

Lenovo Group Limited  
2021/22 Interim Report  
STOCK CODE 992

Smarter  
technology  
for

Lenovo

# Lenovo TruScale

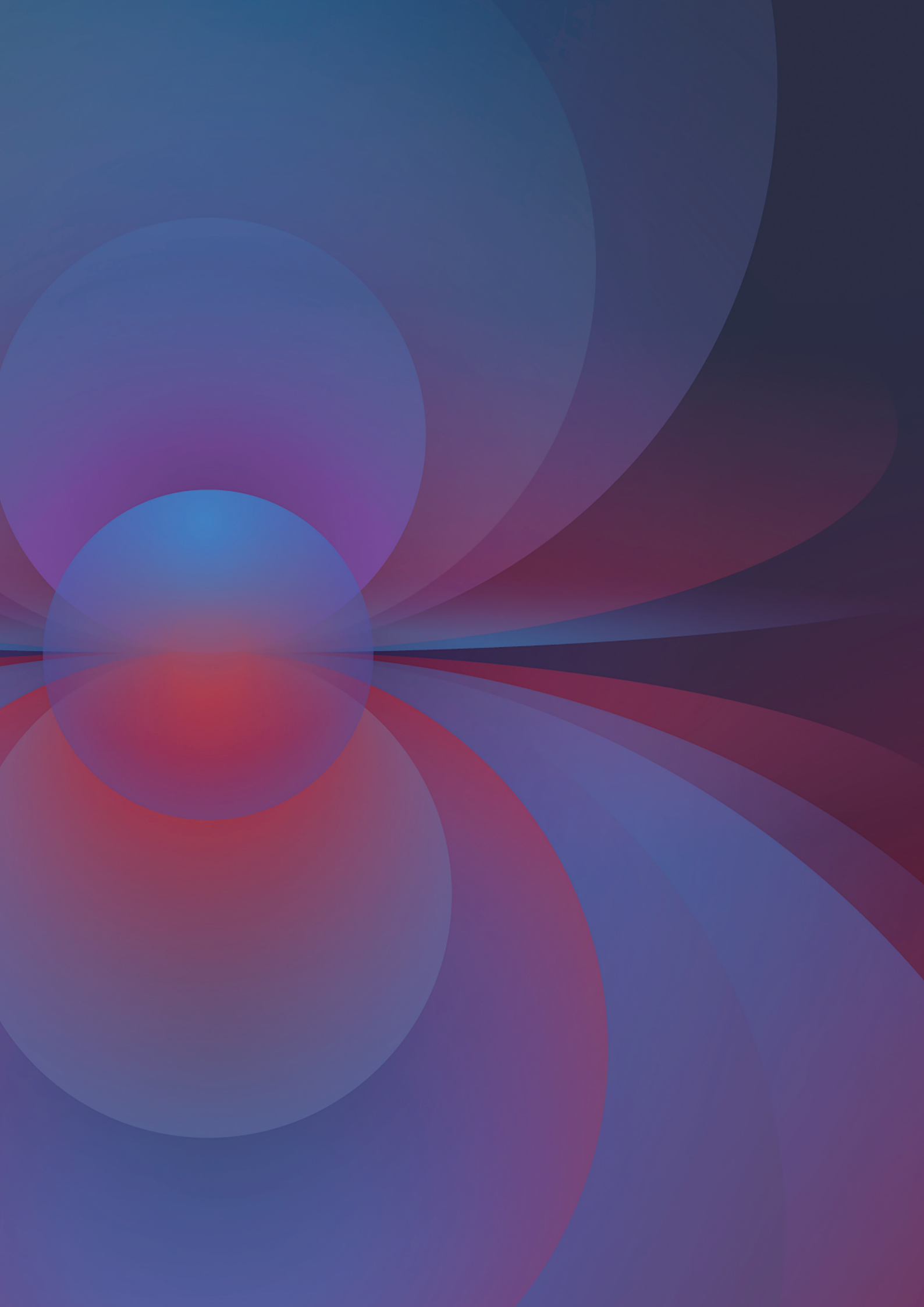
## Enabling customers' IT to scale with their business

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Introducing Lenovo TruScale, the new subscription-based solutions that provides device, infrastructure, platform, and software as a service under one umbrella. Through our global footprint and pocket-to-cloud capabilities, we help you grow your businesses - the way you want.



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Lenovo  
Tab P12 Pro



Motorola  
Edge 20 Pro

# Smarter transforms everything from device to data center



ThinkPad  
X1 Nano



ThinkSystem  
ST550

# Consolidated income statement

|  | Note | 3 months ended<br>September 30,<br>2021<br>(unaudited)<br>US\$' 000 | 6 months ended<br>September 30,<br>2021<br>(unaudited)<br>US\$' 000 | 3 months ended<br>September 30,<br>2020<br>(unaudited)<br>US\$' 000 | 6 months ended<br>September 30,<br>2020<br>(unaudited)<br>US\$' 000 |
|--|------|---|---|---|---|
| Revenue  | 2    | 17,868,679  | 34,797,926  | 14,518,909  | 27,866,765  |
| Cost of sales  |      | (14,862,921)  | (28,968,426)  | (12,266,356)  | (23,572,904)  |
| Gross profit   |      | 3,005,758   | 5,829,500   | 2,252,553   | 4,293,861   |
| Selling and distribution expenses                                |      | (923,978)   | (1,771,021)   | (726,174)   | (1,358,341)   |
| Administrative expenses  |      | (700,468)   | (1,512,711)   | (643,215)   | (1,304,317)   |
| Research and development expenses                                |      | (481,971)   | (948,434)   | (306,531)   | (639,101)   |
| Other operating income/(expenses) - net                          |      | (82,777)  | (37,999)  | (12,128)  | 8,280   |
| Operating profit   | 3    | 816,564   | 1,559,335   | 564,505   | 1,000,382   |
| Finance income   | 4(a) | 14,148  | 23,224  | 9,342   | 17,333  |
| Finance costs  | 4(b) | (86,489)  | (187,070)   | (91,617)  | (198,449)   |
| Share of losses of associates and joint ventures                 |      | (2,076)   | (3,119)   | (11,843)  | (16,803)  |
| Profit before taxation   |      | 742,147   | 1,392,370   | 470,387   | 802,463   |
| Taxation   | 5    | (185,057)   | (350,113)   | (120,833)   | (206,102)   |
| Profit for the period  |      | 557,090   | 1,042,257   | 349,554   | 596,361   |
| Profit attributable to:  |      |   |   |   |   |
| Equity holders of the Company                                    |      | 511,985   | 978,050   | 310,195   | 523,017   |
| Perpetual securities holders                                     |      | -   | -   | 13,440  | 26,880  |
| Other non-controlling interests                                  |      | 45,105  | 64,207  | 25,919  | 46,464  |
|  |      | 557,090   | 1,042,257   | 349,554   | 596,361   |
| Earnings per share attributable to equity holders of the Company |      |   |   |   |   |
| Basic  | 6(a) | US4.42 cents  | US8.44 cents  | US2.59 cents  | US4.39 cents  |
| Diluted  | 6(b) | US3.96 cents  | US7.50 cents  | US2.48 cents  | US4.24 cents  |
| Dividend   | 7    |   | 123,771   |   | 102,298   |

# Consolidated statement of comprehensive income

|  | 3 months ended<br>September 30,<br>2021<br>(unaudited)<br>US\$'000 | 6 months ended<br>September 30,<br>2021<br>(unaudited)<br>US\$'000 | 3 months ended<br>September 30,<br>2020<br>(unaudited)<br>US\$'000 | 6 months ended<br>September 30,<br>2020<br>(unaudited)<br>US\$'000 |
|--|--|--|--|--|
| Profit for the period  | 557,090  | 1,042,257  | 349,554  | 596,361  |
| Other comprehensive income/(loss):   |  |  |  |  |
| <u>Items that will not be reclassified to profit or loss</u>   |  |  |  |  |
| Remeasurements of post-employment benefit obligations, net of taxes                                  | 1  | (5,268)  | 27   | 27   |
| Fair value change on financial assets at fair value through other comprehensive income, net of taxes | (3,151)  | (3,895)  | (2,502)  | (7,106)  |
| <u>Items that have been reclassified or may be subsequently reclassified to profit or loss</u>       |  |  |  |  |
| Fair value change on cash flow hedges from foreign exchange forward contracts, net of taxes          |  |  |  |  |
| - Fair value gain/(loss), net of taxes   | 119,559  | 72,849   | (111,703)  | (205,323)  |
| - Reclassified to consolidated income statement  | (58,224)   | (54,719)   | 135,879  | 142,619  |
| Currency translation differences   | (143,202)  | 49,474   | 153,246  | 129,199  |
| Other comprehensive (loss)/income for the period   | (85,017)   | 58,441   | 174,947  | 59,416   |
| Total comprehensive income for the period  | 472,073  | 1,100,698  | 524,501  | 655,777  |
| Total comprehensive income attributable to:  |  |  |  |  |
| Equity holders of the Company  | 430,781  | 1,040,180  | 481,026  | 576,504  |
| Perpetual securities holders   | -  | -  | 13,440   | 26,880   |
| Other non-controlling interests  | 41,292   | 60,518   | 30,035   | 52,393   |
|  | 472,073  | 1,100,698  | 524,501  | 655,777  |

# Consolidated balance sheet

|   | Note  | September 30,<br>2021<br>(unaudited)<br>US\$' 000 | March 31,<br>2021<br>(audited)<br>US\$' 000 |
|---|-------|---|---|
| <b>Non-current assets</b>   |       |   |   |
| Property, plant and equipment                                     | 8     | 1,555,768   | 1,573,875                                   |
| Right-of-use assets   |       | 869,174   | 893,422                                     |
| Construction-in-progress  |       | 286,658   | 207,614                                     |
| Intangible assets   | 8     | 8,238,925   | 8,405,005                                   |
| Interests in associates and joint ventures                        |       | 86,090  | 65,455                                      |
| Deferred income tax assets  | 8     | 2,462,103   | 2,344,740                                   |
| Financial assets at fair value through profit or loss             |       | 1,027,518   | 805,013                                     |
| Financial assets at fair value through other comprehensive income |       | 79,809  | 84,796                                      |
| Other non-current assets  |       | 396,897   | 275,359                                     |
|   |       | <b>15,002,942</b>                                 | 14,655,279                                  |
| <b>Current assets</b>   |       |   |   |
| Inventories   | 9     | 8,727,816   | 6,380,576                                   |
| Trade receivables   | 10(a) | 9,500,770   | 8,397,825                                   |
| Notes receivable  |       | 67,937  | 78,939                                      |
| Derivative financial assets                                       |       | 140,239   | 118,299                                     |
| Deposits, prepayments and other receivables                       | 11    | 5,000,156   | 4,977,501                                   |
| Income tax recoverable  |       | 403,784   | 254,442                                     |
| Bank deposits   |       | 83,543  | 59,385                                      |
| Cash and cash equivalents   |       | 3,647,478   | 3,068,385                                   |
|   |       | <b>27,571,723</b>                                 | 23,335,352                                  |
| <b>Total assets</b>   |       | <b>42,574,665</b>                                 | 37,990,631                                  |

# Consolidated balance sheet

|   | Note                | September 30,<br>2021<br>(unaudited)<br>US\$' 000 | March 31,<br>2021<br>(audited)<br>US\$' 000 |
|---|---------------------|---|---|
| Share capital                                   | 15                  | 3,203,913   | 3,203,913                                   |
| Reserves  |                     | 799,083   | 355,123                                     |
| Equity attributable to owners of the Company    |                     | 4,002,996   | 3,559,036                                   |
| Other non-controlling interests                 |                     | 902,058   | 817,735                                     |
| Put option written on non-controlling interests | 12(a)(ii),<br>13(b) | (766,238)   | (766,238)                                   |
| <b>Total equity</b>                             |                     | <b>4,138,816</b>                                  | <b>3,610,533</b>                            |
| <b>Non-current liabilities</b>                  |                     |   |   |
| Borrowings                                      | 14                  | 3,309,173   | 3,299,582                                   |
| Warranty provision                              | 12(b)               | 254,384   | 266,313                                     |
| Deferred revenue                                |                     | 1,334,636   | 1,183,247                                   |
| Retirement benefit obligations                  |                     | 428,514   | 431,905                                     |
| Deferred income tax liabilities                 |                     | 387,993   | 391,258                                     |
| Other non-current liabilities                   | 13                  | 1,376,481   | 1,436,156                                   |
|   |                     | <b>7,091,181</b>                                  | <b>7,008,461</b>                            |
| <b>Current liabilities</b>                      |                     |   |   |
| Trade payables                                  | 10(b)               | 11,491,984  | 10,220,796                                  |
| Notes payable                                   |                     | 1,235,486   | 885,628                                     |
| Derivative financial liabilities                |                     | 57,333  | 35,944                                      |
| Other payables and accruals                     | 12(a)               | 15,195,359  | 13,178,498                                  |
| Provisions                                      | 12(b)               | 929,555   | 910,380                                     |
| Deferred revenue                                |                     | 1,236,632   | 1,046,677                                   |
| Income tax payable                              |                     | 716,188   | 395,443                                     |
| Borrowings                                      | 14                  | 482,131   | 698,271                                     |
|   |                     | <b>31,344,668</b>                                 | <b>27,371,637</b>                           |
| Total liabilities                               |                     | <b>38,435,849</b>                                 | <b>34,380,098</b>                           |
| Total equity and liabilities                    |                     | <b>42,574,665</b>                                 | <b>37,990,631</b>                           |



# Consolidated cash flow statement

|  | Note | 6 months ended<br>September 30,<br>2021<br>(unaudited)<br>US\$'000 | 6 months ended<br>September 30,<br>2020<br>(unaudited)<br>US\$'000 |
|--|------|--|--|
| Cash flows from operating activities   |      |  |  |
| Net cash generated from operations   | 16   | 2,471,820  | 1,561,912  |
| Interest paid  |      | (160,000)  | (146,162)  |
| Tax paid   |      | (303,585)  | (327,276)  |
| Net cash generated from operating activities   |      | 2,008,235  | 1,088,474  |
| Cash flows from investing activities   |      |  |  |
| Purchase of property, plant and equipment  |      | (172,016)  | (119,849)  |
| Sale of property, plant and equipment  |      | 12,094   | 28,965   |
| Acquisition of subsidiaries, net of cash acquired  |      | -  | (5,049)  |
| Disposal of subsidiaries, net of cash disposed   |      | 114,312  | (5,161)  |
| Interests acquired in associates   |      | (325)  | (303)  |
| Payment for construction-in-progress   |      | (226,403)  | (167,681)  |
| Payment for intangible assets  |      | (159,399)  | (72,094)   |
| Purchase of financial assets at fair value through profit or loss                            |      | (134,499)  | (103,256)  |
| Purchase of financial assets at fair value through other comprehensive income                |      | -  | (24,714)   |
| Net proceeds from sale of financial assets at fair value through profit or loss              |      | 30,861   | 56,452   |
| Net proceeds from sale of a financial asset at fair value through other comprehensive income |      | -  | 493  |
| Payment of contingent consideration  |      | -  | (117,390)  |
| (Increase)/decrease in bank deposits   |      | (24,158)   | 12,513   |
| Dividends received   |      | 1,350  | 384  |
| Interest received  |      | 23,224   | 17,333   |
| Net cash used in investing activities  |      | (534,959)  | (499,357)  |

# Consolidated cash flow statement

|  | Note | 6 months ended<br>September 30,<br>2021<br>(unaudited)<br>US\$' 000 | 6 months ended<br>September 30,<br>2020<br>(unaudited)<br>US\$' 000 |
|--|------|---|---|
| Cash flows from financing activities                               |      |   |   |
| Capital contribution from other non-controlling interests          |      | <b>41,127</b>   | 18,420  |
| Contribution to employee share trusts                              |      | <b>(311,035)</b>  | (54,838)  |
| Issue of notes   |      | -   | 1,003,500   |
| Issuing costs of notes   |      | -   | (4,485)   |
| Repayment of notes   |      | -   | (565,643)   |
| Principal elements of lease payments                               |      | <b>(55,378)</b>   | (59,778)  |
| Dividends paid   |      | <b>(359,037)</b>  | (332,359)   |
| Distribution to perpetual securities holders                       |      | -   | (26,880)  |
| Dividends paid to convertible preferred shares holders             |      | <b>(14,751)</b>   | (6,000)   |
| Repurchase of convertible preferred shares                         |      | <b>(208,378)</b>  | (16,575)  |
| Cash received for disposal of subsidiaries without loss of control |      | <b>5,185</b>  | -   |
| Proceeds from borrowings   |      | <b>5,887,118</b>  | 2,267,961   |
| Repayments of borrowings   |      | <b>(5,881,692)</b>  | (2,702,288)   |
| Net cash used in financing activities                              |      | <b>(896,841)</b>  | (478,965)   |
| Increase in cash and cash equivalents                              |      | <b>576,435</b>  | 110,152   |
| Effect of foreign exchange rate changes                            |      | <b>2,658</b>  | 37,516  |
| Cash and cash equivalents at the beginning of the period           |      | <b>3,068,385</b>  | 3,550,990   |
| Cash and cash equivalents at the end of the period                 |      | <b>3,647,478</b>  | 3,698,658   |

# Consolidated statement of changes in equity

|   | Attributable to equity holders of the Company |                                |                         |                                  |                         |                         |                         |                         |                         |                                 |   |                         |
|---|---|--------------------------------|-------------------------|----------------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|---------------------------------|---|-------------------------|
|   | Share capital                                 | Investment revaluation reserve | Employee share trusts   | Share-based compensation reserve | Hedging reserve         | Exchange reserve        | Other reserve           | Retained earnings       | Perpetual securities    | Other non-controlling interests | Put option written on non-controlling interests | Total                   |
|   | (unaudited)<br>US\$'000                       | (unaudited)<br>US\$'000        | (unaudited)<br>US\$'000 | (unaudited)<br>US\$'000          | (unaudited)<br>US\$'000 | (unaudited)<br>US\$'000 | (unaudited)<br>US\$'000 | (unaudited)<br>US\$'000 | (unaudited)<br>US\$'000 | (unaudited)<br>US\$'000         | (unaudited)<br>US\$'000                         | (unaudited)<br>US\$'000 |
| At April 1, 2021  | 3,203,913                                     | (49,133)                       | (500,277)               | 187,376                          | 73,476                  | (1,690,948)             | 130,240                 | 2,204,389               | -                       | 817,735                         | (766,238)                                       | 3,610,533               |
| Profit for the period   | -   | -                              | -                       | -                                | -                       | -                       | -                       | 978,050                 | -                       | 64,207                          | -   | 1,042,257               |
| Other comprehensive (loss)/income   | -   | (3,895)                        | -                       | -                                | 18,130                  | 53,163                  | -                       | (5,268)                 | -                       | (3,689)                         | -   | 58,441                  |
| Total comprehensive (loss)/income for the period  | -   | (3,895)                        | -                       | -                                | 18,130                  | 53,163                  | -                       | 972,782                 | -                       | 60,518                          | -   | 1,100,698               |
| Transfer to statutory reserve   | -   | -                              | -                       | -                                | -                       | -                       | 10,352                  | (10,352)                | -                       | -                               | -   | -                       |
| Vesting of shares under long-term incentive program   | -   | -                              | 320,767                 | (435,890)                        | -                       | -                       | -                       | -                       | -                       | -                               | -   | (115,123)               |
| Disposal of subsidiaries  | -   | 1                              | -                       | -                                | -                       | (15,295)                | (552)                   | -                       | -                       | (365)                           | -   | (16,211)                |
| Settlement of bonus through long-term incentive program   | -   | -                              | -                       | 27,789                           | -                       | -                       | -                       | -                       | -                       | -                               | -   | 27,789                  |
| Share-based compensation  | -   | -                              | -                       | 173,594                          | -                       | -                       | -                       | -                       | -                       | -                               | -   | 173,594                 |
| Contribution to employee share trusts   | -   | -                              | (311,035)               | -                                | -                       | -                       | -                       | -                       | -                       | -                               | -   | (311,035)               |
| Dividends paid  | -   | -                              | -                       | -                                | -                       | -                       | -                       | (359,037)               | -                       | -                               | -   | (359,037)               |
| Dividends provided for other non-controlling interests  | -   | -                              | -                       | -                                | -                       | -                       | -                       | -                       | -                       | (26,273)                        | -   | (26,273)                |
| Capital contribution from other non-controlling interests   | -   | -                              | -                       | -                                | -                       | -                       | -                       | -                       | -                       | 48,696                          | -   | 48,696                  |
| Change of ownership of subsidiaries without loss of control   | -   | -                              | -                       | -                                | -                       | -                       | 3,438                   | -                       | -                       | 1,747                           | -   | 5,185                   |
| At September 30, 2021   | 3,203,913                                     | (53,027)                       | (490,545)               | (47,131)                         | 91,606                  | (1,653,080)             | 143,478                 | 2,807,782               | -                       | 902,058                         | (766,238)                                       | 4,138,816               |
| 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 period   | -   | -                              | -                       | -                                | -                       | -                       | -                       | 523,017                 | 26,880                  | 46,464                          | -   | 596,361                 |
| Other comprehensive (loss)/income   | -   | (7,106)                        | -                       | -                                | (62,704)                | 123,270                 | -                       | 27                      | -                       | 5,929                           | -   | 59,416                  |
| Total comprehensive (loss)/income for the period  | -   | (7,106)                        | -                       | -                                | (62,704)                | 123,270                 | -                       | 523,044                 | 26,880                  | 52,393                          | -   | 655,777                 |
| Transfer to statutory reserve   | -   | -                              | -                       | -                                | -                       | -                       | 8,890                   | (8,890)                 | -                       | -                               | -   | -                       |
| Transfer of investment revaluation reserve upon disposal of a financial asset at fair value through other comprehensive income to retained earnings | -   | (53)                           | -                       | -                                | -                       | -                       | -                       | 53                      | -                       | -                               | -   | -                       |
| Vesting of shares under long-term incentive program   | -   | -                              | 125,853                 | (157,333)                        | -                       | -                       | -                       | -                       | -                       | -                               | -   | (31,480)                |
| Deferred tax in relation to long-term incentive program   | -   | -                              | -                       | 6,009                            | -                       | -                       | -                       | -                       | -                       | -                               | -   | 6,009                   |
| Acquisition of subsidiaries   | -   | -                              | -                       | -                                | -                       | -                       | -                       | -                       | -                       | 2,113                           | -   | 2,113                   |
| Disposal of subsidiaries  | -   | -                              | -                       | -                                | -                       | 306                     | (1,819)                 | -                       | -                       | -                               | -   | (1,513)                 |
| Settlement of bonus through long-term incentive program   | -   | -                              | -                       | 34,444                           | -                       | -                       | -                       | -                       | -                       | -                               | -   | 34,444                  |
| Share-based compensation  | -   | -                              | -                       | 127,752                          | -                       | -                       | -                       | -                       | -                       | -                               | -   | 127,752                 |
| Contribution to employee share trusts   | -   | -                              | (54,838)                | -                                | -                       | -                       | -                       | -                       | -                       | -                               | -   | (54,838)                |
| Dividends paid  | -   | -                              | -                       | -                                | -                       | -                       | -                       | (332,359)               | -                       | -                               | -   | (332,359)               |
| Capital contribution from other non-controlling interests   | -   | -                              | -                       | -                                | -                       | -                       | -                       | -                       | -                       | 18,112                          | -   | 18,112                  |
| Change of ownership of subsidiaries without loss of control   | -   | -                              | -                       | -                                | -                       | -                       | (30)                    | -                       | -                       | 30                              | -   | -                       |
| Distribution to perpetual securities holders  | -   | -                              | -                       | -                                | -                       | -                       | -                       | -                       | (26,880)                | -                               | -   | (26,880)                |
| At September 30, 2020   | 3,185,923                                     | (55,875)                       | (30,452)                | 298,446                          | (4,215)                 | (1,675,441)             | 183,683                 | 1,619,962               | 993,670                 | 706,969                         | (766,238)                                       | 4,456,432               |

# Notes

## 1 GENERAL INFORMATION AND BASIS OF PREPARATION

The financial information relating to the year ended March 31, 2021 included in the FY2021/22 interim report as comparative information does not constitute the Company's statutory annual consolidated financial statements for that year but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance is as follows:

The Company has delivered the consolidated financial statements for the year ended March 31, 2021 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance.

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

### **Basis of preparation**

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

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

The accounting policies adopted are consistent with those of the previous financial year. The below amended standards 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.

- Amendment to HKFRS 16, COVID-19-Related rent concessions
- Amendment to HKFRS 16, COVID-19-Related rent concessions beyond 30 June 2021
- Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16, Interest rate benchmark reform - Phase 2

## 1 GENERAL INFORMATION AND BASIS OF PREPARATION *(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 ending March 31, 2022 and have not been early adopted:

|   | Effective for annual periods beginning on or after |
|---|--|
| 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 HKAS 1 and HKFRS Practice statement 2, Disclosure of accounting policy                    | January 1, 2023                                    |
| Amendments to HKAS 8, Definition of accounting estimate   | January 1, 2023                                    |
| Amendments to HKAS 12, Deferred tax related to assets and liabilities arising from a single transaction | January 1, 2023                                    |
| 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 SEGMENT INFORMATION

The Group has formed the Solutions and Services Group ("SSG") in addition to the existing Intelligent Devices Group ("IDG") and Infrastructure Solutions Group ("ISG", previously named as Data Center Group ("DCG")).

The SSG aims to bring together services teams and capabilities across the Group. This new business group 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 Group has adopted the new business group structure as the reporting format effective for the year ending March 31, 2022 and the comparative segment information has been reclassified to conform to the reporting format under the current organizational structure. 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 IDG, ISG and SSG.



# Notes

## 2 SEGMENT INFORMATION *(continued)*

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

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

|   | 6 months ended<br>September 30, 2021 |  | 6 months ended<br>September 30, 2020 |  |
|---|--------------------------------------|--|--------------------------------------|--|
|   | Revenue<br>US\$'000                  | Operating<br>profit/(loss)<br>US\$'000 | Revenue<br>US\$'000                  | Operating<br>profit/(loss)<br>US\$'000 |
| IDG   | 30,004,546                           | 2,260,510                              | 24,169,617                           | 1,635,644                              |
| ISG   | 3,802,635                            | (16,946)                               | 3,077,325                            | (90,421)                               |
| SSG   | 2,547,616                            | 548,472                                | 1,909,939                            | 390,331                                |
| Total   | 36,354,797                           | 2,792,036                              | 29,156,881                           | 1,935,554                              |
| Intersegment eliminations   | (1,556,871)                          | (466,316)                              | (1,290,116)                          | (343,134)                              |
|   | <b>34,797,926</b>                    | <b>2,325,720</b>                       | <b>27,866,765</b>                    | <b>1,592,420</b>                       |
| Unallocated:  |                                      |  |                                      |  |
| Headquarters and corporate<br>income/(expenses) – net                               |                                      | (682,689)                              |                                      | (596,326)                              |
| Depreciation and amortization   |                                      | (330,939)                              |                                      | (257,354)                              |
| Impairment of intangible assets   |                                      | (25,434)                               |                                      | (52,606)                               |
| Finance income  |                                      | 14,684                                 |                                      | 10,574                                 |
| Finance costs   |                                      | (40,593)                               |                                      | (107,344)                              |
| Share of losses of associates<br>and joint ventures                                 |                                      | (3,119)                                |                                      | (16,803)                               |
| Gain on disposal of property,<br>plant and equipment                                |                                      | 525                                    |                                      | 67,110                                 |
| Fair value gain on financial assets<br>at fair value through profit or<br>loss      |                                      | 110,684                                |                                      | 132,920                                |
| Fair value loss on a financial<br>liability at fair value through<br>profit or loss |                                      | (9,851)                                |                                      | (1,773)                                |
| Dilution gain on interest in an<br>associate  |                                      | -                                      |                                      | 31,374                                 |
| Gain on disposal of subsidiaries  |                                      | 32,303                                 |                                      | -                                      |
| Dividend income   |                                      | 1,079                                  |                                      | 271                                    |
| Consolidated profit before taxation   |                                      | <b>1,392,370</b>                       |                                      | <b>802,463</b>                         |

## 2 SEGMENT INFORMATION (continued)

### (b) Analysis of revenue by geography

|       | 6 months ended<br>September 30,<br>2021<br>US\$' 000 | 6 months ended<br>September 30,<br>2020<br>US\$' 000 |
|-------|--|--|
| China | 9,391,121  | 6,530,255  |
| AP    | 5,580,380  | 5,779,299  |
| EMEA  | 8,494,202  | 7,016,055  |
| AG    | 11,332,223   | 8,541,156  |
|       | <b>34,797,926</b>                                    | 27,866,765   |

### (c) Analysis of revenue by timing of revenue recognition

|               | 6 months ended<br>September 30,<br>2021<br>US\$' 000 | 6 months ended<br>September 30,<br>2020<br>US\$' 000 |
|---------------|--|--|
| Point in time | 33,911,047   | 27,114,536   |
| Over time     | 886,879  | 752,229  |
|               | <b>34,797,926</b>                                    | 27,866,765   |

### (d) Other segment information

|  | IDG               |                   | ISG               |                   | SSG               |                   | Total             |                   |
|--|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
|  | 2021<br>US\$' 000 | 2020<br>US\$' 000 | 2021<br>US\$' 000 | 2020<br>US\$' 000 | 2021<br>US\$' 000 | 2020<br>US\$' 000 | 2021<br>US\$' 000 | 2020<br>US\$' 000 |
| For the six months ended<br>September 30 |                   |                   |                   |                   |                   |                   |                   |                   |
| Depreciation and<br>amortization         | 214,331           | 179,766           | 73,866            | 66,440            | 1,260             | 1,869             | 289,457           | 248,075           |
| Finance income                           | 7,091             | 6,084             | 1,145             | 357               | 304               | 318               | 8,540             | 6,759             |
| Finance costs                            | 110,880           | 69,727            | 35,263            | 21,064            | 334               | 314               | 146,477           | 91,105            |

# Notes

## 2 SEGMENT INFORMATION *(continued)*

- (e) The directors review goodwill and trademarks and trade names with indefinite useful lives with an aggregate amount of US\$6,134 million (March 31, 2021: US\$6,119 million). The carrying amounts of goodwill and trademarks and trade names with indefinite useful lives are presented below:

### At September 30, 2021

|                               | China<br>US\$ million | AP<br>US\$ million | EMEA<br>US\$ million | AG<br>US\$ million | Mature<br>Market<br>US\$ million | Emerging<br>Market<br>US\$ million | Total<br>US\$ million |
|-------------------------------|-----------------------|--------------------|----------------------|--------------------|----------------------------------|------------------------------------|-----------------------|
| Goodwill                      |                       |                    |                      |                    |                                  |                                    |                       |
| - PCSD                        | 956                   | 553                | 189                  | 235                | -                                | -                                  | 1,933                 |
| - MBG                         | -                     | -                  | -                    | -                  | 675                              | 788                                | 1,463                 |
| - ISG                         | 513                   | 158                | 82                   | 343                | -                                | -                                  | 1,096                 |
| - SSG (Note)                  | -                     | -                  | -                    | -                  | -                                | -                                  | 371                   |
| Trademarks and trade<br>names |                       |                    |                      |                    |                                  |                                    |                       |
| - PCSD                        | 181                   | 48                 | 87                   | 53                 | -                                | -                                  | 369                   |
| - MBG                         | -                     | -                  | -                    | -                  | 197                              | 263                                | 460                   |
| - ISG                         | 162                   | 54                 | 31                   | 123                | -                                | -                                  | 370                   |
| - SSG (Note)                  | -                     | -                  | -                    | -                  | -                                | -                                  | 72                    |

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

### At March 31, 2021

|                               | China<br>US\$ million | AP<br>US\$ million | EMEA<br>US\$ million | AG<br>US\$ million | Mature<br>Market<br>US\$ million | Emerging<br>Market<br>US\$ million | Total<br>US\$ million |
|-------------------------------|-----------------------|--------------------|----------------------|--------------------|----------------------------------|------------------------------------|-----------------------|
| Goodwill                      |                       |                    |                      |                    |                                  |                                    |                       |
| - PCSD                        | 1,089                 | 683                | 234                  | 295                | -                                | -                                  | 2,301                 |
| - MBG                         | -                     | -                  | -                    | -                  | 676                              | 774                                | 1,450                 |
| - DCG                         | 508                   | 159                | 85                   | 344                | -                                | -                                  | 1,096                 |
| Trademarks and trade<br>names |                       |                    |                      |                    |                                  |                                    |                       |
| - PCSD                        | 209                   | 59                 | 107                  | 67                 | -                                | -                                  | 442                   |
| - MBG                         | -                     | -                  | -                    | -                  | 197                              | 263                                | 460                   |
| - DCG                         | 162                   | 54                 | 31                   | 123                | -                                | -                                  | 370                   |

The directors are of the view that there was no impairment of goodwill and trademarks and trade names with indefinite useful lives based on impairment tests performed as at September 30, 2021 (March 31, 2021: Nil).

### 3 OPERATING PROFIT

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

|   | <b>3 months ended<br/>September 30,<br/>2021<br/>US\$'000</b> | <b>6 months ended<br/>September 30,<br/>2021<br/>US\$'000</b> | 3 months ended<br>September 30,<br>2020<br>US\$'000 | 6 months ended<br>September 30,<br>2020<br>US\$'000 |
|---|---|---|---|---|
| Depreciation of property, plant and equipment                                   | 82,607  | 167,904   | 75,692  | 147,617   |
| Depreciation of right-of-use assets   | 33,244  | 65,620  | 24,539  | 45,963  |
| Amortization of intangible assets   | 197,251   | 386,872   | 156,870   | 311,849   |
| Impairment of intangible assets   | 16,434  | 31,434  | 52,606  | 52,606  |
| Impairment of property, plant and equipment                                     | -   | 10,189  | -   | -   |
| Employee benefit costs, including   | 1,435,339   | 2,893,101   | 1,101,363   | 2,372,169   |
| - <i>long-term incentive awards</i>   | 78,179  | 173,594   | 62,122  | 127,752   |
| - <i>severance and related costs</i>  | -   | -   | -   | 75,006  |
| Rental expenses   | 4,326   | 12,928  | 3,251   | 6,678   |
| Gain on disposal of property, plant and equipment                               | (4,469)   | (4,948)   | (8,703)   | (70,872)  |
| Loss on disposal of intangible assets   | 4,590   | 4,590   | -   | 450   |
| Fair value loss/(gain) on financial assets at fair value through profit or loss | 20,586  | (110,684)   | (104,289)   | (132,920)   |
| Fair value loss on a financial liability at fair value through profit or loss   | 5,686   | 9,851   | 5,600   | 1,773   |
| Dilution gain on interest in an associate                                       | -   | -   | -   | (31,374)  |
| Gain on disposal of subsidiaries  | (31,478)  | (32,303)  | -   | (1,064)   |

# Notes

## 4 FINANCE INCOME AND COSTS

### (a) Finance income

|                                     | 3 months ended<br>September 30,<br>2021<br>US\$' 000 | 6 months ended<br>September 30,<br>2021<br>US\$' 000 | 3 months ended<br>September 30,<br>2020<br>US\$' 000 | 6 months ended<br>September 30,<br>2020<br>US\$' 000 |
|-------------------------------------|--|--|--|--|
| Interest on bank deposits and trust | 14,098   | 23,075   | 8,309  | 15,557   |
| Interest on money market funds      | 50   | 149  | 1,033  | 1,776  |
|                                     | <b>14,148</b>  | <b>23,224</b>  | 9,342  | 17,333   |

### (b) Finance costs

|  | 3 months ended<br>September 30,<br>2021<br>US\$' 000 | 6 months ended<br>September 30,<br>2021<br>US\$' 000 | 3 months ended<br>September 30,<br>2020<br>US\$' 000 | 6 months ended<br>September 30,<br>2020<br>US\$' 000 |
|--|--|--|--|--|
| Interest on bank loans and overdrafts                                      | 10,345   | 18,764   | 10,255   | 24,512   |
| Interest on convertible bonds  | 10,160   | 20,247   | 10,003   | 19,914   |
| Interest on notes  | 35,571   | 70,815   | 29,331   | 58,793   |
| Interest on lease liabilities  | 4,828  | 9,407  | 4,844  | 9,051  |
| Factoring costs  | 18,731   | 52,679   | 29,647   | 70,825   |
| Interest on contingent consideration<br>and written put option liabilities | 6,803  | 13,608   | 6,542  | 12,823   |
| Others   | 51   | 1,550  | 995  | 2,531  |
|  | <b>86,489</b>  | <b>187,070</b>                                       | 91,617   | 198,449  |



## 5 TAXATION

The amount of taxation in the consolidated income statement represents:

|  | 3 months ended<br>September 30,<br>2021<br>US\$' 000 | 6 months ended<br>September 30,<br>2021<br>US\$' 000 | 3 months ended<br>September 30,<br>2020<br>US\$' 000 | 6 months ended<br>September 30,<br>2020<br>US\$' 000 |
|--|--|--|--|--|
| Current tax                                |  |  |  |  |
| Profits tax in Hong Kong S.A.R. of China   | 45,298   | 85,255   | 17,499   | 27,702   |
| Taxation outside Hong Kong S.A.R. of China | 205,210  | 386,225  | 137,409  | 252,950  |
| Deferred tax                               |  |  |  |  |
| Credit for the period                      | (65,451)   | (121,367)  | (34,075)   | (74,550)   |
|  | 185,057  | 350,113  | 120,833  | 206,102  |

Profits tax in Hong Kong S.A.R. of China has been provided for at the rate of 16.5% (2020/21: 16.5%) on the estimated assessable profit for the period. Taxation outside Hong Kong S.A.R. of China represents income and irrecoverable withholding taxes of subsidiaries operating in the Chinese Mainland and overseas, calculated at rates applicable in the respective jurisdictions.

## 6 EARNINGS PER SHARE

### (a) Basic

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

|   | 3 months ended<br>September 30,<br>2021 | 6 months ended<br>September 30,<br>2021 | 3 months ended<br>September 30,<br>2020 | 6 months ended<br>September 30,<br>2020 |
|---|---|---|---|---|
| Weighted average number of ordinary shares in issue   | 12,041,705,614                          | 12,041,705,614                          | 12,014,791,614                          | 12,014,791,614                          |
| Adjustment for shares held by employee share trusts   | (456,325,542)                           | (449,585,970)                           | (50,787,295)                            | (107,862,340)                           |
| Weighted average number of ordinary shares in issue for calculation of basic earnings per share | 11,585,380,072                          | 11,592,119,644                          | 11,964,004,319                          | 11,906,929,274                          |
|   | US\$' 000                               | US\$' 000                               | US\$' 000                               | US\$' 000                               |
| Profit attributable to equity holders of the Company used to determine basic earnings per share | 511,985                                 | 978,050                                 | 310,195                                 | 523,017                                 |

# Notes

## 6 EARNINGS PER SHARE (continued)

### (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 period, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

The Group has four (2020/21: five) categories of potential ordinary shares, namely long-term incentive awards, put option written on non-controlling interests, convertible bonds and convertible preferred shares (2020/21: 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 respective three months and six months ended September 30, 2021 and 2020. Put option written on non-controlling interests and convertible preferred shares were anti-dilutive for the respective three months and six months ended September 30, 2021 and 2020. Bonus warrants were anti-dilutive for the three months and six months ended September 30, 2020.

|   | 3 months ended<br>September 30,<br>2021 | 6 months ended<br>September 30,<br>2021 | 3 months ended<br>September 30,<br>2020 | 6 months ended<br>September 30,<br>2020 |
|---|---|---|---|---|
| Weighted average number of ordinary shares in issue for calculation of basic earnings per share   | 11,585,380,072                          | 11,592,119,644                          | 11,964,004,319                          | 11,906,929,274                          |
| Adjustment for long-term incentive awards   | 784,471,895                             | 914,914,178                             | 149,492,774                             | 79,031,164                              |
| Adjustment for convertible bonds  | 762,214,157                             | 762,214,157                             | 732,183,610                             | 732,183,610                             |
| Weighted average number of ordinary shares in issue for calculation of diluted earnings per share | 13,132,066,124                          | 13,269,247,979                          | 12,845,680,703                          | 12,718,144,048                          |
|   | US\$'000                                | US\$'000                                | US\$'000                                | US\$'000                                |
| Profit attributable to equity holders of the Company used to determine basic earnings per share   | 511,985                                 | 978,050                                 | 310,195                                 | 523,017                                 |
| Adjustment for interest on convertible bonds, net of tax  | 8,483                                   | 16,906                                  | 8,352                                   | 16,628                                  |
| Profit attributable to equity holders of the Company used to determine diluted earnings per share | 520,468                                 | 994,956                                 | 318,547                                 | 539,645                                 |

## 7 DIVIDEND

|  | 6 months ended<br>September 30,<br>2021<br>US\$' 000 | 6 months ended<br>September 30,<br>2020<br>US\$' 000 |
|--|--|--|
| Interim dividend, declared after period end – HK8.0 cents<br>(2020/21: HK6.6 cents) per ordinary share | <b>123,771</b>                                       | 102,298  |

## 8 NON-CURRENT ASSETS

Analysis of the movements in major non-current assets is as follows:

|   | Property,<br>plant and<br>equipment<br>US\$' 000 | Intangible<br>assets<br>US\$' 000 | Deferred<br>income tax<br>assets<br>US\$' 000 |
|---|--|-----------------------------------|---|
| Year ended March 31, 2021                       |  |                                   |   |
| At the beginning of the year                    | 1,398,440  | 7,984,582                         | 2,092,391                                     |
| Exchange adjustment                             | 44,797   | 178,355                           | 6,801   |
| Acquisition of subsidiaries                     | 348  | 16,934                            | –   |
| Disposal of subsidiaries                        | (2,458)  | (145)                             | –   |
| Additions                                       | 302,920  | 616,384                           | –   |
| Transfers                                       | 226,296  | 321,815                           | –   |
| Disposals                                       | (94,985)   | (1,574)                           | –   |
| Depreciation/amortization                       | (301,483)  | (658,740)                         | –   |
| Impairment                                      | –  | (52,606)                          | –   |
| Credited to consolidated income statement       | –  | –                                 | 225,638                                       |
| Credited to share-based compensation<br>reserve | –  | –                                 | 45,774  |
| At the end of the year                          | 1,573,875  | 8,405,005                         | 2,370,604                                     |
| Six months ended September 30, 2021             |  |                                   |   |
| At the beginning of the period                  | <b>1,573,875</b>                                 | <b>8,405,005</b>                  | <b>2,370,604</b>                              |
| Exchange adjustment                             | <b>4,822</b>                                     | <b>13,435</b>                     | <b>213</b>                                    |
| Disposal of subsidiaries                        | <b>(28,081)</b>                                  | <b>(2,160)</b>                    | –   |
| Additions                                       | <b>172,016</b>                                   | <b>111,240</b>                    | –   |
| Transfers                                       | <b>18,375</b>                                    | <b>134,301</b>                    | –   |
| Disposals                                       | <b>(7,146)</b>                                   | <b>(4,590)</b>                    | –   |
| Depreciation/amortization                       | <b>(167,904)</b>                                 | <b>(386,872)</b>                  | –   |
| Impairment                                      | <b>(10,189)</b>                                  | <b>(31,434)</b>                   | –   |
| Credited to consolidated income statement       | –  | –                                 | <b>148,801</b>                                |
| At the end of the period                        | <b>1,555,768</b>                                 | <b>8,238,925</b>                  | <b>2,519,618</b>                              |

# Notes

## 8 NON-CURRENT ASSETS *(continued)*

The movements in deferred income tax assets presented above are prior to offsetting of balances within the same jurisdiction. 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 amounts shown in the consolidated balance sheet are determined after appropriate offset.

## 9 INVENTORIES

|                                    | September 30,<br>2021<br>US\$' 000 | March 31,<br>2021<br>US\$' 000 |
|------------------------------------|------------------------------------|--------------------------------|
| Raw materials and work-in-progress | 6,119,851                          | 4,155,268                      |
| Finished goods                     | 2,185,754                          | 1,920,660                      |
| Service parts                      | 422,211                            | 304,648                        |
|                                    | <b>8,727,816</b>                   | 6,380,576                      |

## 10 TRADE RECEIVABLES AND TRADE PAYABLES

(a) Customers are generally granted credit term ranging from 0 to 120 days. Ageing analysis of trade receivables of the Group at the balance sheet date, based on invoice date, is as follows:

|                         | September 30,<br>2021<br>US\$' 000 | March 31,<br>2021<br>US\$' 000 |
|-------------------------|------------------------------------|--------------------------------|
| 0 - 30 days             | 7,521,862                          | 6,301,112                      |
| 31 - 60 days            | 1,285,132                          | 1,315,788                      |
| 61 - 90 days            | 436,763                            | 457,658                        |
| Over 90 days            | 394,198                            | 468,473                        |
|                         | <b>9,637,955</b>                   | 8,543,031                      |
| Less: loss allowance    | <b>(137,185)</b>                   | (145,206)                      |
| Trade receivables - net | <b>9,500,770</b>                   | 8,397,825                      |

## 10 TRADE RECEIVABLES AND TRADE PAYABLES (continued)

### (a) (continued)

At September 30, 2021, trade receivables, net of loss allowance, of US\$619,387,000 (March 31, 2021: US\$562,648,000) were past due. The ageing of these receivables, based on due date, is as follows:

|                | September 30,<br>2021<br>US\$' 000 | March 31,<br>2021<br>US\$' 000 |
|----------------|------------------------------------|--------------------------------|
| Within 30 days | 371,760                            | 332,784                        |
| 31 – 60 days   | 104,364                            | 95,211                         |
| 61 – 90 days   | 52,020                             | 53,241                         |
| Over 90 days   | 91,243                             | 81,412                         |
|                | <b>619,387</b>                     | 562,648                        |

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

|   | 6 months ended<br>September 30,<br>2021<br>US\$' 000 | Year ended<br>March 31,<br>2021<br>US\$' 000 |
|---|--|--|
| At the beginning of the period/year                     | 145,206  | 95,456                                       |
| Exchange adjustment                                     | (383)  | (4,954)                                      |
| Increase in loss allowance recognized in profit or loss | 34,887   | 142,663                                      |
| Uncollectible receivables written off                   | (15,172)   | (53,366)                                     |
| Unused amounts reversed                                 | (27,353)   | (34,593)                                     |
| At the end of the period/year                           | <b>137,185</b>                                       | 145,206                                      |

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

|              | September 30,<br>2021<br>US\$' 000 | March 31,<br>2021<br>US\$' 000 |
|--------------|------------------------------------|--------------------------------|
| 0 – 30 days  | 7,632,785                          | 6,824,377                      |
| 31 – 60 days | 2,249,998                          | 2,049,369                      |
| 61 – 90 days | 1,008,115                          | 949,294                        |
| Over 90 days | 601,086                            | 397,756                        |
|              | <b>11,491,984</b>                  | 10,220,796                     |



# Notes

## 11 DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

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

|                   | September 30,<br>2021<br>US\$' 000 | March 31,<br>2021<br>US\$' 000 |
|-------------------|------------------------------------|--------------------------------|
| Deposits          | 175,850                            | 16,731                         |
| Other receivables | 3,725,741                          | 3,787,734                      |
| Prepayments       | 1,098,565                          | 1,173,036                      |
|                   | <b>5,000,156</b>                   | 4,977,501                      |

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

## 12 PROVISIONS, OTHER PAYABLES AND ACCRUALS

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

|                                       | September 30,<br>2021<br>US\$' 000 | March 31,<br>2021<br>US\$' 000 |
|---------------------------------------|------------------------------------|--------------------------------|
| Accruals                              | 3,719,810                          | 3,385,903                      |
| Allowance for billing adjustments (i) | 3,063,393                          | 2,464,020                      |
| Written put option liabilities (ii)   | 336,426                            | 324,277                        |
| Other payables (iii)                  | 7,936,431                          | 6,870,636                      |
| Lease liabilities                     | 139,299                            | 133,662                        |
|                                       | <b>15,195,359</b>                  | 13,178,498                     |

Notes:

- (i) Allowance for billing adjustments relates primarily to allowances for future volume discounts, price protection, rebates and customer sales returns.
- (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\$356 million).  
  
The put option liability shall be re-measured as a result of the change in the expected performance at each balance sheet date, with any resulting gain or loss recognized in the consolidated income statement. In the event that the put option lapses unexercised, the liability will be derecognized with a corresponding adjustment to equity.
- (iii) Majority of other payables are obligations to pay for finished goods that have been acquired in the ordinary course of business from subcontractors.
- (iv) The carrying amounts of other payables and accruals approximate their fair values.

## 12 PROVISIONS, OTHER PAYABLES AND ACCRUALS *(continued)*

(b) The components of provisions are as follows:

|   | Warranty<br>US\$' 000 | Environmental<br>restoration<br>US\$' 000 | Total<br>US\$' 000 |
|---|-----------------------|---|--------------------|
| 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)          |
|   | <b>1,173,882</b>      | <b>32,150</b>                             | <b>1,206,032</b>   |
| 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            |
| Six months ended September 30, 2021                     |                       |   |                    |
| At the beginning of the period                          | <b>1,173,882</b>      | <b>32,150</b>                             | <b>1,206,032</b>   |
| Exchange adjustment                                     | <b>2,137</b>          | <b>(364)</b>                              | <b>1,773</b>       |
| Provisions made   | <b>478,110</b>        | <b>13,482</b>                             | <b>491,592</b>     |
| Amounts utilized  | <b>(473,635)</b>      | <b>(12,646)</b>                           | <b>(486,281)</b>   |
|   | <b>1,180,494</b>      | <b>32,622</b>                             | <b>1,213,116</b>   |
| Long-term portion classified as non-current liabilities | <b>(254,384)</b>      | <b>(29,177)</b>                           | <b>(283,561)</b>   |
| At the end of the period                                | <b>926,110</b>        | <b>3,445</b>                              | <b>929,555</b>     |

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.

# Notes

## 13 OTHER NON-CURRENT LIABILITIES

Details of other non-current liabilities are as follows:

|  | September 30,<br>2021<br>US\$' 000 | March 31,<br>2021<br>US\$' 000 |
|--|------------------------------------|--------------------------------|
| Deferred consideration (a)                               | 25,072                             | 25,072                         |
| Written put option liabilities (b)                       | 517,955                            | 518,499                        |
| Lease liabilities  | 317,875                            | 333,264                        |
| Environmental restoration (Note 12(b))                   | 29,177                             | 29,339                         |
| Government incentives and grants received in advance (c) | 71,030                             | 66,234                         |
| Others   | 415,372                            | 463,748                        |
|  | <b>1,376,481</b>                   | 1,436,156                      |

- (a) Pursuant to the joint venture agreement entered into with NEC Corporation, the Group is required to pay in cash to NEC Corporation deferred consideration. As at September 30, 2021, the potential undiscounted amount of future payment in respect of the deferred consideration that the Group could be required to make amounted to US\$25 million (March 31, 2021: US\$25 million).
- (b) Pursuant to the joint venture agreement entered into between the Company and Fujitsu Limited (“Fujitsu”), the Company and Fujitsu are respectively granted call and put options which entitle the Company to purchase from Fujitsu and Development Bank of Japan (“DBJ”), or Fujitsu and DBJ to sell to the Company, the 49% interest in Fujitsu Client Computing Limited and its subsidiary, Shimane Fujitsu Limited (together “FCCL”). Both options will be exercisable following the fifth anniversary of the date of completion. The exercise price for the call and put options will be determined based on the fair value of the 49% interest as of the day of exercising the option. 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.

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

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

- (c) Government incentives and grants received in advance by certain group companies included in other non-current liabilities 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 incentives 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.

## 14 BORROWINGS

|                                  | September 30,<br>2021<br>US\$' 000 | March 31,<br>2021<br>US\$' 000 |
|----------------------------------|------------------------------------|--------------------------------|
| Current liabilities              |                                    |                                |
| Short-term loans (a)             | 55,016                             | 58,190                         |
| Notes (b)                        | 337,022                            | 336,709                        |
| Convertible preferred shares (d) | 90,093                             | 303,372                        |
|                                  | <b>482,131</b>                     | 698,271                        |
| Non-current liabilities          |                                    |                                |
| Long-term loan (a)               | 1,559                              | 2,070                          |
| Notes (b)                        | 2,674,981                          | 2,673,688                      |
| Convertible bonds (c)            | 632,633                            | 623,824                        |
|                                  | <b>3,309,173</b>                   | 3,299,582                      |
|                                  | <b>3,791,304</b>                   | 3,997,853                      |

(a) Majority of the short-term and long-term loans are denominated in United States dollars. As at September 30, 2021, the Group has total revolving and short-term loan facilities of US\$3,077 million (March 31, 2021: US\$3,029 million) which has been utilized to the extent of US\$52 million (March 31, 2021: US\$47 million).

(b)

| Issue date                         | Outstanding principal amount | Term     | Interest rate per annum | Due date      | September 30,<br>2021<br>US\$' 000 | March 31,<br>2021<br>US\$' 000 |
|------------------------------------|------------------------------|----------|-------------------------|---------------|------------------------------------|--------------------------------|
| March 16, 2017                     | US\$337 million              | 5 years  | 3.875%                  | March 2022    | 337,022                            | 336,709                        |
| March 29, 2018                     | US\$687 million              | 5 years  | 4.75%                   | March 2023    | 684,683                            | 683,982                        |
| April 24, 2020<br>and May 12, 2020 | US\$1 billion                | 5 years  | 5.875%                  | April 2025    | 999,298                            | 999,199                        |
| November 2, 2020                   | US\$1 billion                | 10 years | 3.421%                  | November 2030 | 991,000                            | 990,507                        |
|                                    |                              |          |                         |               | <b>3,012,003</b>                   | 3,010,397                      |

# Notes

## 14 BORROWINGS *(continued)*

- (c) On January 24, 2019, the Company completed the issuance of 5-Year US\$675 million convertible bonds bearing annual interest at 3.375% due in January 2024 (“the Bonds”) to third party professional investors (“the bondholders”). The proceeds were used to repay previous notes and for general corporate purposes. The bondholders have the right, at any time on or after 41 days after the date of issue and up to the 10th day prior to the maturity date, to convert part or all of the outstanding principal amount of the Bonds into ordinary shares of the Company at a conversion price of HK\$7.99 per share, subject to adjustments. The conversion price was adjusted to HK\$6.94 per share effective on July 29, 2021. Assuming full conversion of the Bonds at the adjusted conversion price of HK\$6.94 per share, the Bonds will be convertible into 762,214,157 shares.

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

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

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

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

During the period, due to the occurrence of certain specified conditions, the holders of convertible preferred shares have the right to require LETCL to redeem or the Company to purchase all of their convertible preferred shares at the predetermined consideration. Holders of 1,301,368 convertible preferred shares have exercised their rights and the Group has purchased these convertible preferred shares at the consideration of approximately US\$208 million. The aggregate number of 1,438,354 convertible preferred shares purchased by the Group were subsequently converted into ordinary shares of LETCL.

During the period, additional 54,794 convertible preferred shares have been issued as dividend shares. At September 30, 2021, 671,231 convertible preferred shares remained outstanding, representing 6.53% of the enlarged issued ordinary share capital of LETCL on an as-converted and fully diluted basis.

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

#### 14 BORROWINGS (continued)

The exposure of all the borrowings of the Group to interest rate changes and the contractual repricing dates as at September 30, 2021 and March 31, 2021 are as follows:

|                   | September 30,<br>2021<br>US\$' 000 | March 31,<br>2021<br>US\$' 000 |
|-------------------|------------------------------------|--------------------------------|
| Within 1 year     | 482,131                            | 698,271                        |
| Over 1 to 2 years | 685,718                            | 685,008                        |
| Over 2 to 5 years | 1,632,455                          | 1,624,067                      |
| Over 5 years      | 991,000                            | 990,507                        |
|                   | <b>3,791,304</b>                   | 3,997,853                      |

#### 15 SHARE CAPITAL

|  | September 30, 2021  |           | March 31, 2021      |           |
|--|---------------------|-----------|---------------------|-----------|
|  | Number of<br>shares | US\$' 000 | Number of<br>shares | US\$' 000 |
| <i>Issued and fully paid:</i>          |                     |           |                     |           |
| Voting ordinary shares:                |                     |           |                     |           |
| At the beginning of the<br>period/year | 12,041,705,614      | 3,203,913 | 12,014,791,614      | 3,185,923 |
| Issue of warrant shares                | -                   | -         | 26,914,000          | 17,990    |
| At the end of the<br>period/year       | 12,041,705,614      | 3,203,913 | 12,041,705,614      | 3,203,913 |

On November 16, 2020, the Company completed the issuance of 26,914,000 warrant shares at an exercise price of HK\$5.1445 each.

# Notes

## 16 RECONCILIATION OF PROFIT BEFORE TAXATION TO NET CASH GENERATED FROM OPERATIONS

|  | 6 months ended<br>September 30,<br>2021<br>US\$' 000 | 6 months ended<br>September 30,<br>2020<br>US\$' 000 |
|--|--|--|
| Profit before taxation   | 1,392,370  | 802,463  |
| Share of losses of associates and joint ventures   | 3,119  | 16,803   |
| Finance income   | (23,224)   | (17,333)   |
| Finance costs  | 187,070  | 198,449  |
| Depreciation of property, plant and equipment  | 167,904  | 147,617  |
| Depreciation of right-of-use assets  | 65,620   | 45,963   |
| Amortization of intangible assets  | 386,872  | 311,849  |
| Impairment of intangible assets  | 31,434   | 52,606   |
| Impairment of property, plant and equipment  | 10,189   | -  |
| Share-based compensation   | 173,594  | 127,752  |
| Gain on disposal of property, plant and equipment  | (4,948)  | (70,872)   |
| Loss on disposal of intangible assets  | 4,590  | 450  |
| Dilution gain on interest in an associate  | -  | (31,374)   |
| Gain on disposal of subsidiaries   | (32,303)   | (1,064)  |
| Fair value change on bonus warrants  | -  | 1,288  |
| Fair value change on financial instruments   | 17,579   | 4,641  |
| Fair value change on financial assets at fair value through profit or loss                   | (110,684)  | (132,920)  |
| Fair value change on a financial liability at fair value through profit or loss              | 9,851  | 1,773  |
| Dividend income  | (1,350)  | (384)  |
| Increase in inventories  | (2,352,394)  | (343,089)  |
| Increase in trade receivables, notes receivable, deposits, prepayments and other receivables | (1,245,960)  | (2,178,297)  |
| Increase in trade payables, notes payable, provisions, other payables and accruals           | 3,779,967  | 2,752,982  |
| Effect of foreign exchange rate changes  | 12,524   | (127,391)  |
| Net cash generated from operations   | <b>2,471,820</b>                                     | 1,561,912  |

## 16 RECONCILIATION OF PROFIT BEFORE TAXATION TO NET CASH GENERATED FROM OPERATIONS *(continued)*

### Reconciliation of financing liabilities

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

| <b>Financing liabilities</b>               | <b>September 30,<br/>2021<br/>US\$' 000</b> | March 31,<br>2021<br>US\$' 000 |
|--|---|--------------------------------|
| Short-term loans – current                 | <b>55,016</b>                               | 58,190                         |
| Long-term loan – non-current               | <b>1,559</b>                                | 2,070                          |
| Notes – current                            | <b>337,022</b>                              | 336,709                        |
| Notes – non-current                        | <b>2,674,981</b>                            | 2,673,688                      |
| Convertible bonds – non-current            | <b>632,633</b>                              | 623,824                        |
| Convertible preferred shares – current     | <b>90,093</b>                               | 303,372                        |
| Lease liabilities – current                | <b>139,299</b>                              | 133,662                        |
| Lease liabilities – non-current            | <b>317,875</b>                              | 333,264                        |
|  | <b>4,248,478</b>                            | 4,464,779                      |
| Short-term loans – variable interest rates | <b>53,998</b>                               | 39,672                         |
| Short-term loans – fixed interest rates    | <b>1,018</b>                                | 18,518                         |
| Long-term loan – fixed interest rates      | <b>1,559</b>                                | 2,070                          |
| Notes – fixed interest rates               | <b>3,012,003</b>                            | 3,010,397                      |
| Convertible bonds – fixed interest rates   | <b>632,633</b>                              | 623,824                        |
| Convertible preferred shares – fair value  | <b>90,093</b>                               | 303,372                        |
| Lease liabilities – fixed interest rates   | <b>457,174</b>                              | 466,926                        |
|  | <b>4,248,478</b>                            | 4,464,779                      |



# Notes

## 16 RECONCILIATION OF PROFIT BEFORE TAXATION TO NET CASH GENERATED FROM OPERATIONS (continued)

### Reconciliation of financing liabilities (continued)

|   | Short-term<br>loans<br>current<br>US\$'000 | Long-term<br>loan<br>non-current<br>US\$'000 | Notes<br>current<br>US\$'000 | Notes<br>non-current<br>US\$'000 | Convertible<br>bonds<br>current<br>US\$'000 | Convertible<br>bonds<br>non-current<br>US\$'000 | Convertible<br>preferred<br>shares<br>current<br>US\$'000 | Convertible<br>preferred<br>shares<br>non-current<br>US\$'000 | Lease<br>liabilities<br>current<br>US\$'000 | Lease<br>liabilities<br>non-current<br>US\$'000 | Total<br>US\$'000  |
|---|--|--|------------------------------|----------------------------------|---|---|---|---|---|---|--------------------|
| Financing liabilities as at<br>April 1, 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<br>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<br>March 31, 2021     | 58,190                                     | 2,070  | 336,709                      | 2,673,688                        | -   | 623,824   | 303,372   | -   | 133,662                                     | 333,264   | 4,464,779          |
| Financing liabilities as at<br>April 1, 2021      | <b>58,190</b>                              | <b>2,070</b>                                 | <b>336,709</b>               | <b>2,673,688</b>                 | <b>-</b>                                    | <b>623,824</b>                                  | <b>303,372</b>  | <b>-</b>  | <b>133,662</b>                              | <b>333,264</b>                                  | <b>4,464,779</b>   |
| Proceeds from borrowings                          | <b>5,887,118</b>                           | -  | -                            | -                                | -   | -   | -   | -   | -   | -   | <b>5,887,118</b>   |
| Repayments of borrowings                          | <b>(5,881,692)</b>                         | -  | -                            | -                                | -   | -   | -   | -   | -   | -   | <b>(5,881,692)</b> |
| Repurchase of convertible<br>preferred shares     | -  | -  | -                            | -                                | -   | -   | <b>(208,378)</b>  | -   | -   | -   | <b>(208,378)</b>   |
| Transfer  | <b>511</b>                                 | <b>(511)</b>                                 | -                            | -                                | -   | -   | -   | -   | <b>50,595</b>                               | <b>(50,595)</b>                                 | -                  |
| Principal elements of lease payments              | -  | -  | -                            | -                                | -   | -   | -   | -   | <b>(55,378)</b>                             | -   | <b>(55,378)</b>    |
| Disposal of a subsidiary                          | <b>(9,319)</b>                             | -  | -                            | -                                | -   | -   | -   | -   | -   | -   | <b>(9,319)</b>     |
| Dividends paid                                    | -  | -  | -                            | -                                | -   | -   | <b>(14,751)</b>   | -   | -   | -   | <b>(14,751)</b>    |
| Foreign exchange adjustments                      | <b>208</b>                                 | -  | -                            | -                                | -   | -   | -   | -   | <b>(1,315)</b>                              | <b>(1,073)</b>                                  | <b>(2,180)</b>     |
| Other non-cash movements                          | -  | -  | <b>313</b>                   | <b>1,293</b>                     | -   | <b>8,809</b>                                    | <b>9,850</b>  | -   | <b>11,735</b>                               | <b>36,279</b>                                   | <b>68,279</b>      |
| Financing liabilities as at<br>September 30, 2021 | <b>55,016</b>                              | <b>1,559</b>                                 | <b>337,022</b>               | <b>2,674,981</b>                 | <b>-</b>                                    | <b>632,633</b>                                  | <b>90,093</b>   | <b>-</b>  | <b>139,299</b>                              | <b>317,875</b>                                  | <b>4,248,478</b>   |

## 17 CAPITAL COMMITMENTS

The Group had the following capital commitments:

|                                  | September 30,<br>2021<br>US\$' 000 | March 31,<br>2021<br>US\$' 000 |
|----------------------------------|------------------------------------|--------------------------------|
| Contracted but not provided for: |                                    |                                |
| – Property, plant and equipment  | <b>139,219</b>                     | 131,073                        |
| – Intangible assets              | <b>162</b>                         | 2,927                          |
| – Investment in financial assets | <b>17,766</b>                      | 7,578                          |
|                                  | <b>157,147</b>                     | 141,578                        |

## 18 CONTINGENT LIABILITIES

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

## FINANCIAL REVIEW

### Results

For the six months ended September 30, 2021 and 2020

|   | <b>6 months ended<br/>September 30,<br/>2021<br/>US\$'000</b> | 6 months ended<br>September 30,<br>2020<br>US\$'000 |
|---|---|---|
| Revenue   | <b>34,797,926</b>   | 27,866,765  |
| Gross profit  | <b>5,829,500</b>  | 4,293,861   |
| Gross profit margin   | <b>16.8%</b>  | 15.4%   |
| Operating expenses  | <b>(4,270,165)</b>  | (3,293,479)   |
| Operating profit  | <b>1,559,335</b>  | 1,000,382   |
| Other non-operating income/(expenses) - net                                 | <b>(166,965)</b>  | (197,919)   |
| Profit before taxation  | <b>1,392,370</b>  | 802,463   |
| Profit for the period   | <b>1,042,257</b>  | 596,361   |
| Profit attributable to equity holders of the Company                        | <b>978,050</b>  | 523,017   |
| Earnings per share attributable to equity holders of the Company (US cents) |   |   |
| - Basic   | <b>8.44</b>   | 4.39  |
| - Diluted   | <b>7.50</b>   | 4.24  |
| EBITDA  | <b>2,353,325</b>  | 1,633,563   |
| Dividend per ordinary share (HK cents)                                      |   |   |
| - Interim dividend  | <b>8.0</b>  | 6.6   |

## FINANCIAL REVIEW *(continued)*

### Results *(continued)*

For the six months ended September 30, 2021, the Group achieved total sales of approximately US\$34,798 million. Compared to the corresponding period of last year, profit attributable to equity holders for the period surged by US\$455 million to approximately US\$978 million. In the same reporting period, gross profit margin rose 1.4 percentage points to 16.8 percent, mainly due to increase in average selling prices of PCs, while basic and diluted earnings per share were US8.44 cents and US7.50 cents respectively, representing an increase of US4.05 cents and US3.26 cents.

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

Analysis of operating expenses by function for the six months ended September 30, 2021 and 2020 is as follows:

|   | <b>6 months ended<br/>September 30,<br/>2021<br/>US\$' 000</b> | 6 months ended<br>September 30,<br>2020<br>US\$' 000 |
|---|--|--|
| Selling and distribution expenses       | <b>(1,771,021)</b>   | (1,358,341)  |
| Administrative expenses                 | <b>(1,512,711)</b>   | (1,304,317)  |
| Research and development expenses       | <b>(948,434)</b>   | (639,101)  |
| Other operating income/(expenses) - net | <b>(37,999)</b>  | 8,280  |
|   | <b>(4,270,165)</b>   | (3,293,479)  |

Operating expenses for the period were 30 percent over the corresponding period of last year. Employee benefit costs increased by US\$410 million mainly due to increase in headcount and performance-based bonus. The increase in operating expenses reflected an increased effort in the Group's marketing input in advertising and promotional expenses of US\$210 million to drive brand recognition and fuel future growth. The Group also increased spending on research and development related laboratory testing, services and supplies by US\$103 million. Currency fluctuations during the period presented a challenge to the Group, resulting in a net exchange loss of US\$74 million (2020/21: US\$33 million). During the period, the Group recorded a fair value gain from strategic investments amounted to US\$111 million (2020/21: US\$164 million), reflecting the change in value of the Group's portfolio. While in the corresponding period of last year, a gain on disposal of non-core property assets of US\$73 million was recognized.

## FINANCIAL REVIEW *(continued)*

### Results *(continued)*

Key expenses by nature comprise:

|  | <b>6 months ended<br/>September 30,<br/>2021<br/>US\$'000</b> | 6 months ended<br>September 30,<br>2020<br>US\$'000 |
|--|---|---|
| Depreciation of property, plant and equipment                                    | <b>(86,719)</b>   | (81,741)  |
| Depreciation of right-of-use assets  | <b>(58,557)</b>   | (39,077)  |
| Amortization of intangible assets  | <b>(329,333)</b>  | (301,348)   |
| Impairment of intangible assets  | <b>(31,434)</b>   | (52,606)  |
| Impairment of property, plant and equipment                                      | <b>(10,189)</b>   | -   |
| Employee benefit costs, including  | <b>(2,436,658)</b>  | (2,027,074)   |
| - <i>long-term incentive awards</i>  | <b>(173,594)</b>  | (127,752)   |
| - <i>severance and related costs</i>   | <b>-</b>  | (75,006)  |
| Rental expenses  | <b>(7,703)</b>  | (3,091)   |
| Net foreign exchange loss  | <b>(73,795)</b>   | (32,869)  |
| Advertising and promotional expenses   | <b>(509,153)</b>  | (298,830)   |
| Legal, professional and consulting expenses                                      | <b>(121,755)</b>  | (110,315)   |
| Information technology expenses  | <b>(58,927)</b>   | (55,012)  |
| Provision for loss allowance of trade receivables                                | <b>(7,534)</b>  | (11,279)  |
| Research and development related laboratory testing,<br>services and supplies    | <b>(202,073)</b>  | (98,738)  |
| Gain on disposal of property, plant and equipment                                | <b>4,948</b>  | 70,872  |
| Loss on disposal of intangible assets  | <b>(4,590)</b>  | -   |
| Fair value gain on financial assets at fair value through<br>profit or loss      | <b>110,684</b>  | 132,920   |
| Fair value loss on a financial liability at fair value through<br>profit or loss | <b>(9,851)</b>  | (1,773)   |
| Dilution gain on interest in an associate  | <b>-</b>  | 31,374  |
| Gain on disposal of subsidiaries   | <b>32,303</b>   | 1,064   |
| Others   | <b>(469,829)</b>  | (415,956)   |
|  | <b>(4,270,165)</b>  | (3,293,479)   |

## FINANCIAL REVIEW *(continued)*

### Results *(continued)*

Other non-operating income/(expenses) – net for the six months ended September 30, 2021 and 2020 comprise:

|  | <b>6 months ended<br/>September 30,<br/>2021<br/>US\$' 000</b> | 6 months ended<br>September 30,<br>2020<br>US\$' 000 |
|--|--|--|
| Finance income                                   | <b>23,224</b>  | 17,333   |
| Finance costs                                    | <b>(187,070)</b>   | (198,449)  |
| Share of losses of associates and joint ventures | <b>(3,119)</b>   | (16,803)   |
|  | <b>(166,965)</b>   | (197,919)  |

Finance income mainly represents interest on bank deposits.

Finance costs for the period decreased by 6 percent as compared with the corresponding period of last year 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 and overdrafts of US\$6 million and factoring costs of US\$18 million, partially offset by the increase in interest on notes of US\$12 million.

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

## FINANCIAL REVIEW *(continued)*

### Results *(continued)*

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

|  | 6 months ended<br>September 30, 2021 |   | 6 months ended<br>September 30, 2020 |   |
|--|--------------------------------------|---|--------------------------------------|---|
|  | Revenue<br>US\$' 000                 | Operating<br>profit/(loss)<br>US\$' 000 | Revenue<br>US\$' 000                 | Operating<br>profit/(loss)<br>US\$' 000 |
| IDG  | 30,004,546                           | 2,260,510                               | 24,169,617                           | 1,635,644                               |
| ISG  | 3,802,635                            | (16,946)                                | 3,077,325                            | (90,421)                                |
| SSG  | 2,547,616                            | 548,472                                 | 1,909,939                            | 390,331                                 |
| Total  | 36,354,797                           | 2,792,036                               | 29,156,881                           | 1,935,554                               |
| Intersegment eliminations  | (1,556,871)                          | (466,316)                               | (1,290,116)                          | (343,134)                               |
|  | <b>34,797,926</b>                    | <b>2,325,720</b>                        | <b>27,866,765</b>                    | <b>1,592,420</b>                        |
| Unallocated:   |                                      |   |                                      |   |
| Headquarters and corporate income/<br>(expenses) - net                           |                                      | (682,689)                               |                                      | (596,326)                               |
| Depreciation and amortization  |                                      | (330,939)                               |                                      | (257,354)                               |
| Impairment of intangible assets  |                                      | (25,434)                                |                                      | (52,606)                                |
| Finance income   |                                      | 14,684                                  |                                      | 10,574                                  |
| Finance costs  |                                      | (40,593)                                |                                      | (107,344)                               |
| Share of losses of associates and<br>joint ventures                              |                                      | (3,119)                                 |                                      | (16,803)                                |
| Gain on disposal of property, plant<br>and equipment                             |                                      | 525                                     |                                      | 67,110                                  |
| Fair value gain on financial assets at<br>fair value through profit or loss      |                                      | 110,684                                 |                                      | 132,920                                 |
| Fair value loss on a financial liability at<br>fair value through profit or loss |                                      | (9,851)                                 |                                      | (1,773)                                 |
| Dilution gain on interest in an associate  |                                      | -                                       |                                      | 31,374                                  |
| Gain on disposal of subsidiaries   |                                      | 32,303                                  |                                      | -                                       |
| Dividend income  |                                      | 1,079                                   |                                      | 271                                     |
| Consolidated profit before taxation  |                                      | <b>1,392,370</b>                        |                                      | 802,463                                 |

Headquarters and corporate income/(expenses) - net for the period comprise various expenses, after appropriate allocation to business groups, of US\$683 million (2020/21: US\$596 million) such as employee benefit costs, legal, professional and consulting expenses, and research and technology expenses. The increase is primarily in relation to employee benefit costs as a result of increased performance-based bonus of US\$75 million as compared with the corresponding period of last year.

## FINANCIAL REVIEW *(continued)*

### Financial Position

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

|  | September 30,<br>2021<br>US\$'000 | March 31,<br>2021<br>US\$'000 |
|--|-----------------------------------|-------------------------------|
| <b>Non-current assets</b>  |                                   |                               |
| Property, plant and equipment  | 1,555,768                         | 1,573,875                     |
| Right-of-use assets  | 869,174                           | 893,422                       |
| Construction-in-progress   | 286,658                           | 207,614                       |
| Intangible assets  | 8,238,925                         | 8,405,005                     |
| Interests in associates and joint ventures                           | 86,090                            | 65,455                        |
| Deferred income tax assets   | 2,462,103                         | 2,344,740                     |
| Financial assets at fair value through profit or loss                | 1,027,518                         | 805,013                       |
| Financial assets at fair value through other<br>comprehensive income | 79,809                            | 84,796                        |
| Other non-current assets   | 396,897                           | 275,359                       |
|  | <b>15,002,942</b>                 | <b>14,655,279</b>             |

#### ***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 slight decrease is mainly attributable to current period depreciation, partly offset by the Group's further investments in plant and machinery and transfer of completed assets from construction-in-progress to cope with business growth.

#### ***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 3 percent decrease is mainly attributable to current period amortization, partly offset by lease renewals and new leases entered into during the period.

#### ***Construction-in-progress***

Construction-in-progress comprise mainly the Group's investments in manufacturing sites and office buildings, internal use software and research and development laboratories. Internal use software mainly comprises online platform development and system enhancement for business operations. The 38 percent increase is mainly attributable to further investment in buildings under construction and internal use software during the period, which is partly offset by transfer of completed assets to property, plant and equipment and intangible assets.

#### ***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 2 percent decrease is mainly due to current period amortization and impairment of certain patent and technology and internal use software, partly offset by acquisition of patent and technology and transfer of completed internal use software from construction-in-progress to cope with the growth of business.



## FINANCIAL REVIEW *(continued)*

### Financial Position *(continued)*

#### **Interests in associates and joint ventures**

Interests in associates and joint ventures increased by 32 percent, which is mainly attributable to the reclassification of a subsidiary to an associate upon partial disposal, partly offset by the share of losses of associates and joint ventures during the period.

#### **Deferred income tax assets**

Deferred income tax assets amounted to US\$2,462 million as at current period end, representing an increase of 5 percent, 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 28 percent during the period, which is mainly attributable to net fair value gain recognized and additional investments, partly offset by the disposal of certain financial assets.

#### **Financial assets at fair value through other comprehensive income**

Financial assets at fair value through other comprehensive income decreased by 6 percent during the period, which is mainly attributable to net fair value loss recognized.

|   | <b>September 30,<br/>2021<br/>US\$' 000</b> | March 31,<br>2021<br>US\$' 000 |
|---|---|--------------------------------|
| <b>Current assets</b>                       |   |                                |
| Inventories                                 | <b>8,727,816</b>                            | 6,380,576                      |
| Trade receivables                           | <b>9,500,770</b>                            | 8,397,825                      |
| Notes receivable                            | <b>67,937</b>                               | 78,939                         |
| Derivative financial assets                 | <b>140,239</b>                              | 118,299                        |
| Deposits, prepayments and other receivables | <b>5,000,156</b>                            | 4,977,501                      |
| Income tax recoverable                      | <b>403,784</b>                              | 254,442                        |
| Bank deposits                               | <b>83,543</b>                               | 59,385                         |
| Cash and cash equivalents                   | <b>3,647,478</b>                            | 3,068,385                      |
|   | <b>27,571,723</b>                           | 23,335,352                     |

#### **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 70 percent of total inventories. The Group's inventory purchase and production plan are primarily based on expectations on market demand. The 37 percent increase is mainly attributable to the higher raw materials inventory level which is in response to the industry-wide component shortage, where the Group strive to source more components to cope with the increase in market demand.

## FINANCIAL REVIEW *(continued)*

### Financial Position *(continued)*

#### **Trade receivables and notes receivable**

Trade receivables and notes receivable increased by 13 percent as a result of seasonality where higher sales were recognized during the second quarter of the current year as compared with the fourth quarter of the previous 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 components sold in the ordinary course of business and other tax receivables.

#### **Cash and cash equivalents**

The 19 percent increase is mainly attributable to cash generated from operating activities, partly offset by capital expenditure, dividend payment, contribution to employee share trusts, repurchase of convertible preferred shares and purchase of financial assets at fair value through profit or loss during the period. The growth of business and working capital management enables the Group to maintain sufficient cash to meet operational, financing and investing needs.

|                     | <b>September 30,<br/>2021<br/>US\$'000</b> | March 31,<br>2021<br>US\$'000 |
|---------------------|--|-------------------------------|
| <b>Total equity</b> |  |                               |
| Share capital       | <b>3,203,913</b>                           | 3,203,913                     |
| Reserves and others | <b>934,903</b>                             | 406,620                       |
|                     | <b>4,138,816</b>                           | 3,610,533                     |

#### **Total equity**

Total equity increased from US\$3,611 million to US\$4,139 million which is mainly due to profit for the period and share-based compensation credited to reserves, partly offset by payment of final dividends and contribution to employee share trusts.

## FINANCIAL REVIEW *(continued)*

### Financial Position *(continued)*

|                                 | September 30,<br>2021<br>US\$' 000 | March 31,<br>2021<br>US\$' 000 |
|---------------------------------|------------------------------------|--------------------------------|
| <b>Non-current liabilities</b>  |                                    |                                |
| Borrowings                      | 3,309,173                          | 3,299,582                      |
| Warranty provision              | 254,384                            | 266,313                        |
| Deferred revenue                | 1,334,636                          | 1,183,247                      |
| Retirement benefit obligations  | 428,514                            | 431,905                        |
| Deferred income tax liabilities | 387,993                            | 391,258                        |
| Other non-current liabilities   | 1,376,481                          | 1,436,156                      |
|                                 | <b>7,091,181</b>                   | <b>7,008,461</b>               |

#### ***Borrowings***

Borrowings (classified as non-current) comprise mainly notes due in March 2023, April 2025 and November 2030, and convertible bonds due in January 2024.

#### ***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 relates to the Group's unfulfilled performance obligations over extended warranty services at the reporting date for which consideration has been received. The 13 percent increase is driven by the increase in attached services during the period.

#### ***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 option granted to Fujitsu Limited ("Fujitsu"), long-term lease liabilities, deferred consideration and government incentives and grants received in advance. The 4 percent decrease is mainly due to the transfer of certain balances from non-current to current as they will be due within the next 12 months after the period end.

## FINANCIAL REVIEW *(continued)*

### Financial Position *(continued)*

|                                  | September 30,<br>2021<br>US\$' 000 | March 31,<br>2021<br>US\$' 000 |
|----------------------------------|------------------------------------|--------------------------------|
| <b>Current liabilities</b>       |                                    |                                |
| Trade payables                   | 11,491,984                         | 10,220,796                     |
| Notes payable                    | 1,235,486                          | 885,628                        |
| Derivative financial liabilities | 57,333                             | 35,944                         |
| Other payables and accruals      | 15,195,359                         | 13,178,498                     |
| Provisions                       | 929,555                            | 910,380                        |
| Deferred revenue                 | 1,236,632                          | 1,046,677                      |
| Income tax payable               | 716,188                            | 395,443                        |
| Borrowings                       | 482,131                            | 698,271                        |
|                                  | <b>31,344,668</b>                  | <b>27,371,637</b>              |

#### ***Trade payables and notes payable***

The increase in trade payables and notes payable by 15 percent is due to seasonality leading to more purchase of raw materials for production during the second quarter of the current year than in the fourth quarter of the previous 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.

#### ***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 and allowance for billing adjustments, driven by the increase in business activities during the period.

#### ***Provisions***

Provisions comprise warranty provision (due within one year) and environmental restorations. The 2 percent increase is driven by the increase in revenue during the period resulting in higher estimated costs that will be incurred under its basic limited warranty.

#### ***Deferred revenue***

Deferred revenue (classified as current) primarily relates to the Group's unfulfilled performance obligations over extended warranty services at the reporting date for which consideration has been received. The 18 percent increase is driven by the increase in attached services during the period.

#### ***Borrowings***

Borrowings (classified as current) decreased by 31 percent, which is mainly due to the repurchase of convertible preferred shares during the period.

## FINANCIAL REVIEW *(continued)*

### Capital Expenditure

The Group incurred capital expenditure of US\$558 million (2020/21: US\$360 million) during the six months ended September 30, 2021, mainly for the acquisition of property, plant and equipment, additions in construction-in-progress and intangible assets. The higher capital expenditure incurred in the current period was mainly attributable to more investments in plant and machinery, patent and technology and internal use software.

### Liquidity and Financial Resources

At September 30, 2021, total assets of the Group amounted to US\$42,575 million (March 31, 2021: US\$37,991 million), which were financed by equity attributable to owners of the Company of US\$4,003 million (March 31, 2021: US\$3,559 million), other non-controlling interests (net of put option written on non-controlling interests) of US\$136 million (March 31, 2021: US\$52 million), and total liabilities of US\$38,436 million (March 31, 2021: US\$34,380 million). At September 30, 2021, the current ratio of the Group was 0.88 (March 31, 2021: 0.85).

At September 30, 2021, bank deposits and cash and cash equivalents totaling US\$3,731 million (March 31, 2021: US\$3,128 million) analyzed by major currency are as follows:

|                   | September 30,<br>2021<br>% | March 31,<br>2021<br>% |
|-------------------|----------------------------|------------------------|
| US dollar         | 39.5                       | 34.9                   |
| Renminbi          | 22.7                       | 25.7                   |
| Japanese Yen      | 7.9                        | 11.3                   |
| Euro              | 5.4                        | 5.5                    |
| Australian dollar | 3.0                        | 3.4                    |
| Other currencies  | 21.5                       | 19.2                   |
| Total             | 100.0                      | 100.0                  |

The Group adopts a conservative policy to invest the surplus cash generated from operations. At September 30 and March 31, 2021, all cash and cash equivalents are bank deposits.

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

The Group has the following banking facilities:

| Type                    | Date of<br>agreement | Principal<br>amount<br>US\$ million | Term    | Utilized amount at                    |                                   |
|-------------------------|----------------------|-------------------------------------|---------|---------------------------------------|-----------------------------------|
|                         |                      |                                     |         | September 30,<br>2021<br>US\$ million | March 31,<br>2021<br>US\$ million |
| Revolving loan facility | March 28, 2018       | 1,500                               | 5 years | -                                     | -                                 |
| Revolving loan facility | May 12, 2020         | 300                                 | 5 years | -                                     | -                                 |
| Revolving loan facility | May 14, 2020         | 200                                 | 5 years | -                                     | -                                 |

## FINANCIAL REVIEW *(continued)*

### Liquidity and Financial Resources *(continued)*

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

| Credit facilities                  | Total available amount at          |                                | Drawn down amount at               |                                |
|------------------------------------|------------------------------------|--------------------------------|------------------------------------|--------------------------------|
|                                    | September 30, 2021<br>US\$ million | March 31, 2021<br>US\$ million | September 30, 2021<br>US\$ million | March 31, 2021<br>US\$ million |
| Trade lines                        | 2,472                              | 2,003                          | 1,907                              | 1,637                          |
| Short-term money market facilities | 1,077                              | 1,029                          | 52                                 | 47                             |
| Forward foreign exchange contracts | 12,754                             | 12,023                         | 12,698                             | 11,975                         |

Apart from the above facilities, notes, convertible bonds and convertible preferred shares issued by the Group and outstanding as at September 30, 2021 are as follows:

|                              | Issue date                         | Outstanding 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<br>(Note (a)) | 3.375%                           | January 2024      | For repayment of previous Notes and general corporate purposes  |
| Convertible preferred shares | June 21, 2019                      | US\$90 million               | N/A<br>(Note (b))     | 4%                               | N/A<br>(Note (b)) | For general corporate funding and capital expenditure   |
| 2025 Notes                   | April 24, 2020<br>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 14(c) to the Financial Information for details.

(b) Please refer to Note 14(d) to the Financial Information for details.

## FINANCIAL REVIEW *(continued)*

### Liquidity and Financial Resources *(continued)*

Net debt position and gearing ratio of the Group as at September 30 and March 31, 2021 are as follows:

|  | <b>September 30,<br/>2021<br/>US\$ million</b> | March 31,<br>2021<br>US\$ million |
|--|--|-----------------------------------|
| Bank deposits and cash and cash equivalents        | <b>3,731</b>                                   | 3,128                             |
| Borrowings   |  |                                   |
| – Short-term loans                                 | <b>55</b>                                      | 58                                |
| – Long-term loan                                   | <b>1</b>                                       | 2                                 |
| – Notes  | <b>3,012</b>                                   | 3,011                             |
| – Convertible bonds                                | <b>633</b>                                     | 624                               |
| – Convertible preferred shares                     | <b>90</b>                                      | 303                               |
| Net debt position                                  | <b>(60)</b>                                    | (870)                             |
| Total equity                                       | <b>4,139</b>                                   | 3,611                             |
| Gearing ratio (Borrowings divided by total equity) | <b>0.92</b>                                    | 1.11                              |

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

The Group adopts a consistent hedging policy for business transactions to reduce the risk of currency fluctuation arising from daily operations. At September 30, 2021, the Group had commitments in respect of outstanding forward foreign exchange contracts amounting to US\$12,698 million (March 31, 2021: US\$11,975 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.

## BUSINESS REVIEW AND OUTLOOK

### Highlights

During the six months ended September 30, 2021, Lenovo (the Group) succeeded in delivering record-breaking revenue across all three of its business groups. Thanks to record profitability, its profit attributable to equity holders increased 87 percent year-on-year to set an all-time high. The Group grew its market leading share in several technology segments and took advantage of the growing global trend of Digital and Service-led Transformation. The accelerated transformation in response to dynamic shifts in people's daily work, study and entertainment is driving secular growth in service opportunities and a commercial upgrade cycle. The ICT (Information and Communication Technology) infrastructure upgrade cycle should fuel spending in datacenters and the commercial PC segment, both of which, according to an industry research, are likely to reach or exceed double-digit growth.

The positive impacts from these powerful industry changes synergized with rising revenue contribution from high value-added sales, higher average selling prices (ASP) and better profitability of the company's products. The Group is on track to deliver its medium-term target of doubling its net income margin through high-growth and high-margin opportunities. Its gross and net income margin expanded consistently on annual basis in last four years except for a brief period during COVID-19 outbreak when the global economy experienced a downturn. The industry-wide component shortage of various integrated circuits (ICs) remained a business challenge, causing delays in order fulfillment and significant back-log orders across PCs, smartphones, and servers. The Group was able to excel in operational efficiency by securing more supply of components than peers to outgrow the market. All business groups showcased their capabilities in achieving record profitability for the period under review, thanks to rising contribution from high-margin Solutions & Services Group (SSG) business as well as improved profitability of Infrastructure Solutions Group (ISG) and Intelligent Devices Group (IDG).

The Group's net operating cash inflows was US\$2.0 billion with a year-over-year increase of US\$920 million in the six-month period under review. The company reduced its net debt by US\$1.0 billion year-on-year pivoting on its strength in cashflow generation. Its research and development (R&D) expenses increased by 48 percent year-on-year to enhance service and product competitiveness. At its flagship event Lenovo TechWorld 2021, the Group unveiled TruScale as-a-Service brand, an enhanced edge to cloud portfolio, Lenovo Artificial Intelligence (AI) brain, AI edge products ThinkEdge platform for enterprises, and premium Yoga products such as Lenovo Yoga Slim 7.

### Group Financial Performance

During the period under review, the Group achieved record profit attributable to equity holders with an 87 percent surge to US\$978 million, while its revenue grew 25 percent to US\$34.8 billion. The Group's net income margin, driven by strength in its core business, set a new milestone at 2.8 percent. Its gross profit increased 36 percent while its gross margin expanded 134 basis points year-on-year to 16.8 percent.

The Group's record-breaking performances have been supported not only by its bread-and-butter product business but also by its fast-growing services. By business group, SSG's revenue posted a 33 percent year-on-year growth to US\$2.5 billion thanks to strong double-digit revenue growth across three service segments. Its operating profit increased 41 percent to US\$548 million and operating margin improved by 1.1 percentage points year-on-year to 21.5 percent.

IDG boosted its operating profit by 38 percent year-on-year on a revenue increase of 24 percent. As a major beneficiary of the recovery in enterprise spending, commercial PC was a bright spot showcasing a year-on-year revenue growth rate exceeding 20 percent. Supported by buoyant demand for high-growth and premium products including thin-and-light, workstation, and premium Yoga-series, the Group grew its ASPs by double-digits year-on-year. IDG's smartphone business reported a 43 percent revenue growth, driven by outstanding performances across America and Europe.



## **BUSINESS REVIEW AND OUTLOOK** *(continued)*

### **Group Financial Performance** *(continued)*

ISG achieved another record result and narrowed its losses by US\$73 million year-on-year during the period under review. ISG is another key beneficiary of the New IT trend aspired by Digital Transformation. Its revenue increased 24 percent year-on-year, driven by robust performances across the Cloud Service Provider (CSP) segment and the Enterprise & Small and Medium Business (ESMB) segment.

The Group recognized fair value gains from its strategic investments amounting to US\$111 million during the period under review. The change in fair value included revaluation gains (losses) on unlisted holdings after new investment rounds and mark-to-market gains (losses) on listed holdings.

### **Geographic Performance**

Lenovo is a global business operating in more than 180 markets. For the period under review, in China, the Group delivered a phenomenal 44 percent year-on-year sales growth and saw healthy momentum across its three business groups. Its PC business continued to capture market share, driven by enterprise recovery, robust growth in sales of premium products, and strength in the e-Commerce segment. Its ISG business also reported a strong double-digit year-on-year revenue growth in China. The Support Services, Managed Services & as-a-Service (aaS) solutions continued to gain traction and boosted SSG's performance in China.

In America (AG), the Group delivered a 33 percent year-on-year increase in sales. Its IDG business continued to drive solid performance during the period under review. The SSG business posted robust growth, showcasing the company's ability to leverage its core competencies to capture new demand. In Europe-Middle East-Africa (EMEA), its IDG business maintained a double-digit growth in both the PC and smartphone business. Asia Pacific (excluding China) was the only regional market where a year-on-year sales decline was reported, due to fewer educational deals in Japan.

### **Performance by Business Group**

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

The IDG Group, consisting of the PC, tablet, smartphone, and other smart device businesses, delivered stellar revenue growth of 24 percent and profit growth of 38 percent. Its operating margin expanded 0.8 percentage points year on year to a record high of 7.5 percent.

Demand for commercial PCs grew at a near-record rate, benefitting from Digital Transformation on a global scale. In addition, PC demand is shifting towards high value-added segments as the use of PCs has become an essential aspect of modern life. This premiumization trend has led to 27-124 percent year-on-year revenue growth across workstation, thin-and-light, Visual, gaming, and premium Yoga product series.

IDG is also making positive progress in non-PC products, which together grew 37 percent year-on-year and contributed 19 percent of the business group's revenue during the period under review. There was a number of high-growth areas, including accessories, tablets, and smartphone business. IDG continued to invest in innovation to enhance its smartphone portfolio, thereby securing gains in market share across Latin America, North America, and Europe.

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

For the period under review, ISG saw a strong infrastructure upgrade cycle from cloud and enterprise customers, as well as accelerated growth in Edge computing, hybrid cloud, and AI deployment. The ISG business demonstrated strong capabilities to grow amid these industry trends. Its revenue increased 24 percent year-on-year to an all-time high of US\$3.8 billion while operating margin improved by 2.5 percentage points year on year. ISG narrowed its losses by 81 percent, or US\$73 million year-on-year, to US\$17 million. This accomplishment was made possible through a concerted effort in improving the segment profitability of CSP and ESMB.

## **BUSINESS REVIEW AND OUTLOOK** *(continued)*

### **Performance by Business Group** *(continued)*

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

The revenue of CSP increased at a double-digit rate year-on-year to an all-time high while its ESMB sales also set a new 5-year record during the period under review. In the CSP segment, ISG further expanded its client base, capitalizing on a broader range of product portfolio offerings to acquire several key new accounts. Its unique ODM+ business model provided a holistic solution to CSP customers encompassing a fully integrated operation including motherboard design, system, and full-rack assembly across server and storage products. Its ESMB business made market share gains in several high-growth and high-margin products, with more prominent growth seen in storage, server, software and services. For example, in the mainstream storage market, the Group further solidified its number two position by reducing the gap with the number one player.

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

Riding on strong “New IT” service opportunities and the trend of commercial recovery, SSG is becoming an important profit engine to lead the Group’s Service-led Transformation. For the period under review, its revenue grew 33 percent year-on-year to \$2.5 billion. Operating profit surged by 41 percent year-on-year to US\$548 million, with an operating margin of 21.5 percentage points. SSG progressed along its growth trajectory by building on the advantages of the Group’s strong platform, leveraging its partnerships, and launching new services to tap into new opportunities. These strategic moves will ensure the Group thrive and sustain future growth.

Its Support Services revenue grew a solid 24 percent year-on-year by driving an increase of penetration rate towards industry best practice and by upselling customers with high value-added services. Premier Services and Asset Recovery Services were well-received by customers, addressing their need for a more optimized remote workforce and faster Environmental, Social, Governance (ESG) deployment. Managed Services further accelerated with revenue up by 77 percent year-on-year. The supercharge growth has been powered by rapid industry growth as well as enhanced service portfolio. SSG now integrates all 18 as-a-service solutions into Lenovo TruScale, offering customers the best tools with flexibility and simplicity. Project Services & Solutions segment saw healthy revenue growth of 36 percent while continuing to focus on building repeatable solutions and in-house intellectual patents. Strong performance across three segments contributed to a rapid 31 percent growth in deferred revenue to a total of US\$2.6 billion.

### **Outlook**

Strategic opportunities in Digital and Service-led Transformation should continue to benefit Lenovo’s full-range products. Service-led transformation, accelerated recovery in enterprise demand, favorable product mix, and innovation are all positive catalysts that help deliver the Group’s medium-term financial target of increasing its net income on a sustainable basis. The Group continues to pursue an accelerating innovation strategy and plans to boost its R&D investments by a significant margin, which is critical to supporting sustainable growth in profitability.

Within IDG, the PC business will continue to address opportunities arising from the robust commercial upgrade cycle and growing demand for high value-added product categories. The PC business will leverage its operational excellence, innovation, solution capabilities, and global franchise to drive consistent premium-to-market growth. The business plans to continue its strong ASP trajectory, maintain leading profitability, capture the demand shift towards high value-added segments, lead Windows 11 PC launches, as well as pioneer new innovations such as ThinkShield Security. Its smartphone business will focus on sustaining strong growth momentum in North America and Europe, while maintaining market leadership in Latin America. Other non-PC products are playing an increasingly important role for IDG, which plans to accelerate its investments to score wins in areas including the fast-growing accessories market.

## **BUSINESS REVIEW AND OUTLOOK** *(continued)*

### **Outlook** *(continued)*

For ISG, its customers are accelerating their pace of infrastructure upgrades. As one of the fastest-growing vendors in global infrastructure sector, ISG has been building industry-leading end-to-end infrastructure solutions and expanding from server to full-stack offerings including storage, Software-Defined Infrastructure, software, and services. In the ESMB segment, ISG will expand its portfolio to enable higher profitability. The Group will also capitalize on its past investments to capture growth opportunities in AI powered Edge, Hybrid Cloud, High Performance Computing, and solutions for Telco/communication sectors. For the CSP segment, the Group will continue to diversify its customer base and expand its share with existing accounts.

For SSG, Lenovo's extensive exposure to commercial PC and ESMB infrastructure will offer huge service potentials. For Support Services, increasing penetration and new opportunities from rising ESG priorities will bring additional growth. By enhancing delivery footprint, differentiation, and core platforms, Managed Services business is well-positioned to capture strong as-a-Service demand. Project Services & Solutions will facilitate vertical growth in manufacturing, education, retail, and smart cities, to build Lenovo's Intellectual Property and repeatable solution portfolio. Further investments in technical talents, systems & tools, IP portfolio, and delivery capabilities should enable the Group to strengthen its competitive edges.

### **Strategic Highlights**

The Group continues to execute its strategy to become the leader and enabler of Intelligent Transformation. The vision of bringing smarter technology to all, coupled with the company's "3S" strategy in Smart Infrastructure, Smart Verticals, and Smart IoT, has brought new business growth opportunities. The Group aims to combine big data and computing power to provide more insights and improve business processes.

Smart Infrastructure provides computing, storage, and networking power to smart devices. The Group's next-generation data center solutions in the hybrid cloud are based on the ThinkAgile platform to capture emerging opportunities in AI-powered Edge and Hybrid Cloud. The Group will continue to invest in its end-to-end solutions ranging from Smart IoT, edge computing, cloud, Big Data to AI. Software solution is another focus area under Smart Infrastructure and the Group has recently introduced the enhanced Lenovo Open Cloud Automation management software designed to support edge computing.

The Group is planning to double down on investments in innovation to further elevate its competitive positions in next-generation product design, solutions, and operational efficiency. An important focus of this innovation strategy is related to ESG initiatives. The Group has committed to achieving carbon emission reduction with a pledge to source 90 percent of electricity used in its global operations from renewable sources and remove one million tons of greenhouse gas emissions from its entire supply chain by FY25/26. On product and solution development, the Group is also proactively promoting its as-a-Service and sustainability solutions. For example, its Asset Recovery Services is not only integral to the end-to-end lifecycle management, but also instrumental in helping customers meet their environmental goals with secure and responsible disposal.

## HUMAN RESOURCES

At September 30, 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.

The Company has launched an employee share purchase plan (“Plan”) in 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 directors and senior management of the Company are not eligible to participate in the Plan. In May 2021, the Compensation Committee approved a slightly higher annual contribution limit for eligible participants, which will be effective in the next annual enrollment cycle in November 2021.

## DIRECTORS’ RIGHTS TO ACQUIRE SHARES OR DEBENTURES

### Long-Term Incentive Program

The Company operates a Long-Term Incentive Program (“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 or four 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.

## DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES (continued)

### Long-Term Incentive Program (continued)

The movements in the share awards of executive and non-executive directors of the Company as of September 30, 2021 under the LTI program are as follows:

| Name              | Award type | Fiscal year of award grant date | Effective price (HK\$) | Number of units                |                           |                          |                             |   |                                     |             | Total outstanding as at September 30, 2021 | Vesting period (mm.dd.yyyy) |
|-------------------|------------|---------------------------------|------------------------|--------------------------------|---------------------------|--------------------------|-----------------------------|---|-------------------------------------|-------------|--|-----------------------------|
|                   |            |                                 |                        | As at April 1, 2021 (unvested) | Awarded during the period | Vested during the period | Exercised during the period | Lapsed/nullified during the period (Note 1) | As at September 30, 2021 (unvested) |             |  |                             |
| 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                   | -                              | -                         | -                        | -                           | -   | -                                   | 45,893,773  | 06.01.2018 - 06.01.2020                    |                             |
|                   | SAR        | 18/19                           | 4.00                   | 6,548,319                      | -                         | 6,548,319                | -                           | -   | -                                   | 39,305,643  | 06.01.2019 - 06.01.2021                    |                             |
|                   | SAR        | 19/20                           | 5.79                   | 33,104,645                     | -                         | 13,241,858               | -                           | -   | 19,862,787                          | 79,451,149  | 06.03.2020 - 06.03.2022                    |                             |
|                   | SAR        | 20/21                           | 4.22                   | 76,048,055                     | -                         | 31,686,690               | -                           | -   | 44,361,365                          | 76,048,055  | 06.01.2021 - 06.01.2023                    |                             |
|                   | SAR        | 21/22                           | 9.45                   | -                              | 35,644,748                | -                        | -                           | -   | 35,644,748                          | 35,644,748  | 06.01.2022 - 06.01.2024                    |                             |
|                   | RSU        | 18/19                           | 4.00                   | 1,561,417                      | -                         | 1,561,417                | -                           | -   | -                                   | -           | 06.01.2019 - 06.01.2021                    |                             |
|                   | RSU        | 19/20                           | 5.79                   | 6,485,200                      | -                         | 2,594,080                | -                           | -   | 3,891,120                           | 3,891,120   | 06.03.2020 - 06.03.2022                    |                             |
|                   | RSU        | 20/21                           | 4.22                   | 3,988,776                      | -                         | 3,988,776                | -                           | -   | -                                   | -           | 06.01.2021                                 |                             |
|                   | RSU        | 20/21                           | 4.22                   | 18,776,263                     | -                         | 7,823,443                | -                           | -   | 10,952,820                          | 10,952,820  | 06.01.2021 - 06.01.2023                    |                             |
|                   | RSU        | 21/22                           | 9.50                   | -                              | 3,871,508                 | -                        | -                           | -   | 3,871,508                           | 3,871,508   | 06.01.2022                                 |                             |
|                   | RSU        | 21/22                           | 9.50                   | -                              | 12,421,157                | -                        | -                           | -   | 12,421,157                          | 12,421,157  | 06.01.2022 - 06.01.2024                    |                             |
| Mr. Zhu Linan     | 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                   | -                              | -                         | -                        | -                           | -   | -                                   | 636,877     | 08.21.2018 - 08.21.2020                    |                             |
|                   | SAR        | 18/19                           | 4.39                   | 375,078                        | -                         | 375,078                  | -                           | -   | -                                   | 1,125,232   | 08.17.2019 - 08.17.2021                    |                             |
|                   | RSU        | 18/19                           | 4.39                   | 59,600                         | -                         | 59,600                   | -                           | -   | -                                   | -           | 08.17.2019 - 08.17.2021                    |                             |
|                   | RSU        | 19/20                           | 5.48                   | 219,086                        | -                         | 109,543                  | -                           | -   | 109,543                             | 109,543     | 09.19.2020 - 09.19.2022                    |                             |
|                   | RSU        | 20/21                           | 5.01                   | 355,877                        | -                         | 118,626                  | -                           | -   | 237,251                             | 237,251     | 09.01.2021 - 09.01.2023                    |                             |
|                   | RSU        | 21/22                           | 7.73                   | -                              | 241,806                   | -                        | -                           | -   | 241,806                             | 241,806     | 08.18.2022 - 08.18.2024                    |                             |

## DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES (continued)

### Long-Term Incentive Program (continued)

| Name                 | Award type     | Fiscal year of award grant date | Effective price (HK\$) | As at April 1, 2021 (unvested) | Awarded during the period | Vested during the period | Exercised during the period | Number of units                              |                                     |  | Vesting period (mm.dd.yyyy) |
|----------------------|----------------|---------------------------------|------------------------|--------------------------------|---------------------------|--------------------------|-----------------------------|--|-------------------------------------|--|-----------------------------|
|                      |                |                                 |                        |                                |                           |                          |                             | Lapsed/ nullified during the period (Note 1) | As at September 30, 2021 (unvested) | Total outstanding as at September 30, 2021 |                             |
| Mr. Zhao John Huan   | 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                   | -                              | -                         | -                        | -                           | -  | -                                   | 955,316                                    | 08.21.2018 - 08.21.2020     |
|                      | SAR            | 18/19                           | 4.39                   | 375,078                        | -                         | 375,078                  | -                           | -  | -                                   | 1,125,232                                  | 08.17.2019 - 08.17.2021     |
|                      | RSU            | 18/19                           | 4.39                   | 59,600                         | -                         | 59,600                   | -                           | -  | -                                   | -  | 08.17.2019 - 08.17.2021     |
|                      | RSU            | 19/20                           | 5.48                   | 219,086                        | -                         | 109,543                  | -                           | -  | 109,543                             | 109,543                                    | 09.19.2020 - 09.19.2022     |
|                      | RSU            | 20/21                           | 5.01                   | 355,877                        | -                         | 118,626                  | -                           | -  | 237,251                             | 237,251                                    | 09.01.2021 - 09.01.2023     |
|                      | RSU            | 21/22                           | 7.73                   | -                              | 241,806                   | -                        | -                           | -  | 241,806                             | 241,806                                    | 08.18.2022 - 08.18.2024     |
| Mr. William O. Grabe | 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                   | -                              | -                         | -                        | -                           | -  | -                                   | 955,316                                    | 08.21.2018 - 08.21.2020     |
|                      | SAR            | 18/19                           | 4.39                   | 375,078                        | -                         | 375,078                  | -                           | -  | -                                   | 1,125,232                                  | 08.17.2019 - 08.17.2021     |
|                      | RSU            | 18/19                           | 4.39                   | 59,600                         | -                         | 59,600                   | -                           | -  | -                                   | -  | 08.17.2019 - 08.17.2021     |
|                      | RSU            | 19/20                           | 5.48                   | 219,086                        | -                         | 109,543                  | -                           | -  | 109,543                             | 109,543                                    | 09.19.2020 - 09.19.2022     |
|                      | RSU            | 20/21                           | 5.01                   | 355,877                        | -                         | 118,625                  | -                           | -  | 237,252                             | 237,252                                    | 09.01.2021 - 09.01.2023     |
|                      | RSU            | 21/22                           | 7.73                   | -                              | 241,806                   | -                        | -                           | -  | 241,806                             | 241,806                                    | 08.18.2022 - 08.18.2024     |
|                      | RSU (Deferral) | 21/22                           | 9.01                   | -                              | 29,083                    | 29,083                   | -                           | -  | -                                   | -  | Note 2                      |
|                      | RSU (Deferral) | 21/22                           | 7.73                   | -                              | 34,004                    | 34,004                   | -                           | -  | -                                   | -  | Note 2                      |

## DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES (continued)

### Long-Term Incentive Program (continued)

| Name                     | Award type | Fiscal year of award grant date | Effective price (HK\$) | As at April 1, 2021 (unvested) | Awarded during the period | Vested during the period | Exercised during the period | Number of units                             |                                     |  | Vesting period (mm.dd.yyyy) |
|--------------------------|------------|---------------------------------|------------------------|--------------------------------|---------------------------|--------------------------|-----------------------------|---|-------------------------------------|--|-----------------------------|
|                          |            |                                 |                        |                                |                           |                          |                             | Lapsed/nullified during the period (Note 1) | As at September 30, 2021 (unvested) | Total outstanding as at September 30, 2021 |                             |
| Mr. William Tudor Brown  | 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                   | -                              | -                         | -                        | -                           | -   | -                                   | 955,316                                    | 08.21.2018 - 08.21.2020     |
|                          | SAR        | 18/19                           | 4.39                   | 375,078                        | -                         | 375,078                  | -                           | -   | -                                   | 1,125,232                                  | 08.17.2019 - 08.17.2021     |
|                          | RSU        | 18/19                           | 4.39                   | 59,600                         | -                         | 59,600                   | -                           | -   | -                                   | -  | 08.17.2019 - 08.17.2021     |
|                          | RSU        | 19/20                           | 5.48                   | 219,086                        | -                         | 109,543                  | -                           | -   | 109,543                             | 109,543                                    | 09.19.2020 - 09.19.2022     |
|                          | RSU        | 20/21                           | 5.01                   | 355,877                        | -                         | 118,625                  | -                           | -   | 237,252                             | 237,252                                    | 09.01.2021 - 09.01.2023     |
|                          | RSU        | 21/22                           | 7.73                   | -                              | 241,806                   | -                        | -                           | -   | 241,806                             | 241,806                                    | 08.18.2022 - 08.18.2024     |
| Mr. Yang Chih-Yuan Jerry | SAR        | 14/15                           | 11.48                  | -                              | -                         | -                        | -                           | 186,221                                     | -                                   | -  | 08.15.2015 - 08.15.2017     |
|                          | SAR        | 14/15                           | 11.07                  | -                              | -                         | -                        | -                           | -   | -                                   | 37,202                                     | 11.06.2015 - 11.06.2017     |
|                          | 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                   | -                              | -                         | -                        | -                           | -   | -                                   | 955,316                                    | 08.21.2018 - 08.21.2020     |
|                          | SAR        | 18/19                           | 4.39                   | 375,078                        | -                         | 375,078                  | -                           | -   | -                                   | 1,125,232                                  | 08.17.2019 - 08.17.2021     |
|                          | RSU        | 18/19                           | 4.39                   | 59,600                         | -                         | 59,600                   | -                           | -   | -                                   | -  | 08.17.2019 - 08.17.2021     |
|                          | RSU        | 19/20                           | 5.48                   | 219,086                        | -                         | 109,543                  | -                           | -   | 109,543                             | 109,543                                    | 09.19.2020 - 09.19.2022     |
|                          | RSU        | 20/21                           | 5.01                   | 355,877                        | -                         | 118,625                  | -                           | -   | 237,252                             | 237,252                                    | 09.01.2021 - 09.01.2023     |
|                          | RSU        | 21/22                           | 7.73                   | -                              | 241,806                   | -                        | -                           | -   | 241,806                             | 241,806                                    | 08.18.2022 - 08.18.2024     |

## DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES (continued)

### Long-Term Incentive Program (continued)

| Name                             | Award type | Fiscal year of award grant date | Effective price (HK\$) | As at April 1, 2021 (unvested) | Awarded during the period | Vested during the period | Exercised during the period | Number of units                              |                                     |  | Vesting period (mm.dd.yyyy) |
|----------------------------------|------------|---------------------------------|------------------------|--------------------------------|---------------------------|--------------------------|-----------------------------|--|-------------------------------------|--|-----------------------------|
|                                  |            |                                 |                        |                                |                           |                          |                             | Lapsed/ nullified during the period (Note 1) | As at September 30, 2021 (unvested) | Total outstanding as at September 30, 2021 |                             |
| 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                   | -                              | -                         | -                        | -                           | -  | -                                   | 955,316                                    | 08.21.2018 - 08.21.2020     |
|                                  | SAR        | 18/19                           | 4.39                   | 375,078                        | -                         | 375,078                  | -                           | -  | -                                   | 1,125,232                                  | 08.17.2019 - 08.17.2021     |
|                                  | RSU        | 18/19                           | 4.39                   | 59,600                         | -                         | 59,600                   | -                           | -  | -                                   | -  | 08.17.2019 - 08.17.2021     |
|                                  | RSU        | 19/20                           | 5.48                   | 219,086                        | -                         | 109,543                  | -                           | -  | 109,543                             | 109,543                                    | 09.19.2020 - 09.19.2022     |
|                                  | RSU        | 20/21                           | 5.01                   | 355,877                        | -                         | 118,625                  | -                           | -  | 237,252                             | 237,252                                    | 09.01.2021 - 09.01.2023     |
|                                  | RSU        | 21/22                           | 7.73                   | -                              | 241,806                   | -                        | -                           | -  | 241,806                             | 241,806                                    | 08.18.2022 - 08.18.2024     |
| Mr. Woo Chin Wan Raymond         | RSU        | 19/20                           | 5.48                   | 238,920                        | -                         | 119,460                  | -                           | -  | 119,460                             | 119,460                                    | 09.19.2020 - 09.19.2022     |
|                                  | RSU        | 20/21                           | 5.01                   | 355,877                        | -                         | 118,626                  | -                           | -  | 237,251                             | 237,251                                    | 09.01.2021 - 09.01.2023     |
|                                  | RSU        | 21/22                           | 7.73                   | -                              | 241,806                   | -                        | -                           | -  | 241,806                             | 241,806                                    | 08.18.2022 - 08.18.2024     |
| Ms. Yang Lan                     | RSU        | 20/21                           | 5.01                   | 312,733                        | -                         | 104,244                  | -                           | -  | 208,489                             | 208,489                                    | 09.01.2021 - 09.01.2023     |
|                                  | RSU        | 21/22                           | 7.73                   | -                              | 241,806                   | -                        | -                           | -  | 241,806                             | 241,806                                    | 08.18.2022 - 08.18.2024     |

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.



## DIRECTORS' INTERESTS

As at September 30, 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 of Hong Kong Limited (the “Stock Exchange”) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) in the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”) were as follows:

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

| Name of director        | Interests in shares/<br>underlying shares<br>(Note 1) | Capacity and number of<br>shares/underlying shares held |                         |                            | Approximate<br>percentage of<br>interests<br>(Note 2) |
|-------------------------|---|---|-------------------------|----------------------------|---|
|                         |   | Personal<br>interests                                   | Corporate<br>interests  | Aggregate<br>long position |   |
| Mr. Yang Yuanqing       | Ordinary shares                                       | 126,429,438   | 622,804,000<br>(Note 3) | 749,233,438                | 9.94%   |
|                         | Share awards  | 447,156,108   | -                       | 447,156,108                |   |
|                         |   |   |                         | 1,196,389,546              |   |
| Mr. Zhu Linan           | Ordinary shares                                       | 3,274,924   | -                       | 3,274,924                  | 0.05%   |
|                         | Share awards  | 2,959,932   | -                       | 2,959,932                  |   |
|                         |   |   |                         | 6,234,856                  |   |
| Mr. Zhao John Huan      | Ordinary shares                                       | 1,278,031   | -                       | 1,278,031                  | 0.04%   |
|                         | Share awards  | 3,688,879   | -                       | 3,688,879                  |   |
|                         |   |   |                         | 4,966,910                  |   |
| Mr. William O. Grabe    | Ordinary shares                                       | 4,365,807   | 744,281                 | 5,110,088                  | 0.07%   |
|                         | Share awards  | 3,688,880   | -                       | 3,688,880                  |   |
|                         |   |   |                         | 8,798,968                  |   |
| Mr. William Tudor Brown | Ordinary shares                                       | 1,292,188   | -                       | 1,292,188                  | 0.04%   |
|                         | Share awards  | 3,688,880   | -                       | 3,688,880                  |   |
|                         |   |   |                         | 4,981,068                  |   |

**DIRECTORS' INTERESTS** (continued)**(i) Interests in the shares and underlying shares of the Company** (continued)

| Name of director                    | Interests in shares/<br>underlying shares<br>(Note 1) | Capacity and number of<br>shares/underlying shares held |                        |           | Aggregate<br>long position | Approximate<br>percentage of<br>interests<br>(Note 2) |
|-------------------------------------|---|---|------------------------|-----------|----------------------------|---|
|                                     |   | Personal<br>interests                                   | Corporate<br>interests |           |                            |   |
| Mr. Yang Chih-Yuan Jerry            | Ordinary shares                                       | 1,171,912   | -                      | 1,171,912 |                            |   |
|                                     | Share awards  | 3,726,082   | -                      | 3,726,082 |                            |   |
|                                     |   |   |                        | 4,897,994 |                            | 0.04%   |
| Mr. Gordon Robert<br>Halyburton Orr | Ordinary shares                                       | 946,978   | -                      | 946,978   |                            |   |
|                                     | Share awards  | 3,509,017   | -                      | 3,509,017 |                            |   |
|                                     |   |   |                        | 4,455,995 |                            | 0.04%   |
| Mr. Woo Chin Wan Raymond            | Ordinary shares                                       | 357,546   | -                      | 357,546   |                            |   |
|                                     | Share awards  | 598,517   | -                      | 598,517   |                            |   |
|                                     |   |   |                        | 956,063   |                            | 0.01%   |
| Ms. Yang Lan                        | Ordinary shares                                       | 104,244   | -                      | 104,244   |                            |   |
|                                     | Share awards  | 450,295   | -                      | 450,295   |                            |   |
|                                     |   |   |                        | 554,539   |                            | 0.01%   |

**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/<br>short position | Capacity/<br>nature of interests            | Number and<br>class of shares/<br>underlying shares/<br>registered capital<br>held | Approximate<br>percentage of<br>interests<br>(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%<br>(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%<br>(Note 5)                                     |
|                   | 北京聯想雲科技有限公司  | Long position                    | Personal interests held as beneficial owner | Registered capital of RMB1,199,900   | 5.74%<br>(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   | 3.01%<br>(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%<br>(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%<br>(Note 5)                                     |
|                   | 陽光雨露信息技術服務(北京)有限公司                                     | Long position                    | Personal interests held as beneficial owner | Registered capital of RMB250,000   | 0.50%<br>(Note 5)                                     |
|                   | 新陽光(天津)技術服務有限公司  | Long position                    | Personal interests held as beneficial owner | Registered capital of RMB31.5  | 0.315%<br>(Note 5)                                    |

## **DIRECTORS' INTERESTS** *(continued)*

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

Notes:

1. Share awards represent underlying shares convertible into ordinary shares. Details of share awards are set out under the above section headed "Long-Term Incentive Program" of "Directors' Rights to Acquire Shares or Debentures".
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 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 352 of the SFO.
5. Mr. Yang Yuanqing holds the interests of RMB2,400,000 (being 1.25%), RMB1,097,144 (being 4.09%), RMB1,199,900 (being 5.74%), RMB2,584,615 (being 3.01%), RMB1,000,000 (being 2.00%), RMB2,100,000 (being 2.10%), RMB250,000 (being 0.50%) and RMB31.5 (being 0.315%) in the registered capital in 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), 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, 鼎道智聯(北京)科技有限公司, 陽光雨露信息技術服務(北京)有限公司 and 新陽光(天津)技術服務有限公司 respectively.

Save as disclosed above, as at September 30, 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 any of 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.

## SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS

As at September 30, 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/<br>short position | Capacity and number of shares/<br>underlying shares held |                           | Aggregate<br>long position<br>(Note 2) | Approximate<br>percentage of<br>interests<br>(Note 1) |
|-------------------------------|----------------------------------|--|---------------------------|--|---|
|                               |                                  | Beneficial<br>owner                                      | Corporate<br>interests    |  |   |
| Legend Holdings Corporation   | Long position                    | 2,867,636,724  | 1,634,587,565<br>(Note 3) | 4,502,224,289                          | 37.39%  |
| Right Lane Limited            | Long position                    | 388,819,317  | 1,245,768,248<br>(Note 4) | 1,634,587,565                          | 13.57%  |
| Red Eagle Group (PTC) Limited | Long position                    | -  | 764,868,248<br>(Note 5)   | 764,868,248                            | 6.35%   |
| Harvest Star Limited          | Long position                    | -  | 764,868,248<br>(Note 6)   | 764,868,248                            | 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<br>(Note 7)                | 5.17%   |
| Legion Elite Limited          | Long position                    | 480,900,000  | 764,868,248               | 1,245,768,248                          | 10.35%  |
| BlackRock, Inc.               | Long position                    | -  | 744,252,028               | 744,252,028                            | 6.18%   |

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

Notes:

1. The percentages were compiled based on the 12,041,705,614 ordinary shares in issued of the Company as at September 30, 2021.
2. The interests include underlying shares as follows:

| Name            | Convertible instruments listed equity derivatives | Cash settled Unlisted equity derivatives |
|-----------------|---|--|
| BlackRock, Inc. | 791,030   | 6,106,000                                |

3. Out of 1,634,587,565 shares, 388,819,317 shares are directly held by Right Lane Limited ("Right Lane"), a direct wholly-owned subsidiary of Legend Holdings Corporation, and 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 meeting is held by Legion Elite and thus Legion Elite is deemed to have interest in those 764,868,248 shares of the Company held by Union Star under the SFO.
4. Part of these shares/underlying shares of the Company are directly or indirectly held by Legion Elite.
5. These shares/underlying shares of the Company are indirectly held by Harvest Star Limited through Union Star.
6. These shares/underlying shares of the Company are directly held through Union Star.
7. Mr. Yang Yuanqing holds more than one-third of 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 September 30, 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 or underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO.

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

During the six months ended September 30, 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 272,836,178 shares from the market for award to employees upon vesting. Details of these program and plan are set out in the 2020/21 annual report of the Company.

## INTERIM DIVIDEND

The Board has declared an interim dividend of HK8.0 cents (2020/21: HK6.6 cents) per share for the six months ended September 30, 2021, absorbing an aggregate amount of approximately US\$123.8 million (2020/21: approximately US\$102.3 million), to shareholders whose names appear on the register of members of the Company on Tuesday, November 30, 2021. The interim dividend will be paid on Friday, December 10, 2021.

## CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed on Tuesday, November 30, 2021, during which no transfer of shares will be registered. In order to qualify for the interim dividend, all properly completed transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's share registrar, Tricor Abacus Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong no later than 4:30 p.m. on Monday, November 29, 2021. Shares of the Company will be traded ex-dividend as from Friday, November 26, 2021.

## CHANGES IN DIRECTORS' EMOLUMENTS AND INFORMATION

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes in directors' emoluments and information of the Company subsequent to the date of the 2020/21 Annual Report or the latest pertaining publication of the Company (whichever later) are set out below:

| Director                 | Details of Changes  |
|--------------------------|---|
| Mr. Yang Yuanqing        | <ul style="list-style-type: none"><li>- In the financial year ending March 31, 2022, Mr. Yang Yuanqing is granted share awards under the long-term incentive program of the Company with a value of US\$25,350,750 (or approximately RMB163,748,668).<br/><i>(Note: The translation of RMB into USD is based on the exchange rate of RMB1.00 to USD0.154815 as at September 30, 2021 and is for information purposes only.)</i></li></ul> |
| Mr. Nicholas C. Allen    | <ul style="list-style-type: none"><li>- Retired as an independent non-executive director and the Chairman of the Audit Committee of the Company with effect from July 20, 2021.</li></ul>   |
| Mr. Woo Chin Wan Raymond | <ul style="list-style-type: none"><li>- Appointed as the Chairman of the Audit Committee of the Company with effect from July 20, 2021.</li></ul>   |
| Mr. Zhao John Huan       | <ul style="list-style-type: none"><li>- Resigned as the president of Hony Capital Limited with effect from August 6, 2021.</li></ul>  |

Save as disclosed above, there is no other information to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

## REVIEW BY AUDIT COMMITTEE

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

The Audit Committee of the Company has reviewed the unaudited interim results of the Group for the six months ended September 30, 2021. It meets regularly with the management, the external auditor and the internal audit personnel to discuss the accounting principles and practices adopted by the Group and internal control and financial reporting matters.

## COMPLIANCE WITH CORPORATE GOVERNANCE CODE

None of the directors of the Company is aware of any information that would reasonably indicate that the Company is not, or was not during the six months ended September 30, 2021, in compliance with the code provisions of the Corporate Governance Code and Corporate Governance Report (the “CG Code”) as set out in Appendix 14 to the Listing Rules, with the exception that the roles of the chairman of the Board (the “Chairman”) and the chief executive officer of the Company (the “CEO”) have not been segregated as required by code provision A.2.1 of the CG Code.

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

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

## COMPLIANCE WITH MODEL CODE

The Company has adopted the Model Code set out in Appendix 10 to the Listing Rules along with its guidance note to govern directors’ securities transactions. Having made specific enquiry of the directors of the Company, all the directors of the Company have confirmed their compliance with the required standard set out in the Model Code and the guidance note at all applicable times during the six months ended September 30, 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.

By Order of the Board

**Yang Yuanqing**

*Chairman and Chief Executive Officer*

November 4, 2021



## **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. 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, 390 Greenwich Street

New York, NY 10013, USA

### **STOCK CODES**

Hong Kong Stock Exchange: 992

American Depositary Receipts: LNVGY

### **WEBSITE**

[www.lenovo.com](http://www.lenovo.com)