plan assets	**(444,172)**	(396,192)
Deficit of funded plans	**197,002**	233,050
Present value of unfunded obligations	**204,697**	197,222
Liability in the consolidated balance sheet	**401,699**	430,272
Representing:		
Pension benefits obligation	**401,699**	430,272

The principal actuarial assumptions used are as follows:

	2021	2020
Discount rate	**0.3%-2.5%**	0.5%-2.0%
Future salary increases	**0%-3.0%**	0%-4.5%
Future pension increases	**0%-2.0%**	0%-2.5%
Life expectancy for male aged 60	**25**	25
Life expectancy for female aged 60	**26**	28

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is:

	Impact on defined benefit obligation		
2021	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate	**0.5%**	**Decrease by 7.3%**	**Increase by 8.3%**
Salary growth rate	**0.5%**	**Increase by 0.5%**	**Decrease by 1.1%**
Pension growth rate	**0.5%**	**Increase by 6.9%**	**Decrease by 6.5%**
Life expectancy	**1 year**	**Increase by 1.9%**	**Decrease by 2.0%**

35 RETIREMENT BENEFIT OBLIGATIONS *(continued)*

(a) Pension benefits *(continued)*

2020	Change in assumption	Impact on defined benefit obligation Increase in assumption	Decrease in assumption
Discount rate	0.5%	Decrease by 7.7%	Increase by 8.7%
Salary growth rate	0.5%	Increase by 1.0%	Decrease by 0.9%
Pension growth rate	0.5%	Increase by 8.0%	Decrease by 7.2%
Life expectancy	1 year	Increase by 2.0%	Decrease by 2.0%

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the pension liability recognized within the consolidated balance sheet.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous year.

(b) Post-employment medical benefits

The Group operates a number of post-employment medical benefit schemes, principally in the US. The method of accounting, assumptions and the frequency of valuations are similar to those used for defined benefit pension schemes.

The US plan (Lenovo Future Health Account Plan) is currently an unfunded plan, and benefits to eligible retirees and dependents will be made through general assets.

As post-employment medical benefits plan made no agreements on future benefit level changes, the changes in future medical cost trend rates have no effect on the liabilities for post-employment medical benefits.

The amounts recognized in the consolidated balance sheet are determined as follows:

	2021 US$'000	2020 US$'000
Present value of funded obligations	**-**	27,414
Fair value of plan assets	**-**	(468)
Deficit of funded plans	**-**	26,946
Present value of unfunded obligations	**30,206**	1,168
Liability in the consolidated balance sheet	**30,206**	28,114

35 RETIREMENT BENEFIT OBLIGATIONS *(continued)*

(c) Additional information on post-employment benefits (pension and medical)

Plan assets of the Group comprise:

	2021			2020		
	Quoted US$'000	**Unquoted US$'000**	**Total US$'000**	Quoted US$'000	Unquoted US$'000	Total US$'000
Pension plan						
Equity instruments						
Information technology	**2,610**	**-**	**2,610**	2,472	–	2,472
Energy	**270**	**-**	**270**	199	–	199
Manufacturing	**2,675**	**-**	**2,675**	2,503	–	2,503
Others	**10,240**	**-**	**10,240**	8,099	–	8,099
	15,795	**-**	**15,795**	13,273	–	13,273
Debt instruments						
Government	**108,187**	**-**	**108,187**	65,074	–	65,074
Corporate bonds (investment grade)	**79,419**	**-**	**79,419**	59,022	–	59,022
Corporate bonds (Non-investment grade)	**55,083**	**-**	**55,083**	38,205	–	38,205
	242,689	**-**	**242,689**	162,301	–	162,301
Others						
Property	**-**	**16,595**	**16,595**	–	11,667	11,667
Qualifying insurance policies	**-**	**76,232**	**76,232**	–	59,801	59,801
Cash and cash equivalents	**12,092**	**-**	**12,092**	20,777	–	20,777
Investment funds	**-**	**32,813**	**32,813**	–	19,170	19,170
Structured bonds	**-**	**42,356**	**42,356**	–	104,833	104,833
Others	**-**	**5,600**	**5,600**	–	4,370	4,370
	12,092	**173,596**	**185,688**	20,777	199,841	220,618
	270,576	**173,596**	**444,172**	196,351	199,841	396,192
Medical plan						
Cash and cash equivalents	**-**	**-**	**-**	468	–	468

The long term strategic asset allocations of the plans are set and reviewed from time to time by the plans' trustees taking into account the membership, liability profile and the liquidity requirements of the plans.

The weighted average duration of the defined benefit obligation is 16.0 years.

35 RETIREMENT BENEFIT OBLIGATIONS *(continued)*

(c) Additional information on post-employment benefits (pension and medical) *(continued)*

Expected maturity analysis of undiscounted pension and post-employments medical benefits:

At March 31, 2021	Less than a year US$'000	Between 1-2 years US$'000	Between 2-5 years US$'000	Over 5 years US$'000	Total US$'000
Pension benefits	27,731	32,706	92,479	819,398	972,314
Post-employment medical benefits	1,303	1,446	5,158	34,527	42,434
Total	29,034	34,152	97,637	853,925	1,014,748

Pension and medical plan assets do not include any of the Company's ordinary shares or US real estate occupied by the Group (2020: nil).

Reconciliation of fair value of plan assets of the Group:

	Pension		Medical	
	2021 US$'000	2020 US$'000	**2021 US$'000**	2020 US$'000
Opening fair value	**396,192**	346,348	**468**	1,453
Exchange adjustment	**29,379**	9,148	**1**	(1)
Interest income	**3,050**	4,568	**20**	46
Remeasurements:				
Experience gain/(loss)	**6,314**	11,487	**(118)**	(11)
Contributions by the employer	**26,326**	38,385	**447**	34
Contributions by plan participants	**1,698**	1,130	**-**	–
Benefits paid	**(18,787)**	(14,874)	**(818)**	(1,053)
Closing fair value	**444,172**	396,192	**-**	468
Actual return on plan assets	**9,364**	16,055	**(98)**	35

Contributions of US$22,660,000 are estimated to be made for the year ending March 31, 2022.

35 RETIREMENT BENEFIT OBLIGATIONS *(continued)*

(c) Additional information on post-employment benefits (pension and medical) *(continued)*

Reconciliation of movements in present value of defined benefit obligation of the Group:

	Pension		Medical	
	2021 US$'000	2020 US$'000	**2021 US$'000**	2020 US$'000
Opening defined benefit obligation	**826,464**	754,071	**28,582**	27,976
Exchange adjustment	**42,417**	5,527	**170**	(103)
Current service cost	**22,733**	17,555	**453**	530
Past service cost	**(925)**	–	**–**	–
Interest cost	**6,223**	9,085	**461**	905
Remeasurements:				
Loss/(gain) from changes in demographic assumptions	**188**	3,377	**(22)**	25
(Gain)/loss from changes in financial assumptions	**(31,747)**	53,641	**1,424**	307
Experience loss/(gain)	**662**	406	**(44)**	(5)
Contributions by plan participants	**896**	359	**–**	–
Benefits paid	**(22,216)**	(17,095)	**(818)**	(1,053)
Curtailment loss/(gain)	**1,176**	(462)	**–**	–
Closing defined benefit obligation	**845,871**	826,464	**30,206**	28,582

During the year, benefits of US$3,429,000 were settled directly by the Group (2020: US$2,221,000).

Summary of pensions and post-retirement medical benefits of the Group:

	2021 US$'000	2020 US$'000	2019 US$'000	2018 US$'000	2017 US$'000
Present value of defined benefit obligation	**876,077**	855,046	782,047	750,470	674,647
Fair value of plan assets	**444,172**	396,660	347,801	336,988	304,440
Deficit	**431,905**	458,386	434,246	413,482	370,207
Actuarial (gains)/losses arising on plan assets	**(6,196)**	(11,476)	(3,639)	(5,962)	6,620
Actuarial (gains)/losses arising on plan liabilities	**(29,539)**	57,751	29,280	25,759	(49,398)
	(35,735)	46,275	25,641	19,797	(42,778)

35 RETIREMENT BENEFIT OBLIGATIONS *(continued)*

(c) Additional information on post-employment benefits (pension and medical) *(continued)*

The amounts recognized in the consolidated income statement are as follows:

	Pension		Medical	
	2021 US$'000	2020 US$'000	**2021 US$'000**	2020 US$'000
Current service cost	**22,733**	17,555	**453**	530
Past service cost	**(925)**	–	**–**	–
Interest cost	**6,223**	9,085	**461**	905
Interest income	**(3,050)**	(4,568)	**(20)**	(46)
Curtailment loss/(gain)	**1,176**	(462)	**–**	–
Total expense recognized in the consolidated income statement	**26,157**	21,610	**894**	1,389

36 PRINCIPAL SUBSIDIARIES

The following includes the principal subsidiaries directly or indirectly held by the Company and, in the opinion of the directors, are significant to the results of the year or form a substantial portion of the net assets of the Group. The directors consider that giving details of other subsidiaries would result in particulars of excessive length.

Company name	Place of incorporation/ establishment	Issued and fully paid up capital	Percentage of issued share capital held 2021	2020	Principal activities
Held directly:					
聯想(北京)有限公司 (Lenovo (Beijing) Limited)[1] (wholly foreign-owned enterprise)	Chinese Mainland	HK$175,481,300	**100%**	100%	Manufacturing and distribution of IT products and provision of IT services
聯想(上海)有限公司 (Lenovo (Shanghai) Co., Ltd.)[1] (wholly foreign-owned enterprise)	Chinese Mainland	HK$10,000,000	**100%**	100%	Distribution of IT products and provision of IT services

Company name	Place of incorporation/ establishment	Issued and fully paid up capital	Percentage of issued share capital held 2021	2020	Principal activities
Held indirectly:					
Fujitsu Client Computing Limited	Japan	JPY400,000,000	**51%**	51%	Manufacturing and distribution of IT products
聯寶(合肥)電子科技有限公司 (LCFC (Hefei) Electronics Technology Co., Ltd.)[1] (wholly foreign-owned enterprise)	Chinese Mainland	US$265,000,000	**51%**	51%	Manufacturing and distribution of IT products
Lenovo (Asia Pacific) Limited	Hong Kong S.A.R. of China	HK$3,045,209,504.92	**100%**	100%	Investment holding and distribution of IT products
北京聯想軟件有限公司 (Beijing Lenovo Software Limited)[1] (wholly foreign-owned enterprise)	Chinese Mainland	HK$5,000,000	**100%**	100%	Provision of IT services and distribution of IT products
Lenovo (Australia & New Zealand) Pty Limited	Australia	AUD45,860,993.40	**100%**	100%	Distribution of IT products
Lenovo (Belgium) BV	Belgium	EUR639,099.20	**100%**	100%	Investment holding and distribution of IT products
聯想(北京)信息技術有限公司 (Lenovo (Beijing) Information Technology Limited)[1] (wholly foreign-owned enterprise)	Chinese Mainland	US$272,300,000.00	**100% (iv)**	100% (iv)	Investment holding and distribution of IT products
聯想(北京)電子科技有限公司 (Lenovo (Beijing) Electronic Technology Limited)[1]	Chinese Mainland	RMB150,000,000	**100%**	100%	Provision of IT services and distribution of IT products
Lenovo (Canada) Inc.	Canada	CAD100	**100%**	100%	Distribution of IT products
Lenovo Computer Limited	Hong Kong S.A.R. of China	HK$2	**100%**	100%	Procurement agency and distribution of IT products
Lenovo (Danmark) ApS	Denmark	DKK126,000	**100%**	100%	Distribution of IT products

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36 PRINCIPAL SUBSIDIARIES *(continued)*

Company name	Place of incorporation/ establishment	Issued and fully paid up capital	Percentage of issued share capital held 2021	2020	Principal activities
Lenovo (Deutschland) GmbH	Germany	EUR25,100	**100%**	100%	Distribution of IT products
Lenovo Enterprise Solutions (Singapore) Pte. Ltd.	Singapore	SGD55,958,592	**100%**	100%	Manufacturing and wholesaling of computers, computer hardware and peripheral equipment
Lenovo Enterprise Solutions LLC	Japan	JPY50,000,000	**100%**	100%	Distribution of IT products
Lenovo Enterprise Technology Company Limited	Hong Kong S.A.R. of China	US$1,200,000,010 ordinary shares and US$299,999,486 convertible preferred shares	**100% (iv)**	100% (iv)	Investment holding and distribution of IT products
Lenovo (France) SAS	France	EUR1,837,000	**100%**	100%	Distribution of IT products
Lenovo HK Services Limited	Hong Kong S.A.R. of China	HK$2	**100%**	100%	Provision of business planning, management, global supply chain, finance, and administration support services
Lenovo Global Technology (Asia Pacific) Limited	Hong Kong S.A.R. of China	US$128,924.89	**100%**	100%	Investment holding and distribution of IT products
Lenovo Global Technology HK Limited	Hong Kong S.A.R. of China	US$10,000,001	**100%**	100%	Procurement agency and distribution of IT products
Lenovo Global Technology (Hong Kong) Distribution Limited	Hong Kong S.A.R. of China	US$1	**100%**	100%	Distribution of IT products

36 PRINCIPAL SUBSIDIARIES *(continued)*

Company name	Place of incorporation/ establishment	Issued and fully paid up capital	Percentage of issued share capital held 2021	2020	Principal activities
Lenovo Global Technologies International Limited	Hong Kong S.A.R. of China	US$137,872,637	**100%**	100%	Investment holding and intellectual properties
Lenovo Global Technology (United States) Inc.	United States	US$10	**100%**	100%	Provision of IT services and distribution of IT products
Lenovo (Hong Kong) Limited	Hong Kong S.A.R. of China	HK$74,256,023	**100%**	100%	Distribution of IT products
惠陽聯想電子工業有限公司 (Lenovo (Huiyang) Electronic Industrial Co., Ltd.)[1] (wholly foreign-owned enterprise)	Chinese Mainland	HK$31,955,500	**100%**	100%	Manufacturing and distribution of IT products
Lenovo (India) Private Limited	India	INR8,607,471,514	**100%**	100%	Manufacturing and distribution of IT products
聯想信息產品(深圳)有限公司 (Lenovo Information Products (Shenzhen) Co. Ltd.)[1] (limited liability company (wholly-owned entity))	Chinese Mainland	RMB643,966,800	**100%**	100%	Manufacturing and distribution of IT products
Lenovo (Israel) Ltd.	Israel	ILS132,853.12	**100%**	100%	Distribution of IT products
Lenovo (Italy) S.r.l	Italy	EUR100,000	**100%**	100%	Distribution of IT products
Lenovo Japan LLC	Japan	JPY100,000,000	**95.10% (v)**	95.10% (v)	Distribution of IT products
Lenovo Korea LLC	Korea	KRW3,580,940,000	**100%**	100%	Wholesale and retail trade of computer, peripheral equipment and software
Lenovo Mexico, S. de R.L. de C.V.	Mexico	MXN3,426,638,114	**100%**	100%	Distribution of IT products

Notes to the financial statements

36 PRINCIPAL SUBSIDIARIES *(continued)*

Company name	Place of incorporation/ establishment	Issued and fully paid up capital	Percentage of issued share capital held 2021	2020	Principal activities
摩托羅拉移動通信技術有限公司 (Motorola Mobile Communication Technology Ltd.)[1] 前稱"聯想移動通信科技有限公司" (formerly known as "Lenovo Mobile Communication Technology Ltd.")[1] (foreign-investment enterprise wholly-owned entity)	Chinese Mainland	RMB187,500,000	**100%**	100%	Manufacturing and distribution of IT products and provision of IT services
摩托羅拉(武漢)移動技術通信有限公司 (Motorola (Wuhan) Mobility Technologies Communication Company Limited)[1] 前稱"聯想移動通信(武漢)有限公司" (formerly known as "Lenovo Mobile Communication (Wuhan) Limited")[1] (foreign-investment enterprise wholly-owned entity)	Chinese Mainland	RMB60,000,000	**100%**	100%	Manufacturing of mobile products
聯想凌拓科技有限公司 (Lenovo NetApp Technology Limited)[1] (Chinese-foreign equity joint venture)	Chinese Mainland	US$10,000,000	**51% (iv)**	51% (iv)	Delivering IT products and data management solution
Lenovo PC HK Limited	Hong Kong S.A.R. of China	HK$2,377,934,829.50 ordinary shares and HK$1,000,000 non-voting deferred shares	**100%**	100%	Procurement agency and distribution of IT products
Lenovo PC International Limited	Hong Kong S.A.R. of China	HK$4,758,857,785	**100%**	100%	Intellectual properties
Lenovo (Schweiz) GmbH	Switzerland	CHF2,000,000	**100%**	100%	Manufacturing and distribution of IT products
Lenovo (Singapore) Pte. Ltd.	Singapore	SGD4,920,639,596.44	**100%**	100%	Manufacturing and wholesaling of computers, computer hardware and peripheral equipment

36 PRINCIPAL SUBSIDIARIES *(continued)*

Company name	Place of incorporation/ establishment	Issued and fully paid up capital	Percentage of issued share capital held 2021	2020	Principal activities
Lenovo (South Africa) (Pty) Limited	South Africa	ZAR177,500	**100%**	100%	Distribution and marketing of IT products
Lenovo (Spain), S.L.	Spain	EUR37,475,456.40	**100%**	100%	Distribution of IT products
Lenovo (Sweden) AB	Sweden	SEK200,200	**100%**	100%	Distribution of IT products
聯想系統集成（深圳）有限公司 (Lenovo Systems Technology Company Limited)[1] (limited liability company (wholly-owned entity))	Chinese Mainland	RMB263,407,660	**100%**	100%	Manufacturing and distribution of IT products
Lenovo Technology (United Kingdom) Limited	United Kingdom	GBP8,629,510	**100%**	100%	Distribution of IT products
Lenovo Technology B.V.	Netherlands	EUR20,000	**100%**	100%	Distribution of IT products
Lenovo Technology Sdn. Bhd.	Malaysia	MYR1,000,000	**100%**	100%	Retail sale of computers, computer equipment and supplies
Lenovo Tecnologia (Brasil) Ltda	Brazil	BRL4,424,321,818	**100%**	100%	Manufacturing and distribution of IT products
Lenovo (Thailand) Limited	Thailand	THB252,000,000	**100%**	100%	Distribution of IT products as well as mobile phone, smartphone and tablet, server and storage
Lenovo (United States) Inc.	United States	US$1	**100%**	100%	Distribution of IT products
Lenovo (Venezuela), SA	Venezuela	VEB717,184,632	**100%**	100%	Distribution of IT products

36 PRINCIPAL SUBSIDIARIES *(continued)*

Company name	Place of incorporation/ establishment	Issued and fully paid up capital	Percentage of issued share capital held 2021	2020	Principal activities
聯想(西安)有限公司 (Lenovo (Xian) Limited)[1] (Chinese-foreign equity joint venture)	Chinese Mainland	RMB10,000,000	**100%**	100%	Provision of IT services and distribution of IT products
LLC "Lenovo (East Europe/Asia)"	Russia	RUB1,910,000	**100%**	100%	Distribution and marketing of IT products
Medion AG	Germany	EUR48,418,400	**80.08% (iii)**	79.84% (iii)	Retail and service business for consumer electronic products and complementary digital services
Motorola Mobility Comércio de Produtos Eletronicos Ltda.	Brazil	BRL756,663,401	**100%**	100%	Distribution of communication products, developer, owner, licensor and seller of communications hardware and software
Motorola Mobility International Sales LLC	United States	-	**100%**	100%	Holding company
Motorola Mobility LLC	United States	-	**100%**	100%	Developer, owner, licensor and seller of communications hardware and software
NEC Personal Computers, Ltd.	Japan	JPY500,000,000	**95.10% (v)**	95.10% (v)	Manufacturing and distribution of IT products
深圳聯想海外控股有限公司 (Shenzhen Lenovo Overseas Holdings Limited)[1] (wholly-foreign owned enterprise)	Chinese Mainland	US$776,822,799.24	**100%**	100%	Investment management

Company name	Place of incorporation/ establishment	Issued and fully paid up capital	Percentage of issued share capital held 2021	2020	Principal activities
Shimane Fujitsu Limited	Japan	JPY450,000,000	**51%**	51%	Manufacturing and distribution of IT products
Stoneware, Inc.	United States	US$1	**100%**	100%	Development and distribution of IT products
陽光雨露信息技術服務(北京)有限公司 (Sunny Information Technology Service, Inc.)[1] (Chinese-foreign equity joint venture)	Chinese Mainland	RMB50,000,000	**100%**	100%	Maintenance of electronic equipment (including repair services for computer hardware and software systems), and provision of IT outsourcing and systems integration services

Notes:

(i) All the above subsidiaries operate principally in their respective places of incorporation or establishment.

(ii) All the Chinese Mainland subsidiaries are limited liability companies. They have adopted December 31 as their financial year end date for statutory reporting purposes. For the preparation of the consolidated financial statements, financial statements of these Chinese Mainland subsidiaries for the years ended March 31, 2020 and 2021 have been used.

(iii) Medion AG is a publicly traded German stock corporation listed on the Frankfurt am Main stock exchange. The percentage of issued capital held is equivalent to approximately 86.77% (2020: 86.52%) excluding treasury shares.

(iv) At March 31, 2021, the Group held 100% in the ordinary shares of LETCL, the immediate holding company of Lenovo (Beijing) Information Technology Limited and intermediate holding company of Lenovo NetApp Technology Limited. 1,917,805 convertible preferred shares issued by LETCL remain outstanding and held by independent third parties, please refer to Note 26(d) for details.

(v) At March 31, 2020 and 2021, the Group held 95.10% in the ordinary shares of Lenovo NEC Holdings B.V., the immediate holding company of Lenovo Japan LLC and NEC Personal Computers, Ltd., while the remaining 4.90% ordinary shares and 42,700 deferred shares of Lenovo NEC Holdings B.V. were held by NEC Corporation.

(vi) The company whose English name ends with a “1” is a direct transliteration of its Chinese registered name.

Notes to the financial statements

36 PRINCIPAL SUBSIDIARIES *(continued)*

Material non-controlling interests

Set out below is the summarized financial information of FCCL. The amounts disclosed are before inter-company eliminations.

	2021 US$'000	2020 US$'000
Revenue	**2,939,273**	3,350,163
Profit for the year	**152,433**	186,148
Other comprehensive (loss)/income	**(7,454)**	3,019
Total comprehensive income	**144,979**	189,167
Net assets		
Non-current assets	**168,974**	160,151
Current assets	**1,197,049**	1,112,946
Current liabilities	**(748,828)**	(795,108)
Non-current liabilities	**(59,051)**	(61,580)
	558,144	416,409
Cash flows		
Net cash generated from operating activities	**113,417**	118,644
Net cash used in investing activities	**(25,453)**	(50,953)
Net cash used in financing activities	**(6,861)**	(3,881)
Effect of foreign exchange rate changes	**(6,184)**	2,020
Cash and cash equivalents at the beginning of the year	**163,376**	97,546
Cash and cash equivalents at the end of the year	**238,295**	163,376

37 APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the board of directors on May 27, 2021.

Five-year financial summary

CONDENSED CONSOLIDATED INCOME STATEMENT

	2021 US$'000	2020 US$'000	2019 US$'000	2018 US$'000	2017 US$'000
Revenue	**60,742,312**	50,716,349	51,037,943	45,349,943	43,034,731
Profit before taxation	**1,774,198**	1,017,707	856,664	153,202	489,927
Taxation	**(461,199)**	(213,204)	(199,460)	(279,977)	40,514
Profit/(loss) for the year	**1,312,999**	804,503	657,204	(126,775)	530,441
Profit/(loss) attributable to:					
Equity holders of the Company	**1,178,307**	665,091	596,343	(189,323)	535,084
Perpetual securities holders	**32,532**	53,760	53,760	53,680	1,872
Other non-controlling interests	**102,160**	85,652	7,101	8,868	(6,515)
	1,312,999	804,503	657,204	(126,775)	530,441
Earnings/(loss) per share attributable to equity holders of the Company (US cents)					
Basic	**9.54**	5.58	5.01	(1.67)	4.86
Diluted	**8.91**	5.43	4.96	(1.67)	4.86

CONDENSED CONSOLIDATED BALANCE SHEET

	2021 US$'000	2020 US$'000	2019 US$'000	2018 US$'000	2017 US$'000
Non-current assets	**14,655,279**	13,394,726	13,102,282	12,830,853	12,317,587
Current assets	**23,335,352**	18,733,441	16,886,203	15,663,318	14,868,387
Total assets	**37,990,631**	32,128,167	29,988,485	28,494,171	27,185,974
Non-current liabilities	**7,008,461**	4,810,751	5,401,079	4,488,461	4,756,906
Current liabilities	**27,371,637**	23,258,121	20,490,343	19,459,722	18,333,846
Total liabilities	**34,380,098**	28,068,872	25,891,422	23,948,183	23,090,752
Net assets	**3,610,533**	4,059,295	4,097,063	4,545,988	4,095,222

Corporate information

HONORARY CHAIRMAN
Mr. Liu Chuanzhi

BOARD OF DIRECTORS
Chairman and Executive Director

Mr. Yang Yuanqing

Non-executive Directors

Mr. Zhu Linan
Mr. Zhao John Huan

Independent Non-executive Directors

Mr. Nicholas C. Allen
Mr. William O. Grabe
Mr. William Tudor Brown
Mr. Yang Chih-Yuan Jerry
Mr. Gordon Robert Halyburton Orr
Mr. Woo Chin Wan Raymond
Ms. Yang Lan

CHIEF FINANCIAL OFFICER
Mr. Wong Wai Ming

COMPANY SECRETARY
Mr. Mok Chung Fu, Eric

REGISTERED OFFICE
23rd Floor, Lincoln House, Taikoo Place,
979 King's Road, Quarry Bay, Hong Kong

PRINCIPAL BANKERS
Bank of China
BNP Paribas
Citibank, N.A.
DBS Bank Ltd.

INDEPENDENT AUDITOR
PricewaterhouseCoopers
Certified Public Accountants and
Registered PIE Auditor
22nd Floor, Prince's Building,
Central, Hong Kong

SHARE REGISTRAR
Tricor Abacus Limited
Level 54, Hopewell Centre,
183 Queen's Road East, Hong Kong

AMERICAN DEPOSITARY RECEIPTS
(Depositary and Registrar)
Citibank, N.A.
4th Floor, 388 Greenwich Street,
New York, NY 10013, USA

STOCK CODES
Hong Kong Stock Exchange: 992
American Depositary Receipts: LNVGY

WEBSITE
www.lenovo.com

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