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This announcement is for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for securities.

*This announcement does not constitute or form a part of any offer or solicitation to purchase or subscribe for securities in the United States. The securities have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "**Securities Act**"), or the securities laws of any state of the United States or other jurisdiction. Unless they are registered, the securities may be offered only in transactions that are exempt from registration under the Securities Act or the securities laws of any other jurisdiction. This offering is made solely in offshore transactions in compliance with Regulation S under the Securities Act. Any public offering of securities to be made in the United States will be made by means of a prospectus. Such prospectus will contain detailed information about the company making the offer and its management and financial statements. The Issuer (as defined below) does not intend to make any public offering of securities in the United States or in any other jurisdiction where such an offering is restricted or prohibited.*

***This announcement and the offering circular referred to herein are for information purposes only as required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and do not constitute an offer to sell or acquire or the solicitation of an offer to buy any securities. Neither this announcement nor anything referred to herein (including the offering circular) forms the basis for any contract or commitment whatsoever.** For the avoidance of doubt, the publication of this announcement and the offering circular referred to herein shall not be deemed to be an offer of securities made pursuant to a prospectus issued by or on behalf of the issuer for the purposes of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32 of the Laws of Hong Kong) nor shall it constitute an advertisement, invitation or document containing an invitation to the public to enter into or offer to enter into an agreement to acquire, dispose of, subscribe for or underwrite securities for the purposes of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong).*

Notice to Hong Kong investors: *Lenovo Group Limited (the "**Issuer**") confirms that the Bonds (as defined below) are intended for purchase by professional investors (as defined in Chapter 37 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited) only and are listed on The Stock Exchange of Hong Kong Limited on that basis. Accordingly, the Issuer confirms that the Bonds are not appropriate as an investment for retail investors in Hong Kong. Investors should carefully consider the risks involved.*

PUBLICATION OF OFFERING CIRCULAR

Lenovo Group Limited 聯想集團有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 992)

US$675 MILLION 2.50% CONVERTIBLE BONDS DUE 2029

(Stock Code: 05440) (the "Bonds")

Joint Global Coordinators, Joint Dealer Managers

GS	**JPM**	**BNPP**	**CITI**

Joint Global Coordinators

MS	**CS**	**DBS**	**HSBC**

This announcement is issued pursuant to Rule 37.39A of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

Please refer to the offering circular relating to the Bonds dated August 19, 2022 (the "**Offering Circular**") appended hereto. The Offering Circular is published in English only.

The Offering Circular does not constitute a prospectus, notice, circular, brochure or advertisement offering to sell any securities to the public in any jurisdiction, nor is it an invitation to the public to make offers to subscribe for or purchase any securities, nor is it circulated to invite offers by the public to subscribe for or purchase any securities.

The Offering Circular must not be regarded as an inducement to subscribe for or purchase any securities of Lenovo Group Limited, and no such inducement is intended. No investment decision should be made based on the information contained in the Offering Circular.

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

August 29, 2022

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

IMPORTANT NOTICE

NOT FOR DISTRIBUTION IN THE UNITED STATES

THIS OFFERING IS AVAILABLE ONLY TO INVESTORS OUTSIDE OF THE UNITED STATES

IMPORTANT: You must read the following disclaimer before continuing. The following disclaimer applies to the attached offering circular. You are advised to read this disclaimer carefully before accessing, reading or making any other use of the attached offering circular. In accessing the attached offering circular, you agree to be bound by the following terms and conditions, including any modifications to them from time to time, each time you receive any information from us as a result of such access.

Confirmation of Your Representation: You have accessed the attached offering circular on the basis that you have confirmed your representation to Goldman Sachs (Asia) L.L.C., J.P. Morgan Securities plc, BNP Paribas Securities (Asia) Limited and Citigroup Global Markets Limited (together, the "Joint Global Coordinators and Joint Lead Managers"), Morgan Stanley Asia Limited, Credit Suisse (Hong Kong) Limited, DBS Bank Ltd. and The Hongkong and Shanghai Banking Corporation Limited (together, the "Joint Global Coordinators" and together with the Joint Global Coordinators and Joint Lead Managers, the "Managers") that (l) you are outside the United States and to the extent you purchase the securities described in the attached offering circular, you will be doing so pursuant to Regulation S under the U.S. Securities Act of 1933, as amended (the "**U.S. Securities Act**"), AND (2) that you consent to delivery of the attached offering circular and any amendments or supplements thereto by electronic transmission.

The attached offering circular has been made available to you in electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of transmission and consequently none of the Managers, the Trustee and the Principal Agent, and the Registrar and Transfer Agent (each as defined in the attached offering circular) or any of their respective affiliates, directors, officers, employees, representatives, advisors, agents and each person who controls any of them nor any of their respective affiliates accepts any liability or responsibility whatsoever in respect of any discrepancies between the document distributed to you in electronic format and the hard copy version. We will provide a hard copy version to you upon request.

Restrictions: The attached document is being furnished in connection with an offering in offshore transactions in compliance with Regulation S under the U.S. Securities Act solely for the purpose of enabling a prospective investor to consider the purchase of the securities described therein. You are reminded that the information in the attached offering circular is not complete and may be changed. Any investment decision should be made on the basis of a complete final offering circular.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN THE UNITED STATES OR ANY OTHER JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE SECURITIES HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE U.S. SECURITIES ACT, OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR OTHER JURISDICTION AND THE SECURITIES MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES, EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE U.S. SECURITIES ACT AND APPLICABLE STATE OR LOCAL SECURITIES LAWS. THIS OFFERING IS MADE SOLELY IN OFFSHORE TRANSACTIONS IN COMPLIANCE WITH REGULATION S UNDER THE U.S. SECURITIES ACT.

Nothing in this electronic transmission constitutes an offer or an invitation by or on behalf of the issuer of the securities or the Managers to subscribe for or purchase any of the securities described therein, and access has been limited so that it shall not constitute in the United States or elsewhere a general solicitation or general advertising (as those terms are used in Regulation D under the U.S. Securities Act) or directed selling efforts (within the meaning of Regulation S under the U.S. Securities Act). If a jurisdiction requires that the offering be made by a licensed broker or dealer and the Managers or any of their respective affiliates is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made through such person or such affiliate in such jurisdiction.

You are reminded that you have accessed the attached offering circular on the basis that you are a person into whose possession this offering circular may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not nor are you authorized to deliver this document, electronically or otherwise, to any other person.

Actions that You May Not Take: You should not reply by e-mail to this electronic transmission, and you may not purchase any securities by doing so. Any reply e-mail communications, including those you generate by using the "Reply" function on your e-mail software, will be ignored or rejected.

IF YOU HAVE GAINED ACCESS TO THIS TRANSMISSION CONTRARY TO ANY OF THE FOREGOING RESTRICTIONS, YOU ARE NOT AUTHORISED AND WILL NOT BE ABLE TO PURCHASE ANY OF THE SECURITIES DESCRIBED HEREIN.

YOU ARE NOT AUTHORISED TO AND YOU MAY NOT FORWARD OR DELIVER THE ATTACHED OFFERING CIRCULAR, ELECTRONICALLY OR OTHERWISE, TO ANY OTHER PERSON OR REPRODUCE SUCH OFFERING CIRCULAR IN ANY MANNER WHATSOEVER. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THE ATTACHED OFFERING CIRCULAR IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE U.S. SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS.

You are responsible for protecting against viruses and other destructive items. Your use of this e-mail is at your own risk. It is your responsibility to take precautions to ensure that it is free from viruses and other items of a destructive nature.

OFFERING CIRCULAR **CONFIDENTIAL**

Lenovo

(incorporated in Hong Kong with limited liability)

(SEHK Stock Code: 0992)

US$675,000,000 2.50 per cent. Convertible Bonds due 2029

Issue Price: 100.0 per cent.

The 2.50 per cent. convertible Bonds due 2029 in the aggregate principal amount of US$675,000,000 (the "Bonds") will be issued by Lenovo Group Limited (the "Company" or the "Issuer"). Each Bond will, at the option of the holder, be convertible (unless previously redeemed, converted or purchased and cancelled) on or after 41 days after the Issue Date (as defined below) up to the close of business on the 10th day prior to the Maturity Date (as defined below) (both days inclusive) into fully paid ordinary shares of the Issuer (the "Shares") at an initial conversion price of HK$9.94 per Share (the "Conversion Price"). The Conversion Price is subject to adjustment in the circumstances described under "*Terms and Conditions of the Bonds – Conversion*."

Unless previously redeemed, converted or purchased and cancelled, the Bonds will be redeemed on August 26, 2029 (the "Maturity Date") at 100 per cent. of their principal amount outstanding, together with interest accrued but unpaid up to but excluding the Maturity Date. The Issuer may (i) at any time after September 9, 2026 and prior to the Maturity Date redeem in whole, but not in part, the Bonds for the time being outstanding at their principal amount, together with interest accrued but unpaid to but excluding the date fixed for redemption (if any), provided that the Closing Price (as defined in the terms and conditions of the Bonds (the "Terms and Conditions," or the "Terms and Conditions of the Bonds")) of the Shares (as derived from the Daily Quotations Sheet of the Hong Kong Stock Exchange (as defined in the Terms and Conditions) or, as the case may be, the equivalent quotation sheet of an Alternative Stock Exchange (as defined in the Terms and Conditions) and translated into U.S. dollars at the Prevailing Rate (as defined in the Terms and Conditions)) for at least 20 Trading Days (as defined in the Terms and Conditions) (each a "**Condition Satisfaction Day**") out of the 30 consecutive Trading Days, the last Condition Satisfaction Day occurs not more than 10 Trading Days prior to the date upon which notice of such redemption is published, was at least 130 per cent. of the applicable Conversion Price (as defined in the Terms and Conditions) (translated into U.S. dollars at the Fixed Exchange Rate (as defined in the Terms and Conditions)) then in effect, (ii) at any time prior to the Maturity Date redeem in whole, but not in part, the Bonds for the time being outstanding at their principal amount, together with interest accrued but unpaid to but excluding the date fixed for redemption (if any), provided that prior to the date of such notice at least 90 per cent. in principal amount of the Bonds originally issued (including any further bonds issued pursuant to the Terms and Conditions and consolidated and forming a single series with the Bonds) has already been converted, redeemed or purchased and cancelled and (iii) redeem the Bonds in whole, but not in part at any time, at their principal amount outstanding at the date fixed for redemption, together with interest accrued but unpaid to but excluding such date fixed for redemption (if any), if the Issuer has or will become obliged to pay Additional Amounts (as defined in the Terms and Conditions) as a result of any change in, or amendment to, the laws or regulations of any Relevant Jurisdiction (as defined in the Terms and Conditions) or any change in the official application or interpretation of such laws or regulations, which change or amendment, in the case of the Issuer, becomes effective on or after August 17, 2022, and such obligation cannot be avoided by the Issuer taking reasonable measures available to it. The Bonds may be redeemed at the option of the holders (i) following the occurrence of a Relevant Event (as defined in the Terms and Conditions), where the holder of each Bond will have the right at such holder's option, to require the Issuer to redeem all or some only of such holder's Bonds on the Relevant Event Redemption Date (as defined in the Terms and Conditions) at their principal amount, together with interest accrued but unpaid up to but excluding such Relevant Event Redemption Date (if any), and (ii) on August 26, 2026 in relation to all or some only of the Bonds of such holder at their principal amount, together with interest accrued but unpaid to but excluding such Put Option Date (as defined in the Terms and Conditions) (if any). See "*Terms and Conditions of the Bonds – Redemption and Purchase.*"

Investing in the Bonds involves certain risks. Investors should be aware that the Bonds are convertible into the Shares, which involve risks relating to such Shares, and that there are various other risks relating to the Bonds, the Issuer and its subsidiaries, their business and their jurisdictions of operations, which investors should familiarize themselves with before making an investment in the Bonds. See "*Risk Factors*" beginning on page 25 for a discussion of certain factors to be considered in connection with an investment in the Bonds.

The Bonds are being offered only outside the United States in offshore transactions in compliance with Regulation S under the U.S. Securities Act of 1933, as amended (the "Securities Act"). The Bonds have not been, and will not be, registered under the Securities Act or the securities laws of any other jurisdiction. Unless they are so registered, the Bonds may be offered only in transactions that are exempt from or not subject to registration under the Securities Act or the securities laws of any other jurisdiction. For a description of these and other restrictions on offers and sales of the Bonds and the distribution of this offering circular, see "Subscription and Sale."

The Issuer has made an application for the filing registration (the "Pre-Issuance Registration") of the offering of the Bonds with the National Development and Reform Commission (the "NDRC") in accordance with the Circular on Promoting the Reform of the Filing and Registration System for Issuance by Enterprises of Foreign Debt (Fa Gai Wai Zi [2015] No. 2044) (the "NDRC Circular") (國家發展改革委關於推進企業發行外債備案登記制管理改革的通知) (發改外資[2015]2044號)) issued by the NDRC and which came into effect on September 14, 2015. The Issuer has received an Enterprise Foreign Debt Filing Registration Certificate (《企業借用外債備案登記證明》) dated September 1, 2021 with a validity period to September 1, 2022 from the NDRC in connection with the Pre-issuance Registration. Pursuant to the requirements of the NDRC Circular, the Issuer will be required to complete the filing in respect of the issue of the Bonds within 10 business days following the Issue Date.

On August 17, 2022, the Company entered into a dealer manager agreement with Goldman Sachs (Asia) L.L.C., J.P. Morgan Securities plc, BNP Paribas Securities (Asia) Limited and Citigroup Global Markets Limited (the "Dealer Managers") pursuant to which the Dealer Managers were appointed in connection with the potential repurchase of a portion of the U.S.$675,000,000 3.375% convertible bonds due 2024 issued by the Company on January 24, 2019. See "*Summary – Recent Developments.*"

Application has been made to The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange," or "SEHK") for the listing of the Bonds by way of debt issues to professional investors (as defined in Chapter 37 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited) ("Professional Investors") only. This document is for distribution to Professional Investors only.

Notice to Hong Kong investors: The Issuer confirms that the Bonds are intended for purchase by Professional Investors only and will be listed on the Hong Kong Stock Exchange on that basis. Accordingly, the Issuer confirms that the Bonds are not appropriate as an investment for retail investors in Hong Kong. Investors should carefully consider the risks involved.

The Hong Kong Stock Exchange has not reviewed the contents of this document, other than to ensure that the prescribed form disclaimer and responsibility statements, and a statement limiting distribution of this document to Professional Investors only have been reproduced in this document. Listing of the Bonds on the Hong Kong Stock Exchange is not to be taken as an indication of the commercial merits or credit quality of the Bonds or the Company or the Group or quality of disclosure in this document. Hong Kong Exchanges and Clearing Limited and the Hong Kong Stock Exchange take no responsibility for the contents of this offering circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this offering circular. This offering circular includes particulars given in compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") for the purpose of giving information with regard to the Company and the Group. The Company accepts full responsibility for the accuracy of the information contained in this document and confirms, having made all reasonable enquiries, that to the best of its knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

The Bonds will constitute direct, general, unsecured and unsubordinated obligations of the Company. The Bonds will be in registered form in the minimum denomination of US$200,000 and integral multiples of US$1,000 in excess thereof. The Bonds will be represented by beneficial interests in a global certificate (the "Global Certificate") in registered form, which will be registered in the name of a nominee for, and shall be deposited on or about August 26, 2022 (the "Issue Date"), with a common depositary for, Euroclear Bank SA/NV ("Euroclear") and Clearstream Banking S.A. ("Clearstream"). Beneficial interests in the Global Certificate will be shown on, and transfers thereof will be effected only through, records maintained by Euroclear and Clearstream. Except as described herein, certificates for Bonds will not be issued in exchange for interests in the Global Certificate.

Joint Global Coordinators and Joint Lead Managers

Goldman Sachs J.P. Morgan BNP PARIBAS Citigroup

Joint Global Coordinators

Morgan Stanley Credit Suisse DBS Bank Ltd. HSBC

Offering Circular dated August 19, 2022

TABLE OF CONTENTS

NOTICE TO INVESTORS

This offering circular has been prepared by the Company solely for use in connection with the proposed offering of the Bonds. The Company, as well as Goldman Sachs (Asia) L.L.C., J.P. Morgan Securities plc, BNP Paribas Securities (Asia) Limited and Citigroup Global Markets Limited (together, the "Joint Global Coordinators and Joint Lead Managers"), Morgan Stanley Asia Limited, Credit Suisse (Hong Kong) Limited, DBS Bank Ltd. and The Hongkong and Shanghai Banking Corporation Limited (together, the "Joint Global Coordinators" and together with the Joint Global Coordinators and Joint Lead Managers, the "Managers") reserve the right to withdraw the offering of the Bonds at any time or to reject any offer to purchase, in whole or in part, for any reason, or to sell less than all of the Bonds offered hereby.

This offering circular is personal to the prospective investor to whom it has been delivered by the Managers and does not constitute an offer to any other person or to the public in general to subscribe for or otherwise acquire the Bonds. Distribution of this offering circular to any person other than the prospective investor and those persons, if any, retained to advise that prospective investor with respect thereto is unauthorized, and any disclosure of its contents without the Company's prior written consent is prohibited. The prospective investor, by accepting delivery of this offering circular, agrees to the foregoing and agrees not to make any photocopies of this offering circular.

This offering circular is intended solely for the purpose of soliciting indications of interest in the Bonds from qualified investors and does not purport to summarize all of the terms, conditions, covenants and other provisions contained in the trust deed (the "Trust Deed") or the agency agreement (the "Agency Agreement") relating to the Bonds and other transaction documents described herein. The information provided is not all-inclusive. The market information in this offering circular has been obtained by the Company from publicly available sources deemed by it to be reliable. Notwithstanding any investigation that the Managers may have conducted with respect to the information contained herein, the Managers do not accept any liability in relation to the information contained in this offering circular or its distribution or with regard to any other information supplied by or on behalf of the Company.

You should rely only on the information contained in this offering circular. The Company has not authorized anyone to provide you with information that is different. This offering circular may only be used where it is legal to sell the Bonds. The information in this document may only be accurate at the date of this offering circular. Neither the delivery of this offering circular nor any sale made hereunder shall under any circumstances imply that there has been no change in the Company's affairs and those of the Company's subsidiaries or that the information set forth herein is correct in all material respects as at any date subsequent to the date hereof.

This offering circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The directors of the Company collectively and individually accept full responsibility for the accuracy of the information contained in this document and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

Prospective investors hereby acknowledge that (i) they have not relied on the Managers, the Trustee or the Agents (each as defined in the Terms and Conditions of the Bonds) or any person affiliated with the Managers, the Trustee or the Agents in connection with any investigation of the accuracy of such information or their investment decision, and (ii) no person has been authorized to give any information or to make any representation concerning the Company, the Bonds (other than as contained herein and information given by the Company's duly authorized officers and employees, as applicable, in connection with investors' examination of the Company, and the terms of this offering) and, if given or made, any such other information or representation should not be relied upon as having been authorized by the Company or the Managers, the Trustee or the Agents or any of their respective affiliates or representatives. None of the Managers, the Trustee, the Agents or any of their respective affiliates or representatives undertakes to review the financial condition or affairs of the Company for so long as the Bonds remain outstanding, nor to advise any investor or potential investor of the Bonds of any information coming to the attention of any of the Managers, the Trustee, the Agents or any of their respective affiliates or representatives.

In making an investment decision, prospective investors must rely on their examination of the Company and the terms of this offering, including the merits and risks involved. The Bonds have not been approved or recommended by any regulatory authority. Furthermore, no authorities have passed upon or endorsed the merits of the offering or confirmed the accuracy or determined the adequacy of this offering circular.

This offering circular does not constitute an offer to sell, or a solicitation of an offer to buy, any Bonds offered hereby by any person in any jurisdiction in which it is unlawful for such person to make an offer or solicitation.

None of the Company, the Managers, the Trustee, the Agents and their respective affiliates or representatives is making any representation to any offeree or purchaser of the Bonds offered hereby regarding the legality of any investment by such offeree or purchaser under applicable legal investment or similar laws. The Managers, the Trustee and the Agents have not separately verified the information contained in this offering circular. None of the Managers, the Trustee or the Agents makes any representation, warranty or undertaking, express or implied, or accepts any responsibility, with respect to the accuracy or completeness of any of the information in this offering circular. To the fullest extent permitted by law, none of the Managers, the Trustee or the Agents or their respective affiliates or representatives accepts any responsibility for the contents of this offering circular or for any other statement made or purported to be made by the Managers, the Trustee or the Agents or on their behalf in connection with or in relation to the Company or its subsidiaries or the issue and offering of the Bonds. Each of the Managers, the Trustee and the Agents accordingly disclaims all and any liability whether arising in tort or contract or otherwise which it might otherwise have in respect of this offering circular or any such statement. Each prospective investor should consult with its own advisors as to legal, tax, business, financial and related aspects of a purchase of the Bonds.

PROHIBITION OF SALES TO EEA RETAIL INVESTORS – The Bonds are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("EEA"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU ("MiFID II"); or (ii) a customer within the meaning of Directive (EU) 2016/97 (the "Insurance Distribution Directive"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently no key information document required by Regulation (EU) No 1286/2014 (the "PRIIPs Regulation") for offering or selling the Bonds or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Bonds or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

PROHIBITION OF SALES TO UK RETAIL INVESTORS – The Bonds are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom ("UK"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 ("EUWA"); or (ii) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA. Consequently no key information document required by Regulation (EU) No 1286/2014 as it forms part of domestic law by virtue of the EUWA (the "UK PRIIPs Regulation") for offering or selling the Bonds or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Bonds or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

EU MIFID II product governance/Professional investors and ECPs only target market – Solely for the purposes of each manufacturer's product approval process, the target market assessment in respect of the Bonds has led to the conclusion that: (i) the target market for the Bonds is eligible counterparties and professional clients only, each as defined in MiFID II; and (ii) all channels for distribution of the Bonds to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Bonds (a "distributor") should take into consideration the manufacturers' target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Bonds (by either adopting or refining the manufacturers' target market assessment) and determining appropriate distribution channels.

UK MiFIR product governance/Professional investors and ECPs only target market – Solely for the purposes of the manufacturer's product approval process, the target market assessment in respect of the Bonds has led to the conclusion that: (i) the target market for the Bonds is only eligible counterparties, as defined in the FCA Handbook Conduct of Business Sourcebook ("COBS"), and professional clients, as defined in Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 ("UK MiFIR"); and (ii) all channels for distribution of the Bonds to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Bonds (a "distributor") should take into consideration the manufacturer's target market assessment; however, a distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook (the "UK MiFIR Product Governance Rules") is responsible for undertaking its own target market assessment in respect of the Bonds (by either adopting or refining the manufacturer's target market assessment) and determining appropriate distribution channels.

NOTIFICATION UNDER SECTION 309B(1) OF THE SECURITIES AND FUTURES ACT, CHAPTER 289 OF SINGAPORE – Solely for the purposes of its obligations pursuant to section 309B(1) of the Securities and Futures Act 2001 of Singapore (the "SFA"), the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A of the SFA) that the Bonds are "prescribed capital market products" (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018) and "Excluded Investment Products" (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

Each purchaser and transferee of the Bonds in making its purchase will be deemed to have made certain acknowledgements, representations, warranties and agreements as set forth under "*Subscription and Sale*." In addition, each purchaser and transferee of the Bonds will agree that, other than in compliance with the purchase and transfer restrictions described under such caption, it will not offer, sell, pledge or otherwise transfer the Bonds. Each purchaser and transferee of the Bonds may be required to bear the financial risks of investing in the Bonds for an indefinite period of time.

The distribution of this offering circular and the offer and sale of the Bonds may, in certain jurisdictions, be restricted by law. Each purchaser of the Bonds must comply with all applicable laws and regulations in force in each jurisdiction in which it purchases, offers or sells the Bonds or possesses or distributes this offering circular, and must obtain any consent, approval or permission required for the purchase, offer or sale by it of the Bonds under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes purchases, offers or sales. See "*Subscription and Sale*" for a description of certain restrictions on the offer and sale of the Bonds, and the circulation of documents relating thereto, in certain jurisdictions.

Prospective investors should be aware that certain intermediaries in the context of this offering of the Bonds, including certain Managers, are "capital market intermediaries" ("CMIs") subject to Paragraph 21 of the Code of Conduct for Persons Licensed by or Registered with the Securities and Futures Commission (the "Code"). This notice to prospective investors is a summary of certain obligations the Code imposes on such CMIs, which require the attention and cooperation of prospective investors. Certain CMIs may also be acting as "overall coordinators" ("OCs") for this offering and are subject to additional requirements under the Code.

Prospective investors who are the directors, employees or major shareholders of the Issuer, a CMI or its group companies would be considered under the Code as having an association ("Association") with the Issuer, the CMI or the relevant group company (as the case may be). Prospective investors associated with the Issuer or any CMI (including its group companies) should specifically disclose this when placing an order for the Bonds and should disclose, at the same time, if such orders may negatively impact the price discovery process in relation to this offering. Prospective investors who do not disclose their Associations are hereby deemed not to be so associated. Where prospective investors disclose their Associations but do not disclose that such order may negatively impact the price discovery process in relation to this offering, such order is hereby deemed not to negatively impact the price discovery process in relation to this offering.

Prospective investors to whom the allocation of Bonds will be subject to restrictions or require prior consent from the Hong Kong Stock Exchange under the Listing Rules and other regulatory requirements or guidance issued by the Hong Kong Stock Exchange from time to time (the "SEHK Requirements") (e.g. a connected person of a listed issuer) would be considered as "Restricted Investors". Bonds may only be allocated to Restricted Investors in accordance with applicable SEHK Requirements. Prospective investors who are Restricted Investors should specifically disclose whether they are Restricted Investors when placing an order for the Bonds. Prospective investors who do not disclose they are Restricted Investors are hereby deemed not to be Restricted Investors.

Prospective investors should ensure, and by placing an order, prospective investors are deemed to confirm, that orders placed are bona fide, are not inflated and do not constitute duplicated orders (i.e. two or more corresponding or identical orders placed via two or more CMIs). If a prospective investor is an asset management arm affiliated with any Manager, such prospective investor should indicate when placing an order if it is for a fund or portfolio where the Manager or its group company has more than 50% interest, in which case it will be classified as a "proprietary order" and subject to appropriate handling by CMIs in accordance with the Code and should disclose, at the same time, if such "proprietary order" may negatively impact the price discovery process in relation to this offering. Prospective investors who do not indicate this information when placing an order are hereby deemed to confirm that their order is not such a "proprietary order". If a prospective investor is otherwise affiliated with any Manager, such that its order may be considered to be a "proprietary order" (pursuant to the Code), such prospective investor should indicate to the relevant Manager when placing such order and such orders will be subject to applicable requirements in accordance with the Code. Prospective investors who do not indicate this information when placing an order are hereby deemed to confirm that their order is not such a "proprietary order". Where prospective investors disclose such information but do not disclose that such "proprietary order" may negatively impact the price discovery process in relation to this offering, such "proprietary order" is hereby deemed not to negatively impact the price discovery process in relation to this offering.

Prospective investors should be aware that certain information may be disclosed by CMIs (including Private Banks) which is personal and/or confidential in nature to the prospective investor. By placing an order, prospective investors are deemed to have understood and consented to the collection, disclosure, use and transfer of such information by the Managers and/or any other third parties as may be required by the Code, including to the Issuer, any OCs, relevant regulators and/or any other third parties as may be required by the Code, it being understood and agreed that such information shall only be used for the purpose of complying with the Code, during the bookbuilding process for this offering. Failure to provide such information may result in that order being rejected.

CERTAIN DEFINITIONS, CONVENTIONS AND CURRENCY PRESENTATION

We have prepared this offering circular using a number of conventions, which you should consider when reading the information contained herein. When we use the terms "we," "us," "our," "Lenovo," the "Company," the "Issuer," the "Group" and words of similar import, we are referring to Lenovo Group Limited, a company incorporated in Hong Kong with limited liability, and its consolidated subsidiaries, as the context requires.

Unless the context otherwise requires, references to the "PRC" or "China" are to the People's Republic of China, excluding, for the purpose of this offering circular only, the Hong Kong Special Administrative Region ("Hong Kong"), the Macau Special Administrative Region and Taiwan. "PRC government" means the central government of the PRC and all political subdivisions (including provincial, municipal and other regional or local governmental entities) and instrumentalities thereof, or, where the context requires, any of them.

All references to "US$" and "U.S. dollars" are to the lawful currency of the United States of America. All references to "RMB," or "Renminbi" are to the lawful currency of the PRC. All references to "HK$" are to the lawful currency of Hong Kong.

References to a "share" are to, unless the context indicates otherwise, an ordinary share in the Issuer's share capital.

References to market data or market share, unless otherwise indicated, are based on number of units shipped.

In this offering circular:

- "AG" refers to North America and Latin America;
- "AI" refers to artificial intelligence;
- "AP" refers to Asia-Pacific excluding the PRC;
- "Cloud" or "cloud computing" refers to the use of computing resources that are available in a remote location and accessible over a network;
- "EMEA" refers to Europe, the Middle East and Africa;
- "Internet of Things" or "IoT" refers to the emerging network of objects that use electronics, sensors, software and Internet connectivity to derive greater utility;
- "IT" refers to information technology;
- "Motorola Mobility" refers to Motorola Mobility Holdings LLC;
- "NYSE" refers to The New York Stock Exchange;
- "PC" refers to personal computer;
- "System X" refers to the x86 Server hardware and related maintenance services business of IBM; and
- "U.S. Securities Act" refers to the United States Securities Act of 1933, as amended.

PRESENTATION OF FINANCIAL INFORMATION

The Issuer's consolidated financial information as at and for each of the financial years ended March 31, 2020, 2021, and 2022 have been extracted from the published audited consolidated financial statements of the Issuer as at and for each of the years ended March 31, 2022 and 2021 audited by PricewaterhouseCoopers, Certified Public Accountants, Hong Kong ("PwC"). This offering circular contains the Issuer's audited consolidated financial statements described above. The Issuer prepares its consolidated financial statements in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

The Issuer's unaudited quarterly consolidated financial information as at and for each of the three months ended June 30, 2022 and 2021 included in this offering circular have been extracted from the unaudited quarterly consolidated financial information of the Issuer as at and for the three months ended June 30, 2022, contained in the results announcement of the Issuer for the first quarter of the 2022/2023 fiscal year (the "June 2022 Quarterly Consolidated Financial Information"). The Issuer prepares its unaudited quarterly consolidated financial information in accordance with HKFRS issued by the HKICPA. The Issuer's June 2022 Quarterly Consolidated Financial Information has not been audited or reviewed by the auditor of the Issuer.

There can be no assurance that if the Issuer's unaudited and unreviewed June 2022 Quarterly Consolidated Financial Information had been audited or reviewed that there would be no change in the financial information and that such changes would not be material. Consequently, such consolidated financial information should not be relied upon by potential purchasers to provide the same quality of information associated with information that has been subject to an audit or review. Potential investors must exercise caution when using such data to evaluate the Issuer's consolidated financial condition, results of operations and results. See "*– Risk Factors – Risks Relating to our Business – Our June 2022 Quarterly Consolidated Financial Information has not been audited or reviewed*" for more information. The Issuer's consolidated financial information included in this offering circular relating to each of the years ended March 31, 2020, 2021 and 2022 does not constitute the Issuer's statutory annual consolidated financial statements for that year but is derived from those consolidated 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 Issuer has delivered the consolidated financial statements for each of the years ended March 31, 2020, 2021 and will deliver the consolidated financial statements for the year ended March 31, 2022 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 Issuer's auditor has reported on those consolidated financial statements. 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.

Solely for the convenience of investors, this offering circular contains translations of certain foreign currencies into U.S. dollars or other currencies using the exchange rates prevailing at the dates of the transactions or the exchange rates in effect as at the balance sheet date, as applicable. The Issuer makes no representation that any foreign currencies could have been, or could be, converted into U.S. dollars or other currencies, as the case may be, at any particular rate, or at all.

All financial information in this offering circular has been presented on a consolidated basis unless otherwise specified or the context otherwise requires.

Certain amounts and percentages included in this offering circular have been rounded. Accordingly, in certain instances, the sum of the numbers in a column may not exactly equal the total figure for that column.

INDUSTRY DATA

Market data and certain industry forecasts and statistics in this offering circular, including our market share information, have been derived from various official or third-party sources, including market research, publicly available information and industry publications. Although this information is believed to be reliable, it has not been independently verified by the Issuer, the Managers, the Trustee, the Agents or any of their respective affiliates, directors, officers, employees, representatives, advisors, agents and each person who controls any of them nor any of their respective affiliates. Therefore, we cannot assure you as to the accuracy and reliability of such data, forecasts and statistics, which may not be consistent with other information compiled inside or outside the PRC, and may not be complete or up-to-date. In making an investment decision, each investor must rely on its own examination of the Issuer and the Group and the terms of the offering and the Bonds, including the merits and risks involved.

FORWARD-LOOKING STATEMENTS

This offering circular includes forward-looking statements. These forward-looking statements include statements regarding our expectations and projections for future operating performance and business prospects. The words "believe," "expect," "anticipate," "estimate," "project," "will," "aim," "will likely result," "will continue," "intend," "plan," "contemplate," "seek to," "future," "objective," "goal," "should," "will pursue" and similar expressions or variations of these expressions identify forward-looking statements. In addition, all statements other than statements of historical facts included in this offering circular, including, without limitation, those regarding our financial position and results, business strategy, plans and objectives of management for future operations, including development plans and objectives relating to our products and services, are forward-looking statements. Such forward-looking statements and any other projections contained in this offering circular (whether made by us or any third party) involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements to be materially different from the future results, performance or achievements expressed or implied by forward-looking statements. Such forward-looking statements are based on current beliefs, assumptions, expectations, estimates and projections regarding our present and future business strategies and the environment in which we will operate in the future. Although the Issuer believes that these expectations and projections are reasonable, such forward looking statements are inherently subject to risks, uncertainties and assumptions, including, among other things:

- the ability of the Group to successfully implement its business plans and strategies;

- future developments, trends and conditions in the industry and markets in which the Group operates;

- the Group's business prospects and capital expenditure plans;

- the actions and developments of the Group's competitors;
- the Group's financial condition and performance;
- any changes in the laws, rules and regulations of the central and local governments in the PRC, the United States of America and other relevant jurisdictions and the rules, regulations and policies of the relevant governmental authorities relating to all aspects of the Group's business;
- general political and economic conditions, including those related to the PRC and the United States of America;
- changes or volatility in interest rates, foreign exchange rates, equity prices or other rates or prices, including those pertaining to the PRC and the industry and markets in which the Group operates;
- various business opportunities that the Group may pursue; and
- macroeconomic measures taken by the government of the PRC or the United States of America to manage economic growth.

Additional factors that could cause our actual results, performance or achievements to differ materially include, but are not limited to, those discussed under "*Risk Factors*." Any forward-looking statements contained in this offering circular speak only as of the date of this offering circular. The Issuer expressly disclaims any obligation or undertaking to release, publicly or otherwise, any updates or revisions to any forward-looking statement contained herein to reflect any change in the Group's expectations with regard thereto or any change in events, conditions, assumptions or circumstances on which any such statement was based.

SUMMARY

The summary below is only intended to provide a limited overview of information described in more detail elsewhere in this offering circular. As it is a summary, it does not contain all of the information that may be important to investors and terms defined elsewhere in this offering circular shall have the same meanings when used in this Summary. Prospective investors should therefore read this offering circular in its entirety.

THE COMPANY

We are a leading technology company that develops, manufactures and markets high-quality, easy-to-use technology products and services for enterprises and consumers worldwide. In 2022, we ranked 159th on the Forbes' Global 500 list, and as at March 31, 2022, we employed approximately 75,000 people worldwide. Focused on a bold vision to deliver smarter technology for all, we are developing world-changing technologies that create a more inclusive, trustworthy and sustainable digital society. By designing, engineering and building the world's most complete portfolio of smart devices and infrastructure, we are also leading an Intelligent Transformation – to create better experiences and opportunities for millions of customers around the world.

We were founded in the 1980s and have been listed on the Hong Kong Stock Exchange since 1994. We expanded our business and operations to a global scale through our acquisition of the personal computer division of IBM in 2005. In 2010, we adopted our PC+ strategy and established a business group focusing on our mobile, internet and digital home business. We have since achieved strong growth in our smartphones and tablets sales and further diversified our business. Since 2010, we have captured the largest market share in global PC market across both commercial and consumer segments. In recent years, we have focused on developing strategic, high-growth segments including the gaming PC segment, where we had a 17.3% global market share in 2021, according to industry data. We have also continued to introduce first-to-market technologies and increase our use of sustainable materials.

In October 2014, we acquired Motorola Mobility from Google Inc., a move that enabled us to immediately become a global smartphone player with strong positions in key emerging markets. Also in October 2014, we acquired System X, IBM's x86 server and hardware and maintenance business, a move that enabled us to gain scale and expand into the server market, a business that now serves as the foundation for our industry-leading Infrastructure Solutions Group.

In 2020, we introduced our "3S" strategy – Smart Internet of Things (IoT), Smart Infrastructure, and Smart Verticals – and we have been progressing towards this goal through the successful implementation of our "service-led transformation." Against the backdrop of the global COVID-19 pandemic, we expect the future workplace will be a hybrid model of on-site, from home, and from anywhere. As a result, we believe consumers will prefer multiple devices that are better connected and synchronized and commercial customers will want IoT solutions that combine physical and digital tools as well as services. Furthermore, we expect increased demand for smart infrastructure solutions that facilitate smooth and productive digital interaction, allowing data to be transmitted, stored and processed across different AI computing platforms. Our global footprint, with operations in more than 180 markets, will enable us to meet customers' needs wherever they are.

Effective April 1, 2021, we revised our business segmentation and established our Solutions and Services Group ("SSG"). SSG integrates all services and solutions that we offer to drive growth in smart verticals, support services, managed services and our as-a-service, or aaS, offerings. Our industry-leading Infrastructure Solutions Group ("ISG") business delivers one-stop IT solutions, which have expanded from server to full-stack offerings including storage, software-defined infrastructure, software, and services. Our Intelligent Devices Group ("IDG") consists of our PC, tablet, smartphone, and other smart devices businesses, with leading market positions in their respective global sectors.

In June 2022, we entered into definitive agreements to establish a strategic partnership with PCCW Limited ("PCCW") to engage in the provision of digital solutions and managed services primarily serving customers across the Asia-Pacific region, which will be conducted primarily through PCCW Lenovo Technology Solutions Limited ("PLTS"). The strategic partnership was established on August 12, 2022 following the completion of the transaction. This cooperation will allow us to expand our IT service capabilities, service offerings, and the geographic and vertical coverage of customers and partners. This expansion of our IT services business is strategically important for our long-term development, as we improve our sustainable profitability and further diversify our businesses. This partnership will enable us to derive synergies and offer one-stop IT solutions to customers through the integration of services, devices and digital infrastructure provided by the combined resources and experiences of PCCW and us.

Our strengths across various segments translate into robust financial performance. Our revenue grew from US$50,716 million in the year ended March 31, 2020 to US$60,742 million in the year ended March 31, 2021, and further to US$71,618 million in the year ended March 31, 2022. At the same time, our net profit margin increased from 1.6% in the year ended March 31, 2020 to 2.2% in the year ended March 31, 2021 and 3.0% in the year ended March 31, 2022. In addition, our EBITDA margin increased consistently: 5.3%, 5.8% and 6.6% in these same respective years.

COMPETITIVE STRENGTHS

We believe the following strengths have contributed to our success and differentiate us from our competitors:

- Global leader in growing product segments with No. 1 PC market position;
- Highly diversified business with strategic focus on boosting high-margin service business;
- Best-in-class supply chain with global manufacturing footprint;
- Technology leadership with world-class R&D capabilities powering sustainable growth;
- Disciplined and proven business development capability; and
- Strong management team and well-governed board with unwavering commitment to sustainability.

STRATEGIES

We aim to solidify our leadership position in major business segments, and continue to execute our strategy to become the leader and enabler of digital and intelligent transformation to bring smarter technology in the following ways:

- Solidify leadership position in major business segments; and
- Continue to execute 3S strategy and lead service-led transformation.

CORPORATE INFORMATION

The Company was incorporated in Hong Kong with limited liability on October 5, 1993. On February 14, 1994, the Company publicly offered its shares for listing on the Main Board of the Hong Kong Stock Exchange under stock code 0992. The address of its registered office is 23rd Floor, Lincoln House, Taikoo Place, 979 King's Road, Quarry Bay, Hong Kong.

Our website is *www.lenovo.com*. Information contained on our website does not constitute part of, and is not incorporated by reference into, this offering circular.

RECENT DEVELOPMENTS

Strategic Partnership with PCCW Limited

To form a strategic partnership with PCCW Limited, we and a wholly-owned subsidiary of PCCW Limited (the "Seller") entered into a share purchase agreement on June 14, 2022, pursuant to which we conditionally agreed to purchase, and the Seller conditionally agreed to sell, an 80% direct interest in PCCW Lenovo Technology Solutions ("PLTS") and a 20% direct interest in PCCW Network Services (which in turn holds 100% interest in PCCW Solutions Limited ("PCCWS") and 20% interest in PLTS) for US$613.6 million, comprising (i) a cash element of US$513.6 million, to be paid by us at completion of the transaction, and (ii) a share element of US$100.0 million, which will be satisfied by our Company's allotment and issue of 86,424,677 shares (the "Consideration Shares") to the Seller at completion of the transaction. Upon completion of the transaction on August 12, 2022, we became an effective 84% shareholder in PLTS. PLTS will principally engage in the provision of digital solutions and managed services primarily serving customers across the Asia-Pacific region, and PCCWS will principally engage in the provision of solutions and services to public sector customers in Hong Kong. The Seller has undertaken not to sell the Consideration Shares within six months from the completion date without the prior written consent from the Company, subject to exceptions including hedging arrangements.

Financial Information for the Quarter ended June 30, 2022

On August 10, 2022, we announced our unaudited financial results for the three months ended June 30, 2022. For a discussion of such financial results, see "*Summary Financial and Other Information – Summary Financial Information for the Quarter ended June 30, 2022.*"

Repurchase of the Existing Convertible Bonds

On August 17, 2022, we entered into a dealer manager agreement with Goldman Sachs (Asia) L.L.C., J.P. Morgan Securities plc, BNP Paribas Securities (Asia) Limited and Citigroup Global Markets Limited (the "Dealer Managers") pursuant to which we appointed the Dealer Managers in connection with the potential repurchase of a portion of the U.S.$675,000,000 3.375% convertible bonds due 2024 issued by us on January 24, 2019 (the "Existing Convertible Bonds") to, amongst others, assist us in collecting indications of interests from holders of the Existing Convertible Bonds who are willing to sell some or all of their Existing Convertible Bonds to us.

We may, through the Dealer Managers or otherwise, purchase the Existing Convertible Bonds from time to time in the open market or otherwise pursuant to the terms and conditions of the Existing Convertible Bonds.

ESG GOVERNANCE AND MANAGEMENT SYSTEM

We have established a robust ESG governance structure, allowing for accountability and transparency at the highest levels of the organization. Our Chief Corporate Responsibility Officer provides executive leadership for the ESG position, including any climate change programs or initiatives. In addition, our ESG Executive Oversight Committee provides strategic direction and facilitates the coordination of ESG efforts across the Company. Our board of directors is briefed on our ESG strategy and progress towards its climate change mitigation goals through formal periodic reporting.

We manage the environmental elements of our operations through a comprehensive global environmental management system ("EMS") that covers our worldwide product design, development, and manufacturing operations (including distribution, fulfillment, and internal repair operations) for computer products, data center products, mobile devices, smart devices, and accessories. The scope encompasses these same activities when performed by our subsidiary and/or affiliate companies.

Within the framework of our EMS, we annually identify and evaluate the aspects of our operations that have actual or potential significant impacts on the environment. Metrics and controls are established for these significant environmental aspects, and performance relative to these metrics is tracked and reported. Performance targets are then established for select environmental aspects annually, taking into consideration performance relative to the environmental metrics, our Environmental Affairs Policy, regulatory requirements, customer requirements, stakeholder input, environmental and financial impact, and management directives.

THE ISSUE

The following contains summary information about the Bonds and is qualified in its entirety by the remainder of this offering circular. Some of the terms described below are subject to important limitations and exceptions. Words and expressions defined in "Terms and Conditions of the Bonds" and "Summary of Provisions Relating to the Bonds in Global Form" shall have the same meanings in this summary. For a more complete description of the terms of the Bonds, see "Terms and Conditions of the Bonds."

Issuer	Lenovo Group Limited.
Issue	US$675,000,000 2.50 per cent. convertible bonds due 2029 convertible into fully-paid ordinary shares of the Issuer.
Issue Price	100.0 per cent. of the principal amount of the Bonds.
Issue Date.	August 26, 2022.
Maturity Date.	August 26, 2029.
Form and Denomination	The Bonds will be issued in registered form in the denomination of US$200,000 each and integral multiples of US$1,000 in excess thereof.
Negative Pledge	So long as any Bond remains outstanding, the Issuer will not, and will procure that none of its Subsidiaries will, create or permit to subsist any mortgage, pledge, lien, charge, assignment by way of security or any other security interest ("Lien") upon the whole or any part of its property or assets, present or future, to secure any Indebtedness (or any guarantee or indemnity in respect thereof) unless, in such case, the Bonds are secured equally and rateably with or prior to such Indebtedness (or such guarantee or indemnity in respect thereof), unless, after giving effect thereto, the aggregate outstanding principal amount of all such secured Indebtedness (save for certain exceptions) would not exceed 10.0% of the Issuer's Consolidated Tangible Assets. See "*Terms and Conditions of the Bonds – Covenants – Negative Pledge*."

Conversion Period	Subject to and upon compliance with the Terms and Conditions of the Bonds, the Conversion Right attaching to any Bond may be exercised, at the option of the holder thereof, at any time on or after 41 days after the Issue Date up to the close of business (at the place where the Bond Certificate evidencing such Bond is deposited for conversion) on the 10th day prior to the Maturity Date (both days inclusive), except for certain exceptions, in no event thereafter, or, if such Bond shall have been called for redemption by the Issuer before the Maturity Date, then up to the close of business (at the place aforesaid) on a date no later than 10 days (both days inclusive and in the place aforesaid) prior to the date fixed for redemption thereof or if notice requiring redemption has been given by the holder of such Bond pursuant to Terms and Conditions of the Bonds then up to the close of business (at the place aforesaid) on the day prior to the giving of such notice. See "*Terms and Conditions of the Bonds – Conversion – Conversion Right.*"
Conversion Price	HK$9.94 per Share, subject to adjustment for, amongst other things, consolidation, subdivision or re-classification of the Shares, capitalisation of profits or reserves, distributions, rights issues of Shares or options over Shares, rights issues of other securities, issues at less than current market price, other issues at less than current market price, and certain other dilutive events as described in the Terms and Conditions of the Bonds.
Redemption for Taxation Reasons	The Bonds may be redeemed at the option of the Issuer in whole, but not in part at any time, on giving not less than 30 nor more than 60 days' notice to the Bondholders (which notice shall be irrevocable), at their principal amount outstanding at the date fixed for redemption, together with interest accrued but unpaid to but excluding such date fixed for redemption (if any), if: (A) the Issuer has or will become obliged to pay Additional Amounts as a result of any change in, or amendment to, the laws or regulations of any Relevant Jurisdiction or any change in the official application or interpretation of such laws or regulations, which change or amendment, in the case of the Issuer, becomes effective on or after August 17, 2022; and (B) such obligation cannot be avoided by the Issuer taking reasonable measures available to it,

provided, however, that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such Additional Amounts were a payment in respect of the Bonds then due.

If the Issuer gives a redemption notice pursuant to the Terms and Conditions of the Bonds, each Bondholder will have the right to elect that its Bond(s) shall not be redeemed and that the provisions shall not apply in respect of any payment of to be made in respect of such Bond(s) whereupon no Additional Amounts shall be payable in respect thereof pursuant to the Terms and Conditions of the Bonds and payment of all amounts shall be made subject to the deduction or withholding of any tax required to be deducted or withheld.

Redemption at the Option of the Issuer .... On giving not less than 30 nor more than 60 days' notice to the Bondholders and the Trustee (which notice will be irrevocable), the Issuer:

(A) may at any time after September 9, 2026 and prior to the Maturity Date redeem in whole, but not in part, the Bonds for the time being outstanding at their principal amount, together with interest accrued but unpaid to but excluding the date fixed for redemption (if any), provided that the Closing Price of the Shares (derived from the Daily Quotations Sheet of the Hong Kong Stock Exchange or, as the case may be, the equivalent quotation sheet of an Alternative Stock Exchange and translated into U.S. dollars at the Prevailing Rate) for at least 20 Trading Days (each a "**Condition Satisfaction Day**") out of the 30 consecutive Trading Days, the last Condition Satisfaction Day occurs not more than 10 Trading Days prior to the date upon which notice of such redemption is published, was at least 130 per cent. of the applicable Conversion Price (translated into U.S. dollars at the Fixed Exchange Rate) then in effect; or

(B) may at any time prior to the Maturity Date redeem in whole, but not in part, the Bonds for the time being outstanding at their principal amount, together with interest accrued but unpaid to but excluding the date fixed for redemption (if any), provided that prior to the date of such notice at least 90 per cent. in principal amount of the Bonds originally issued (including any further bonds issued pursuant to the Terms and Conditions of the Bonds and consolidated and forming a single series with the Bonds) has already been converted, redeemed or purchased and cancelled.

Redemption at the Option of the Bondholders . . . .

On August 26, 2026, the holder of each Bond will have the right, at such holder's option, to require the Issuer to redeem all or some only of the Bonds of such holder on the Put Option Date at their principal amount, together with interest accrued but unpaid to but excluding such Put Option Date (if any). To exercise such right, the holder of the relevant Bond must complete, sign and deposit at the specified office of any Paying Agent a Put Notice together with the Bond Certificate evidencing the Bonds to be redeemed not earlier than 60 days and not later than 30 days prior to the Put Option Date.

A Put Notice, once delivered, shall be irrevocable (and may not be withdrawn unless the Issuer consents to such withdrawal) and the Issuer shall redeem the Bonds the subject of the Put Notices delivered as aforesaid on the Put Option Date.

Redemption for Delisting, Suspension of Trading or Change of Control at the Option of the Bondholder . . .

Following the occurrence of a Relevant Event, the holder of each Bond will have the right at such holder's option, to require the Issuer to redeem all or some only (subject to the principal amount of such holder's Bonds redeemed and the principal amount of the balance of such holder's Bonds not redeemed being an Authorized Denomination) of such holder's Bonds on the Relevant Event Redemption Date at their principal amount, together with interest accrued but unpaid up to but excluding such Relevant Event Redemption Date (if any). To exercise such right, the holder of the relevant Bond must deposit at the specified office of any Paying Agent a duly completed and signed Relevant Event Redemption Notice, together with the Bond Certificate evidencing the Bonds to be redeemed by not later than (a) 30 days following a Relevant Event, or, if later, (b) 30 days following the date upon which notice thereof is given to Bondholders by the Issuer in accordance with the Terms and Conditions of the Bonds.

Events of Default	For a description of certain events of default that will permit the Bonds to become immediately due and payable at their principal amount, together with any premium (if any) and any accrued but unpaid interest (if any), to but excluding the date of payment, see "*Terms and Conditions of the Bonds – Events of Default.*"
Clearing Systems	The Bonds will be represented by beneficial interests in the Global Certificate, which will be registered in the name of a nominee of, and deposited on the Issue Date with a common depositary for, Euroclear and Clearstream. Beneficial interests in the Global Certificate will be shown on, and transfers thereof will be effected only through records maintained by, Euroclear and Clearstream. Except as described herein, certificates for Bonds will not be issued in exchange for beneficial interests in the Global Certificate.
Governing Law and Jurisdiction	English law and courts of England.
Trustee	Citicorp International Limited.
Principal Agent	Citibank N.A., London Branch.
Registrar.	Citibank N.A., London Branch.
Listing	Application has been made to the Hong Kong Stock Exchange for the listing of, and permission to deal in, the Bonds by way of debt issues to Professional Investors only on the Hong Kong Stock Exchange. Application has also been made for the listing of the Shares issuable on conversion on the Hong Kong Stock Exchange.
Use of Proceeds	See section entitled "– *Use of Proceeds*."
ISIN	XS2523390867
Common Code	252339086

Lock-up	The Issuer has agreed in the Subscription Agreement that neither the Issuer nor any person acting on its or their behalf will (a) issue, offer, sell, pledge, contract to sell or otherwise dispose of or grant options, issue warrants or offer rights entitling persons to subscribe or purchase any interest in any Shares or securities of the same class as the Bonds or the Shares or any securities convertible into, exchangeable for or which carry rights to subscribe or purchase the Bonds, the Shares or securities of the same class as the Bonds, the Shares or other instruments representing interests in the Bonds, the Shares or other securities of the same class as them, (b) enter into any swap or other agreement that transfers, in whole or in part, any of the economic consequences of the ownership of the Shares, (c) enter into any transaction with the same economic effect as, or which is designed to, or which may reasonably be expected to result in, or agree to do, any of the foregoing, whether any such transaction of the kind described in (a), (b) or (c) is to be settled by delivery of Shares or other securities, in cash or otherwise or (d) announce or otherwise make public an intention to do any of the foregoing, in any such case without the prior written consent of the Managers, between the date hereof and the date which is 90 calendar days after the Issue Date (both dates inclusive), except for (i) the Bonds and the New Shares issued on conversion of the Bonds, (ii) the Shares issued pursuant to the conversion of the Issuer's U.S.$675,000,000 3.375 per cent. convertible bonds due 2024 (if any), and (iii) the Shares issued or options granted pursuant to the Issuer's employee share incentive scheme.

SUMMARY FINANCIAL AND OTHER INFORMATION

The following tables set forth the summary consolidated financial information of the Company as at and for the years/periods indicated.

The summary consolidated financial information as at and for the financial years ended March 31, 2020, 2021 and 2022 has been derived from the Company's audited consolidated financial statements as at and for each of the financial years ended March 31, 2021 and 2022, which are included elsewhere in this offering circular. The information set out below should be read in conjunction with, and is qualified in its entirety by reference to, the Company's audited consolidated financial statements as at and for each of the financial years ended March 31, 2021 and 2022, including the notes thereto.

The summary unaudited quarterly consolidated financial information as at and for the three months ended June 30, 2021 and 2022 has been derived from the Company's unaudited June 2022 Quarterly Consolidated Financial Information, which is included elsewhere in this offering circular. The information set out below should be read in conjunction with, and is qualified in its entirety by reference to, the Company's unaudited June 2022 Quarterly Consolidated Financial Information, including the notes thereto.

The Company's June 2022 Quarterly Consolidated Financial Information has not been audited or reviewed by the auditor of the Company. There can be no assurance that if these financial information had been audited or reviewed that there would be no change in the financial information and that such changes would not be material. Consequently, such financial information should not be relied upon by potential investors to provide the same quality of information associated with information that has been subject to an audit or review. Potential investors must exercise caution when using such data to evaluate the Company's financial condition, results of operations and results. See "*– Risk Factors – Risks Relating to Our Business – Our June 2022 Quarterly Consolidated Financial Information has not been audited or reviewed.*"

CONSOLIDATED SUMMARY INCOME STATEMENT DATA

	(Audited)			(Unaudited)	
	Year ended March 31,			Three months ended June 30,	
	2020	**2021**	**2022**	**2021**	**2022**
	(in US$ thousands, except per-share amounts)				
Revenue	50,716,349	60,742,312	71,618,216	16,929,247	16,955,618
Cost of sales	(42,359,045)	(50,974,425)	(59,569,241)	(14,105,505)	(14,086,717)
Gross profit	8,357,304	9,767,887	12,048,975	2,823,742	2,868,901
Selling and distribution expenses	(2,972,260)	(3,044,967)	(3,746,290)	(847,043)	(879,337)
Administrative expenses	(2,524,818)	(2,984,356)	(2,944,234)	(812,243)	(686,984)
Research and development expenses	(1,335,744)	(1,453,912)	(2,073,461)	(466,463)	(511,415)
Other operating income/(expenses) – net	(85,886)	(104,245)	(204,421)	44,778	(13,916)
Operating profit	1,438,596	2,180,407	3,080,569	742,771	777,249
Finance income	47,850	34,754	56,458	9,076	18,675
Finance cost	(454,194)	(408,640)	(362,384)	(100,581)	(100,335)
Share of losses of associates and joint ventures	(14,545)	(32,323)	(6,912)	(1,043)	(5,076)
Profit before taxation	1,017,707	1,774,198	2,767,731	650,223	690,513
Taxation	(213,204)	(461,199)	(622,399)	(165,056)	(151,042)
Profit for the year/period	804,503	1,312,999	2,145,332	485,167	539,471
Profit attributable to:					
Equity holders of the Company	665,091	1,178,307	2,029,818	466,065	515,707
Perpetual securities holders	53,760	32,532	–	–	–
Other non-controlling interests	85,652	102,160	115,514	19,102	23,764
	804,503	1,312,999	2,145,332	485,167	539,471
Earnings per share attributable to equity holders of the Company					
Basic	US5.58 cents	US9.54 cents	US17.45 cents	US4.02 cents	US4.39 cents
Diluted	US5.43 cents	US8.91 cents	US15.77 cents	US3.53 cents	US4.01 cents
Dividends	429,902	474,573	583,999	–	–

CONSOLIDATED SUMMARY BALANCE SHEET DATA

	(Audited)			(Unaudited)
	As at March 31,			As at June 30,
	2020	2021	2022	2022
	(in US$ thousands)			
Cash and cash equivalents	3,550,990	3,068,385	3,930,287	3,788,089
Bank deposits	66,480	59,385	92,513	57,575
Total current assets	18,733,441	23,335,352	28,996,863	29,105,042
Total non-current assets	13,394,726	14,655,279	15,513,581	15,143,456
Total assets	32,128,167	37,990,631	44,510,444	44,248,498
Borrowings (current portion)	3,294,980	698,271	787,922	814,286
Notes payable	1,458,645	885,628	2,148,907	2,104,279
Total current liabilities	23,258,121	27,371,637	32,758,735	32,969,723
Borrowings (non-current portion)	1,564,619	3,299,582	2,633,348	2,637,821
Total non-current liabilities	4,810,751	7,008,461	6,357,008	5,693,677
Total liabilities	28,068,872	34,380,098	39,115,743	38,663,400
Total equity	4,059,295	3,610,533	5,394,701	5,585,098
Total liabilities and equity	32,128,167	37,990,631	44,510,444	44,248,498

CONSOLIDATED SUMMARY CASH FLOW DATA

	(Audited)			(Unaudited)
	Year ended March 31,			Three months ended June 30,
	2020	2021	2022	2022
	(in US$ thousands)			
Net cash generated from operations	3,006,556	4,585,995	5,122,034	596,682
Interest paid	(404,691)	(309,361)	(315,570)	(102,310)
Tax paid	(391,942)	(623,861)	(729,485)	(95,654)
Net cash generated from operating activities	2,209,923	3,652,773	4,076,979	398,718
Net cash used in investing activities	(956,953)	(975,899)	(1,498,393)	(387,769)
Net cash used in financing activities	(238,485)	(3,228,154)	(1,757,368)	(8,496)
Increase/(decrease) in cash and cash equivalents	1,014,485	(551,280)	821,218	2,453
Effects of exchange rate changes on cash and cash equivalents	(126,349)	68,675	40,684	(144,651)
Cash and cash equivalents at the beginning of the year/period	2,662,854	3,550,990	3,068,385	3,930,287
Cash and cash equivalents at the end of year/period	3,550,990	3,068,385	3,930,287	3,788,089

NON-HKFRS MEASURE:
EBITDA

	(Audited)			(Unaudited)	
	Year ended March 31,			Three months ended June 30,	
	2020	2021	2022	2021	2022
	(in US$ thousands)				
Profit for the year/period	804,503	1,312,999	2,145,332	485,167	539,471
Add: taxation	213,204	461,199	622,399	165,056	151,042
Add: amortization and depreciation expenses	969,787	1,060,018	1,264,364	307,294	331,401
Add: long-term incentive awards granted	258,610	291,737	368,921	95,415	74,557
Add: non-operating expenses	420,889	406,209	312,838	92,548	86,736
EBITDA[(1)]	2,666,993	3,532,162	4,713,854	1,145,480	1,183,207

(1) EBITDA for any year/period is calculated as profit for the year/period plus taxation, amortization and depreciation expenses, long-term incentive awards granted and non-operating expenses. EBITDA is not a standard measure of our financial condition or liquidity under HKFRS. EBITDA should not be considered in isolation or construed as an alternative to profit or any other performance measures derived in accordance with HKFRS or as an alternative to cash flows from operating activities or as an indicator of our operating performance, liquidity, profitability or cash flows generated from operating, investing or financing activities. In evaluating EBITDA, we believe that investors should consider, among other things, the components of EBITDA such as sales and operating expenses and the amount by which EBITDA exceeds capital expenditures and other charges. We have included EBITDA because we believe it is a useful supplement to our profit and cash flow in evaluating our operating performance. Other companies in our industry may calculate EBITDA differently or may use it for different purposes than we do, limiting its usefulness as a comparative measure. The above table presents a reconciliation of profit for the year/period to EBITDA.

SUMMARY FINANCIAL INFORMATION FOR THE QUARTER ENDED JUNE 30, 2022

Financial Review for the Quarter ended June 30, 2022

We continued making progress on our plan to double our FY20/21 net margin in the first fiscal quarter, growing it by 29 basis points year-on-year. Profit attributable to equity holders rose by 11% to US$516 million owing to robust operating performance and a lower effective tax rate. Our gross profit increased by 2% and our gross margin increased year-on-year by 24 basis points to 16.9%. Operating profit increased 5%, with operating margin rising by 20 basis points year-on-year.

We remained agile and persistent in delivering sustainable growth and profitability with strong performance across our non-PC businesses. All of our three business groups leveraged their growth engines to maintain or increase profitability. By business group, SSG and ISG posted a 23% and 14% year-on-year revenue growth, respectively. Their operating margins improved by 0.4 and 1.1 percentage points year-on-year respectively. SSG spearheaded our Service-led Transformation, with its recurring revenue base, represented by deferred revenue, setting a record at US$2.9 billion, up 20% year-on-year. SSG's operating margin was 4 times greater than that of our Group. ISG revenue crossed the US$2 billion mark for the first time, as the Cloud Service Provider (CSP) and Enterprise & Small-and-medium Business (ESMB) segments posted revenue increases.

Against the backdrop of weak consumer PC demand and supply chain constraints, IDG reported low single-digit declines on its revenue and segment profit. Nevertheless, it outperformed the sector by boosting its presence in commercial and premium PC segments with an enriched sales mix. In its smartphone business, IDG also pushed 5G upselling opportunities. This resulted in higher average selling prices for both PC and smartphone products.

Performance by Business Group for the Quarter ended June 30, 2022

Intelligent Devices Group (IDG)

During the three months ended June 30, 2022, the revenue and profit of IDG, which consists of our PC, tablet, smartphone, and other smart device businesses, slowed by 3% and 2%, respectively, year-on-year. Operating margin remained robust at 7.5%.

Within the PC business, IDG continues to execute its long-term strategy to unlock growth potential in commercial and premium segments. Our PC sales in China underperformed other geographical markets mainly due to the COVID lockdowns. Excluding China, IDG's commercial PC revenue increased by 3% from the same period last year. IDG's premium segment revenue also rose 8% year-on-year, attributable to its investments in innovation to leverage the hybrid work model and lifestyle change.

IDG made great progress in seizing growth opportunities beyond PC products. Non-PC sales grew 12% year-on-year, accounting for 22% of the business group's revenue, benefiting from several pockets of growth. IDG's smartphone sales growth trajectory remained steady, supported by smartphone upgrades towards 5G phones. IDG ramped up its efforts in developing scenario-based solutions, including Smart Collaboration, Smart Office and Smart Home.

Infrastructure Solutions Group (ISG)

The infrastructure upgrade cycle remains a catalyst for empowering structural growth in the data center, Edge computing and hybrid cloud segments. ISG set a new revenue record of US$2.1 billion following a 14% year-on-year increase, making us one of the fastest growing infrastructure solutions providers globally. ISG continued to differentiate with the combination of a full-stack portfolio, broadened customer coverage, and a unique, fully integrated ODM+ (Original Design and Manufacturing) business model and solutions.

CSP revenue reached an all-time high, well supported by the segment's strategy to grow its client base, product portfolio and design-in projects. Server and storage product sales increased by strong double-digits off high bases, driven by buoyant demand from CSP customers. CSP added new capacity to its Mexico and Hungary plants to leverage the clear growth opportunities in the next two years. Despite the supply constraint, its ESMB segment continued to benefit from enriched architecture and technology solutions. The ESMB segment focused on advancing profitability through multiple products including server, storage, edge computing and services, while expanding its footprint in Hybrid Cloud Solutions. In the entry storage market, we are one of the fastest-growing vendors. We made our largest ever shipments in the three months ended June 30, 2022 with AI Powered Edge Computing. Revenue of server, storage and AI Edge shipments all set new records during the three months ended June 30, 2022.

ISG's operating profit increased by US$22 million year-on-year to US$11 million, representing eight consecutive quarters of improvement in annual profitability.

Solutions & Services Group (SSG)

Targeted at the fastest-growing "New IT" service segment, SSG continued to deliver strong revenue growth and profitability. SSG's financial results highlighted our strategic focus on Service-led Transformation, with revenue and operating profit growing 23% and 25% year-on-year to US$1.5 billion and US$329 million, respectively. SSG's operating margin of 22.6% topped all of our business groups and further grew by 0.4 percentage points from the same period last year.

SSG continued to enrich its service offerings across all three segments for better profitability and scalability. For example, the availability of its TruScale as-a-Service (aaS) solution extended from server and storage to High Performance Computing (HPC) during the three months ended June 30, 2022. Revenue of Managed Services increased 73% year-on-year, owing to the popularity of aaS solutions. The Project & Solution Services' revenue rose 10% year-on-year, even though service delivery in China was compromised by COVID lockdowns.

Performance by Geographic Region for the Quarter ended June 30, 2022

We are a global business operating in more than 180 markets. The China market, affected by COVID lockdowns in several cities, saw its revenue decrease by 11% year-on-year. The business segments most vulnerable to such impacts are PC and infrastructure businesses.

In contrast to China, our revenue increased across our other geographical markets. In the Americas (AG) and Europe-Middle East-Africa (EMEA) markets, we delivered an 8% and 1% year-on-year increase in sales, respectively. This was supported by healthy business growth in our smartphone, ISG and SSG businesses, offsetting demand weakness in consumer PCs. In the smartphone sector, Motorola continued to upsell its portfolio while reinforcing its position in the top three brands of both North America and Latin America. Our ISG and SSG businesses grew by double-digits year-on-year in these regional markets through their enhanced delivery footprint, product differentiation and customer expansion.

The Asia Pacific region, excluding China, reported year-on-year revenue growth of 1%. Our ISG business posted a strong double-digit year-on year growth for the quarter, driven by the CSP and ESMB momentum. In contrast, our IDG revenue contracted by a low single-digit year-on-year in the region.

Financial Results for the Quarter ended June 30, 2022

	Three months ended June 30, 2022	**Three months ended June 30, 2021**	**Year-on-year change**
	(unaudited)	**(unaudited)**	
	(US$ million)	**(US$ million)**	
Revenue	16,956	16,929	0%
Gross profit	2,869	2,824	2%
Gross profit margin	16.9%	16.7%	0.2 pts
Operating expenses	(2,092)	(2,081)	1%
Operating profit	777	743	5%
Other non-operating income/(expenses) – net	(86)	(93)	(8%)
Profit before taxation	691	650	6%
Profit for the period	539	485	11%
Profit attributable to equity holders of the Company	516	466	11%
Earnings per share attributable to equity holders of the Company			
Basic	US4.39 cents	US4.02 cents	US0.37 cents
Diluted	US4.01 cents	US3.53 cents	US0.48 cents

For the three months ended June 30, 2022, we achieved total sales of approximately US$16,956 million. When compared to the corresponding period of last year, profit attributable to equity holders for the period surged by US$50 million to US$516 million and gross profit margin rose 0.2 percentage points to 16.9%. While basic and diluted earnings per share were US4.39 cents and US4.01 cents, respectively, representing an increase of US0.37 cents and US0.48 cents, respectively.

Our operating expenses for the three months ended June 30, 2022 and 2021 are as follows:

	Three months ended June 30, 2022	**Three months ended June 30, 2021**
	(unaudited)	**(unaudited)**
	(US$'000)	**(US$'000)**
Selling and distribution expenses	(879,337)	(847,043)
Administrative expenses	(686,984)	(812,243)
Research and development expenses	(511,415)	(466,463)
Other operating income/(expenses) – net	(13,916)	44,778
	(2,091,652)	(2,080,971)

Our operating expenses for the three months ended June 30, 2022 were 1% over the corresponding period of last year. Employee benefit costs decreased by US$144 million, mainly due to a decrease in performance-based bonus and sales commissions offset by increase in headcount. During the three months ended June 30, 2022, we recorded a fair value gain from strategic investments of US$25 million (compared with US$131 million in the same period of the prior year), reflecting the change in value of our portfolio. We recorded a net provision of loss allowance of trade receivables of US$47 million (compared with a net provision of US$13 million in the same period of the prior year) reflecting our assessment on certain doubtful amounts. Currency fluctuations presented a challenge to us, resulting in a net exchange loss of US$48 million (compared with a net loss of US$39 million in the same period of the prior year).

Our key expenses by nature comprise:

	Three months ended June 30, 2022	**Three months ended June 30, 2021**
	(unaudited)	**(unaudited)**
	(US$'000)	**(US$'000)**
Depreciation of property, plant and equipment	(46,504)	(43,504)
Depreciation of right-of-use assets	(32,021)	(28,934)
Amortization of intangible assets, excluding internal use software	(124,026)	(112,631)
Impairment of intangible assets	–	(15,000)
Impairment of property, plant and equipment	–	(10,189)
Employee benefit costs, including	(1,088,542)	(1,232,785)
– long-term incentive awards	*(74,557)*	*(95,415)*
Rental expenses	(2,870)	(5,029)
Net foreign exchange loss	(48,225)	(38,827)
Advertising and promotional expenses	(234,625)	(241,287)

	Three months ended June 30, 2022	Three months ended June 30, 2021
	(unaudited)	**(unaudited)**
	(US$'000)	**(US$'000)**
Legal, professional and consulting expenses	(54,400)	(90,919)
Information technology expenses, including	(82,360)	(69,956)
– amortization of internal use software	*(49,261)*	*(48,532)*
Increase in loss allowance of trade receivables	(49,542)	(24,553)
Unused amounts of loss allowance of trade receivables reversed	2,545	11,942
Research and development related laboratory testing, services and supplies	(100,476)	(86,103)
(Loss)/gain on disposal of property, plant and equipment	(254)	479
Fair value gain on financial assets at fair value through profit or loss	25,292	131,270
Fair value loss on a financial liability at fair value through profit or loss	(873)	(4,165)
Gain on disposal of subsidiaries	–	825
Others	(254,771)	(221,605)
	(2,091,652)	(2,080,971)

Other non-operating income/(expenses) – net for the three months ended June 30, 2022 and 2021 comprise:

	Three months ended June 30, 2022	Three months ended June 30, 2021
	(unaudited)	**(unaudited)**
	(US$'000)	**(US$'000)**
Finance income	18,675	9,076
Finance costs	(100,335)	(100,581)
Share of losses of associates and joint ventures	(5,076)	(1,043)
	(86,736)	(92,548)

Our finance income mainly represents interest on bank deposits.

Our finance costs for the three months ended June 30, 2022 remained flat as compared with the corresponding period of last year.

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

We adopt segments by business group as our 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:

	Three months ended June 30, 2022		Three months ended June 30, 2021	
	Revenue	Operating profit	Revenue	Operating profit/(loss)
	(unaudited)		(unaudited)	
	US$'000	US$'000	US$'000	US$'000
IDG	14,273,843	1,069,512	14,665,833	1,095,486
ISG	2,086,073	11,311	1,834,908	(10,791)
SSG	1,455,872	329,342	1,184,366	263,631
Total	17,815,788	1,410,165	17,685,107	1,348,326
Eliminations	(860,170)	(284,552)	(755,860)	(222,625)
	16,955,618	1,125,613	16,929,247	1,125,701
Unallocated:				
Headquarters and corporate income/(expenses) – net		(319,713)		(393,392)
Depreciation and amortization		(142,000)		(165,215)
Impairment of intangible assets		–		(15,000)
Finance income		10,075		5,075
Finance costs		(3,790)		(34,422)
Share of losses of associates and joint ventures		(5,076)		(1,043)
(Loss)/gain on disposal of property, plant and equipment		(96)		435
Fair value gain on financial assets at fair value through profit or loss		25,292		131,270
Fair value loss on a financial liability at fair value through profit or loss		(873)		(4,165)
Gain on disposal of subsidiaries		–		825
Dividend income		1,081		154
Consolidated profit before taxation		690,513		650,223

Headquarters and corporate income/(expenses) – net for the period comprised various expenses, after appropriate allocation to business groups, of US$320 million (compared with US$393 million in the same period of the prior year) such as employee benefit costs, legal, professional and consulting expenses, and research and technology expenses. The drop was primarily in relation to the decrease in employee benefit costs of US$80 million as a result of decreased performance-based bonus and long-term incentive awards as compared with the corresponding period of last year.

Use of non-HKFRS measure

To supplement our consolidated financial statements prepared and presented in accordance with Hong Kong Financial Reporting Standards ("HKFRS"), we utilize non-HKFRS adjusted profit as an additional financial measure.

We define adjusted profit as profit for the period by adding back (i) net fair value changes on financial assets at fair value through profit or loss, (ii) amortization of intangible assets resulting from mergers and acquisitions, and (iii) mergers and acquisitions related charges, and the corresponding income tax effects, if any.

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

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

– We incur charges relating to the amortization of intangible assets resulting from mergers and acquisitions. Those charges are included in our net profit prepared under HKFRS. Such charges are significantly impacted by the timing and magnitude of our acquisitions and any related impairment charges. Consequently, we exclude these charges for the purposes of calculating the non-HKFRS measure to facilitate a more meaningful evaluation of our current operating performance and comparisons to operating performance in other periods.

– We incur cost related to our mergers and acquisitions, which we would not have otherwise incurred as part of our operations. The charges are direct expenses, such as third-party professional and legal fees, and integration-related costs, as well as non-cash adjustments to the fair value of certain acquired assets. These charges related to mergers and acquisitions are inconsistent in amount and frequency and are significantly impacted by the timing and nature of the transactions. Our management believes that eliminating such expenses for the purposes of calculating the non-HKFRS measure facilitates a more meaningful evaluation of our current operating performance and comparisons to operating performance in other periods.

This non-HKFRS financial measure is not computed in accordance with, or as an alternative to, HKFRS. Our management uses this non-HKFRS financial measure for the purposes of evaluating our historical and prospective financial performance. Our management believes that excluding the items mentioned above for this non-HKFRS financial measure allows them to better understand our consolidated financial performance in relation to our operating results, as our management does not believe that the excluded items are reflective of ongoing operating results.

However, the use of this particular non-HKFRS measure has limitations as an analytical tool, and should not be considered in isolation from, or as a substitute for analysis of, the results of operations or financial conditions as reported under HKFRS. In addition, this non-HKFRS financial measure may be defined differently from similar terms used by other companies and therefore may not be comparable to similar measures used by other companies.

Reconciliations of this non-HKFRS financial measure to the most directly comparable HKFRS financial measure are included in the table below.

Three months ended June 30, 2022

	Operating profit	**Profit before taxation**	**Profit for the period**	**Profit attributable to equity holders**
	(unaudited)	**(unaudited)**	**(unaudited)**	**(unaudited)**
	(US$'000)	**(US$'000)**	**(US$'000)**	**(US$'000)**
As reported	777,249	690,513	539,471	515,707
Non-HKFRS adjustments				
Net fair value changes on financial assets at fair value through profit or loss	(25,292)	(25,292)	(21,981)	(11,269)
Amortization of intangible assets resulting from mergers and acquisitions	61,160	61,160	49,319	49,319
Mergers and acquisitions related charges	–	2,443	2,443	2,443
Non-HKFRS	813,117	728,824	569,252	556,200

Three months ended June 30, 2021

	Operating profit	**Profit before taxation**	**Profit for the period**	**Profit attributable to equity holders**
	(unaudited)	**(unaudited)**	**(unaudited)**	**(unaudited)**
	(US$'000)	**(US$'000)**	**(US$'000)**	**(US$'000)**
As reported	742,771	650,223	485,167	466,065
Non-HKFRS adjustments				
Net fair value changes on financial assets at fair value through profit or loss	(131,270)	(131,270)	(110,685)	(106,529)
Amortization of intangible assets resulting from mergers and acquisitions	63,217	63,217	50,980	50,980
Mergers and acquisitions related charges	–	2,945	2,945	2,945
Non-HKFRS	674,718	585,115	428,407	413,461

Capital Expenditure

We incurred capital expenditure of US$386 million (as compared with US$279 million in the same period of the prior year) during the three months ended June 30, 2022, mainly for the acquisition of property, plant and equipment, additions to construction-in-progress and intangible assets. The higher capital expenditure incurred in the three months ended June 30, 2022 was mainly attributable to more investments in patent and technology and buildings under construction.

Liquidity and Financial Resources

As at June 30, 2022, our total assets amounted to US$44,248 million (as compared with US$44,511 million as at March 31, 2022), which were financed by (i) equity attributable to owners of the Company of US$5,180 million (as compared with US$4,991 million as at March 31, 2022), (ii) other non-controlling interests (net of put option written on non-controlling interests) of US$405 million (as compared with US$404 million as at March 31, 2022), and (iii) total liabilities of US$38,663 million (as compared with US$39,116 million as at March 31, 2022). As at June 30, 2022, our current ratio was 0.88 (as compared with 0.89 as at March 31, 2022).

As at June 30, 2022, bank deposits and cash and cash equivalents totaling US$3,846 million (as compared with US$4,023 million as at March 31, 2022) analyzed by major currency are as follows:

	As at June 30, 2022	**As at March 31, 2022**
	%	%
US dollar	27.0	37.2
Renminbi	34.6	27.3
Japanese Yen	7.0	6.0
Euro	2.9	4.1
Australian dollar	2.7	2.7
Other currencies	25.8	22.7
Total	100.0	100.0

We adopt a conservative policy to invest our surplus cash generated from operations. As at June 30, 2022, 97% (as compared with 92% as at March 31, 2022) of cash were bank deposits, and 3% (as compared with 8% as at March 31, 2022) were investments in liquid money market funds of investment grade.

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

As at June 30, 2022, we had the following banking facilities:

				Utilized amount at	
Type	**Date of agreement**	**Principal amount**	**Term**	**June 30, 2022**	**March 31, 2022**
		US$ million		**US$ million**	**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	–	–

On July 4, 2022, we entered into a US$2 billion 5-year revolving loan facility. There have been no drawdowns under this facility as of the date of this offering circular.

We have also arranged other short-term credit facilities as follows:

Credit facilities	Total available amount at June 30, 2022	Total available amount at March 31, 2022	Drawn down amount at June 30, 2022	Drawn down amount at March 31, 2022
	(US$ million)	**(US$ million)**	**(US$ million)**	**(US$ million)**
Trade lines	3,926	4,053	2,871	2,813
Short-term money market facilities	1,204	1,154	54	54
Forward foreign exchange contracts	14,373	12,522	14,306	12,447

Apart from the above facilities, notes, convertible bonds and convertible preferred shares issued by us and outstanding at June 30, 2022 are as follows:

	Issue date	Principal amount	Term	Interest rate/dividend per annum	Due date	Use of proceeds
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 (Note (1))	5 years (Note (a))	3.375%	January 2024	For repayment of previous Notes and general corporate purposes
Convertible preferred shares	June 21, 2019	US$40 million	N/A (Note (b))	4%	N/A (Note (b))	For general corporate funding and capital expenditure
2025 Notes	April 24, 2020 and May 12, 2020	US$1 billion	5 years	5.875%	April 2025	For repayment of previous Notes and general corporate purposes
2030 Notes	November 2, 2020	US$1 billion	10 years	3.421%	November 2030	For repurchase of perpetual securities and previous Notes

Notes:

(1) This does not reflect the potential repurchase of the convertible bonds as described in "*Summary – Recent Developments – Repurchase of the Existing Convertible Bonds*."

(a) Please refer to note 12(c) to the unaudited quarterly consolidated financial information for the three months ended June 30, 2022 included elsewhere in this offering circular for details.

(b) Please refer to note 12(d) to the unaudited quarterly consolidated financial information for the three months ended June 30, 2022 included elsewhere in this offering circular for details.

Our net cash position and gearing ratio as at June 30 and March 31, 2022 were as follows:

	As at June 30, 2022 (unaudited) (US$ million)	As at March 31, 2022 (audited) (US$ million)
Bank deposits and cash and cash equivalents	3,846	4,023
Borrowings		
– Short-term loans	83	58
– Long-term loan	1	1
– Notes	2,677	2,676
– Convertible bonds	646	641
– Convertible preferred shares	45	45
Net cash position	394	602
Total equity	5,585	5,395
Gearing ratio (Borrowings divided by total equity)	0.62	0.63

We are confident that the facilities on hand can meet the funding requirements of our operations and business development. We are in full compliance with all our banking covenants.

We adopt a consistent hedging policy for business transactions to reduce the risk of currency fluctuation arising from daily operations. As at June 30, 2022, we had commitments in respect of outstanding forward foreign exchange contracts amounting to US$14,306 million (as compared with US$12,447 million as at March 31, 2022). Our forward foreign exchange contracts are either used to hedge a percentage of future transactions which are highly probable, or used as fair value hedges for identified assets and liabilities.

Contingent Liabilities

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

RISK FACTORS

An investment in the Bonds is subject to significant risks. You should carefully consider all of the information in this offering circular and, in particular, the risks described below before deciding whether to invest in the Bonds. The following describes some of the significant risks that could affect us and the value of the Bonds. Risks that are currently unknown to us or that we currently believe to be immaterial, could become material. All of these risks could materially and adversely affect our business, financial condition, results of operations and prospects. The market price of the Bonds could decline due to any of these risks and you may lose all or part of your investment.

RISKS RELATING TO OUR BUSINESS

We face intense competition, which may adversely affect our revenue, market share and profitability.

We operate in an industry in which there are rapid technological advances in hardware, software, and service offerings, and we face aggressive product and price competition from a range of competitors. We compete based on our ability to offer our customers the most current and desired product features at competitive prices. We expect that competition in our industry will continue to be intense. In seeking to grow and maintain our revenue, market share and profitability in different geographical and product sectors, we face challenges that our competitors' products may be less expensive than ours, provide better performance or include features that are more attractive to customers when compared to our products. Moreover, our efforts to balance our mix of products to optimize profitability, liquidity and growth may put pressure on our industry position. In addition, we face competitive challenges due to changing industry and market dynamics, such as the growth of mobility and touchscreen devices and equipment, the transition towards cloud computing and the maturity of the conventional PC market. We need to develop products and services that appeal to customers, in a very competitive marketplace, against the backdrop of decelerating growth in global PC demand. As we continue to expand globally, we may see new and increased competition in different geographic regions and face challenges from new industry competitors. As our industry evolves and we grow, companies with which we have strategic alliances may become competitors in other product areas or our current competitors may enter into new strategic relationships with new or existing competitors, all of which may further increase the competitive pressures that we face. In each case, if we are not able to successfully compete, our net revenues and profitability may be adversely affected.

Our June 2022 Quarterly Consolidated Financial Information has not been audited or reviewed.

In accordance with our past practice, we filed our financial information as at and for the three months ended June 30, 2022, which included the comparative financial information in respect of the three months ended June 30, 2021, or the June 2022 Quarterly Consolidated Financial Information, with the Hong Kong Stock Exchange on August 10, 2022. The June 2022 Quarterly Consolidated Financial Information included in this offering circular has not been audited or reviewed by the auditor of our Company. There can be no assurance that if such financial information had been audited or reviewed, there would be no change in the financial information and such changes would not be material. The June 2022 Quarterly Consolidated Financial Information has been included in this offering circular for reference only and should not be relied upon by investors in making their investment decisions. As of the date of this offering circular our most recent audited financial information was prepared as at and for the year ended March 31, 2022, and investors should be aware that there are no audited or reviewed financial statements relating to our Company or our Group since this date.

Adverse global and regional economic conditions and instability in financial markets may harm our business and result in reduced net revenue and profitability.

As a global company with customers in virtually every business and industry, our performance depends significantly on global and regional economic conditions. For example, in recent periods we have experienced macroeconomic challenges across many geographic regions, decelerating growth and weakness in consumer demand, new or increased tariffs, changes to fiscal and monetary policies, currency fluctuations, sovereign debt crisis and austerity measures being experienced, implemented or contemplated by various countries. The COVID-19 pandemic has significantly disrupted the global logistics and transportation, suppressed domestic consumption and international trade, and negatively affected the economic growth and outlook for our current fiscal year ending March 31, 2023 and future periods. In addition, while China's economy has experienced significant growth over the past few decades, it has experienced a slowdown in growth in the past few years, and there is no assurance that future growth will be sustained at similar rates or at all. Inflation has accelerated in many economies, in particular the United States, and policy actions to address inflation may slow or reverse economic growth or have other negative effects on economic conditions. These types of economic conditions could result in postponed or decreased spending amid customer concerns over unemployment, inflation, reduced asset values, volatile energy costs, geographical issues, the availability and cost of credit, and the stability and solvency of financial institutions, financial markets, businesses, local and state governments, and sovereign nations. Weak global and regional economic conditions also could harm our business by contributing to potential product shortages or delays, insolvency of key suppliers, increased credit and collectability risk on our trade receivables, potential customer and counterparty insolvencies, and increased challenges in conducting our treasury operations. For example, the military conflicts between Russia and Ukraine and the related sanctions imposed on Russia by the U.S., European Union and other countries in response have increased economic and political uncertainty across the world. Our operations in Russia accounted for approximately 1% of our net revenue in the year ended March 31, 2022 and our assets attributable to Russian operations accounted for less than 1% of our total assets as of March 31, 2022. However, our business may be adversely affected by effects of the conflicts, which, depending on future developments, could include supply chain disruptions, macroeconomic impacts resulting from the exclusion of Russian financial institutions from the global banking system, volatility in foreign exchange rates and interest rates, inflationary pressures, and heightened cybersecurity and data theft threats. All of these possible effects of weak and regional global economic conditions could negatively impact our net revenue and profitability.

We could be adversely affected by the outbreaks of infectious diseases, such as the outbreak of the COVID-19 virus.

Substantially all parts of the world have experienced and may experience future outbreaks of viruses, such as COVID-19, SARS, MERS, various forms of influenza, monkeypox or other infectious diseases. In particular, COVID-19 (including its variants), an infectious disease caused by severe acute respiratory syndrome coronavirus 2, which was declared a "pandemic" by the WHO in March 2020, has spread globally and led to significant global economic and financial disruptions, including an adverse impact on international trade and business activities, including negatively affecting supply chains in our and other industries. The continued spread, including the spread of more infectious or severe variants of COVID-19, has led to a public health crisis, negatively affected the global economy and international trade and increased economic uncertainty. While the global rollout of vaccines has helped contain the spread of the virus and facilitated more normal activity level in many economies, it is difficult to predict whether the current or future vaccines will remain effective against the various variants of COVID-19, which are expected to continue to emerge. The continuous emergence of new variants has led to, and could continue to lead to, the resurgence of cases and an increasing number of restrictive response measures re-imposed by governments around the world, which in turn could adversely impact the recovery of global economic growth and international trade.

Since the beginning of 2020, outbreaks of COVID-19 have resulted in the temporary closure of many corporate offices, stores and shopping malls, and manufacturing facilities. As the virus spread across the globe, various countries have taken lockdown and quarantine measures and imposed travel restrictions. Like many other companies, our supply chain, production, logistics and many other aspects of our operations have been disrupted by COVID-19. This has included mandatory closure of facilities and extended shutdown of business operations in certain countries, and restrictions on local and global travel. For example, due to the outbreak of COVID-19, our primary smartphone manufacturing facility, located in Wuhan, China, was shut down from late-January 2020 to late-February 2020, and became fully operational in April 2020. This interruption to the Wuhan manufacturing site resulted in product shortages that affected the results of our MBG business in the last quarter of the year ended March 31, 2020. In addition, disruptions in operations may impede the manufacturing and shipping of products and adversely affect our ability to fulfill orders, deliver services and respond to customer requests. For example, our PC manufacturing site in Hefei, China and server manufacturing site in Shenzhen, China have experienced product shipment delays due to COVID-19-related restrictions from time to time. The pandemic could also interrupt our business processes such as transaction processing and financial reporting, which in turn may damage our reputation. As the COVID-19 pandemic continues, substantial recovery expenditure or prolonged recovery time may result, leading to some of our suppliers experiencing financial and operational difficulties and even bankruptcy. If we are unable to source alternative supplies during the period of shortage at a favorable pricing, our revenues, profitability and competitive position may be adversely affected. In addition, our suppliers may pass their higher costs for sourcing or production due to an outbreak to us through price increases, thereby negatively affecting our margins. These types of higher supplier costs could negatively affect our profitability.

In addition, the COVID-19 pandemic or future outbreaks of other infectious diseases in any country where our customers are based, as well as quarantines or other regulatory measures or restrictions taken in response to an outbreak, could significantly affect consumer demand and impede our customers' ability to continue paying for goods and services. We may experience lower revenue resulting in less cash flow, along with delayed receivables collection. Further, the COVID-19 pandemic has also led to volatility in the financial markets and may cause a reduction in our funding opportunities.

More generally, the ongoing outbreak and resurgence of COVID-19 or future outbreaks of infectious diseases could affect the general level of economic activity globally or specifically in any country where we have facilities or where our customers or suppliers are based. The future development of COVID-19 is still highly uncertain and cannot be predicted. The ongoing COVID-19 outbreak has negatively affected and is expected to continue to adversely impact the global economy. Any other significant outbreak of infectious diseases could result in a widespread health crisis that could adversely affect the economies and financial markets of many countries, resulting in a global or regional economic downturn. Any of these events could have a material adverse effect on our business, financial condition, results of operations and prospects.

Economic and political policies favoring national interest, including policies related to global trade, tariffs and investment, such as those of the United States and China, could adversely affect our business, financial condition and results of operations.

The current international political environment, including existing and potential changes to United States and China trade, tariffs and investment policies, have resulted in uncertainty surrounding the future of the global economy. In 2018, the United States imposed a series of tariffs ranging from 10% to 25% on a variety of imports from China. China has responded to these tariffs with retaliatory tariffs ranging from 5% to 25% on a wide range of products from the United States. The United States and China signed the "Phase One" trade agreement in January 2020. While the U.S. government has recently announced that they are reconsidering these tariffs, there remains uncertainty as to the types and levels of U.S. tariffs that will remain imposed on China-imported products. If any new tariffs, legislation and/or regulations are implemented, or if existing trade agreements are renegotiated or, in particular, if the U.S. government takes trade actions due to the tensions in U.S.-China relations, such changes could have an adverse effect on our business, financial condition and results of operations. We manufacture a significant portion of the products we sell in China, and we export our products to a large number of countries, including the United States. While the products we manufacture in China for export to the United States, in particular laptops, are not currently covered by these tariffs, any further expansion in the types or levels of tariffs implemented could negatively impact our business, financial condition and results of operations. Furthermore, we rely on certain overseas suppliers to obtain components and raw materials for the assembling of our hardware devices. If China imposes import tariffs, trade restrictions or other trade barriers affecting the importation of such components or raw materials, we may not be able to obtain a steady supply of necessary components or raw materials at competitive prices, and our business and operations may be materially and adversely affected.

Additionally, there is a risk that the U.S. tariffs on imports will be met with tariffs on U.S.-produced exports and that a broader trade conflict could ensue. This could significantly impact global trade and economic conditions. Potential costs and any attendant impact on pricing arising from these tariffs, any further expansion in the types or levels of tariffs implemented or on global economic conditions generally could require us to modify our current business practices and could adversely affect our business, financial condition and results of operations.

Furthermore, we have significant operations, including a large number of employees, manufacturing facilities, and operations centers in various jurisdictions. Nationalist economic policies and political trends in these jurisdictions, such as opposition to globalization and free trade, restrictions on inbound or outbound foreign investment, relevant countries or regions' relationships with China, sanctions or trade restrictions, withdrawal from or re-negotiation of global or regional trade agreements, tax policies that favor domestic industries and interests, and other similar actions, may result in increased transaction costs, reduced ability to hire employees, reduced access to supplies and materials, reduced demand or access to customers in international markets, and inability to conduct our operations as they have been conducted historically. Each of these factors may adversely affect our business.

We are subject to laws and regulations, including import, export, and economic sanctions laws and regulations, that may limit our sales opportunities, expose us to liability, complicate our supply chains and increase our costs.

We are subject to a range of laws and regulations based on national security, political and other policy considerations. These types of regulations are increasingly prevalent, continue to evolve and vary from jurisdiction to jurisdiction. In some cases, conflicting requirements of various jurisdictions can complicate compliance with these types of law and regulations.

Actions by national governments in respect of economic sanctions could disrupt our business. For example, the U.S. government has revoked Hong Kong's special trading status and implemented sanctions against individuals it identified as having undermined Hong Kong's autonomy; it also implemented sanctions restricting the popular social media apps for a period of time. In response to the Russia-Ukraine war since February 2022, a wide range of nations have implemented sanctions against Russia, in particular those affecting the Russian financial sector. Heightened tensions between China and India as a result of border clashes have also resulted in a number of mobile apps developed by Chinese companies being banned by the Indian government. While none of these actions has affected us to date, other similar types of international political developments could restrict us, our customers or our suppliers in ways that adversely affect our business, financial condition and results of operations. Furthermore, national governments can react to the economic sanctions of other nations by imposing so-called "blocking sanctions" or other legal obligations that can create conflicting obligations, making compliance difficult or impossible. For example, on June 10, 2021, China adopted the "Anti-Foreign Sanctions Law," which, among other things, provides that no entity or individual may implement or assist with foreign entities' discriminatory restrictive measures against Chinese citizens or entities. The effect of this new law on us and our industry remain uncertain, but it could make compliance with other nations' sanctions laws more difficult.

Our products are subject to export controls, including the U.S. Department of Commerce's Export Administration Regulations, and similar laws and regulations that apply in jurisdictions in which we distribute or sell our products. Export control and similar regulations include restrictions and prohibitions on the sale or supply of certain products and on our transfer of parts, components, and related technical information and know-how to certain countries, regions, governments, persons and entities. We are prohibited under U.S. law from exporting our products to any recipient if we have knowledge that a violation of U.S. export regulations, including regulations in respect of the Entity List administered by the U.S. Department of Commerce's Bureau of Industry and Security (the "BIS Entity List"), has occurred or will occur in connection with the products. Furthermore, U.S. law prohibits the import of any goods produced with forced labor. Our suppliers may restrict our rights to use their components in products destined for end-users or end-uses that present heightened regulatory or reputational risks, and some customers may decline to purchase our products that contain parts or components from, or that were manufactured by, suppliers and service providers that present heightened regulatory or reputational risks, including those linked to the BIS Entity List or forced labor. The loss of suppliers or customers as a result of such regulatory or supply chain limitations could materially harm our business, financial condition, results of operations and prospects. Furthermore, our association with such customers or suppliers could subject us to actual or perceived reputational harm among current or prospective investors, suppliers or customers, other parties doing business with us, or the general public. Any such reputational harm could result in the loss of suppliers or customers, which could harm our business, financial condition, results of operations or prospects and negatively affect the price of the Bonds.

Complying with import, export and sanctions laws may be time-consuming, may increase our costs, restrict our supply and manufacturing options and result in the delay or loss of sales opportunities. We are also subject to inspections by various governmental authorities monitoring our compliance with these laws. Although we take precautions to prevent our products from being provided in violation of such laws and regulations, if we are found to be in violation of sanctions or export control laws, we and the individuals working for us could incur substantial fines and penalties. Changes in export, sanctions or import laws or regulations may affect whether it is feasible and profitable for us to manufacture our products in and distribute our products from countries that impose regulatory restrictions on the movement of our parts, components, finished products, and related technologies. Changes in these types of laws and regulations may also increase our regulatory burdens in monitoring our supply chains to ensure we do not violate such laws or regulations or damage our reputation. These types of regulatory developments may also delay the introduction and sale of our products, cause us to spend resources to seek necessary government authorizations or to develop different versions of our products, or, in some cases, prevent the export or import of our products to certain countries, regions, governments, persons or entities altogether, any of which could adversely affect our business, financial condition and operating results.

We are subject to anti-corruption laws and our policy to prevent violations of them and other laws may not be effective.

We are subject to anti-corruption laws, such as the U.S. Foreign Corrupt Practices Act of 1977, the United Kingdom Bribery Act of 2010 and the PRC Criminal Law and Anti-Unfair Competition Law. These and other similar laws to which we are subject prohibit companies and those acting for them from making improper payments to government officials and others for the purposes of obtaining or retaining business. While we seek to foster a strong culture of compliance, we have from time to time detected violations of our anti-corruption, anti-bribery and other policies. We have undertaken remediation efforts in light of these violations, but the policies still may not be followed at all times or effectively detect and prevent all violations by us or our employees, agents, distributors or partners. Many of the countries in which we operate have less developed legal systems and are perceived to have high levels of corruption. Furthermore, we do business with governments and government-controlled entities in many of these jurisdictions, which further increases our exposure to risks associated with these laws. Our geographical diversification, including in emerging markets, and our use of distributors increases the risk of our violating our anti-corruption, anti-bribery and other policies or similar laws. Violations of anti-corruption laws and regulations are, and of other laws and regulations may be, punishable by civil penalties, including fines, debarment from government contracts (and termination of existing contracts), as well as criminal fines and imprisonment. In addition, any major violations could have a significant impact on our reputation and consequently on our ability to win future business and maintain long-term commercial relationships with our customers. Any of the foregoing could have a material adverse effect on our business, financial condition, results of operations or prospects.

We face increased risks associated with implementing our strategic initiatives as the scale and breadth of our business and operations expand.

Our "Intelligent Transformation" strategy seeks to maintain and develop our strengths in our core, established markets and to explore and develop growth opportunities in line with our vision of "Smarter Technology for All." Our ability to accomplish the goals of this strategy depends on factors including our ability to leverage our success in the large enterprise and public sectors worldwide and our general success in China, our ability to allocate our development, capital and marketing resources in accordance with our strategy, and our ability to manage the effects of this strategy. We face increased risks associated with implementing our strategies given our large portfolio of businesses, the broad range of geographic regions in which we and our customers and partners operate, and the number of acquisitions that we have completed in recent years. We also face risks associated with changing industry, regulatory and market dynamics. As the scale and breadth of our business and operations grow, we face greater challenges to manage our business, operations and growth in an effective manner, including challenges associated with demand forecasting, manufacturing resource planning, inventory management, regulatory compliance including privacy and data protection regulations and our international operations. If we successfully gain market share in the premium consumer market, we may experience longer collection cycles, which are characteristic of the consumer market compared to the enterprise market. If we are unable to meet these challenges, our business, results of operations and prospects could be unfavorably affected.

We face risks and challenges associated with our acquisitions and investments.

From time to time, we acquire companies or businesses, enter into strategic alliances and joint ventures and make investments, and will continue to seek opportunities to do so in the future as part of our expansion plan. In order to pursue this strategy successfully, we must effectively identify suitable targets for, and negotiate and consummate, acquisition or investment transactions, some of which may be large or complex, and manage post-closing issues such as the integration of acquired businesses, products, services or employees. For example, we completed the acquisition of certain assets and assumption of certain liabilities in connection with IBM's System X on October 1, 2014. We also completed the acquisition of 100% of the issued and outstanding equity interests in Motorola Mobility from Google, Inc., including the MOTOROLA brand and Motorola Mobility's portfolio of smartphones on October 30, 2014. Most recently, we established a strategic partnership with PCCW Limited, see "*Summary – Recent Developments*" for more information.

Risks associated with business combination and investment transactions include the following, any of which could adversely affect our revenue, gross margin and profitability:

- Managing business combination and investment transactions often require significant management resources, which may divert our attention from other business operations.

- There is no assurance that we will be able to effectively manage loss-making businesses that we acquire or transform them into profit-making businesses.

- We may not fully realize all of the anticipated benefits of any business combination and investment transaction, and the timeframe for realizing benefits of a business combination and investment transaction may depend partially upon the actions of employees, advisors, suppliers or other third parties.

- Business combination and investment transactions may result in significant costs and expenses and charges to earnings, including those related to severance pay, early retirement costs, employee benefit costs, goodwill and asset impairment charges, charges from the elimination of duplicative facilities and contracts, in-process research and development charges, inventory adjustments, assumed litigation and other liabilities, legal, accounting and financial advisory fees, and required payments to executive officers and key employees under retention plans.

- Our due diligence process may fail to identify significant issues with the acquired company's product quality, financial disclosures, compliance practices, accounting practices or internal control deficiencies.

- We may borrow to finance business combination and investment transactions, and the amount and terms of any potential future acquisition-related or other borrowings, as well as other factors, could affect our liquidity and financial condition.

- If disputes arise in connection with business combination and investment transactions, such disputes may lead to litigation, which may be costly and divert our resources.

Integration issues are often complex, time-consuming and expensive and could significantly disrupt our business, including the business acquired as a result of any business combination and investment transaction. The challenges involved in integration include:

- combining product and service offerings and entering or expanding into markets in which we are not experienced or are developing expertise;

- combining different business models and managing different competitive landscapes;

- convincing customers and distributors that the transaction will not diminish service standards or business focus, persuading customers and distributors not to defer purchasing decisions or switch to other suppliers (which could result in our incurring additional obligations in order to address customer uncertainty), minimizing sales force attrition and expanding and coordinating sales, marketing and distribution efforts;

- consolidating and rationalizing corporate IT infrastructure, which may include multiple legacy systems from various acquisitions and integrating software code and business processes;

- minimizing the diversion of management attention from ongoing business concerns;

- persuading employees that business cultures are compatible, maintaining employee morale and retaining key employees, integrating employees into Lenovo, correctly estimating employee benefit costs and implementing restructuring programs;

- coordinating and combining administrative, manufacturing, research and development and other operations, subsidiaries, facilities and relationships with third parties in accordance with local laws and other obligations while maintaining adequate standards, controls and procedures;

- achieving savings from supply chain integration; and

- managing integration issues after or pending the completion of other independent transactions.

We frequently review opportunities for further acquisition opportunities and partnerships in the ordinary course of our business and expect to continue to do so in line with our strategies for continued growth. There is no assurance that acquisitions will occur in the future or the form that any such acquisition will take. Our future growth may be adversely affected if we are unable to make investments or to pursue acquisitions, or if investments and acquisitions prove unsuccessful.

Our future success depends on our ability to respond effectively to rapid changes in technology and customer preferences in the information technology industry.

Many of the markets in which we compete are characterized by rapid changes in market trends and consumer preferences, as well as constantly evolving technological advances in hardware performance and software features and functionality, which in turn lead to the frequent introduction of new products, short product life cycles, and continual improvement in product price characteristics relative to product performance. To maintain our competitive position in these markets, we must successfully develop and introduce new products and enhance our existing offerings. This process is complex, costly and uncertain, and any failure by us to anticipate customers' changing needs and emerging technological trends accurately could significantly harm our market share and results of operations. In recent years, there has been rapid growth in the use of mobile devices, such as tablets and smartphones, which has slowed the replacement cycle for conventional PC products. As the world is heading towards an age of "Internet of Things," we expect that an increasing number of devices will have computing, storage and networking modules built inside. We have adopted an Intelligent Transformation strategy to capitalize on these developments, but we may experience delays in the timing of activities related to these initiatives and unanticipated costs in implementing them due to the risks discussed elsewhere in this section. Similarly, as we transition to an environment characterized by cloud computing and software being delivered as a service, we must continue to successfully develop and deploy cloud-based solutions for our customers. We must make long-term investments, develop or obtain, and protect appropriate intellectual property and commit significant resources before we know whether our predictions will accurately reflect customer demand for our products. In addition, after we develop a product, we must be able to manufacture appropriate volumes quickly and at low costs. To accomplish this, we must accurately forecast volumes, mixes of products and configurations that meet customer requirements, and there is no assurance that we can do so successfully within a given product's life-cycle or at all. Any delay in the development, production or marketing of a new product, service or solution could result in us not being among the first to market, which could harm our competitive position.

Due to the international nature of our business, political or economic changes or other factors have in the past affected and could in the future harm our revenue, costs and expenses and financial condition.

We derive the majority of our revenue from our operations outside China, and we plan to aggressively grow our business in new international markets, particularly emerging markets. Revenue from China, Asia-Pacific (AP), EMEA and Americas (AG) accounted for 25.7%, 16.3%, 25.5% and 32.5% of our revenue for the year ended March 31, 2022, respectively. Our revenue, gross margin, expenses and financial condition have in the past been affected by, and could in the future suffer due to, a variety of risks associated with our international operations, including:

- ongoing instability or changes in a country's or region's economic or political conditions, including inflation, recession, interest rate or foreign exchange rate fluctuations and actual or anticipated military or political conflicts;

- longer collection cycles and financial instability among customers;

- various governmental requirements, and any changes to such requirements, for us to obtain and maintain permits, approvals and registrations or pass reviews necessary to conduct business in the markets we operate;

- trade regulations and procedures and actions affecting production, pricing and marketing of products, including tariffs and anti-dumping penalties;

- local labor conditions and regulations, including local labor issues faced by specific suppliers;

- managing a geographically dispersed workforce;

- changes in the regulatory or legal environment;

- differing technology standards or customer requirements;

- import, export or other business licensing requirements or requirements relating to making foreign direct investments, which could increase our cost of doing business in certain jurisdictions, prevent us from shipping products to particular countries or markets, affect our ability to obtain favorable terms for components, increase our operating costs or lead to penalties or restrictions;

- difficulties associated with repatriating cash generated or held abroad in a tax-efficient manner and changes in tax laws; and

- fluctuations in freight costs, limitations on shipping and receiving capacity, and other disruptions in the transportation and shipping infrastructure at important geographic points of exit and entry for our products and shipments.

A number of our target markets are relatively new markets for us and we face greater challenges in these markets due to our limited prior presence and because the competitive conditions in these markets may be different from those in our existing markets.

Unfavorable results of legal proceedings could harm our business and result in substantial costs.

We are involved in various claims, suits, arbitrations, investigations, audits and other proceedings that arise from time to time in the ordinary course of our business. These proceedings may involve our access to or use of our intellectual property and may include claims that are substantial. Additional legal claims or regulatory matters may arise in the future and could involve stockholder, labor, consumer, government regulatory and compliance, intellectual property, antitrust, tax, and other issues on a global basis. Litigation is inherently unpredictable. Regardless of the merits of the claims, litigation may be both time-consuming and disruptive to our business. We could incur judgments or enter into settlements of claims that could adversely affect our operating results or cash flows. In addition, our business, operating results, and financial condition could be adversely affected if any intellectual property infringement claim made against us by any third party is successful, or if we fail to develop non-infringing technology or license the proprietary rights on commercially reasonable terms and conditions.

Our business could suffer if we do not develop and protect our own intellectual property or do not obtain licenses to intellectual property developed by others on commercially reasonable and competitive terms.

We own numerous patents, copyrights and trademarks for our products, including our renowned ThinkPad notebook and our "Think" and "Idea" brand families, and our "Legion," "Motorola" and "Yoga" brands. If we or our suppliers are unable to develop or secure desirable technology or technology licenses, we may be prevented from marketing products, could be forced to market products without desirable features, or could incur substantial costs to redesign products, defend or enforce legal actions, or pay damages if we are found to have violated others' intellectual property rights. Although our suppliers might be contractually obligated to obtain or protect such licenses and indemnify us against related expenses, those suppliers could be unable to meet their obligations. Similarly, we invest in research and development and obtain additional intellectual property through acquisitions, but these activities do not guarantee that we will develop or obtain intellectual property necessary for profitable operations. Costs involved in developing and protecting rights in intellectual property may have a negative impact on our business.

Failure to maintain an effective quality control system at our manufacturing facilities, or product quality issues of our suppliers or manufacturing service providers, could have a material adverse effect on our business and operations.

The quality of our products is critical to the success of our business. Our quality control system depends on a number of factors, including the design of our quality control procedures, our quality training programs and our ability to ensure that our employees adhere to our quality control policies and guidelines. The products that we offer are complex, and our regular testing and quality control efforts may not be effective in controlling or detecting all quality issues, particularly with respect to faulty components manufactured by third parties. If we fail to meet the product specifications, our sales orders may be cancelled and products may be returned, which could have a material adverse effect on our business, reputation, results of operations and financial condition.

Our quality control procedures are also designed to allow us to meet certain mandatory production standards set by the local government authorities where our products are sold. For example, any failure to comply with these standards in China may subject us to the confiscation of related earnings and relevant products, penalties, an order to cease sales of relevant products, or an order to cease operations pending the required rectification. If the violation is determined to be serious in nature, our business license to manufacture or sell relevant products could potentially be suspended or revoked, and in the worst case scenario, we could be subject to criminal liability.

Moreover, our products could be affected by the quality controls of our components suppliers and manufacturing service providers. For example, many of our products use lithium-based batteries and any defects in such products can pose safety risks, including the risk of fire. We may face product recalls and product liability claims from our customers or distributors if the use of our products results in bodily injury, property damage or other loss, regardless of whether we are at fault. We may have to spend significant resources and time to defend ourselves if legal proceedings for product liability are instituted against us. The successful assertion of product liability claims against us could require us to pay significant monetary damages. Moreover, any accident, from the use of our products, may cause significant production interruption and may also result in negative publicity and therefore affect customers' confidence in our products.

If we fail to properly manage the distribution of our products, our revenue, gross margin and profitability could suffer.

We sell our products primarily through third-party distributors, resellers, retailers and network carriers for our mobile devices, particularly in China, North America and Western Europe. While we negotiate directly with large enterprise customers, we typically fulfill these contracts through our distribution channels. Our financial results could be materially and adversely affected due to channel conflicts or if the financial conditions of our channel partners were to weaken. Moreover, some of our distributors may have insufficient financial resources and may not be able to withstand changes in business conditions, including economic weakness and industry consolidation. If our distributors' financial conditions or operations weaken, our revenue could suffer and we could experience disruptions in distribution. In addition, network carriers providing cellular network service for our smartphone products typically subsidize purchases by users of our devices. There is no assurance that such subsidies will be continued, if at all or in the same amounts, upon renewal of our agreements with these network carriers or will be provided, if at all or in the same amounts as provided in agreements with existing network carriers, in agreements we enter into with new carriers.

In addition, we must manage inventory effectively, particularly with respect to sales to distributors, which involves forecasting demand and pricing issues. Distributors may increase orders during periods of product shortages, cancel orders if their inventory is too high or delay orders in anticipation of new products. Distributors also may adjust their orders in response to the supply of our products and the products of our competitors and seasonal fluctuations in end-user demand. Our reliance upon indirect distribution methods may reduce visibility to demand and pricing issues, and therefore make forecasting more difficult. If we have excess or obsolete inventory, we may have to reduce our prices and write down inventory. Moreover, our use of indirect distribution channels may limit our willingness or ability to adjust prices quickly and otherwise to respond to pricing changes by competitors.

Estimates of our warranty expenses are subject to assumptions and inherent uncertainties, and our results of operations would be adversely affected if actual warranty claims exceed our estimates.

We record warranty liabilities at the time of sale for the estimated costs that we may incur under our basic limited warranty. Specific warranty terms and conditions vary depending upon the product and the country in which it was sold, but generally include technical support, repair parts and labor associated with warranty repair and service actions. Our warranty period generally ranges between one to three years. However, certain of our warranties, such as those associated with some of our government contracts, have periods that extend beyond three years. We re-evaluate our estimates on a quarterly basis to assess the adequacy of our recorded warranty liabilities and adjust the amounts as necessary. Estimates of our warranty expenses are subject to assumptions and inherent uncertainties, and our results of operations would be adversely affected if actual warranty claims exceed our estimates.

Our reliance on vendors for products and components, many of whom are single-source or limited-source suppliers, could harm our business by adversely affecting product availability, delivery, reliability and cost.

We maintain several single-source or limited-source supplier relationships, either because multiple sources are not readily available or because the relationships are advantageous to us due to performance, quality, support, delivery, capacity, or price considerations. For example, we depend on a particular third-party software provider for the operating systems used in our PCs and a particular third-party semiconductor manufacturer for the semiconductor chips used in our PCs; we feature these providers' inputs as features of our products in our marketing. If the supply of a critical single-or limited-source product or component is unexpectedly delayed or curtailed, we may not be able to ship the related product in desired quantities or configurations, or in a timely manner. In addition, we may not be able to replace the functionality provided by the third-party software currently offered with our products if that software becomes obsolete, defective or incompatible with future versions of our products or if it is not adequately maintained or updated. Even where multiple sources of supply are available, qualification of the alternative suppliers and establishment of reliable supplies could result in delays and a possible loss of sales, which could harm our operating results. In addition, from time to time, we deliberately cultivate a preferred supplier relationship for certain components or products to ensure our supply. If we are unable to cultivate such preferred supplier relationships, our ability to ensure supply of such components during periods of shortage could be materially and adversely impacted.

In particular, due in large part to the COVID-19 pandemic and the resulting economic disruption, rising prices, labor and raw material shortages, and most recently the Russia – Ukraine conflict, there is currently a global supply shortage of electrical components, including semiconductor chips. As a result, we have experienced increases in our lead times and costs for components for certain products and delays in the delivery of some orders placed by our customers. If we are unable to secure manufacturing capacities from our current suppliers and contract manufacturers, our ability to deliver our products to our customers may be negatively impacted. Also, our suppliers and contract manufacturers may increase their prices, which would result in an increase in our manufacturing costs. We may not be able to pass the cost increases to our customers, which could have a negative impact on our results of operations and financial condition.

We face a number of risks and uncertainties arising from manufacturing a significant portion of our products in-house.

We manufacture a significant portion of our products in-house through manufacturing facilities in Argentina, Brazil, Germany, Hungary, India, Japan, Mexico, the United States and multiple locations in China. We may further expand our manufacturing capacity, and we face certain significant risks and uncertainties, including:

- our failure to make accurate projections, estimates and assumptions regarding future customer order levels, future pricing trends, the nature of future customers' demand, future industry cycles, trends and developments in PCs, tablets, mobile, servers and the consumer electronics industries as well as other matters which are inherently uncertain, subject to significant changes and difficult to predict;

- our inability to fund our capital expenditures from operating cash flow or additional financing as and when required;

- potential delays and cost overruns as a result of a number of factors, many of which may be beyond our control, such as construction delays, supply chain disruptions, and increases in raw material prices; and

- potential delays or denial of required approvals by relevant government authorities.

If we over-expand our manufacturing capacity or if our planned manufacturing output exceeds actual demand, we may experience capacity under-utilization and excess inventory, and incur higher impairment charges or depreciation or amortization costs, which could harm our results of operations. If we do not expand our manufacturing capacity quickly enough or to a sufficient extent, or if actual demand exceeds our planned manufacturing output, we may be unable to meet our customers' orders on a timely basis or in sufficient quantities, which could in turn harm our business, reputation and customer relationships. Moreover, if we do not add to our manufacturing capacity as and when appropriate, we may be unable to expand our business, maintain our competitive position, achieve desired economies of scale or improve our profitability. If any of these risks materialize, it could have a material and adverse effect on our business, results of operations and prospects.

We are subject to risks related to procuring supplies from our major suppliers.

Our top five suppliers for each of the years ended March 31, 2020, 2021 and 2022 collectively accounted for 33%, 37% and 35%, respectively, of our purchases for the relevant financial year. While we believe our arrangements with third-party suppliers generate cost efficiencies, our reliance on these vendors subjects us to a greater risk of shortages and reduced control over delivery schedules of components and products, as well as a greater risk of increases in product and component costs. Moreover, if any of our third-party suppliers suffer any damage to facilities, lose benefits under material agreements, experience power outages, lack sufficient capacity to manufacture our components or products, encounter financial difficulties, are unable to secure necessary raw materials from their suppliers or suffer any other disruption or reduction in efficiency, we may encounter supply delays or disruptions. Because we maintain minimal levels of component inventories, a disruption in component or product availability could harm our financial performance and our ability to satisfy customer needs. In addition, defective parts and components from these vendors or those used by our manufacturing service providers could reduce product reliability and harm our reputation.

Our success depends on our ability to attract, retain, train and motivate our key employees.

In order to be successful, we must attract, retain, train and motivate qualified executives and other key employees, including those in managerial, technical, development, sales and marketing positions. Identifying, developing internally or hiring externally, training and retaining qualified executives, engineers and marketing and sales professionals are critical to our future, and competition for experienced employees in the industry can be intense. In order to attract and retain executives and other key employees in a competitive marketplace, we must provide a competitive compensation package, including fixed compensation, performance bonus, retirement benefits and equity-based compensation under our long-term incentive program. Our equity-based incentive awards include share appreciation rights, restricted share units and performance-based share units. If our equity-based compensation ceases to be viewed as a valuable benefit, or if our total compensation package is not viewed as being competitive, our ability to attract, retain, and motivate executives and key employees could be weakened. The failure to successfully hire executives and key employees or the loss of any executives and key employees could have a significant impact on our operations. Further, changes in our management team may be disruptive to our business, and any failure to successfully transition and assimilate key new hires or promoted employees could adversely affect our business and results of operations.

If we fail to achieve favorable pricing from our vendors, our profitability could be adversely affected.

Our profitability is affected by our ability to achieve favorable pricing from our vendors, including through negotiations for competitive purchase prices, vendor rebates, marketing funds, and other vendor funding received in the normal course of business. Because these supplier negotiations are continuous and reflect the ongoing competitive environment, the variability in timing and amount of incremental vendor discounts and rebates can affect our profitability. These vendor programs may change periodically, potentially resulting in adverse profitability trends if we cannot adjust pricing or variable costs. Our inability to establish a cost and product advantage, or determine alternative means to deliver value to our customers, may adversely affect our revenue and profitability.

Business disruptions could seriously harm our future revenue and financial condition and increase our costs and expenses.

Our worldwide operations could be disrupted by earthquakes, telecommunications failures, power or water shortages, tsunamis, floods, tropical storms, fires, extreme weather conditions, epidemics or pandemics, wars and other natural or manmade disasters or catastrophic events. The occurrence of any of these business disruptions could result in significant losses, seriously harm our revenue, profitability and financial condition, adversely affect our competitive position, increase our costs and expenses, and require substantial expenditures and recovery time in order to fully resume operations. We rely on major logistics hubs, primarily in Greater China, to manufacture and distribute our products. In addition, a significant portion of our corporate, development and manufacturing activities and the manufacturing facilities of some of our component suppliers and manufacturing service providers are located in China. These China-based facilities make our operations more vulnerable to natural disasters or other business disruptions occurring in China, including the ongoing COVID-19 pandemic. Notwithstanding any measures we have taken or may take to help mitigate business disruptions, our operations could be adversely affected if manufacturing, logistics or other operations in these locations are disrupted for any reason, including natural disasters, epidemics, labor, information technology system failures, military actions or economic, business, environmental, public health, regulatory or political issues. See also "– *We could be adversely affected by the outbreaks of infectious diseases, such as the outbreak of the COVID-19 virus*."

Compliance requirements of current or future environmental and safety laws, or other regulatory laws, may increase our costs, expose us to potential liability, and otherwise harm our business.

Our operations are subject to new and future environmental and safety regulation in all of the countries and regions in which we conduct business. Such regulations include requirements relating to climate change laws and regulations, materials composition, sourcing, energy efficiency, and collection, recycling, treatment, transportation, and disposal of our electronics products, including restrictions on mercury, lead, cadmium, lithium metal, lithium ion, and other substances. If we fail to comply with applicable rules and regulations regarding the transportation, source, use, and sale of such regulated substances, we could be subject to liability. The costs under environmental and safety laws are difficult to predict, but could have an unfavorable impact on our business.

We may be subject to liability in connection with industrial accidents at our processing and production sites.

As our production processes are complex and involve the operation of tools, equipment and machinery which are potentially dangerous, industrial accidents resulting in personal injuries or even deaths may occur. Industrial accidents may occur at our processing and production sites, whether due to malfunctions of tools, equipment or machinery or other reasons. If this type of event were to occur, we may be held liable for the personal injuries or deaths and subject to monetary losses, fines or penalties or other forms of legal liability as well as business interruptions caused by equipment shutdowns for government investigation or implementation or imposition of safety measures. For example, work safety laws imposed by the local government authorities where we operate could impose compliance costs or reduce the efficiency of our operations, thereby materially and adversely affecting our business, financial condition and results of operations.

We could suffer a loss of revenue and increased costs, exposure to significant liability and other negative consequences if we sustain cyber-attacks or other data security breaches that disrupt our operations or if our products contain defects or items in their design or manufacture that affect our products or services.

We manage and store various proprietary information and sensitive or confidential data relating to our operations. In addition, our cloud computing businesses routinely process, store, and transmit large amounts of data for our customers, including sensitive and personally identifiable information. We may be subject to breaches of the information technology systems we use for these purposes. Computer programmers and hackers also may be able to develop and deploy viruses, worms, and other malicious software programs that attack our networks, products or otherwise exploit any security vulnerabilities in our system or our products. In addition, sophisticated hardware and operating systems and other software and applications that we produce or procure from third parties may contain defects or items in their design or manufacture, including "bugs" and other problems or tools that could unexpectedly interfere with the operation of the system or present previously unidentified or other security risks.

The costs to us to eliminate or address the foregoing security problems and security vulnerabilities are likely to grow as we expand our operations and these costs could be significant. Our remediation efforts may not be successful and could result in interruptions, delays, or cessation of service, and loss of existing or potential customers that may impede our sales, manufacturing, distribution, or other critical functions. In addition, breaches of our security measures and the unapproved dissemination of proprietary information or sensitive or confidential data about us or our customers or other third parties, could expose us, our customers, or other third parties affected to a risk of loss or misuse of this information, result in litigation and potential liability for us, damage our brand and reputation, or otherwise harm our business. There may also be an increase in cyber-attacks, such as social engineering (or phishing), on remote-working employees and contractors, which may be a result of quarantines and travel restrictions in relation to COVID-19.

We are subject to laws, rules, and regulations in countries where we operate relating to the collection, use, and security of user data. Our ability to execute transactions and to possess and use personal information and data in conducting our business subjects us to legislative and regulatory burdens that may require us to notify customers or employees of a data security breach. We have incurred, and will continue to incur, significant expenses to comply with mandatory privacy and security standards and protocols imposed by law, regulation, industry standards, or contractual obligations.

Our performance could be adversely affected by our failure to effectively hedge our exposure to fluctuations in foreign currency exchange rates and interest rates, and we are subject to counterparty default risks.

The majority of our product components are priced in U.S. dollars. However, in the years ended March 31, 2020, 2021 and 2022, only approximately 26% to 28% of our revenue was denominated in U.S. dollars. Accordingly, our margins are vulnerable to changes in the values of currencies relative to each other.

We use forward contracts and other derivative instruments to protect against foreign currency exchange rate risks. As a result, we are subject to the risk that the counterparty to one or more of these arrangements will default, either voluntarily or involuntarily, on its performance under the terms of the arrangement. In times of market distress, a counterparty may default rapidly and without notice to us, and we may be unable to take action to cover our exposure, either because we lack the contractual ability or because market conditions make it difficult to take effective action. If one of our counterparties becomes insolvent or files for bankruptcy, our ability eventually to recover any losses suffered as a result of that counterparty's default may be limited by the liquidity of the counterparty or the applicable legal regime governing the bankruptcy proceeding. In the event of such default, we could incur significant losses, which could harm our business and negatively impact our results of operations and financial condition. In addition, the effectiveness of our hedges depends on our ability to accurately forecast future cash flows, which is particularly difficult during periods of uncertain demand for our products and highly volatile exchange rates. As a result, we could incur significant losses from our hedging activities if our forecasts are incorrect. In addition, our hedging activities may be ineffective or may not offset any or more than a portion of the adverse financial impact resulting from currency variations. Gains or losses associated with hedging activities also may impact our revenue and to a lesser extent our cost of sales and financial condition.

Our insurance coverage may not be sufficient.

Our business operations are subject to inherent risks, such as industrial accidents, product liabilities, labor disputes, environmental risks, and natural disasters such as inclement weather conditions, floods, earthquakes and fires. These events may cause a disruption or cessation in our operations, and may adversely affect our business, financial condition, results of operations and prospects. Although we believe our insurance coverage is in line with industry peers, our insurance may not be adequate to cover all potential liabilities or risks to which we may be subject. Further, there is no assurance that insurance will be generally available in the future or, if available, that the premiums will not increase or remain commercially justifiable. The occurrence of any of these events may result in the interruption of our operations, damage to our reputation and subject us to significant losses or liabilities. If we incur substantial liability and the insurance does not, or is insufficient to, cover our liability, our business, financial condition, results of operations and prospects may be adversely affected.

If we or our subsidiaries are unable to comply with the restrictions and covenants in our respective debt agreements, there could be a default under the terms of these agreements, which could cause repayment of the relevant debt to be accelerated.

If we or our subsidiaries are unable to comply with the restrictions and covenants in our respective current or future debt agreements, there could be a default under the terms of these agreements. Some of our debt agreements contain (or may in the future contain) cross-acceleration or cross-default provisions. See "*Management's Discussion and Analysis of Financial Condition and Results of Operations – Liquidity and Capital Resources – Indebtedness and Other Financing Arrangements*" and "*Capitalization and Indebtedness*" for more information on our borrowings. As a result, the default by us or such subsidiary under one debt agreement may cause the acceleration of repayment of other debt, or result in a default under our or our subsidiaries' other debt agreements. If any of these events occur, there can be no assurance that the assets and cash flows of us and our subsidiaries would be sufficient to repay in full all of such indebtedness, or that we would be able to find alternative financing. Even if alternative financing could be obtained, there can be no assurance that it would be on terms that are favorable or acceptable to us.

We may experience fluctuations in our tax obligations and effective tax rate.

We are subject to income taxes in federal and applicable state and local tax jurisdictions in the United States, China and other jurisdictions. We record tax expense based on our estimates of current and future payments, which include reserves for estimates of uncertain tax positions. As a result, there could be ongoing variability in our quarterly tax rates as taxable events occur and exposures are reevaluated. Further, our effective tax rate in any financial statement period may be materially affected by changes in the mix and level of earnings.

In addition, we cannot predict whether quotas, duties, taxes, or other similar restrictions will be imposed by the United States or other countries upon the import or export of our products and services, or what effect any of these actions would have, if any, on our business, financial condition, or results of operations. The adverse impact of certain proposals on our tax expense and profitability could be material, and we may not be able to fully offset any such incremental tax increase through product price increases or otherwise. Accordingly, changes in regulatory, geopolitical, social or economic policies, and other factors may have a material adverse effect on our business in the future or may require us to exit a particular market or significantly modify our current business practices.

The PRC government's control of foreign currency conversion may limit our foreign exchange transactions.

The PRC government limits the convertibility of RMB into foreign currencies and, in certain cases, the remittance of currency out of the PRC. We receive a substantial portion of our revenues in RMB and may need to convert RMB to foreign currency in order to meet our foreign currency obligations. The PRC's foreign exchange regulations allow payments of current account items, including profit distributions, interest payments and expenditures from trade, to be made in foreign currencies without prior approval, subject to certain procedural requirements. However, capital account transactions remain subject to foreign exchange controls, including repayment of indebtedness denominated in foreign currencies. Approval from appropriate banks appointed by Chinese governmental authorities is required where RMB is to be converted into foreign currency and remitted out of China to pay capital expenses, such as the repayment of loans denominated in foreign currencies. Foreign exchange controls with respect to capital accounts could affect our ability to obtain foreign exchange through debt or equity financing. In the future, we cannot be certain that the PRC government will not also restrict access to foreign currencies for current account transactions. Shortages in the availability of foreign currency may limit our ability to satisfy our foreign currency-denominated obligations. In the past, there have been shortages of U.S. dollars or other foreign currency available for conversion of RMB in the PRC, and it is possible that such shortages may occur again, or that restrictions on conversion could be implemented. If the foreign exchange control system prevents us from obtaining sufficient foreign currency to satisfy our currency demands, we may not be able to make payments in foreign currencies.

Unfavorable outcomes in tax audits and other tax compliance matters, or adverse legislative or regulatory tax changes could result in an increase in our future current tax expense or our effective income tax rate.

The application of tax laws to our operations and past transactions involves some inherent uncertainty. We are continually under audit in various tax jurisdictions. Although we believe our tax positions are appropriate, we may not be successful in resolving potential tax claims that arise from these audits. An unfavorable outcome in certain of these matters could result in a substantial increase to our tax expense. In addition, our provision for income taxes could be impacted by changes in the valuation of deferred tax assets.

In addition, changes in tax laws in the jurisdictions where we operate could adversely affect our operations and profitability. In recent years, numerous legislative, judicial, and administrative changes have been made in the provisions of tax laws applicable to us and companies similar to us. Additional changes to the tax laws are likely to continue to occur, and such changes may adversely affect our tax liability.

China's economic, political and social conditions, as well as its regulatory policies, could significantly affect China's financial markets, as well as our liquidity, access to capital and ability to operate our business.

A significant portion of our assets are located in China, and we derived 21.4%, 23.5% and 25.7% of our revenue for the years ended March 31, 2020, 2021 and 2022, respectively, from our operations in China. Accordingly, our results of operations, financial condition and prospects are subject to economic, political, social and legal developments in China. China's economy differs from the economies of developed countries in many respects, including the amount of government involvement, level of development, growth rate, control of foreign exchange, setting of monetary policy, state ownership of productive assets, allocation of resources and preferential treatment to particular industries or companies.

While China's economy has experienced significant growth in the past 40 years, growth has been uneven across different regions and economic sectors and its continued growth has faced downward pressure since 2008, with annual GDP growth rate declining from 9.5% in 2011 to 6.1% in 2019 according to the National Bureau of Statistics of China. COVID-19 has adversely affected China's economy, and China's GDP growth declined to 2.3% in 2020. While China's GDP increased by 8.1% in 2021, there is no assurance that China's growth can be sustained at historic rates or at all. The PRC government has implemented various measures to encourage economic development and guide the allocation of resources. Some of these measures benefit the overall economy of China, but may negatively affect us. In addition, any form of government control or new laws and regulations, including changes to existing laws and regulations or the interpretation or enforcement thereof, depending on the nature and extent of such changes and our ability to make corresponding adjustments, may result in a material adverse effect on our business and operating results. If the business environment in China deteriorates, our business in China may also be materially adversely affected.

Our ability to access financing could be adversely affected by PRC regulations.

Laws, regulations and policies issued in the PRC may apply to us. For example, the NDRC issued the NDRC Circular, which came into effect on September 14, 2015. The NDRC Circular requires domestic enterprises and/or their overseas controlled enterprises or branches to procure the registration of any issue of debt securities outside the PRC with the NDRC prior to such issue, and to notify the NDRC of the particulars of such issue within a prescribed timeframe after such issue. The NDRC's acceptance of any application for registration is subject to the availability of a sufficient amount within the NDRC's stipulated foreign debt aggregate quota (the "Aggregate Quota"). Registrations for issue of foreign debt may not be accepted by the NDRC for either administrative reasons or due to the Aggregate Quota having been fully utilized at the time of filing. There is also no assurance that any registration with the NDRC will not be revoked or amended in the future.

The application of relevant laws, regulations and policies issued in the PRC, such as the NDRC Circular, could therefore restrict our ability to raise debt financing and could also impose registration and reporting requirements that could affect our ability to raise debt financing in a timely manner.

RISKS RELATING TO CERTAIN DATA, FORECASTS AND STATISTICS IN THIS OFFERING CIRCULAR

Certain data, forecasts and statistics in this offering circular are derived from various official or third-party sources and may not be accurate, reliable, complete or up-to-date.

Market data and certain industry forecasts and statistics in this offering circular, including our market share information, have been derived from various official or third-party sources, including market research, publicly available information and industry publications. Although this information is believed to be reliable, it has not been independently verified by the Company, the Managers, the Trustee, the Agents or any of their respective affiliates, directors, officers, employees, representatives, advisors, agents and each person who controls any of them nor any of their respective affiliates. Therefore, we cannot assure you as to the accuracy and reliability of such data, forecasts and statistics, which may not be consistent with other information compiled inside or outside the PRC, and may not be complete or up-to-date. Such facts, forecasts and statistics include those set out in the sections headed "– *Management's Discussion and Analysis of Financial Condition and Results of Operations*" and "– *Business*." Because of possibly flawed or ineffective collection methods or discrepancies between published information and market practice and other problems, the statistics herein may be inaccurate or may not be comparable to statistics produced for other economies, and you should not place undue reliance on them. Furthermore, we cannot assure you that they are stated or compiled on the same basis, or with the same degree of accuracy, as similar statistics presented elsewhere. In all cases, you should consider carefully how much weight or importance you should attach to or place on such data, forecasts or statistics.

RISKS RELATING TO THE BONDS AND THE SHARES

The Bonds do not restrict our ability to incur additional debt, including any financings in the capital markets from time to time, repurchase the Bonds or repay other indebtedness or to take other actions that could negatively impact holders of the Bonds.

We are not restricted under the terms of the Bonds from incurring additional debt or from repurchasing the Bonds or repaying other indebtedness. Future incurrence of indebtedness may increase the risks related to us as described in this offering circular. In addition, the covenants applicable to the Bonds do not require us to achieve or maintain any minimum financial results relating to its financial positions or results of operations. As such, we are able to and may raise financings in the capital markets or incur debt, including issue of other debt securities, from time to time. Our ability to recapitalize, incur additional debt and take other actions that are not limited by the terms of the Bonds could have the effect of diminishing our ability to make payments on the Bonds when due.

The Bonds may not be a suitable investment for all investors.

Each potential investor in the Bonds must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- have sufficient knowledge and experience to make a meaningful evaluation of the relevant Bonds, the merits and risks of investing in the relevant Bonds and the information contained or incorporated by reference in this offering circular;

- have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the relevant Bonds and the impact such investment will have on its overall investment portfolio;

- have sufficient financial resources and liquidity to bear all of the risks of an investment in the relevant Bonds, including where the currency for payments is different from the potential investor's currency;

- understand thoroughly the terms of the relevant Bonds and be familiar with the behavior of any relevant indices and financial markets; and

- be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

A potential investor should not invest in the Bonds which are complex financial instruments unless it has the expertise (either alone or with the help of a financial adviser) to evaluate how the Bonds will perform under changing conditions, the resulting effects on the value of such Bonds and the impact this investment will have on the potential investor's overall investment portfolio.

Holders will have no rights in relation to the Shares prior to conversion of the Bonds but are subject to changes made with respect to the Shares.

Unless and until the Bondholders acquire the Shares upon conversion of the Bonds, they will have no rights with respect to the Shares, including any voting rights or rights to receive any regular dividends or other distributions with respect to the Shares. However, such Bondholders are subject to all changes affecting the Shares. For example, in the event that an amendment is proposed to the Company's articles of association requiring shareholder approval, and the record date for determining the shareholders of record entitled to vote on the amendment occurs prior to the date of conversion of the Bonds for such Shares and (as applicable) the date of registration by the relevant Bondholder as the holder thereof, that Bondholder would not be entitled to vote on the amendment but would nevertheless be subject to any resulting changes in the powers, preferences or special rights that affect the Shares after conversion.

We will follow the applicable corporate disclosure standards for debt securities listed on the Hong Kong Stock Exchange, which standards may be different from those applicable to companies in certain other countries.

We will be subject to reporting obligations in respect of the Bonds to be listed on the Hong Kong Stock Exchange. The disclosure standards imposed by the Hong Kong Stock Exchange may be different from those imposed by securities exchanges in other countries or regions. As a result, the level of information that is available may not correspond to what investors in the Bonds are accustomed to.

Bondholders may be subject to tax.

Prospective investors of the Bonds are advised to consult their own tax advisors concerning the overall tax consequences of the purchase, ownership, disposition or conversion of the Bonds or the Shares. See "– *Taxation*" for a discussion of tax consequences in certain jurisdictions.

Conversion of the Bonds may dilute the ownership interest of our existing shareholders and could also adversely affect the market price of the Shares.

The conversion of some or all of the Bonds may dilute the ownership interests of our existing shareholders. Any sales in the public market of the Shares issuable upon such conversion could adversely affect prevailing market prices for the Shares. In addition, the existence of the Bonds may facilitate short selling of the Shares by market participants.

We may not have the ability to redeem the Bonds.

Bondholders may require us, subject to certain conditions, to redeem for cash all or some of their Bonds on August 26, 2026 or upon a transaction or event constituting a change of control or delisting or otherwise as described under the headings "– *Terms and Conditions of the Bonds – Redemption and Purchase – Redemption at the option of the Bondholders*" and "– *Terms and Conditions of the Bonds – Redemption and Purchase – Redemption for Delisting, Suspension of Trading or Change of Control*." We may not have sufficient funds or other financial resources to make the required redemption in cash at such time or the ability to arrange necessary financing on acceptable terms, or at all. Our ability to redeem the Bonds in such event may also be limited by the terms of other debt instruments. Failure to repay, repurchase or redeem tendered Bonds by us would constitute an event of default under the Bonds, which may also constitute a default under the terms of other indebtedness held by us. See "– *If we or our subsidiaries are unable to comply with the restrictions and covenants in our respective debt agreements, there could be a default under the terms of these agreements, which could cause repayment of the relevant debt to be accelerated.*"

The Bonds may be redeemed at our option, which may adversely affect the trading price and liquidity of the Bonds and may subject Bondholders to reinvestment risks.

Subject to the conditions, the Bonds may be redeemed, in whole but not in part, at our option (i) at any time after September 9, 2026 and prior to the Maturity Date at their outstanding principal amount, together with interest accrued but unpaid to but excluding the date fixed for redemption (if any), provided that the Closing Price of the Shares for at least 20 Trading Days (each a "**Condition Satisfaction Day**") out of the 30 consecutive Trading Days, the last Condition Satisfaction Day occurs not more than 10 Trading Days prior to the date upon which notice of such redemption is published, was at least 130 per cent. of the applicable Conversion Price (translated into U.S. dollars at the Fixed Exchange Rate) then in effect; or (ii) at any time prior to the Maturity Date at their outstanding amount, together with interest accrued but unpaid to but excluding the date fixed for redemption (if any), provided that prior to the date of such notice at least 90 per cent. in principal amount of the Bonds originally issued (including any further bonds issued pursuant to the Terms and Conditions of the Bonds and consolidated and forming a single series with the Bonds) has already been converted, redeemed or purchased and cancelled. See "– *Terms and Conditions of the Bonds – Redemption and Purchase – Redemption at the Option of the Issuer.*" As a result, the trading price of the Bonds may be affected when this option becomes exercisable. Accordingly, Bondholders may not be able to sell their Bonds at an attractive price, thereby having a material adverse effect on the trading price and liquidity of the Bonds. In addition, the date on which we elect to redeem the Bonds may not accord with the preference of the individual circumstances of the Bondholders. The proceeds from the redemption of the Bonds may be reinvested by the Bondholders and the Bondholders may thereby be subject to additional risks associated to such reinvestment.

The Bonds are redeemable in the event of certain withholding taxes being applicable.

No assurances are made by us as to whether or not payments on the Bonds may be made without withholding taxes or deductions applying from the Issue Date on account of any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within Hong Kong or any subdivision or authority therein or thereof having power to tax. Although pursuant to the Terms and Conditions of the Bonds, we are required to gross up payments in respect of the Bonds on account of any such withholding taxes or deductions, we also have the right to redeem the Bonds at any time in the event it has or will become obliged to pay additional amounts on account of any existing or future withholding or deduction for any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within Hong Kong or any subdivision or authority therein or thereof having power to tax as a result of any change in, or amendment to, the laws or regulations of Hong Kong or any subdivision or authority therein or thereof having power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after August 17, 2022.

An active trading market for the Bonds may not develop, and there are restrictions on resale of the Bonds.

The Bonds are a new issue of securities for which there is currently no trading market. Although application has been made for the listing of the Bonds on the Hong Kong Stock Exchange, there is no assurance that we will obtain or be able to maintain a listing on the Hong Kong Stock Exchange, or that, if listed, a liquid trading market will develop. If such a market were to develop, the Bonds could trade at prices that may be higher or lower than the initial issue price depending on many factors, including prevailing interest rates, our business, and the trading prices of similar securities. The Managers are not obliged to make a market for the Bonds. If a market does develop, it may not be liquid. Therefore, investors may not be able to sell their Bonds easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. Illiquidity may have an adverse effect on the market value of Bonds.

If an active trading market were to develop, the Bonds could trade at a price that may be lower than the initial offering price of the Bonds. Whether or not the Bonds will trade at lower prices depends on many factors, including:

- prevailing interest rates and the market for similar securities;
- general economic, market and political conditions;
- our financial condition, financial performance and future prospects;
- the publication of earnings estimates or other research reports and speculation in the press or investment community in relation to us; and
- changes in the industry and competition affecting us.

Securities laws restrictions on the resale and conversion of the Bonds and the resale of the Shares issuable upon their conversion may impact investors' ability to sell the Bonds.

We have not registered the Bonds or the Shares issuable upon conversion of the Bonds under the Securities Act or other securities laws. Unless and until the Bonds and the Shares issuable upon conversion of the Bonds are registered, they may not be offered or sold or resold except in transactions that are exempt from the registration requirements of the Securities Act and hedging transactions may not be conducted unless in compliance with the Securities Act. The Bonds and the Shares issuable upon conversion of the Bonds thereof will not be freely tradable absent registration or an exemption from registration.

The liquidity and price of the Bonds following the offering may be volatile.

The price and trading volume of the Bonds may be highly volatile. Factors such as variations in our revenues, earnings and cash flows, proposals for new investments, strategic alliances and/or acquisitions, changes in interest rates, fluctuations in price for comparable companies, government regulations and changes thereof applicable to its industry and general economic conditions nationally or internationally could cause the price of the Bonds to change. Any such developments may result in large and sudden changes in the trading volume and price of the Bonds. There is no assurance that these developments will not occur in the future.

Holders will bear the risk of fluctuations in the price of the Shares.

The market price of the Bonds at any time will be affected by fluctuations in the price of the Shares. The Shares are currently listed on the Hong Kong Stock Exchange. There can be no certainty as to the effect, if any, that future issues or sales of the Shares, or the availability of such Shares for future issue or sale, will have on the market price of the Shares prevailing from time to time and therefore on the price of the Bonds.

Sales of substantial numbers of Shares in the public market, or a perception in the market that such sales could occur, could adversely affect the prevailing market price of the Shares and the Bonds. Our results of operations, financial condition, future prospects and business strategy could affect the value of the Shares. The trading price of the Shares will be influenced by our operational results and other factors, such as changes in the regulatory environment, political, economic and financial factors that may affect the markets in which we operate and capital markets in general. Corporate events such as share sales, reorganizations, takeovers or share buy-backs may also adversely affect the value of the Shares. Any decline in the price of the Shares would adversely affect the market price of the Bonds.

The issuance of the Bonds may result in downward pressure on the market price of the Shares.

Many investors in convertible bonds seek to hedge their exposure in the underlying equity securities, often through short selling the underlying equity securities or similar transactions. Any short selling or similar hedging activity could place significant downward pressure on or affect the volatility of the market price of the Shares, thereby having a material adverse effect on the market value of the Shares as well as on the trading price of the Bonds.

Changes in market interest rates may adversely affect the value of the Bonds.

Investment in the Bonds, which carry a fixed rate of interest, involves the risk that subsequent changes in market interest rates may adversely affect the value of the Bonds. Short selling of the Shares by purchasers of the Bonds could materially and adversely affect the market price of the Shares.

Holders have limited anti-dilution protection.

The Conversion Price will be adjusted in the event that there is a consolidation, re-classification, redesignation or consolidation of Shares, capitalisation of profits or reserves, certain distributions, issuance of options, rights, warrants to acquire Shares and any other securities carrying the right to acquire Shares, issuance of Shares and any other securities carrying the right to acquire Shares at less than 100% of the current market price, and certain other dilutive events as specified in the Terms and Conditions, but only in the circumstances and only to the extent provided in "*– Terms and Conditions of the Bonds – Conversion – Adjustments to Conversion Price*." There is no requirement that there should be an adjustment for every corporate or other event that may affect the value of the Shares. Events in respect of which no adjustment is made may adversely affect the value of the Shares and, therefore, adversely affect the value of the Bonds.

The Trustee may request the Bondholders to provide an indemnity and/or security and/or pre-funding to its satisfaction.

In certain circumstances, the Trustee may request Bondholders to provide an indemnity and/or security and/or pre-funding to its satisfaction before it takes actions on behalf of Bondholders. The Trustee shall not be obliged to take any such actions if it is not first indemnified and/or secured and/or pre-funded to its satisfaction. Negotiating and agreeing to an indemnity and/or security and/or pre-funding can be a lengthy process and may impact on when such actions can be taken. The Trustee may not be able to take actions, notwithstanding the provision of an indemnity and/or security and/or pre-funding to it, in breach of the terms of the Trust Deed and/or in circumstances where there is uncertainty or dispute as to the applicable laws or regulations and, to the extent permitted by the agreements and the applicable law or regulations, it will be for the Bondholders to take such actions directly.

The Bonds are unsecured obligations.

The Bonds constitute direct, unconditional, unsubordinated and subject to Condition 4(a) (see "*– Terms and Conditions of the Bonds – Covenants – Negative Pledge*") unsecured obligations of our ranking *pari passu* and without any preference among themselves. Our payment obligations under the Bonds rank at least equally with all our other unsecured and unsubordinated obligations, indebtedness and monetary obligations, from time to time outstanding, subject to Condition 4(a) (see "*– Terms and Conditions of the Bonds – Covenants – Negative Pledge*"). The repayment of the Bonds may be compromised if:

(a) we enter into bankruptcy, liquidation, rehabilitation or other winding-up proceedings;

(b) there is a default in payment under our future secured indebtedness or other unsecured indebtedness; or

(c) there is an acceleration of any of our indebtedness.

If any of the above events occurs, our assets may not be sufficient to pay amounts due on the Bonds.

Modification and waivers of the Conditions may be made in respect of the Conditions and the Trust Deed by majority Bondholders or the Trustee and substitution may be agreed to by the Trustee, and decisions may be made on behalf of all Bondholders which are binding on all Bondholders and may be adverse to the interests of the individual Bondholders.

The Conditions contain provisions for calling meetings of Bondholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Bondholders including those Bondholders who did not attend and vote at the relevant meeting and those Bondholders who voted in a manner contrary to the majority. There is a risk that the decision of the majority of the Bondholders may be adverse to the interests of the individual Bondholders.

The Conditions also provide that the Trustee may, without the consent of Bondholders, agree to:

(d) any modification of any of the provisions of the Trust Deed, the Agency Agreement and/or the Conditions that is, in the Trustee's opinion, of a formal, minor or technical nature or is made to correct a manifest error or to comply with any mandatory provision of law;

(e) any other modification (except as mentioned in the Trust Deed), and any waiver or authorisation of any breach or proposed breach, of any of the provisions of the Conditions, the Trust Deed and/or the Agency Agreement that is in the opinion of the Trustee not materially prejudicial to the interests of the Bondholders; and

(f) the substitution of the Issuer's successor in business or any subsidiary of the Issuer or its successor in business in place of the Issuer or any previous substituted company, as principal debtor under the Trust Deed and the Bonds, and relatedly, a change of the law governing the Bonds and/or the Trust Deed provided that such change would not in the opinion of the Trustee be materially prejudicial to the interests of Bondholders.

The Bonds will initially be represented by the Global Certificate and holders of a beneficial interest in the Global Certificate must rely on the procedures of the relevant Clearing System.

The Bonds will initially be represented by the Global Certificate. Such Global Certificate will be deposited with a common depositary for Euroclear and Clearstream (each of Euroclear and Clearstream, a "**Clearing System**" and together the "**Clearing Systems**"). Except in the circumstances described in the Global Certificate, investors will not be entitled to receive definitive Bonds. The relevant Clearing System will maintain records of the beneficial interests in the Global Certificate. While the Bonds are represented by the Global Certificate, investors will be able to trade their beneficial interests only through the Clearing Systems.

While the Bonds are represented by the Global Certificate, we will discharge our payment obligations under the Bonds by making payments to the common depositary for the Clearing Systems, for distribution to their account holders. A holder of a beneficial interest in the Global Certificate must rely on the procedures of the relevant Clearing System to receive payments under the Bonds. We have no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Certificate.

Holders of beneficial interests in the Global Certificate will not have a direct right to vote in respect of the Bonds. Instead, such holders will be permitted to act only to the extent that they are enabled by the relevant Clearing System to appoint appropriate proxies.

Further issuances, offers or sales of Shares or fluctuations in the price of the Shares could adversely affect the price of the Bonds.

Further issuances, offers or sales of, or the real or perceived possibility of further issuances, offers or sales of a significant number of additional Shares or securities convertible or exchangeable into or exercisable for the Shares or any securities or financial instruments whose economic value is determined directly or indirectly by reference to the market price of the Shares could adversely affect prevailing market prices for the Shares and have an impact on the market price of the Bonds. It is difficult to predict the effect, if any, that sales of Shares, including sales or transfers of large positions held by institutional and corporate investors, or the availability of the Shares for future sale, will have on the market price of the Shares and the Bonds. In addition, the market price of the Bonds will at any time be affected by fluctuations in the price of the Shares. The price of the Shares may be adversely or positively influenced by, among other things, our results of operations and other political, economic and financial factors that may affect the capital markets and general market sentiments. See "– *Holders will bear the risk of fluctuations in the price of the Shares.*" Any decline in the price of the Shares would adversely affect the secondary market price of the Bonds.

TERMS AND CONDITIONS OF THE BONDS

The following (other than the words in italics) is the text of the Terms and Conditions of the Bonds which will appear on the reverse of each of the definitive certificates evidencing the Bonds:

The issue of the U.S.$675,000,000 in aggregate principal amount of 2.50 per cent. convertible bonds due 2029 (the "Bonds", which term shall include, unless the context requires otherwise, any further bonds issued in accordance with Condition 15 (*Further Issues*) and consolidated and forming a single series therewith) of Lenovo Group Limited (the "Issuer") and the right of conversion into Shares (as defined in Condition 6(a)(v)) was authorised by resolutions of the board of directors of the Issuer dated May 21, 2021. The Bonds are constituted by a trust deed (as amended or supplemented from time to time, the "Trust Deed") dated on or about August 26, 2022 (the "Issue Date") made between the Issuer and Citicorp International Limited (the "Trustee", which expression shall include all persons for the time acting as trustee or trustees under the Trust Deed) as trustee for the Holders (as defined below) of the Bonds. These terms and conditions (the "Conditions") include summaries of, and are subject to, the detailed provisions of the Trust Deed, which includes the form of the Bonds. The Issuer has entered into a paying, conversion and transfer agency agreement dated on or about August 26, 2022 (the "Agency Agreement") relating to the Bonds made between the Issuer, the Trustee, Citibank N.A., London Branch as principal paying and conversion agent (the "Principal Agent"), as registrar (the "Registrar"), and as transfer agent, and the other paying, conversion and transfer agents appointed under it (each a "Paying Agent", "Conversion Agent", "Transfer Agent" and together with the Registrar and the Principal Agent, the "Agents") relating to the Bonds. References to the "Principal Agent", "Registrar" and "Agents" below are references to the principal agent, registrar and agents for the time being for the Bonds. Unless otherwise defined, terms used in these Conditions have the meaning specified in the Trust Deed.

Copies of the Trust Deed and the Agency Agreement are available (upon reasonable advance notice being given to the Trustee or the Agents) for inspection during usual business hours at the principal office for the time being of the Trustee (presently at 20/F, Citi Tower, One Bay East, 83 Hoi Bun Road, Kwun Tong, Kowloon, Hong Kong) and at the specified offices for the time being of each of the Agents. The Bondholders (as defined below) are entitled to the benefit of and are bound by all provisions of the Trust Deed and are deemed to have notice of (i) all the provisions of the Trust Deed and (ii) all the provisions of the Agency Agreement applicable to them.

1. FORM AND DENOMINATION

The Bonds are in registered form in the denominations of U.S.$200,000 each and integral multiples of U.S.$1,000 in excess thereof (each, an "Authorised Denomination").

2. STATUS

The Bonds constitute direct, general, unconditional, unsubordinated and (subject to Condition 4(a) (*Negative Pledge*)) unsecured obligations of the Issuer which will at all times rank *pari passu* among themselves and at least *pari passu* with all other present and future unsecured and unsubordinated obligations of the Issuer, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.

Upon issue, the Bonds will be evidenced by a global Bond certificate (the "Global Bond Certificate") substantially in the form scheduled to the Trust Deed. The Global Bond Certificate will be registered in the name of a nominee for, and deposited with, a common depositary for Euroclear Bank SA/NV ("Euroclear") and Clearstream Banking S.A. ("Clearstream") and will be exchangeable for individual Bond Certificates only in the circumstances set out therein.

3. REGISTER, TITLE AND TRANSFERS

(a) *Register:* The Registrar will maintain a register (the "Register") in respect of the Bonds outside the United Kingdom in accordance with the provisions of the Agency Agreement. In these Conditions, the "**Holder**" of a Bond means the person in whose name such Bond is for the time being registered in the Register (or, in the case of a joint holding, the first named thereof) and "**Bondholder**" shall be construed accordingly. A certificate (each, a "Bond Certificate") will be issued to each Bondholder in respect of its registered holding. Each Bond Certificate will be numbered serially with an identifying number which will be recorded in the Register.

(b) *Title:* The Holder of each Bond shall (except as otherwise required by law) be treated as the absolute owner of such Bond for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any other interest therein, any writing on the Bond Certificate relating thereto (other than the endorsed form of transfer) or any notice of any previous loss or theft of such Bond Certificate) and no person shall be liable for so treating such Holder. No person shall have any right to enforce any term or condition of the Bonds under the Contracts (Rights of Third Parties) Act 1999.

(c) *Transfers*: Subject to paragraphs (f) (*Closed periods*) and (g) (*Regulations concerning transfers and registration*) below, a Bond may be transferred upon surrender of the relevant Bond Certificate, with the endorsed form of transfer duly completed, at the specified office of the Registrar or any Transfer Agent, together with such evidence as the Registrar or (as the case may be) such Transfer Agent may reasonably require to prove the title of the transferor and the authority of the individuals who have executed the form of transfer; *provided, however*, that a Bond may not be transferred unless the principal amount of Bonds transferred and (where not all of the Bonds held by a Holder are being transferred) the principal amount of the balance of Bonds not transferred are Authorised Denominations. Where not all the Bonds represented by the surrendered Bond Certificate are the subject of the transfer, a new Bond Certificate in respect of the balance of the Bonds will be issued to the transferor. No transfer of title to a Bond will be valid unless and until entered on the Register.

Transfers of interests in the Bonds evidenced by the Global Bond Certificate will be effected in accordance with the rules of the relevant clearing systems.

(d) *Registration and delivery of Bond Certificates*: Within five business days of the surrender of a Bond Certificate in accordance with paragraph (c) (*Transfers*) above, the Registrar will register the transfer in question and deliver a new Bond Certificate of a like principal amount to the Bonds transferred to each relevant Holder at its specified office or (as the case may be) the specified office of any Transfer Agent or (at the request and risk of any such relevant Holder) by uninsured mail to the address specified for the purpose by such relevant Holder. In this paragraph, "**business day**" means a day (other than a Saturday, Sunday or public holiday) on which commercial banks are open for general business (including dealings in foreign currencies) in the city where the Registrar or (as the case may be) the relevant Transfer Agent has its specified office.

(e) *No charge:* The transfer of a Bond will be effected without charge by or on behalf of the Issuer, the Registrar or any Transfer Agent but against such indemnity as the Registrar or (as the case may be) such Transfer Agent may require in respect of any tax or other duty of whatsoever nature which may be levied or imposed in connection with such transfer.

(f) *Closed periods:* No Bondholder may require the transfer of a Bond to be registered (i) during the period of 15 days ending on (and including) the dates for payment of any principal or interest pursuant to these Conditions; (ii) after a Conversion Notice (as defined in Condition 6(b)) has been delivered by such Bondholder with respect to a Bond; (iii) after a Relevant Event Redemption Notice (as defined in Condition 8(d)) has been deposited by such Bondholder in respect of such Bond pursuant to Condition 8(d); (iii) after a Put Notice (as defined in Condition 8(e)) has been deposited by such Bondholder in respect of such Bond pursuant to Condition 8(e); and (iv) during the period of seven days ending on (and including) any date of redemption pursuant to Conditions 8(b) and 8(c). Each such period is a "**Closed Period**".

(g) *Regulations concerning transfers and registration:* All transfers of Bonds and entries on the Register are subject to the detailed regulations concerning the transfer of Bonds scheduled to the Agency Agreement. The regulations may be changed by the Issuer with the prior written approval of the Registrar. A copy of the current regulations will be mailed (free of charge) by the Registrar to any Bondholder who requests in writing a copy of such regulations.

4. COVENANTS

(a) *Negative Pledge:* So long as any Bond remains outstanding (as defined in the Trust Deed), the Issuer will not, and will procure that none of its Subsidiaries will, create or permit to subsist any mortgage, pledge, lien, charge, assignment by way of security or any other security interest ("Lien") upon the whole or any part of its property or assets, present or future, to secure any Indebtedness (or any guarantee or indemnity in respect thereof) unless, in such case, the Bonds are secured equally and rateably with or prior to such Indebtedness (or such guarantee or indemnity in respect thereof), unless, after giving effect thereto, the aggregate outstanding principal amount of all such secured Indebtedness (other than the Indebtedness secured by Liens described in clauses (i) to (vi) below) would not exceed 10.0% of the Issuer's Consolidated Tangible Assets.

The foregoing restrictions will not apply to:

(i) any Lien existing on or prior to the date of issue of the Bonds;

(ii) any Lien existing on any property or asset prior to the acquisition thereof by the Issuer or any Subsidiary of the Issuer or arising after such acquisition pursuant to contractual commitments entered into prior to, and not in contemplation of, such acquisition;

(iii) any Lien on any property or asset securing Indebtedness incurred or assumed for the purpose of financing the purchase price thereof or the cost of construction, improvement or repair of all or any part thereof; provided that such Lien is created or attaches to such property concurrently with or within 12 months after the acquisition thereof or completion of construction, improvement or repair thereof, as the case may be;

(iv) any Lien securing Indebtedness owing to or held by the Issuer;

(v) any Lien in respect of any present or future taxes, duties, assessments or governmental charges of whatever nature not yet due and payable or that the Issuer or applicable Subsidiary is contesting in good faith by appropriate proceedings and in respect of which adequate reserves are maintained; or

(vi) any Lien arising out of the refinancing, extension, renewal or refunding of any Indebtedness secured by any Lien permitted by any of the foregoing clauses; provided that such Indebtedness (including premiums, accrued interest, fees and expenses) is not increased and is not secured by any additional property or assets.

In these Conditions:

"**Capital Stock**" of any Person means any and all shares, interests, rights to purchase, warrants, options, participation or other equivalents of or interests in (however described) equity of such Person, including any Preferred Stock, but excluding any debt securities convertible into such equity;

"**Consolidated Tangible Assets**" means, as at any date, Total Assets less Intangible Assets.

"**Indebtedness**" means any indebtedness for or in respect of money borrowed that has a final maturity of one year or more from its date of incurrence or issuance incurred outside the PRC and which is in the form of or represented by any bond, note, debenture, debenture stock, loan stock, certificate or other instrument which is, or is capable of being, listed, quoted or traded on any stock exchange or in any securities market (including, without limitation, any over-the-counter market);

"**Intangible Assets**" means, as at any date, the consolidated intangible assets of the Issuer and its Subsidiaries determined in accordance with Hong Kong Financial Reporting Standards, as determined by reference to the consolidated financial statements of the Issuer and its Subsidiaries most recently available before the time when the determination is being made.

"**Officer**" means a director or any executive officer of the Issuer;

"**Officers' Certificate**" means a certificate signed by two Officers of the Issuer;

"**Opinion of Counsel**" means a written opinion from legal counsel which in form and substance is acceptable to the Trustee. The legal counsel may be an employee of, or legal counsel to, the Issuer;

"**Person**" means any individual, corporation, partnership, joint venture, association, joint-stock company, trust, unincorporated organisation, limited liability company, government or any agency or political subdivision thereof or any other entity, whether or not having separate legal personality;

"**Preferred Stock**" as applied to the Capital Stock of any corporation, means Capital Stock of any class or classes (however described) which is preferred as to the payment of dividends, or as to the distribution of assets upon any voluntary or involuntary liquidation or dissolution of such corporation, over shares of Capital Stock of any other class of such corporation; and

"**Subsidiary**" means in relation to any Person (the "first person") at any particular time, any other Person (the "second person"):

(a) which is controlled, directly or indirectly by the first person;

(b) more than half the issued share capital of which is beneficially owned directly or indirectly by the first person;

(c) which is a Subsidiary of another Subsidiary of the first person; or

(d) whose financial statements are in accordance with applicable law and generally accepted accounting principles applicable to the Issuer fully consolidated with those of the first person.

For the purposes of this definition, a Person shall be treated as being controlled by another Person if the latter (whether by way of ownership of shares, proxy, contract, agency or otherwise) has the power to: (A) appoint or remove all, or the majority, of its directors or other equivalent officers; or (B) direct its operating and financial policies.

"**Total Assets**" means, as at any date, the consolidated total assets of the Issuer and its Subsidiaries determined in accordance with Hong Kong Financial Reporting Standards, as determined by reference to the consolidated financial statements of the Issuer and its Subsidiaries most recently available before the time when the determination is being made.

(b) *Reporting*: The Issuer will deliver to the Trustee, as soon as practicable but in any event not more than 10 calendar days after they are filed with the Hong Kong Stock Exchange (as defined below) or any other recognised exchange on which the Issuer's Capital Stock is at any time listed for trading, true and correct copies of any financial or other report in the English language filed with such exchange, unless such report has been made generally available on the website of the Issuer or such recognised stock exchange and not otherwise requested by the Trustee or the Bondholders; **provided that** if at any time the Capital Stock of the Issuer ceases to be listed for trading on a recognised exchange, the Issuer will deliver to the Trustee:

(i) as soon as practicable, but in any event within 120 calendar days after the end of the fiscal year of the Issuer, copies of its financial statements (on a consolidated basis and in the English language) in respect of such financial year (including a statement of income, balance sheet and cash flow statement) audited by a member firm of an internationally recognised firm of independent accountants;

(ii) as soon as practicable, but in any event within 90 calendar days after the end of the first semi-annual fiscal period of the Issuer, copies of its unaudited financial statements (on a consolidated basis and in the English language) in respect of such semi-annual period (including a statement of income, balance sheet and cash flow statement) prepared on a basis consistent with the audited financial statements of the Issuer and reviewed by a member firm of an internationally recognised firm of independent accountants; and

(iii) as soon as practicable and in any event within 14 days after the Issuer becomes aware of the occurrence thereof, written notice of the occurrence of any Event of Default setting forth the details thereof and the action the Issuer is taking or proposes to take with respect thereto;

unless, in the case of Condition 4(b)(i) or (ii), such report has been made generally available on the Issuer's website and not otherwise requested by the Trustee or the Bondholders.

(c) *Notification to the NDRC:* The Issuer undertakes to provide or cause to be provided a notification to the National Development and Reform Commission of the People's Republic of China or its relevant competent local counterpart (the "NDRC") of the requisite information and documents (the "NDRC Post-issue Filing") in connection with the Bonds within the prescribed timeframe after the Issue Date in accordance with the Circular on Promoting the Reform of the Administrative System on the Filings and Registrations of Foreign Debt Issuance by Enterprises (國家發展改革委關於推進企業發行外債備案登記制管理改革的通知(發改外資[2015]2044號)) issued by the NDRC and which came into effect on 14 September 2015, and any implementation rules or applicable policies in relation thereto as issued by the NDRC from time to time. The Trustee shall have no duty to monitor or ensure the completion of the NDRC Post-issue Filing on or before the deadline referred to above or to verify the accuracy, validity and/or genuineness of any documents in relation to or in connection with the NDRC Post-issue Filing, and shall not be liable to any Bondholders or any other person for not doing so.

5. INTEREST

The Bonds bear interest from the Issue Date at the rate of 2.50 per cent. per annum of the principal amount of the Bonds. Interest is payable semi-annually in arrear in equal instalments of U.S.$12.50 per Calculation Amount (as defined below) on February 26 and August 26, in each year (each an "Interest Payment Date"), commencing on 26 February 2023. If any Interest Payment Date would otherwise fall on a day which is not a business day (as defined in Condition 7 (*Payments*)), it shall be postponed to the next day which is a business day unless it would thereby fall into the next calendar month (in which event it shall be brought forward to the immediately preceding business day). Each Bond will cease to bear interest:

(i) (subject to Condition 6(b)(iv) (*Interest Accrual*)) where the Conversion Right attached to it shall have been exercised by a Bondholder, from and including the Interest Payment Date immediately preceding the relevant Conversion Date (as defined below) or, if none, the Issue Date; or

(ii) where such Bond is redeemed or repaid pursuant to Condition 8 (*Redemption and Purchase*) or Condition 10 (*Events of Default*), from the due date for redemption or repayment thereof unless, upon due presentation thereof, payment of principal is improperly withheld or refused. In such event, it will continue to bear interest at the rate of 4.50 per cent. per annum (both before and after judgment) from the date of default until the earlier of (i) the day on which all sums due in respect of such Bond up to but excluding that day are received by or on behalf of the relevant Bondholder and (ii) the day falling seven days after the Trustee or the Principal Agent has notified Bondholders of receipt of all sums due in respect of all the Bonds up to but excluding that seventh day (except to the extent that there is failure in the subsequent payment to the relevant Bondholders under these Conditions.

If interest is required to be calculated for a period of less than a complete Interest Period (as defined below), in respect of any Bond, the amount of interest payable calculated on the basis of the rate of interest specified above and the relevant day-count fraction will be determined on the basis of a 360-day year of 12 months of 30 days each and, in the case of an incomplete month, the number of days elapsed.

In these Conditions, the period beginning on and including the Issue Date and ending on but excluding the first Interest Payment Date, and each such successive period beginning on and including an Interest Payment Date and ending on but excluding the next succeeding Interest Payment Date, is called an "**Interest Period**".

Interest in respect of any Bond shall be calculated per U.S.$1,000 in principal amount of the Bonds (the "Calculation Amount"). The amount of interest payable per Calculation Amount for any period shall be equal to the product of the relevant annual rate of interest, the Calculation Amount and the day-count fraction for the relevant period, rounding the resulting figure to the nearest cent (half a cent being rounded upwards).

6. CONVERSION

(a) Conversion Right

(i) *Conversion Period*: Subject as hereinafter provided, the Bondholders have the right to convert their Bonds (or any portion thereof being U.S.$200,000 in principal amount or an integral multiple of U.S.$1,000 in excess thereof) into Shares at any time during the Conversion Period referred to below.

The right of a Bondholder to convert any Bond into Shares is called the "**Conversion Right**". Subject to and upon compliance with, the provisions of this Condition, the Conversion Right attaching to any Bond may be exercised, at the option of the Holder thereof, at any time on or after 41 days after the Issue Date up to the close of business (at the place where the Bond Certificate evidencing such Bond is deposited for conversion) on the 10th day prior to the Maturity Date (both days inclusive), except as provided in Condition 6(a)(iv), in no event thereafter) or, if such Bond shall have been called for redemption by the Issuer before the Maturity Date, then up to the close of business (at the place aforesaid) on a date no later than 10 days (both days inclusive and in the place aforesaid) prior to the date fixed for redemption thereof or if notice requiring redemption has been given by the Holder of such Bond pursuant to Condition 8(d) or Condition 8(e) then up to the close of business (at the place aforesaid) on the day prior to the giving of such notice (the "Conversion Period").

Not withstanding the foregoing, if the Conversion Date (as defined below) in respect of a Bond would otherwise fall during a period in which the register of shareholders of the Issuer is closed generally or for the purpose of establishing entitlement to any distribution or other rights attaching to the Shares (a "Book Closure Period"), such Conversion Date shall be postponed to the first Stock Exchange Business Day (as defined in Condition 6(b)(i)) following the expiry of such Book Closure Period.

If the Conversion Date in respect of the exercise of any Conversion Right is postponed as a result of the foregoing provision to a date that falls after the expiry of the Conversion Period or after the relevant redemption date, such Conversion Date shall be deemed to be the final day of such Conversion Period or the relevant redemption date, as the case may be.

The number of Shares issuable upon conversion of any Bond shall be determined by dividing the principal amount of the Bond converted (translated into Hong Kong dollars at the fixed rate of HK$7.8385 = U.S.$1.00 (the "Fixed Exchange Rate")) by the Conversion Price (as defined herein) in effect on the Conversion Date. A Conversion Right may only be exercised in respect of one or more Bonds. If more than one Bond held by the same Holder is converted at any time by the same Holder, the number of Shares to be issued upon such conversion will be calculated on the basis of the aggregate principal amount of the Bonds to be converted by such Holder.

(ii) *Fractions of Shares*: Fractions of Shares will not be issued on conversion and no cash adjustments will be made in respect thereof. However, if a Conversion Right in respect of more than one Bond is exercised at any one time such that Shares to be issued on conversion are to be registered in the same name, the number of such Shares to be issued in respect thereof shall be calculated on the basis of the aggregate principal amount of such Bonds being so converted and rounded down to the nearest whole number of Shares. Notwithstanding the foregoing, in the event of a consolidation or re-classification of Shares by operation of law or otherwise occurring after August 17, 2022 which reduces the number of Shares outstanding, the Issuer will upon conversion of Bonds pay in cash (in United States dollars by a transfer to a United States dollar account maintained by the payee with, a bank in New York City, in accordance with the instructions given by the relevant Bondholder in the relevant Conversion Notice) a sum equal to such portion of the principal amount of the Bond or Bonds evidenced by the Bond Certificate deposited in connection with the exercise of Conversion Rights, aggregated as provided in Condition 6(a)(i), as corresponds to any fraction of a Share not issued as a result of such consolidation or re-classification aforesaid if such sum exceeds U.S.$10.00. Any such sum shall be paid not later than five Stock Exchange Business Days (as defined in Condition 6(a)(i)) after the relevant Conversion Date, or the following business day in New York City if such fifth Stock Exchange Business Day is not a business day in New York City.

(iii) *Conversion Price*: The price at which Shares will be issued upon conversion (the "Conversion Price") will initially be HK$9.94 per Share, but will be subject to adjustment in the manner provided in Condition 6(c).

(iv) *Revival and/or Survival after Default*: Notwithstanding the provisions of Condition 6(b)(i), if (a) the Issuer shall default in making payment in full in respect of any Bond which shall have been called or put for redemption on the date fixed for redemption thereof, (b) any Bond has become due and payable prior to the Maturity Date by reason of the occurrence of any of the events under Condition 10, or (c) any Bond is not redeemed on the Maturity Date in accordance with Condition 8(a) or the applicable date for redemption in accordance with Condition 8(d) or Condition 8(e), the Conversion Rights attaching to such Bond will revive and/or will continue to be exercisable up to, and including, the close of business (at the place where the Bond Certificate evidencing such Bond is deposited for conversion) on the date upon which the full amount of the moneys payable in respect of such Bond has been duly received by the Principal Agent or the Trustee and notice of such receipt has been duly given to the Bondholders and, notwithstanding the provisions of Condition 6(b)(i), any Bond in respect of which the Bond Certificate and Conversion Notice are deposited for conversion prior to such date shall be converted on the relevant Conversion Date (as defined below) notwithstanding that the full amount of the moneys payable in respect of such Bond shall have been received by the Principal Agent or the Trustee before such Conversion Date or that the Conversion Period may have expired after such deposit but before such Conversion Date.

(v) *Meaning of "Shares"*: As used in these Conditions, the expression "**Shares**" means ordinary shares of the Issuer or shares of any class or classes resulting from any subdivision, consolidation or re-classification of those shares, which as between themselves have no preference in respect of dividends or of amounts payable in the event of any voluntary or involuntary liquidation or dissolution of the Issuer.

(b) Conversion Procedure

(i) *Conversion Notice*: Upon the exercise of any Conversion Right attaching to any Bond, the Holder thereof must complete, execute and deposit at his own expense during the usual office hours (being 9:00 a.m. to 3:00 p.m., Monday to Friday on which commercial banks are open for business) in the city at the specified office of any Conversion Agent a notice of conversion (a "Conversion Notice") in the form (for the time being current) obtainable from the specified office of each Agent, together with the relevant Bond Certificate and confirmation that any amounts required to be paid by the Bondholder under Condition 6(b)(ii) have been so paid or, if notice requiring redemption has been given by the Holder of such Bond pursuant to Condition 8(d) or Condition 8(e), then up to the close of business (at the place aforesaid) on the day prior to the giving of such notice. Conversion Rights shall be exercised subject in each case to any applicable fiscal or other laws or regulations applicable in the jurisdiction in which the specified office of the Conversion Agent to whom the relevant Conversion Notice is delivered is located.

The conversion date in respect of a Bond (the "Conversion Date") must fall at a time when a Conversion Right attaching to that Bond is expressed in these Conditions to be exercisable (subject to the provisions of Condition 6(a)(iv)) and will be deemed to be the Stock Exchange Business Day (as defined below) immediately following the date of the surrender of the Bond Certificate in respect of such Bond and delivery of such Conversion Notice to the relevant Conversion Agent and, if applicable, any payment to be made or indemnity given under these Conditions in connection with the exercise of such Conversion Right. A Conversion Notice deposited outside the hours specified above or on a day which is not a business day at the place of the specified office of the relevant Conversion Agent shall for all purposes be deemed to have been deposited with that Conversion Agent during the hours specified above on the next business day following such day. Any Bondholder who deposits a Conversion Notice during a Closed Period will not be permitted to convert the Bonds into Shares (as specified in the Conversion Notice) until the next business day after the end of the Closed Period, which (if all other conditions to the exchange have been fulfilled) will be the Conversion Date for such Bonds *provided that* such date did not fall outside the Conversion Period. A Conversion Notice once delivered shall be irrevocable and may not be withdrawn unless the Issuer consents in writing to such withdrawal or the Issuer fails to deliver Shares in accordance with these Conditions. "**Stock Exchange Business Day**" means any day (other than a Saturday or Sunday) on which The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") or the Alternative Stock Exchange (as defined in Condition 6(c) below), as the case may be, is open for the business of dealing in securities.

(ii) *Stamp Duty etc.*: A Bondholder delivering a Bond Certificate in respect of a Bond for conversion must pay directly to the relevant authorities (A) any taxes and capital, stamp, issue, documentary and registration duties arising on conversion (other than any taxes or capital or stamp duties payable in Hong Kong and, if relevant, in the place of the Alternative Stock Exchange, by the Issuer in respect of the allotment and issue of Shares and listing of the Shares on the Hong Kong Stock Exchange or the Alternative Stock Exchange on conversion) and (B) all, if any, taxes arising by reference to any disposal or deemed disposal of a Bond in connection with such conversion (together, the "Taxes"). The Issuer will pay all other expenses arising on the issue of Shares on conversion of Bonds. The Bondholder must declare in the relevant Conversion Notice that any Taxes payable to the relevant tax authorities pursuant to this Condition 6(b)(ii) have been paid. Neither the Trustee nor any Agent is under any obligation to determine whether a Bondholder is liable to pay or has paid any taxes including capital, stamp, issue, registration or similar taxes and duties or the amounts payable (if any) in connection with this Condition 6(b)(ii).

(iii) *Registration*: As soon as practicable, and in any event not later than five Stock Exchange Business Days after the Conversion Date, the Issuer will, in the case of Bonds converted on exercise of the Conversion Right and in respect of which a duly completed Conversion Notice has been delivered and the relevant Bond Certificate and amounts payable by the relevant Bondholder as required by sub-paragraphs (i) and (ii) have been paid, (A) register the person or persons designated for the purpose in the Conversion Notice as holder(s) of the relevant number of Shares in the Issuer's share register and (B) (x) if the Bondholder has also requested in the Conversion Notice and to the extent permitted under applicable law and the rules and procedures of the Central Clearing and Settlement System of Hong Kong (the "CCASS") effective from time to time, take all necessary action to procure that Shares are delivered through the CCASS for so long as the Shares are listed on the Hong Kong Stock Exchange; or (y) make such certificate or certificates available for collection at the office of the Issuer's share registrar in Hong Kong (currently Tricor Abacus Limited, 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong) notified to Bondholders in accordance with Condition 16 or, if so requested in the relevant Conversion Notice, will cause its share registrar to mail (at the risk, and, if sent at the request of such person otherwise than by ordinary mail, at the expense, of the person to whom such certificate or certificates are sent) such certificate or certificates to the person and at the place specified in the Conversion Notice, together (in either case) with any other securities, property or cash required to be delivered upon conversion and such assignments and other documents (if any) as may be required by law to effect the transfer thereof, in which case a single share certificate will be issued in respect of all Shares issued on conversion of Bonds subject to the same Conversion Notice and which are to be registered in the same name.

If the Conversion Date in relation to any Bond shall be on or after the record date for any issue, distribution, grant, offer or other event that gives rise to the adjustment of the Conversion Price pursuant to Condition 6(c) but before the relevant adjustment becomes effective under the relevant Condition, upon the relevant adjustment becoming effective, the Issuer shall procure the issue to the converting Bondholder (or in accordance with the instructions contained in the Conversion Notice (subject to applicable exchange control or other laws or other regulations)), such additional number of Shares as is, together with Shares to be issued on conversion of the Bonds, equal to the number of Shares which would have been required to be issued on conversion of such Bond if the relevant adjustment to the Conversion Price had been made and become effective on or immediately after the relevant record date.

The person or persons specified for that purpose in the Conversion Notice will become the holder of record of the number of Shares issuable upon conversion with effect from the date he is or they are registered as such in the Issuer's register of members (the "Registration Date"). The Shares issued upon conversion of the Bonds will be fully-paid and in all respects rank *pari passu* with the Shares in issue on the relevant Registration Date. Save as set out in this Condition 6(b)(iii), a holder of Shares issued on conversion of the Bonds shall not be entitled to any rights the record date for which precedes the relevant Registration Date.

If the record date for the payment of any dividend or other distribution in respect of the Shares is on or after the Conversion Date in respect of any Bond, but before the Registration Date (disregarding any retroactive adjustment of the Conversion Price referred to in this sub-paragraph (iii) prior to the time such retroactive adjustment shall have become effective), the Issuer will calculate and pay to the converting Bondholder or his designee an amount in United States dollars (the "Equivalent Amount") equal to the Fair Market Value (as defined below) converted into United States dollars at the Fixed Exchange Rate which he would have been entitled had he on that record date been such a shareholder of record and will make the payment at the same time as it makes payment of the dividend or other distribution, or as soon as practicable thereafter, but, in any event, not later than seven days thereafter. The Equivalent Amount shall be paid by a transfer to a United States dollars account maintained by the payee with a bank in New York City, in accordance with the instructions contained in the relevant Conversion Notice.

(iv) *Interest Accrual*: If any notice requiring the redemption of any Bonds is given pursuant to Condition 8(b) (*Redemption for Taxation Reasons*) or Condition 8(c) (*Redemption at the Option of the Issuer*) on or after the 15th Hong Kong business day prior to a record date which has occurred since the last Interest Payment Date (or in the case of the first Interest Period, since the Issue Date) in respect of any dividend or distribution payable in respect of the Shares where such notice specifies a date for redemption falling on or prior to the date which is 14 days after the Interest Payment Date next following such Share record date, interest shall (subject as hereinafter provided) accrue on Bonds in respect of which Conversion Rights shall have been exercised and in respect of which the

Conversion Date falls after such Share record date and on or prior to the Interest Payment Date next following such Share record date in each case from and including the preceding Interest Payment Date (or, if such Conversion Date falls before the first Interest Payment Date, from, and including, the Issue Date) to, but excluding, such Conversion Date; provided that no such interest shall accrue on any Bond in the event that the Shares issued on conversion thereof shall carry an entitlement to receive such dividend or distribution or in the event the Bond carries an entitlement to receive an Equivalent Amount. Any such interest shall be paid not later than 14 days after the relevant Conversion Date by transfer to a U.S. dollar account maintained by the payee with a bank in New York City, in accordance with instructions given in the relevant Conversion Notice.

(c) Adjustments to Conversion Price

Upon the occurrence of any of the following events described below, the Conversion Price will be adjusted as follows:

(i) *Consolidation, Subdivision or Reclassification*: If and whenever there shall be an alteration to the nominal value of the Shares as a result of consolidation, subdivision or reclassification, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such alteration by the following fraction:

$$\frac{A}{B}$$

where:

A is the nominal value of one Share immediately after such alteration; and

B is the nominal value of one Share immediately before such alteration.

Such adjustment shall become effective on the date the alteration takes effect.

(ii) *Capitalisation of Profits or Reserves*:

(A) If and whenever the Issuer shall issue any Shares credited as fully paid to the holders of the Shares (the "Shareholders") by way of capitalisation of profits or reserves including Shares paid up out of distributable profits or reserves and/or share premium account issued, save where Shares are issued in lieu of the whole or any part of a specifically declared cash dividend (the "Relevant Cash Dividend"), being a dividend which the Shareholders concerned would or could otherwise have received (a "Scrip Dividend") and which would not have constituted a Distribution (as defined in this Condition 6(c)), the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such issue by the following fraction:

$$\frac{A}{B}$$

where:

A is the aggregate nominal amount of the issued Shares immediately before such issue; and

B is the aggregate nominal amount of the issued Shares immediately after such issue.

Such adjustment shall become effective on the date of issue of such Shares or if the number of such Shares is fixed on announcement and a record date is fixed therefor, immediately after such record date.

(B) In the case of an issue of Shares by way of a Scrip Dividend where the Current Market Price of such Shares on the last Trading Day preceding the date of announcement of the terms of such issue exceeds the amount of the Relevant Cash Dividend or the relevant part thereof and which would not have constituted a Distribution, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before the issue of such Shares by the following fraction:

$$\frac{A + B}{A + C}$$

where:

A is the aggregate nominal amount of the issued Shares immediately before such issue;

B is the aggregate nominal amount of Shares issued by way of such Scrip Dividend multiplied by a fraction of which (i) the numerator is the amount of the whole, or the relevant part, of the Relevant Cash Dividend and (ii) the denominator is the Current Market Price of the Shares issued by way of Scrip Dividend in respect of each existing Share in lieu of the whole, or the relevant part, of the Relevant Cash Dividend; and

C is the aggregate nominal amount of Shares issued by way of such Scrip Dividend;

Such adjustment shall become effective on the date of issue of such Shares or if a record date is fixed therefor, immediately after such record date.

(iii) *Distributions*:

(A) Subject to Condition 6(c)(iii)(B), if and whenever the Issuer shall pay or make any Distribution to the Shareholders other than in cash only (except to the extent that the Conversion Price falls to be adjusted under Condition 6(c)(ii) above), the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such Distribution by the following fraction:

$$\frac{A - B}{A}$$

where:

A is the Current Market Price of one Share on the date on which the Distribution is first publicly announced; and

B is the Fair Market Value on the date on which the Distribution is publicly announced of the portion of the Distribution attributable to one Share.

Such adjustment shall become effective on the first Trading Day following the date on which the Distribution is actually made or, if later, the first date upon which the Fair Market Value of the Distribution is capable of being determined as provided in these Conditions.

(B) If and whenever the Issuer shall pay or make any Distribution in cash only to the Shareholders, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such Distribution by the following fraction:

$$\frac{A - B}{A}$$

where:

A is the Current Market Price of one Share on the date on which the Distribution is first publicly announced; and

B is the amount of cash so distributed attributable to one Share.

Such adjustment shall become effective on the first Trading Day following the date on which the Distribution is actually made, or if a record date is fixed therefor, immediately after such record date.

(iv) *Rights Issues of Shares or Options over Shares*: If and whenever the Issuer shall issue Shares to all or substantially all Shareholders as a class by way of rights issue, or issue or grant to all or substantially all Shareholders as a class, by way of rights issue, of options, warrants or other rights to subscribe for or purchase any Shares, in each case at less than the Current Market Price per Share on the Trading Day of the date of announcement of the terms of the issue or grant, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such issue or grant by the following fraction:

$$\frac{A + B}{A + C}$$

where:

A is the number of Shares in issue immediately before such announcement;

B is the number of Shares which the aggregate amount (if any) payable for the Shares issued by way of rights issue or for the options or warrants or other rights issued or granted by way of rights issue and for the total number of Shares comprised therein would subscribe, purchase or otherwise acquire at such Current Market Price per Share; and

C is the aggregate number of Shares issued or, as the case may be, comprised in the issue or grant.

Such adjustment shall become effective on the date of issue of such Shares or issue or grant of such options, warrants or other rights (as the case may be) or where a record date is set, the first date on which the Shares are traded ex-rights, ex-options or ex-warrants as the case may be.

(v) *Rights Issues of Other Securities*: If and whenever the Issuer shall issue any securities (other than Shares or options, warrants or other rights to subscribe for, purchase or otherwise acquire any Shares) to all or substantially all Shareholders as a class, by way of rights issue, or the grant to all or *substantially* all Shareholders as a class by way of rights issue, options, warrants or other rights to subscribe for, purchase or otherwise acquire any securities (other than Shares or options, warrants or other rights to subscribe for, purchase or otherwise acquire Shares), the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such issue or grant by the following fraction:

$$\frac{A - B}{A}$$

where:

A is the Current Market Price of one Share on the Trading Day of the date on which such issue or grant is publicly announced; and

B is the Fair Market Value on the date of such announcement of the portion of the rights attributable to one Share.

Such adjustment shall become effective on the date of issue of the securities or the issue or grant of such rights, options or warrants (as the case may be) or where a record date is set, the first date on which the Shares are traded ex-rights, ex-options or ex-warrants as the case may be.

(vi) *Issues at less than Current Market Price*: If and whenever the Issuer shall issue (other than as mentioned in Condition 6(c)(iv) above) *any* Shares (other than Shares issued on the exercise of Conversion Rights or on the exercise of any other rights of conversion into, or exchange or subscription for, Shares) or issue or grant (otherwise than as mentioned in Condition 6(c)(iv) above) options, warrants or other rights to subscribe for, purchase or otherwise acquire any Shares, in each case at a price per Share which is less than the Current Market Price per Share on the date of announcement of the terms of such issue, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such issue by the following fraction:

$$\frac{A + B}{C}$$

where:

A is the number of Shares in issue immediately before the issue of such additional Shares or the issue or grant of such options, warrants or other rights to subscribe for, purchase or otherwise acquire any Shares;

B is the number of Shares which the aggregate consideration receivable for the issue of such additional Shares would purchase at such Current Market Price per Share; and

C is the number of Shares in issue immediately after the issue of such additional Shares.

References to additional Shares in the above formula shall, in the case of an issue or grant by the Issuer of options, warrants or other rights to subscribe for, purchase or otherwise acquire Shares, mean such Shares to be issued assuming that such options, warrants or other rights are exercised in full at the initial exercise price (if applicable) on the date of issue or grant of such options, warrants or other rights.

Such adjustment shall become effective on the date of issue of such additional Shares or, as the case may be, the issue or grant of such options, warrants or other rights.

(vii) *Other Issues at less than Current Market Price*: Save in the case of an issue of securities arising from a conversion or exchange of other securities in accordance with the terms applicable to such securities themselves falling within this Condition 6(c)(vii) if and whenever the Issuer or any of its Subsidiaries (otherwise than as mentioned in Condition 6(c)(iv), 6(c)(v) or 6(c)(vi) or (at the direction or request of or pursuant to any arrangements with the Issuer or any of its Subsidiaries), any other company, person or entity shall issue wholly for cash any securities (other than the Bonds, excluding for this purpose any further bonds issued pursuant to Condition 15) which by their terms of issue carry rights of conversion into, or exchange or subscription for, Shares to be issued by the Issuer upon conversion, exchange or subscription at a consideration per Share which is less than the Current Market Price per Share on the date of announcement of the terms of issue of such securities.

In such an event, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such issue by the following fraction:

$$\frac{A + B}{A + C}$$

where:

A is the number of Shares in issue immediately before such issue;

B is the number of Shares which the aggregate consideration (if any) receivable by the Issuer for the Shares to be issued on conversion or exchange or on exercise of the right of subscription attached to such securities would purchase at such Current Market Price per Share; and

C is the maximum number of Shares to be issued on conversion or exchange of such securities or on the exercise of such rights of subscription attached thereto at the initial conversion, exchange or subscription price or rate.

Such adjustment shall become effective on the date of issue of such securities.

(viii) *Modification of Rights of Conversion etc.*: If and whenever there shall be any modification of the rights of conversion, exchange or subscription *attaching* to any such securities as are mentioned in Condition 6(c)(vii) (other than in accordance with the terms of such securities) so that the consideration per Share (for the number of Shares available on conversion, exchange or subscription following the modification) is less than the Current Market Price per Share on the date of announcement of the proposals for such modification.

In such an event, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such modification by the following fraction:

$$\frac{A + B}{A + C}$$

where:

A is the number of Shares in issue immediately before such modification;

B is the number of Shares which the aggregate consideration (if any) receivable by the Issuer for the Shares to be issued, or otherwise made available, on conversion or exchange or on exercise of the right of subscription attached to the securities, so modified, would purchase at such Current Market Price per Share or, if lower, the existing conversion, exchange or subscription price of such securities; and

C is the maximum number of Shares to be issued, or otherwise made available, on conversion or exchange of such securities or on the exercise of such rights of subscription attached thereto at the modified conversion, exchange or subscription price or rate but giving credit in such manner as two Independent Investment Banks consider appropriate (if at all) for any previous adjustment under this Condition 6(c)(viii) or Condition 6(c)(vii).

Such adjustment shall become effective on the date of modification of the rights of conversion, exchange or subscription attaching to such securities.

(ix) *Other Offers to Shareholders*: If and whenever the Issuer or any of its Subsidiaries issues, sells or distributes any securities in connection with which an offer pursuant to which the Shareholders generally are entitled to participate in arrangements whereby such securities may be acquired by them (except where the Conversion Price falls to be adjusted under Condition 6(c)(iv), Condition 6(c)(v), Condition 6(c)(vi) or Condition 6(c)(vii), the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such issue, sale or distribution by the following fraction:

$$\frac{A - B}{A}$$

where:

A is the Current Market Price of one Share on the Trading Day of the date on which such issue, sale or distribution is publicly announced; and

B is the Fair Market Value on the date of such announcement of the portion of the rights attributable to one Share.

Such adjustment shall become effective on the date of issue, sale or delivery of the securities.

(x) *Determination by the Issuer*: If the Issuer determines that an adjustment should be made to the Conversion Price as a result of one or more events or circumstances (whether or not referred to in paragraphs (i) to (ix) above) (even if the relevant event or circumstance is specifically excluded in these Conditions from the operation of paragraphs (i) to (ix) above), or that an adjustment should not be made (even if the relevant event or circumstance is specifically provided for in paragraphs (i) to (ix) above), or that the effective date for the relevant adjustment *should* be a date other than that mentioned in paragraphs (i) to (ix) above, the Issuer may, at its own expense, request an Independent Investment Bank, acting as expert, to determine as soon as practicable (i) what adjustment (if any) to the Conversion Price is fair and reasonable to take account thereto and is appropriate to give the result which the Independent Investment Bank considers in good faith to reflect the intentions of the provisions of this Condition 6(c); and (ii) the date on which such adjustment should take effect; and upon such determination such adjustment (if any) shall be made and shall take effect in accordance with such determination; *provided that* where the events or circumstances giving rise to any adjustment pursuant to this Condition 6(c) have already resulted or will result in an adjustment to the Conversion Price or where the circumstances giving rise to any adjustment arise by virtue of events or circumstances which have already given rise or will give rise to an adjustment to the Conversion Price, such modification (if any) shall be made to the operation of the provisions of this Condition 6(c) as may be advised by the Independent Investment Bank to be in its opinion appropriate to give the intended result.

For the purposes of these Conditions:

"**Alternative Stock Exchange**" means at any time, in the case of the Shares, if they are not at that time listed and traded on the Hong Kong Stock Exchange, the principal stock exchange or securities market on which the Shares are then listed or quoted or dealt in;

"**Closing Price**" for the Shares for any Trading Day shall be the price published in the Daily Quotation Sheet;

"**Current Market Price**" means, in respect of a Share at a particular time on a particular date, the average of the Closing Price quoted by the Hong Kong Stock Exchange or, as the case may be, by the Alternative Stock Exchange for one Share (being a Share carrying full entitlement to dividend) for each of the 10 consecutive Trading Days ending on the Trading Day immediately preceding such date; *provided that* if at any time during the said 10 Trading Day period the Shares shall have been quoted ex-dividend and during some other part of that period the Shares shall have been quoted cum-dividend then:

(i) if the Shares to be issued in such circumstances do not rank for the dividend in question, the quotations on the dates on which the Shares shall have been quoted cum-dividend shall for the purpose of this definition be deemed to be the Closing Price thereof reduced by an amount equal to the amount of that dividend per Share; or

(ii) if the Shares to be issued in such circumstances rank for the dividend in question, the quotations on the dates on which the Shares shall have been quoted ex-dividend shall for the purpose of this definition be deemed to be the Closing Price thereof increased by such similar amount;

and *provided further that* if the Shares on each of the said 10 Trading Days have been quoted cum-dividend in respect of a dividend which has been declared or announced but the Shares to be issued do not rank for that dividend, the quotations on each of such dates shall for the purpose of this definition be deemed to be the amount thereof reduced by an amount equal to the Fair Market Value of that dividend per Share;

"**Daily Quotation Sheet**" means the daily quotation sheet published by the Hong Kong Stock Exchange or, as the case may be, the equivalent quotation sheet of an Alternative Stock Exchange;

"**Distribution**" means any dividend or distribution, whether of cash or assets in specie or other property by the Issuer for any financial period, and whenever paid or made and however described or declared after the Issue Date, (and for these purposes a distribution of assets in specie includes without limitation an issue of shares or other securities credited as fully or partly paid (other than Shares credited as fully paid to the extent an adjustment to the Conversion Price is made in respect thereof under Condition 6(c)(ii)(A) by way of capitalisation of reserves and including any Scrip Dividend to the extent of the Relevant Cash Dividend) unless it comprises a purchase or redemption of Shares by or on behalf of the Issuer (or a purchase of Shares by or on behalf of a Subsidiary of the Issuer), where the weighted average price (before expenses) on any one day in respect of such purchase does not exceed the Current Market Price of the Shares as published in the Daily Quotation Sheet, as the case may be, either (1) on that date, or (2) where an announcement has been made of the intention to purchase Shares at some future date at a specified price, on the Trading Day immediately preceding the date of such announcement and, if in the case of either (1) or (2), the relevant day is not a Trading Day, the immediately preceding Trading Day;

"**Fair Market Value**" means, with respect to any asset, security, option, warrant or other right on any date, the fair market value of that asset, security, option, warrant or other right as determined by an Independent Investment Bank; *provided that* (i) the fair market value of a cash dividend paid or to be paid per Share shall be the amount of such cash dividend per Share determined as at the date of announcement of such dividend; and (ii) where options, warrants or other rights are publicly traded in a market of adequate liquidity (as determined by such Independent Investment Bank) the fair market value of such options, warrants or other rights shall equal the arithmetic mean of the daily closing prices of such options, warrants or other rights during the period of five Trading Days on the relevant market commencing on the first such Trading Day such options, warrants or other rights are publicly traded;

"**Independent Investment Bank**" means an independent investment bank of international repute, acting as an expert, selected by the Issuer; and

"**Trading Day**" means a day when the Hong Kong Stock Exchange or, as the case may be an Alternative Stock Exchange is open for dealing business, *provided that* if no Closing Price is reported for one or more consecutive dealing days such day or days will be disregarded in any relevant calculation and shall be deemed not to have been dealing days when ascertaining any period of dealing days.

On any adjustment, the relevant Conversion Price, if not an integral multiple of one Hong Kong cent, shall be rounded down to the nearest Hong Kong cent. No adjustment shall be made to the Conversion Price where such adjustment (rounded down if applicable) would be less than one per cent. of the Conversion Price then in effect. Any adjustment not required to be made, and any amount by which the Conversion Price has not been rounded down, shall be carried forward and taken into account in any subsequent adjustment. Notice of any adjustment shall be given to Bondholders in accordance with Condition 16 as soon as practicable after the determination thereof.

The Conversion Price may not be reduced so that, on conversion of Bonds, Shares would be required to be issued in any other circumstances not permitted by applicable laws then in force in Hong Kong.

Where more than one event which gives or may give rise to an adjustment to the Conversion Price occurs within such a short period of time that in the opinion of an Independent Investment Bank, the foregoing provisions would need to be operated subject to some modification in order to give the intended result, such modification shall be made to the operation of the foregoing provisions as may be advised by such Independent Investment Bank to be in its opinion appropriate in order to give such intended result.

Notwithstanding any provision in Condition 6(c), no adjustment will be made to the Conversion Price, involving an increase in the Conversion Price, except in the case of a consolidation or re-classification of the Shares as referred to in Condition 6(c)(i) above or where there has been a proven manifest error in the calculation of the Conversion Price.

No adjustment will be made to the Conversion Price when Shares or other securities (including rights or option) are issued, offered or granted to employees or directors (including senior management) of the Issuer or any Subsidiary of the Issuer pursuant to any employee share option or long-term incentive scheme (and which employee share option or long-term incentive scheme is in compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") or, if applicable, the listing rules of an Alternative Stock Exchange *provided that* (i) the total number of Shares that are issued, offered or granted to employees or directors (including senior management) of the Issuer or any Subsidiary of the Issuer by the Issuer pursuant to such employee share option or long-term incentive scheme during the 12-month period up to and including the date of such issue of Shares, in aggregate, shall not exceed more than 2 per cent. of the average of the issued and outstanding Shares during such 12-month period; and (ii) the exercise price of any options granted under such employee share option or long-term incentive scheme shall not be lower than the minimum exercise price as permitted under the Listing Rules, or if applicable, the listing rules of an Alternative Stock Exchange from time to time.

Neither the Trustee nor the Agents shall be under any duty to monitor whether any event or circumstance has happened or exists which may require an adjustment to be made to the Conversion Price or to make any calculation (or verification thereof) in connection with the Conversion Price and will not be responsible to Bondholders for any loss arising from any failure by them to do so. All adjustments to the Conversion Price under Condition 6(c) shall be determined by the Issuer and the Issuer, and neither the Trustee nor the Agents shall be responsible for verifying such determinations.

(d) Undertakings

The Issuer has undertaken in the Trust Deed, inter alia, that so long as any Bond remains outstanding, save with the approval of an Extraordinary Resolution of the Bondholders or with the approval of the Trustee, where, in the opinion of the Trustee, it is not materially prejudicial to the interests of Bondholders to give such approval:

(i) it will use its best endeavours (a) to maintain a listing for all the issued Shares on the Hong Kong Stock Exchange, and (b) to obtain and maintain a listing for all the Shares issued on the exercise of the Conversion Rights attaching to the Bonds on the Hong Kong Stock Exchange, *provided that* if the Issuer is unable to obtain or maintain such listing or if the maintenance of such listing is unduly onerous, it will use its best endeavours to obtain and maintain a listing for all the issued Shares on such Alternative Stock Exchange as the Issuer may from time to time select and notify to the Trustee and the Bondholders in accordance with Condition 16 of the listing or delisting of the Shares (as a class) by any of such stock exchanges;

(ii) it will use its best endeavours to maintain a listing for the Bonds on the Hong Kong Stock Exchange *provided that* if the Issuer is unable to obtain or maintain such listing having used its best endeavours or if the maintenance of such listing or trading is unduly burdensome or impractical, it will use its best endeavours to obtain and maintain admission to listing, trading and/or quotation for the Bonds on an Alternative Stock Exchange as the Issuer may from time to time decide and notify to the Trustee and the Bondholders in accordance with Condition 16 of the listing or delisting Bonds by any of such stock exchanges; and

(iii) it will pay the expenses of the issue of, and all expenses of obtaining listing for the Shares issued on the exercise of the Conversion Rights attaching to the Bonds and for the Bonds (save for any Taxes specified in Condition 6(b)(ii)).

In the Trust Deed, the Issuer has also undertaken with the Trustee that so long as any Bond remains outstanding:

(A) it will reserve, free from any other pre-emptive or other similar rights, out of its authorised but unissued ordinary share capital the full number of Shares liable to be issued on conversion of the Bonds from time to time remaining outstanding and shall ensure that all Shares delivered on conversion of the Bonds will be duly and validly issued as fully-paid;

(B) it will not make any reduction of its ordinary share capital or any uncalled liability in respect thereof or of any share premium account or capital redemption reserve fund except, in each case, where the redemption or reduction is permitted by applicable law and results in (or would, but for the provisions of these Conditions relating to rounding or the carry forward of adjustments, result in) an adjustment to the Conversion Price in accordance with Condition 6 or is otherwise taken into account for the purposes of determining whether such an adjustment should be made; and

(C) it will not make any offer, issue, grant or distribute or take any action which would result in an adjustment of the Conversion Price if, after giving effect thereto, the Conversion Price would be reduced to such an extent that the Shares to be issued on the conversion of any Bond would be issued below the par value of the Shares of the Issuer, *provided always that* the Issuer shall not be prohibited from purchasing its Shares to the full extent permitted by law.

The Issuer and the Issuer has also given certain other undertakings in the Trust Deed for the protection of the Conversion Rights.

(e) Notice of Change in Conversion Price

The Issuer shall give notice to the Bondholders, the Trustee and the Principal Agent in accordance with Condition 16 of any change in the Conversion Price. Any such notice relating to a change in the Conversion Price shall set forth the event giving rise to the adjustment, the Conversion Price prior to such adjustment, the adjusted Conversion Price and the effective date of such adjustment.

7. PAYMENTS

(a) Method of Payment

Payment of principal and interest, any other amounts due other than on an Interest Payment Date and default interest (if any) will be in United States dollars and will be made by transfer to the registered account of the Bondholder. Such payment will only be made after surrender of the relevant Bond Certificate at the specified office of any of the Agents.

Interest on Bonds due on an Interest Payment Date will be paid on the due date for the payment of interest to the Holder shown on the Register at the close of business on the fifteenth day before the due date for the payment of interest. Payments of interest on each Bond will be made by transfer to the registered account of the Bondholder.

*Notwithstanding the foregoing, so long as the Global Bond Certificate is held on behalf of Euroclear, Clearstream or any other clearing system, each payment in respect of the Global Bond Certificate will be made to the person shown as the Holder in the Register at the close of business of the relevant clearing system on the Clearing System Business Day before the due date for such payments, where "**Clearing System Business Day**" means a weekday (Monday to Friday, inclusive) except 25 December and 1 January.*

References in these Conditions, the Trust Deed and the Agency Agreement to principal in respect of any Bond shall, where the context so permits, be deemed to include a reference to any premium payable thereon.

(b) Registered Accounts

For the purposes of this Condition, a Bondholder's registered account means the United States dollar account maintained by or on behalf of it with a bank in New York, details of which appear on the Register at the close of business on the second business day (as defined below) before the due date for such payment, and a Bondholder's registered address means its address appearing on the Register at that time.

(c) Fiscal Laws

All payments of principal and interest under the Bonds are subject in all cases to (i) any applicable fiscal or other laws and regulations in the place of payment, but without prejudice to the provisions of Condition 9 and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986, as amended (the "**Code**") or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or (without prejudice to the provisions of Condition 9 (*Taxation*)) any law implementing an intergovernmental approach thereto (collectively, "**FATCA**"). No commissions or expenses shall be charged to the Bondholders in respect of such payments.

(d) Payment Initiation

Where payment is to be made by transfer to a registered account, payment instructions (for value on the due date or, if that is not a business day, for value on the first following day which is a business day) will be initiated and, where payment is to be made by cheque, the cheque will be mailed (at the risk and, if mailed at the request of the Holder otherwise than by ordinary mail, expense of the Holder) on the due date for payment (or, if it is not a business day, the immediately following business day) or, in the case of a payment of principal, if later, on the business day on which the relevant Bond Certificate is surrendered at the specified office of an Agent.

(e) Delay in Payment

Bondholders will not be entitled to any interest or other payment for any delay after the due date in receiving the amount due if the due date is not a business day, if the Bondholder is late in surrendering its Bond Certificate (if required to do so) or if a cheque mailed in accordance with this Condition arrives after the due date for payment.

(f) Business Day

In this Condition, "**business day**" means a day other than a Saturday or Sunday on which commercial banks are open for business (including dealings in foreign currencies) in New York City, Hong Kong and the city in which the specified office of the Paying Agent is located, and, in the case of the surrender of a Bond Certificate, in the place where the Bond Certificate is surrendered. If an amount which is due on the Bonds is not paid in full, the Registrar will annotate the Register with a record of the amount (if any) in fact paid.

8. REDEMPTION AND PURCHASE

(a) Maturity

Unless previously redeemed, converted or purchased and cancelled as provided herein, the Issuer will redeem each Bond at 100 per cent. of its principal amount outstanding on August 26, 2029 (the "**Maturity Date**") together with interest accrued but unpaid up to but excluding the Maturity Date. The Issuer may not redeem the Bonds at its option prior to that date except as provided in Condition 8(b) or 8(c) below (but without prejudice to Condition 10).

(b) Redemption for Taxation Reasons

(i) The Bonds may be redeemed at the option of the Issuer in whole, but not in part at any time, on giving not less than 30 nor more than 60 days' notice to the Bondholders (which notice shall be irrevocable), at 100 per cent. of their principal amount outstanding at the date fixed for redemption, together with interest accrued but unpaid to but excluding such date fixed for redemption (if any), if:

(A) the Issuer has or will become obliged to pay Additional Amounts as provided or referred to in Condition 9 (*Taxation*) as a result of any change in, or amendment to, the laws or regulations of any Relevant Jurisdiction (as defined in Condition 9 (*Taxation*)) or any change in the official application or interpretation of such laws or regulations, which change or amendment, in the case of the Issuer, becomes effective on or after August 17, 2022; and

(B) such obligation cannot be avoided by the Issuer taking reasonable measures available to it,

provided, however, that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such Additional Amounts were a payment in respect of the Bonds then due.

Prior to the publication of any notice of redemption pursuant to this Condition 8(b), the Issuer shall deliver to the Trustee (A) an Officers' Certificate stating that the obligation in (A) above cannot be avoided by the Issuer taking reasonable measures available to it and the Issuer is entitled to effect such redemption, setting forth a statement of facts showing the conditions precedent to the right of the Issuer so to redeem have occurred and (B) an Opinion of Counsel of recognised standing to the effect that the Issuer has or will become obliged to pay such Additional Amounts as a result of such change or amendment.

The Trustee shall be entitled to accept and rely upon such Officers' Certificate and Opinion of Counsel as sufficient evidence of the satisfaction of the circumstances set out above, in which event they shall be conclusive and binding on the Bondholders.

Upon the expiry of any such notice as is referred to in this Condition 8(b), the Issuer shall be bound to redeem the Bonds in accordance with this Condition 8(b).

(ii) If the Issuer gives a redemption notice pursuant to Condition 8(b)(i), each Bondholder will have the right to elect that its Bond(s) shall not be redeemed and that the provisions of Condition 9 shall not apply in respect of any payment of principal, premium (if any) or interest to be made in respect of such Bond(s) whereupon no Additional Amounts shall be payable in respect thereof pursuant to Condition 9 and payment of all amounts shall be made subject to the deduction or withholding of any tax required to be deducted or withheld. To exercise a right pursuant to this Condition 8(b)(ii), the Holder of the relevant Bond must complete, sign and deposit at the specified office of any Paying Agent a duly completed and signed notice of exercise, in the form for the time being current, obtainable from the specified office of any Paying Agent (the "Tax Option Exercise Notice") together with the Certificate evidencing the Bonds on or before the day falling 10 days prior to the date fixed by the Issuer for the redemption of the Bonds pursuant to this Condition 8(b). A Tax Option Exercise Notice, once delivered, shall be irrevocable and may not be withdrawn without the Issuer's consent.

(c) Redemption at the Option of the Issuer

On giving not less than 30 nor more than 60 days' notice to the Bondholders in accordance with Condition 16 (which notice will be irrevocable) and to the Trustee and the Principal Agent in writing, the Issuer:

(i) may at any time after 9 September 2026 and prior to the Maturity Date redeem in whole, but not in part, the Bonds for the time being outstanding at 100 per cent. of their principal amount, together with interest accrued but unpaid to but excluding the date fixed for redemption (if any), provided that the Closing Price of the Shares (derived from the Daily Quotations Sheet of the Hong Kong Stock Exchange or, as the case may be, the equivalent quotation sheet of an Alternative Stock Exchange and translated into U.S. dollars at the Prevailing Rate) for at least 20 Trading Days (each a "Condition Satisfaction Day") out of the 30 consecutive Trading Days, the last Condition Satisfaction Day occurs not more than 10 Trading Days prior to the date upon which notice of such redemption is published, was at least 130 per cent. of the applicable Conversion Price (translated into U.S. dollars at the Fixed Exchange Rate) then in effect; or

(ii) may at any time prior to the Maturity Date redeem in whole, but not in part, the Bonds for the time being outstanding at 100 per cent. of their principal amount, together with interest accrued but unpaid to but excluding the date fixed for redemption (if any), *provided that* prior to the date of such notice at least 90 per cent. in principal amount of the Bonds originally issued (including any further bonds issued pursuant to Condition 15 and consolidated and forming a single series with the Bonds) has already been converted, redeemed or purchased and cancelled.

(d) Redemption for Delisting, Suspension of Trading or Change of Control

Following the occurrence of a Relevant Event (as defined below), the Holder of each Bond will have the right at such Holder's option, to require the Issuer to redeem all or some only (subject to the principal amount of such Holder's Bonds redeemed and the principal amount of the balance of such Holder's Bonds not redeemed being an Authorised Denomination) of such Holder's Bonds on the Relevant Event Redemption Date at 100 per cent. of their principal amount, together with interest accrued but unpaid up to but excluding such Relevant Event Redemption Date (if any). To exercise such right, the Holder of the relevant Bond must deposit at the specified office of any Paying Agent a duly completed and signed notice of redemption, in the form for the time being current, obtainable from the specified office of any Paying Agent, specifying the number of Bonds to be redeemed and the Relevant Event that has occurred ("Relevant Event Redemption Notice"), together with the Bond Certificate evidencing the Bonds to be redeemed by not later than (a) 30 days following a Relevant Event, or, if later, (b) 30 days following the date upon which notice thereof is given to Bondholders by the Issuer in accordance with Condition 16. The "Relevant Event Redemption Date" shall be the fourteenth day after the expiry of such period of 30 days as referred to in (a) and (b) above.

A Relevant Event Redemption Notice, once delivered, shall be irrevocable and may not be withdrawn without the Issuer's consent and the Issuer shall redeem the Bonds the subject of the Relevant Event Redemption Notice as aforesaid on the Relevant Event Redemption Date. The Issuer shall give notice to Bondholders in accordance with Condition 16 by not later than 7 days following the first day on which it becomes aware of the occurrence of a Relevant Event, which notice shall specify the procedure for exercise by Holders of their rights to require redemption of the Bonds pursuant to this Condition 8(d) and shall give brief details of the Relevant Event.

None of the Trustee or the Agents shall be required to monitor or take any steps to ascertain whether a Relevant Event or any event which could lead to a Relevant Event has occurred or may occur and shall be entitled to assume that no such event has occurred until they have received written notice to the contrary from the Issuer. The Trustee and the Agents shall not be required to take any steps to ascertain whether the condition for the exercise of the rights in accordance with Condition 8(d) has occurred. None of the Trustee or the Agents shall be responsible for determining or verifying whether a Bond is to be accepted for redemption under this Condition 8(d) and will not be responsible to Bondholders for any loss arising from any failure by it to do so. None of the Trustee or the Agents shall be under any duty to determine, calculate or verify the redemption amount payable under this Condition 8(d) or have a duty to verify the accuracy, validity and/or genuineness of any documents in relation to or in connection therewith, and will not be responsible to Bondholders for any loss arising from any failure by it to do so.

For the purposes of these Conditions:

A "**Change of Control**" occurs when:

(i) any person or persons (other than one or more Permitted Holders), acting together, acquires Control of the Issuer; or

(ii) the Issuer consolidates with or merges into or sells or transfers all or substantially all of the Issuer's assets to any other person (other than a Permitted Holder), unless the consolidation, merger, sale or transfer will not result in the other person or persons acquiring Control over the Issuer or the successor entity;

"**Control**" means the acquisition of control of at least 50 per cent. of the voting rights of the issued share capital of the Issuer or the right to appoint and/or remove all or the majority of the members of the Issuer's board of directors or other governing body, whether obtained directly or indirectly, and whether obtained by ownership of share capital, the possession of voting rights, contract or otherwise;

"**Permitted Holders**" means:

(i) Legend Holdings Corporation;

(ii) Right Lane Limited;

(iii) Legion Elite Limited;

(iv) Union Star Limited;

(v) Mr. Yang Yuanqing;

(vi) any Person directly or indirectly controlled by or under direct or indirect common control with, the person specified in clauses (i), (ii), (iii), (iv) or (v); and

(vii) any Person both the Capital Stock and the Voting Stock of which (or in the case of a trust, the beneficial interests in which) are at least 51% owned by any of the persons specified in clauses (i), (ii), (iii), (iv), (v) or (vi).

"**Prevailing Rate**" means with respect to any business day the closing rate for the purchase of United States dollars with Hong Kong dollars, expressed as the number of Hong Kong dollars per U.S.$1.00 on such business day by an Independent Investment Bank (or if it is unable to provide such rate, then such other Hong Kong bank as the Issuer shall select); and

a "**Relevant Event**" occurs when (i) the Shares cease to be listed or admitted to trading on the Hong Kong Stock Exchange, or, if applicable, the Alternative Stock Exchange, or are suspended for trading on the Hong Kong Stock Exchange or, if applicable, the Alternative Stock Exchange, for a period equal to or exceeding 30 consecutive Trading Days (a "Delisting") or (ii) there is a Change of Control.

"**Voting Stock**" means, with respect to any Person, Capital Stock or any class or kind ordinarily having the power to vote for the election of directors, managers or other voting members of the governing body of such Person.

(e) Redemption at the option of the Bondholders

On August 26, 2026 (the "Put Option Date"), the Holder of each Bond will have the right, at such Holder's option, to require the Issuer to redeem all or some only of the Bonds of such Holder on the Put Option Date at 100 per cent. of their principal amount, together with interest accrued but unpaid to but excluding such Put Option Date (if any). To exercise such right, the Holder of the relevant Bond must complete, sign and deposit at the specified office of any Paying Agent a duly completed and signed notice of redemption, in the then current form obtainable from the specified office of any Paying Agent ("Put Notice") together with the Bond Certificate evidencing the Bonds to be redeemed not earlier than 60 days and not later than 30 days prior to the Put Option Date.

A Put Notice, once delivered, shall be irrevocable (and may not be withdrawn unless the Issuer consents to such withdrawal) and the Issuer shall redeem the Bonds the subject of the Put Notices delivered as aforesaid on the Put Option Date.

(f) Purchase

Each of the Issuer or any of its Subsidiaries may at any time and from time to time purchase Bonds at any price in the open market or otherwise.

(g) Cancellation

All Bonds which are redeemed or converted, or purchased by the Issuer or any of its Subsidiaries, will forthwith be cancelled. Bond Certificates in respect of all Bonds cancelled will be forwarded to or to the order of the Registrar and such Bonds may not be reissued or resold.

(h) Redemption Notices

All notices to Bondholders given by or on behalf of the Issuer pursuant to this Condition 8 will specify (i) the Conversion Price as at the date of the relevant notice, (ii) the Conversion Period, (iii) the Closing Price of the Shares as at the latest practicable date prior to the publication of the notice, (iv) the date for redemption, (v) the manner in which redemption will be effected and (vi) the aggregate principal amount of the Bonds outstanding as at the latest practicable date prior to the publication of the notice.

If more than one notice of redemption is given (being a notice given by either the Issuer or a Bondholder pursuant to this Condition), the first in time shall prevail. Neither the Trustee nor the Agents shall be responsible for calculating or verifying any calculations of any amounts payable hereunder or have a duty to verify the accuracy, validity and/or genuineness of any documents in relation to or in connection therewith, and shall not be liable to the Issuer, Bondholders or any other person for not doing so.

9. TAXATION

All payments of principal, interest and premium (if any) in respect of the Bonds by or on behalf of the Issuer shall be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within (i) Hong Kong, the People's Republic of China or any jurisdiction of which the Issuer is otherwise considered by a taxing authority to be a resident for tax purposes or any political organisation or governmental authority thereof or therein having the power to tax (a "Relevant Tax Jurisdiction"), or (ii) any jurisdiction from or through which the Issuer or any person on behalf of the Issuer makes a payment on the Bonds, or any political organisation or governmental authority thereof or therein having the power to tax (each jurisdiction described in (i) or (ii) above a "Relevant Jurisdiction"), unless such withholding or deduction is required by law. In that event the Issuer shall pay such additional amounts ("Additional Amounts") as will result in receipt by the Bondholders of such amounts as would have been received by them had no such withholding or deduction been required, except that no such Additional Amounts shall be payable in respect of any Bond:

(i) to a Bondholder (or to a third party on behalf of a Bondholder) who is liable to such taxes, duties, assessments or governmental charges in respect of such Bond by reason of its having some connection with the Relevant Jurisdiction other than the mere holding of the Bond;

(ii) to a Bondholder (or to a third party on behalf of a Bondholder) who would have been able to avoid such withholding or deduction by making a declaration of non-residence or other similar claim for exemption to the relevant tax authorities if such Bondholder is eligible to make such declaration or other claim and fails to do so;

(iii) where (in the case of a payment of principal, premium (if any) or interest on redemption) the relevant Bond or Bond Certificate is presented or surrendered for payment (where required to be presented or surrendered) more than 30 days after the Relevant Date except to the extent that the Bondholder of such Bond or Bond Certificate would have been entitled to such Additional Amounts on presenting or surrendering such Bond or Bond Certificate for payment on the last day of such period of 30 days; or

(iv) in respect of any withholding or deduction imposed pursuant to FATCA.

For the purposes of these Conditions:

"**Relevant Date**" means, in relation to any payment, whichever is the later of (a) the date on which the payment in question first becomes due and (b) if the full amount payable has not been received by the Principal Agent or the Trustee on or prior to such due date, the date on which (the full amount having been so received) notice to that effect has been given to the Bondholders (as applicable).

Any reference in these Conditions to principal, interest and any other amount payable in respect of the Bonds shall be deemed to include any additional amounts which may be payable under this Condition 9 (*Taxation*) or any undertaking or covenant given in addition thereto or in substitution therefor pursuant to the Trust Deed).

Neither the Trustee nor the Agents shall be responsible for paying any tax, duty, charge, withholding or other payment referred to in this Condition 9 or otherwise in connection with the Bonds or for determining whether such amounts are payable or the amount thereof, and shall not be responsible or liable for any failure by the Issuer, the Bondholders or any other person to pay such tax, duty, charge, withholding or other payment in any jurisdiction or to provide any notice or information that would permit, enable or facilitate the payment of any principal, premium (if any), interest or other amount under or in respect of the Bonds without deduction or withholding for or on account of any tax, duty, charge, withholding or other payment imposed by or in any jurisdiction.

10. EVENTS OF DEFAULT

If any of the following events (each, an "Event of Default") occurs and is continuing, then the Trustee at its discretion may and, if so requested in writing by Bondholders of at least 25 per cent. of the principal amount of the Bonds then outstanding or if so directed by an Extraordinary Resolution, shall (subject in each case to the Trustee having been indemnified and/or provided with security and/or pre-funded to its satisfaction) give written notice to the Issuer declaring the Bonds to be immediately due and payable, whereupon they shall become immediately due and payable at their principal amount together with any premium (if any) and any accrued but unpaid interest (if any), to but excluding the date of payment (subject as provided below and without prejudice to the right of Bondholders to exercise the Conversion Right in respect of their Bonds in accordance with Condition 6(a)(iv) without further action or formality. An "**Event of Default**" occurs if:

(a) *Non-payment:* the Issuer fails to pay any amount of principal, premium (if any) or interest in respect of the Bonds on the date when due and, with respect to interest, such failure continues for a period of seven calendar days;

(b) *Breach of other obligations:* the Issuer does not perform or comply with one or more of its obligations under these Conditions or the Trust Deed (other than its obligations referred to in paragraphs (a) above) which default is incapable of remedy, or if such default is capable of remedy, is not remedied within 30 calendar days after notice of such default shall have been given to the Issuer by the Trustee;

(c) *Failure to deliver Shares:* the Issuer fails to deliver the Shares as and when such Shares are required to be delivered;

(d) *Cross-default of Issuer or Subsidiary:*

(i) the acceleration of any other present or future Indebtedness of the Issuer or any Subsidiary prior to its stated maturity, which acceleration is not rescinded or waived; or

(ii) the Issuer or any Subsidiary fails to pay any of its present or future Indebtedness at maturity, which payment is not made within the grace period originally applicable thereto;

provided that the aggregate amount of Indebtedness in respect of which one or more of the events referred to in this Condition 10(d) has occurred exceeds U.S.$50,000,000 or its equivalent (on the basis of the middle spot rate for the relevant currency against the U.S. dollar as quoted by any leading bank selected by the Issuer on the day on which this paragraph operates);

(e) *Insolvency and Bankruptcy:* the Issuer or any Material Subsidiary:

(i) is dissolved (except in connection with a merger or restructuring in such a way that all of the assets and liabilities of the Issuer or of the Material Subsidiary pass to another legal person in universal succession by operation of law or pursuant to a contractual agreement having the same effect);

(ii) suspends payments on its debts or fails or is unable to pay its debts generally as they become due;

(iii) commences, to the extent permitted by applicable law, a voluntary case in bankruptcy or any other action or proceeding for any other relief under any law affecting creditors' rights that is similar to a bankruptcy law;

(iv) consents by answer or otherwise to the commencement against it of an involuntary case in bankruptcy or any other such action or proceeding, or a proceeding is commenced in an involuntary case in bankruptcy in respect of the Issuer or any of its Material Subsidiaries and such proceeding is not dismissed or stayed on or before the 30th calendar day after the commencement thereof or if any such dismissal or stay ceases to be in effect; or

(v) is or becomes subject to a moratorium, administration, receivership, liquidation or any similar provision under applicable law or any application is made for any such proceeding;

(f) *Authorisations and Consents:* any governmental authorisation necessary for the performance of any obligation of the Issuer as set forth in these Conditions is not granted for whatever reason, fails to enter into or become in full force and effect or remain valid and subsisting;

(g) *Illegality:* it is or will become unlawful for the Issuer to perform or comply with any one or more of its obligations under the Bonds or the obligations under the Bonds shall for any reason cease to be binding upon and enforceable against the Issuer in accordance with their terms, or the binding effect or enforceability thereof shall be contested by the Issuer or the Issuer shall deny that it has any further liability or obligation under the Bonds;

(h) *Seizure of Property:* all or substantially all of the property of the Issuer or any Material Subsidiary shall be condemned, seized or otherwise appropriated, or custody of such property shall be assumed by any Governmental Entity or other Person purporting to act under the authority of the government of any jurisdiction, or the Issuer shall be prevented from exercising normal control over all or substantially all of its property and such default is not remedied within 30 calendar days after it occurs;

(i) *Conduct of Business:* the Issuer and its Material Subsidiaries, considered as a whole, shall cease to carry on the whole or any substantial part of the business conducted by it and its Material Subsidiaries, considered as a whole, at the date of the issue of the Bonds or there shall occur any substantial adverse change in the nature of the business carried on by the Issuer and its Material Subsidiaries, considered as a whole; or

(j) *Analogous Events:* any event which under the governing laws of the applicable jurisdictions of the Issuer or any Material Subsidiary has an analogous effect to any of the events referred to in Condition 10(e) (*Insolvency and Bankruptcy*) occurs.

For the purposes of these Conditions:

"**Governmental Entity**" means any court, governmental agency, authority, instrumentality or regulatory or legislative body of any jurisdiction; and

"**Material Subsidiary**" means any Subsidiary of the Issuer whose turnover (other than turnover attributable to transactions with the Issuer or another Subsidiary) or (in the case of a Subsidiary which has Subsidiaries) consolidated turnover (other than turnover attributable to transactions with the Issuer or another Subsidiary) is at least five per cent. of the consolidated turnover of the Issuer, all as calculated without duplication in accordance with Hong Kong Financial Reporting Standards by reference to the consolidated financial statements of the Issuer and its Subsidiaries most recently available before the time when the determination is being made.

11. PRESCRIPTION

Claims for principal, premium and interest on redemption shall become void unless the relevant Bond Certificates are surrendered for payment within ten years in the case of principal and five years in the case of premium and interest of the appropriate Relevant Date.

12. REPLACEMENT OF BOND CERTIFICATES

If any Bond Certificate is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the specified office of the Registrar, subject to all applicable laws and stock exchange requirements, upon payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence, security, indemnity and otherwise as the Issuer or the Registrar may reasonably require. Mutilated or defaced Bond Certificates must be surrendered before replacements will be issued.

13. ENFORCEMENT

The Trustee may at any time, at its discretion and without notice, institute such actions, steps and proceedings against the Issuer as it thinks fit to enforce the terms of the Trust Deed and the Bonds, but it shall not be bound to do so unless:

(i) it has been so requested in writing by the Bondholders of at least 25 per cent. of the aggregate principal amount of such Bonds then outstanding or has been so directed by an Extraordinary Resolution; and

(ii) it has been indemnified and/or secured and/or pre-funded to its satisfaction.

No Bondholder may institute proceedings directly against the Issuer unless the Trustee, having become bound to do so, fails to do so within a reasonable time and such failure is continuing.

14. MEETINGS OF BONDHOLDERS; MODIFICATION

(a) *Meetings of Bondholders*: The Trust Deed contains provisions for convening meetings of Bondholders to consider matters relating to the Bonds, including the modification of any provision of these Conditions and the Trust Deed. Any such modification may be made if sanctioned by an Extraordinary Resolution. Such a meeting may be convened by the Issuer or by the Trustee and shall be convened by the Trustee subject to its being first indemnified, provided with security and/or pre-funded to its satisfaction, upon the request in writing of Bondholders holding not less than 10 per cent. of the aggregate principal amount of the Bonds then outstanding. The quorum at any meeting convened to vote on an Extraordinary Resolution will be two or more Persons holding or representing more than half of the aggregate principal amount of Bonds then outstanding or, at any adjourned meeting, two or more Persons being or representing Bondholders whatever the principal amount of the Bonds held or represented; **provided, however, that** Reserved Matters may only be sanctioned by an Extraordinary Resolution passed at a meeting of Bondholders at which two or more Persons holding or representing not less than two thirds or, at any adjourned meeting, not less than 25 per cent. of the aggregate principal amount of Bonds then outstanding form a quorum. Any Extraordinary Resolution duly passed at any such meeting shall be binding on all the Bondholders, whether present or not.

The Trust Deed provides that (i) a written resolution signed by or on behalf of the Bondholders of not less than 75 per cent. of the aggregate principal amount of Bonds then outstanding who for the time being are entitled to receive notice of a meeting (such a resolution in writing (a "Written Resolution") may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Bondholders); or (ii) where the Bonds are held by or on behalf of a clearing system or clearing systems, approval of a resolution proposed by the Issuer given by way of electronic consents communicated through the electronic communications systems of the relevant clearing system(s) in accordance with their operating rules and procedures by or on behalf of the Bondholders of not less than 75 per cent. of the aggregate principal amount of Bonds then outstanding (an "Electronic Consent") shall, in each case for all purposes, be as valid and effective as an Extraordinary Resolution passed at a meeting of Bondholders duly convened and held.

A Written Resolution and/or Electronic Consent will be binding on all Bondholders whether or not they participated in such Written Resolution and/or Electronic Consent, as the case may be.

(b) *Modification and waiver:* The Trustee may agree, without the consent of Bondholders, to: (i) any modification of any of the provisions of these Conditions or the Trust Deed which is of a formal, minor or technical nature or is made to correct a manifest or proven error; and (ii) any other modification (except as mentioned in the Trust Deed), and any waiver or authorisation of any breach or proposed breach, of any of the provisions of these

Conditions or the Trust Deed which is in the opinion of the Trustee not materially prejudicial to the interests of Bondholders. Any such modification, waiver or authorisation shall be binding on Bondholders and, if the Trustee so requires, such modification, waiver or authorisation shall be notified by the Issuer to the Bondholders as soon as practicable.

(c) *Substitution:* The Trust Deed contains provisions permitting the Trustee to agree, subject to amendment of the Trust Deed, but without the consent of Bondholders, to the substitution of the Issuer's successor in business or any Subsidiary of the Issuer or its successor in business in place of the Issuer or any previous substituted company, as principal debtor under the Trust Deed and the Bonds. In the case of such a substitution the Trustee may agree, without the consent of Bondholders, subject to the provisions of the Trust Deed, to a change of the law governing the Bonds and/or the Trust Deed provided that such change would not in the opinion of the Trustee be materially prejudicial to the interests of Bondholders.

15. FURTHER ISSUES

The Issuer may from time to time, without the consent of the Bondholders, create and issue further bonds having the same Conditions as the Bonds in all respects (or in all respects except for the issue date, the first payment of interest on them, the timing for reporting to the NDRC, and, to the extent applicable, certain temporary securities law transfer and conversion restrictions) so as to form a single series with the Bonds.

16. NOTICES

Notices to the Bondholders will be sent to them by uninsured mail at their respective addresses on the Register. Any such notice shall be deemed to have been given on the fourth day after the date of mailing.

Until such time as any definitive certificates are issued and so long as the Global Bond Certificate is held in its entirely on behalf of Euroclear and Clearstream, any notice to the Holders of the Bonds shall be validly given by the delivery of the relevant notice to Euroclear and Clearstream, for communication by the relevant clearing system to entitled accountholders in substitution for notification as required by the Conditions and shall be deemed to have been given on the date of delivery to such clearing system.

17. AGENTS

The names of the initial Agents and the Registrar and their specified offices are set out below. The Issuer reserves the right, subject to the prior written approval of the Trustee, at any time to vary or terminate the appointment of any Agent or the Registrar and to appoint additional or other Agents or a replacement Registrar. The Issuer will at all times maintain (a) a Principal Agent and (b) a Registrar which will maintain the Register outside the United Kingdom. Notice of any such termination or appointment, of any changes in the specified offices of any Agent or the Registrar and of any change in the identity of the Registrar or the Principal Agent will be given promptly by the Issuer to the Bondholders and in any event not less than 45 days' notice will be given.

18. INDEMNIFICATION OF THE TRUSTEE

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility, including provisions relieving it from taking actions or proceedings to enforce repayment unless indemnified and/or secured and/or pre-funded to its satisfaction. The Trustee is entitled to enter into business transactions with the Issuer or any Bondholder and any entity related to the Issuer or any Bondholder without accounting for any profit.

19. GOVERNING LAW AND JURISDICTION

(a) *Governing law:* The Bonds and the Trust Deed and all non-contractual obligations arising out of or in connection with the Bonds and the Trust Deed shall be governed by and construed in accordance with English law.

(b) *Jurisdiction:* The courts of England shall have exclusive jurisdiction to settle any dispute (a "Dispute") arising out of or in connection with the Trust Deed or the Bonds (including without limitation a Dispute regarding any non-contractual obligations arising out of or in connection with the Trust Deed or the Bonds) and accordingly any legal action or proceedings arising out of or in connection with the Trust Deed or the Bonds ("Proceedings") may be brought in such courts. The Issuer has in the Trust Deed irrevocably submitted to the jurisdiction of the English courts in connection with any such Proceedings and waived any objections to Proceedings in such courts on the grounds of venue or that they have been brought in an inconvenient forum. The Trust Deed also states that nothing contained in the Trust Deed prevents the Trustee or any of the Bondholders from taking Proceedings in any other courts with jurisdiction and that, to the extent allowed by law, the Trustee or any of the Bondholders may take concurrent Proceedings in any number of jurisdictions.

(c) *Agent for Service of Process:* The Issuer has in the Trust Deed appointed an agent to receive service of process in any Proceedings in England. If for any reason the Issuer does not have such an agent in England, it will promptly appoint a substitute process agent and notify the Bondholders of such appointment. Nothing herein shall affect the right to serve process in any other manner permitted by law.

(d) *Waiver of Immunity:* The Issuer irrevocably agrees that, should any Proceedings be taken anywhere (whether for an injunction, specific performance, damages or otherwise), no immunity (to the extent that it may at any time exist, whether on the grounds of sovereignty or otherwise) from those Proceedings, from attachment (whether in aid of execution, before judgment or otherwise) of its assets or from execution of judgment shall be claimed by it or on its behalf or with respect to its assets, any such immunity being irrevocably waived. The Issuer irrevocably agrees that it and its assets are, and shall be, subject to such Proceedings, attachment or execution in respect of its obligations under the Trust Deed or the Bonds.

(e) *Consent to Enforcement etc.:* The Issuer irrevocably and generally consents to the fullest extent permitted by the laws of its jurisdiction of incorporation in respect of any Proceedings anywhere to the giving of any relief or the issue of any process in connection with those Proceedings including, without limitation, the making, enforcement or execution against any assets whatsoever (irrespective of their use or intended use) of any order or judgment which may be made or given in those Proceedings.

DESCRIPTION OF SHARE CAPITAL

*Set forth below is a summary of the material terms of the articles of association of the Company (the "**Articles**") insofar as they relate to the material terms of our ordinary shares. For the complete and full version of the Articles, please refer to the Company Articles available on the website of the Hong Kong Stock Exchange.*

INTRODUCTION

As of July 31, 2022, the total issued share capital of the Company is US$3,203,913,000 comprising 12,041,705,614 ordinary shares. We do not have any preference shares or other classes of shares in issue.

ALTERATION OF CAPITAL

The Company may from time to time by ordinary resolution alter its share capital in any one or more of the ways set out in the Companies Ordinance (Chapter 622 of the laws of Hong Kong) (the "Companies Ordinance").

Where any difficulty arises in regard to any consolidation or conversion of shares into a larger or smaller number of shares, the board of directors of the Company (the "Board" or "Directors") may settle the same as it thinks expedient and in particular may as between the holders of shares to be consolidated determine which particular shares are to be consolidated into each consolidated share, and if any person shall become entitled to fractions of a consolidated share or shares, such fractions may be sold by a person appointed by the Board for that purpose, and the person so appointed may transfer the shares so sold to the purchaser thereof and the validity of such transfer shall not be questioned. The net proceeds of such sale (after deduction of the expenses of such sale) may either be distributed among the persons who would otherwise be entitled to a fraction or fractions of a consolidated share or shares rateably in accordance with their rights and interests or may be paid to the Company for the Company's benefit.

The Company may by special resolution reduce its share capital in any manner authorized and subject to any conditions prescribed by law.

TRANSFERS OF SHARES

All transfers of shares may be effected by transfer in writing in the usual common form or in such other form as the Board may accept and may be under hand only. All instruments of transfer must be kept at the registered office or at such other place as the Board may appoint.

The instrument of transfer of any share shall be executed by or on behalf of the transferor and by or on behalf of the transferee, and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register in respect thereof. Nothing in the Articles shall preclude the Board from recognizing a renunciation of the allotment or provisional allotment of any share by the allottee in favor of some other person.

The Board may refuse to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve or any share issued under any share incentive scheme for employees upon which a restriction on transfer imposed thereby still subsists, and it may also refuse to register any transfer of any share to more than four joint holders or any transfer of any share (not being a fully paid up share) on which the Company has a lien.

The Board may also decline to recognize any instrument of transfer unless:

(a) a fee not exceeding the maximum amount prescribed by The Stock Exchange of Hong Kong Limited from time to time is paid to the Company for registering any transfer or other document relating to or affecting the title to the shares involved or for otherwise making an entry in the register relating to such shares;

(b) the instrument of transfer is accompanied by the certificate of the shares to which it relates, and such other evidence as the Board may reasonably require to show the right of the transferor to make the transfer;

(c) the instrument of transfer is in respect of only one class of shares;

(d) the shares concerned are free of any lien in favor of the Company; and

(e) the instrument of transfer is properly stamped.

No transfer shall be made to an infant or to a person who is mentally incapacitated or under other legal disability.

If the Board shall refuse to register a transfer of any share, it shall, within two months after the date on which the transfer was lodged with the Company, send notice of such refusal, as required by the Companies Ordinance. Upon request by the transferor or transferee, the Board must, within 28 days after receiving such request, send to the transferor or transferee (as the case may be) a statement of the reasons for the refusal.

Upon every transfer of shares the certificate held by the transferor shall be surrendered for cancellation, and shall forthwith be cancelled accordingly, and a new certificate shall be issued with a fee not exceeding such maximum amount as may from time to time be prescribed by the Listing Rules to the transferee in respect of the shares transferred to him, and if any of the shares included in the certificate so surrendered shall be retained by the transferor, a new certificate in respect thereof shall be issued to him with a fee not exceeding such maximum amount as may from time to time be prescribed by the Listing Rules. The Company shall also retain the transfer.

The registration of transfers may be suspended and the register closed at such times and for such periods as the Board may from time to time determine and either generally or in respect of any class of shares, provided always that such registration shall not be suspended or the register closed for more than 30 days in any year or, with the approval of the Company in a general meeting, 60 days in any year.

GENERAL MEETINGS

The Company shall, when so required by the Companies Ordinance, in each financial year hold a general meeting as its annual general meeting in addition to any other meeting in that year and shall specify the meeting as such in the notices for such meeting. The annual general meeting shall be held at such time and place as the Board shall designate.

The Directors may, whenever they think fit, and shall on requisition in accordance with the Companies Ordinance, proceed to convene a general meeting other than an annual general meeting.

Subject to the Companies Ordinance and the Listing Rules:

(a) an annual general meeting shall be called by at least 21 days' prior notice in writing.

(b) a general meeting other than an annual general meeting shall be called by at least 14 days' prior notice in writing.

(c) the notice shall be exclusive of:

  (i) the day on which it is served or deemed to be served; and

  (ii) the day on which it is given.

(d) the notice must:

  (i) specify the date and time of the meeting;

  (ii) specify the place of the meeting (and if the meeting is to be held in 2 or more places, the principal place of the meeting and the other place or places of the meeting);

  (iii) state the general nature of the business to be dealt with at the meeting; and

  (iv) for a notice calling an annual general meeting, state that the meeting is an annual general meeting.

(e) if a resolution is intended to be moved at the meeting, the notice of meeting shall:

  (i) include notice of the resolution; and

  (ii) include or be accompanied by a statement containing any information or explanation that is reasonably necessary to indicate the purpose of the resolution.

(f) despite the fact that a general meeting is called by shorter notice than that specified in the Articles, it is regarded as having been duly called if it is so agreed:

  (i) for an annual general meeting, by all the members entitled to attend and vote at the meeting; and

  (ii) in any other case, by a majority in number of the members entitled to attend and vote at the meeting, being a majority together representing at least 95% of the total voting rights at the meeting of all the members.

The accidental omission to give any such notice to, or the non-receipt of any such notice by, any person entitled to receive such notice shall not invalidate any resolution passed or any proceeding at any such meeting. In cases where instruments of proxy are sent out with notices, the accidental omission to send such instrument of proxy to, or the non-receipt of such instrument of proxy by, any person entitled to receive notice shall not invalidate any resolution passed or any proceeding at any such meeting.

If the Directors, in their absolute discretion, consider that it is desirable or appropriate to postpone the date or time or change the place of a general meeting stated in the notice calling the meeting to another date, time and/or place, they may do so. In such an event, an announcement of the date, time and place of the rearranged meeting will, if practicable, be published in at least one English language and one Chinese language newspaper published daily and circulating in Hong Kong and/or on a website as specified under the Listing Rules. Notice of the business of the meeting does not need to be given again. The Directors must take reasonable steps to ensure that any shareholder trying to attend the meeting at the original time and place is informed of the new arrangements. If a meeting is rearranged in this way, proxy forms can be delivered as required by the Articles in respect of the rearranged meeting.

For all purposes the quorum for a general meeting shall be three members present in person or by proxy and entitled to vote. No business save the election of a chairman of the meeting shall be transacted at any general meeting unless the requisite quorum shall be present at the commencement of the business.

VOTES OF MEMBERS

Subject to the Companies Ordinance and to any special rights, privileges or restrictions as to voting for the time being attached to any class or classes of shares, at any general meeting on a show of hands every member who (being an individual) is present in person or by proxy or (being a corporation) is present by a representative duly authorized under the Companies Ordinance, shall have one vote, and on a poll every member present in person or by proxy or by duly authorized representative shall have one vote for every fully paid share of which he is the holder and have for every partly paid share of which he is the holder the fraction of one vote equal to the proportion paid up thereon bears to the value of the share, but no amount paid or credited as paid up on a share in advance of calls shall be treated for the purposes of the Articles as paid up on the share. On a poll a member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way. If a member appoints more than one proxy, none of the proxies so appointed shall be entitled to vote on the resolution on a show of hands.

Save as expressly provided in the Articles, no person other than a member duly registered and who shall have paid everything for the time being due from him and payable to the Company in respect of his shares and is entitled to attend and vote shall be entitled to be present or to vote (save as proxy for another member) either personally or by proxy, or to be reckoned in a quorum (save as proxy for another member), at any general meeting. No objection shall be raised to the qualification of any voter except at the meeting or adjourned meeting at which the vote objected to is given or tendered. Any vote not disallowed at such meeting shall be valid for all purposes. Any such objection made in due time shall be referred to the chairman presiding at the meeting, whose decision shall be final and conclusive.

Where the Company is of the view that any member is, under the Listing Rules, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

Any member of the Company entitled to attend and vote at a meeting of the Company or a meeting of the holder of any class of shares in the Company shall be entitled to appoint another person as his proxy to attend and to speak and vote instead of him. On a poll votes may be given either personally or by proxy. A proxy need not be a member of the Company. A member may appoint more than one proxy to attend on the same occasion.

Any corporation which is a member of the Company may by resolution of its directors or other governing body authorize such person as it thinks fit to act as its representative at any meeting of the Company or of any class of members of the Company, and the person so authorized shall be entitled to exercise the same powers on behalf of the corporation which he represents as that corporation could exercise if it were an individual member of the Company.

DIVIDENDS

The Company in a general meeting may declare dividends in any currency, but no dividends shall exceed the amount recommended by the Board.

The Board may from time to time pay to the members such interim dividends as appear to the Board to be justified by the profits of the Company, and in particular (but without prejudice to the generality of the foregoing) if at any time the share capital of the Company is divided into different classes, the Board may pay such interim dividends in respect of those shares in the capital of the Company which confer on the holders thereof deferred or non-preferential rights as well as in respect of those shares which confer on the holders thereof preferential rights with regard to dividend and provided that the Board acts bona fide the Board shall not incur any responsibility to the holders of shares conferring any preference for any damage that they may suffer by reason of the payment of an interim dividend on any shares having deferred or non-preferential rights. The Board may also pay half-yearly or at other suitable intervals to be settled by it any dividend which may be payable at a fixed rate if the Board is of the opinion that the profits justify the payment.

No dividend shall be payable except out of the profits of the Company in accordance with the Companies Ordinance. No dividend shall carry interest. For so long as any share issued under any share incentive scheme for employees remains subject to restrictions on dividends, voting and transfer imposed thereby, but without prejudice to the entitlement of the holder of such share to participate in any distribution on capitalization of reserves, no dividend whether payable in cash or in specie or by way of allotment of fully paid shares shall be declared or paid on such share.

Whenever the Board or the Company in a general meeting have resolved that a dividend be paid or declared, the Board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind and in particular of paid up shares or other securities of the Company or any other company, or in any one or more of such ways. Where any difficulty arises in regard to the dividend distribution, the Board may settle the same as it thinks expedient, and in particular may issue fractional certificates, disregard fractional entitlements or round the same up or down, and may fix the value for distribution of such specific assets, or any part thereof, and may determine that cash payments shall be made to any member upon the determination of the value so fixed in order to adjust the rights of all parties, and may vest such specific assets in trustees as may seem expedient to the Board and may appoint any person to sign any requisite instruments of transfer and other documents on behalf of the persons entitled to the dividend, and such appointment shall be effective. Where required, a contract shall be filed in accordance with the provisions of the Companies Ordinance, and the Board may appoint any person to sign such contract on behalf of the persons entitled to the dividend, and such appointment shall be effective.

Whenever the Board or the Company in a general meeting have resolved that a dividend be paid or declared on the share capital of the Company, the Board may further resolve: (i) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid provided that the shareholders entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment; and (ii) that the shareholders entitled to such dividend be entitled to elect to receive an allotment of shares credited as fully paid in lieu of the whole or such part of the dividend as the Board may think fit. Any allotment of shares as prescribed above shall be subject to members' approval pursuant to the Companies Ordinance, and such shares allotted shall rank *pari passu* in all respects with the shares of the same class (if any) then in issue save only as regards participation in the relevant dividend. The Directors may do all acts and things considered necessary or expedient to give effect to any capitalization, with full power to the Board to make such provisions as they think fit in the case of shares becoming distributable in fractions. The Board may authorize any person to enter into, on behalf of all members interested, an agreement with the Company providing for such capitalization and matters incidental thereto and any agreement made pursuant to such authority shall be effective and binding on all concerned. Notwithstanding the above, the Company may upon the recommendation of the Board by ordinary resolution resolve in respect of any particular dividend of the Company that a dividend may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to shareholders to elect to receive such dividend in cash in lieu of such allotment.

All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of by the Board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof for any profit or benefit derived therefrom. All dividends or bonuses unclaimed for six years after having been declared may be declared forfeited by the Board and shall revert to the Company.

RESERVES

The Board may, before recommending any dividend, set aside out of the profits of the Company such sums as it thinks fit as a reserve or reserves which shall, in the discretion of the Board, be applicable for meeting claims on or liabilities of the Company or contingencies or for paying off any loan capital or for equalizing dividends or for any other purpose to which the profits of the Company may be properly applied, and pending such application may, in the like discretion, either be employed in the business of the Company or be invested in such investments (other than shares of the Company) as the Board may from time to time think fit. It shall not be necessary to keep any investments constituting the reserve or reserves separate or distinct from any other investments of the Company. The Board may also without placing the same to reserve carry forward any profits which it may think prudent not to declare as dividends.

INCREASE OF SHARES

The Company in a general meeting may from time to time, whether all the shares for the time being issued shall have been fully paid up or not, by ordinary resolution, increase its share capital in any one or more of the ways set out in the Companies Ordinance.

Without prejudice to any special rights previously conferred on the holders of existing shares, any new shares shall be issued upon such terms and conditions and with such preferred, deferred, or other special rights or privileges, or such restrictions, whether in regard to dividend, voting, return of share capital, or otherwise, as the Company in the general meeting resolving upon the creation thereof shall determine or, in the absence of any such determination, as the Board may determine.

The Company may by ordinary resolution, before the issue of any new shares, determine that the same, or any of them, shall be offered in the first instance to all the existing holders of any class of shares in proportions as nearly as may be to the number of shares of such class held by them respectively, or make any other provisions as to the issue and allotment of the new shares, but in default of any such determination, the new shares may be dealt with as if they formed part of the shares in the capital of the Company existing prior to the issue of the new shares.

Except as otherwise provided by the conditions of issue, or by the Articles, any capital raised by the creation of new shares shall be treated as if it formed part of the original capital of the Company, and such shares shall be subject to the provisions contained in the Articles with reference to the payment of calls and instalments, transfer and transmission, forfeiture, lien, cancellation, surrender, voting and otherwise.

Subject to the provisions of the Companies Ordinance and of the Articles relating to new shares, all unissued shares in the Company shall be at the disposal of the Board, which may offer, allot (with or without conferring a right of renunciation), grant options over or otherwise dispose of them to such persons, at such times, for such consideration and generally on such terms as the Board shall in its absolute discretion think fit.

MODIFICATION OF RIGHTS

If at any time the share capital is divided into different classes of shares, the rights attached to any class (unless otherwise provided by the terms of issue of the shares of that class) may be varied with the consent in writing of the holders representing three-fourths of the total voting rights of that class, or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of the class. To every such separate general meeting the provisions of these regulations relating to general meetings shall apply similarly, but (i) the necessary quorum shall be two persons at least holding or representing by proxy or by authorized representative one-third of the total voting rights of the class, (ii) every holder of shares of the class shall be entitled on a poll to one vote for every such share held by him, (iii) any holder of shares of the class present in person or by proxy or by authorized representative may demand a poll and (iv) at any adjourned meeting of such holders one holder present in person or by proxy or by authorized representative (whatever the number of shares held by him) shall constitute a quorum.

REPURCHASE OF SHARES

The Company may exercise any powers conferred or permitted by the Companies Ordinance or any other ordinance from time to time to acquire its own shares or to give directly or indirectly, by means of a loan, guarantee, the provision of security or otherwise, financial assistance for the purpose of or in connection with a purchase made or to be made by any person of any shares in the Company. If the Company acquires its own shares, neither the Company nor the Board shall be required to select the shares to be acquired rateably or in any other particular manner as between the holders of shares of the same class or as between them and the holders of shares of any other class or in accordance with the rights as to dividends or capital conferred by any class of shares provided always that any such acquisition or financial assistance shall only be made or given in accordance with the relevant rules or regulations issued by the Hong Kong Stock Exchange or the Securities and Futures Commission from time to time.

UNTRACEABLE SHARES

The Company has the power to sell, in such manner as the Board thinks fit, any shares of a member who is untraceable, but no such sale shall be made unless:

(a) all cheques, being not less than three in total number, for any sum payable in cash to the holder of such shares in respect of them sent during the relevant period in the manner authorized by the Articles of the Company have remained uncashed;

(b) so far as it is aware at the end of the relevant period, the Company has not at any time during the relevant period received any indication of the existence of the member who is the holder of such shares or of a person entitled to such shares by death, bankruptcy or operation of law; and

(c) the Company has caused an advertisement to be presented in English in an English language newspaper and in Chinese in a Chinese language newspaper giving notice of its intention to sell such shares and has notified the Hong Kong Stock Exchange of such intention and a period of three months has elapsed since the date of such advertisement.

For the purpose of the foregoing, "relevant period" means the period commencing 12 years before the date of publication of the advertisement referred to in paragraph (c) above and ending at the expiry of the period referred to in that paragraph. To give effect to any such sale, the Board may authorize any person to transfer the said shares and instrument of transfer signed or otherwise executed by or on behalf of such person shall be as effective as if it had been executed by the registered holder or the person entitled by transmission to such shares, and the purchaser shall not be bound to see to the application of the purchase money nor shall his title to the shares be affected by any irregularity or invalidity in the proceedings relating to the sale. The net proceeds of the sale will belong to the Company and upon receipt by the Company of such net proceeds it shall become indebted to the former member for an amount equal to such net proceeds. No trust shall be created in respect of such debt and no interest shall be payable in respect of it and the Company shall not be required to account for any money earned from the net proceeds which may be employed in the business of the Company or as it thinks fit. Any sale hereunder shall be valid and effective notwithstanding that the member holding the shares sold is dead, bankrupt or otherwise under any legal disability or incapacity.

INFORMATION

Subject to the Companies Ordinance and the Listing Rules, no member (not being a Director) shall be entitled to require discovery of or any information respecting any detail of the Company's trading or any matter which is or may be in the nature of a trade secret, mystery of trade or secret process which may relate to the conduct of the business of the Company and which in the opinion of the Board it will be inexpedient in the interests of the members of the Company to communicate to the public.

ACCOUNTS

The Board shall from time to time determine whether and to what extent, at what times and places and under what conditions or regulations, the accounting or other records or documents of the Company, or any of them, shall be open to the inspection of the members not being Directors, and no member (not being a Director) shall have any right of inspecting any such document of the Company, except as conferred by the Companies Ordinance or authorized by the Directors or by the Company in a general meeting.

A copy of the relevant reporting documents or summary financial report shall, not less than 21 days before the date of the meeting, be delivered or sent to every member of, and every holder of debenture of, the Company and every person registered and every other person entitled to receive notices of general meetings of the Company. However the Company is required to send a copy of these documents to (i) any person of whose address the Company is not aware, (ii) in the case of joint holders of any shares or debentures, none of whom is entitled to receive notices of the Company's general meeting, (iii) more than one of the joint holders of any shares or debentures, or (iv) in the case of joint holders of any shares or debentures some of whom are entitled to receive notices of the Company's general meetings and some not, to those who are not entitled. However, where a member or debenture holder of the Company has, in accordance with the Companies Ordinance, the Listing Rules and any other applicable laws, rules and regulations, consented to treat the publication of the relevant reporting documents and/or the summary financial report on the Company's website as discharging the Company's obligation under the Companies Ordinance to send a copy of the relevant reporting documents and/or the summary financial report, then subject to compliance with the Companies Ordinance, the Listing Rules and any other applicable laws, rules and regulations, publication by the Company on the Company's website of the relevant reporting documents and/or the summary financial report at least 21 days before the date of the meeting shall, in relation to each such member or debenture holder of the Company, be deemed to discharge the Company's obligation.

WINDING UP

If the Company is wound up (whether the liquidation is voluntary, under supervision or by the court) the liquidator may with the authority of a special resolution and any other sanction required by the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the laws of Hong Kong), divide among the members in specie or kind the whole or any part of the assets of the Company and whether or not the assets shall consist of property of one kind or shall consist of properties of different kinds, and may for such purpose set such value as he deems fair upon any one or more class or classes of property and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator with the like authority shall think fit, and the liquidation of the Company may be closed and the Company dissolved, but so that no contributory shall be compelled to accept any shares or other assets in respect of which there is a liability.

In the event of a winding-up of the Company in Hong Kong, every member of the Company who is not for the time being in Hong Kong shall be bound, within 14 days after the passing of an effective resolution to wind up the Company voluntarily, or the making of an order for the winding-up of the Company, to serve notice in writing on the Company appointing some person resident in Hong Kong and stating that person's full name, address and occupation upon whom all summonses, notices, processes, orders and judgments in relation to or under the winding-up of the Company may be served, and in default of such nomination the liquidator of the Company shall be at liberty on behalf of such member to appoint some such person, and service upon any such appointee, whether appointed by the member or the liquidator, shall be deemed to be good personal service on such member for all purposes, and, where the liquidator makes any such appointment, he shall with all convenient speed give notice thereof to such member by advertisement in an English language newspaper in English and a Chinese language newspaper in Chinese as he shall deem appropriate or by a registered letter sent through the post and addressed to such member at his address as mentioned in the register, and such notice shall be deemed to be served on the day following that on which the advertisement appears or the letter is posted.

SUMMARY OF PROVISIONS RELATING TO THE BONDS IN GLOBAL FORM

Terms defined in the terms and conditions of the Bonds (the "**Conditions**" or "**Terms and Conditions**") set out in this offering circular have the same meaning in the paragraphs below.

The Bonds will be represented by a Global Certificate which will be registered in the name of a nominee for, and deposited with a common depositary for, Euroclear and Clearstream.

Under the Global Certificate, the Company, for value received, will promise to pay such principal and interest on the Bonds to the holder of the Bonds on such date or dates as the same may become payable in accordance with the Terms and Conditions.

The Global Certificate will become exchangeable in whole, but not in part, for individual certificates in definitive form (the "Definitive Bond"):

(i) if the Bonds represented by the Global Certificate are held on behalf of Euroclear or Clearstream or any other clearing system (an "Alternative Clearing System") and any such clearing system is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business; or

(ii) if any of the circumstances described in Condition 10 (*Events of Default*) occurs.

Whenever the Global Certificate is to be exchanged for Definitive Bonds, such Definitive Bonds will be issued in an aggregate principal amount equal to the principal amount of the Global Certificate. Such exchange will be effected in accordance with the provisions of the Agency Agreement and the regulations concerning the transfer and registration of the Bonds scheduled thereto and, in particular, shall be effected without charge to any holder of the Bonds or the Trustee, but against such indemnity as the Registrar or the relevant Agents may require in respect of any tax or other duty of whatsoever nature which may be levied or imposed in connection with such exchange.

In addition, the Global Certificate will contain provisions which modify the Terms and Conditions as they apply to the Bonds evidenced by the Global Certificate. The following is a summary of certain of those provisions:

NOTICES

So long as the Bonds are represented by the Global Certificate and the Global Certificate is held on behalf of Euroclear or Clearstream or any Alternative Clearing System, notices to holders of the Bonds shall be given by delivery of the relevant notice to Euroclear or Clearstream or such Alternative Clearing System, for communication by it to accountholders entitled to an interest in the Bonds in substitution for notification as required by the Terms and Conditions.

TRANSFER OF BONDS REPRESENTED BY GLOBAL CERTIFICATES

Transfers of interests in the Bonds will be effected through the records of Euroclear and Clearstream (or any Alternative Clearing System) and their respective participants in accordance with the rules and procedures of Euroclear and Clearstream (or any Alternative Clearing System) and their respective direct and indirect participants. Where the holding of Bonds represented by the Global Certificate is only transferable in its entirety, the certificate issued to the transferee upon transfer of such holding shall be a Global Certificate. Where transfers are permitted in part, certificates issued to transferees shall not be Global Certificates unless the transferee so requests and certifies to the Registrar that it is, or is acting as or as nominee for a common depositary for Clearstream, Euroclear and/or an Alternative Clearing System.

CANCELLATION

Cancellation of any Bond represented by the Global Certificate which is required by the Terms and Conditions to be cancelled will be effected by reduction in the principal amount of the Bonds in the register of the Bonds and the Global Certificate on its presentation to or to the order of the Principal Agent for annotation (for information only) in the Global Certificate.

PAYMENT

Payments of principal and interest in respect of Bonds evidenced by the Global Certificate held through Euroclear or Clearstream will be credited, to the extent received by the Principal Agent or such other Paying Agent (as defined in the Terms and Conditions), to the cash accounts of Euroclear and Clearstream participants in accordance with the relevant system's rules and procedures and will be made without presentation for endorsement by the Principal Agent or such other Paying Agent and, if no further payment falls to be made in respect of the Bonds, against presentation and surrender of the Global Certificate to or to the order of the Principal Agent or to the order of such other Paying Agent as shall have been notified to the relevant holder for such purpose. No person shall however be entitled to receive any payment on the Global Certificate (or such part of the Global Certificate which is required to be exchanged) falling due after any date of exchange into the Definitive Bonds in definitive form unless exchange of the Global Certificate for such Definitive Bonds is improperly withheld or refused by or on behalf of the Company or the Company does not perform or comply with any one or more of what are expressed to be its obligations under any such Definitive Bonds.

USE OF PROCEEDS

The aggregate proceeds from the sale of the Bonds pursuant to this offering circular, after deducting estimated underwriting commissions and offering expenses will be approximately US$664,000,000. The net proceeds from the sale of the Bonds will be used for the repurchase of the US$455,000,000 in aggregate principal amount of the Existing Convertible Bonds and general corporate purposes.

CAPITALIZATION AND INDEBTEDNESS

The following table sets forth our consolidated long-term indebtedness, owners' equity, total equity and total capitalization as at June 30, 2022 on an actual basis and as adjusted to give effect to the issuance of the Bonds offered hereby before deducting the underwriting fees and commissions and other estimated expenses in connection with this offering, without taking into account any issue discount or premium. The table below does not reflect the planned purchase of the Existing Convertible Bonds as described in more detail in "Use of Proceeds." For additional information, see the Company's consolidated financial statements and notes thereto included elsewhere in this offering circular.

	As at June 30, 2022	
	Actual	**As Adjusted**
	(in US$ thousands)	
Long-term indebtedness (non-current portion)		
Long-term loan	785	785
Notes	1,991,184	1,991,184
Convertible bonds	645,852	645,852
Bonds to be issued in this offering(1)	–	675,000
Total long-term indebtedness (non-current portion)	2,637,821	3,312,821
Owners' equity		
Share capital(2)	3,203,913	3,203,913
Reserves	1,975,967	1,975,967
Equity attributable to owners of the Company	5,179,880	5,179,880
Other non-controlling interests	952,571	952,571
Put option written on non-controlling interests(3)	(547,353)	(547,353)
Total equity	5,585,098	5,585,098
Total capitalization(4)	8,222,919	8,897,919

(1) In accordance with Hong Kong Accounting Standard 32 Financial Instruments: Presentation, the Bonds shall be split into an equity and a liability component. For illustrative purpose only, the aggregate principal amount of the Bonds to be issued has been presented as a liability in the above table.

(2) Represents 12,041,705,614 voting ordinary shares issued and fully paid.

(3) Represents the put options granted under our joint venture agreement with Fujitsu Limited and our option agreement with Hefei Yuan Jia Start up Investment LLP. For more details, please refer to note 11(b) of the Company's unaudited quarterly consolidated financial information as at and for the three months ended June 30, 2022.

(4) Total capitalization equals total long-term indebtedness (non-current portion) plus total equity.

On July 27, 2022, the Company issued US$625,000,000 in aggregate principal amount of 6.536% Notes due 2032 and US$625,000,000 in aggregate principal amount of 5.831% Notes due 2028, and repurchased on the same date US$200,000,000 in aggregate principal amount of its 4.750% notes due March 2023. In addition, the Company allotted and issued 86,424,677 of its shares to PCCW Limited on August 12, 2022 in relation to the establishment of a strategic relationship with PCCW Limited. Other than as disclosed above, there has been no material change in the total capitalization of the Company since June 30, 2022.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following is a discussion of our financial condition and results of operations as at and for the years ended March 31, 2020, 2021 and 2022 and of the material factors that we believe are likely to affect our financial condition and results of operations. You should read this section in conjunction with the section entitled "Summary Financial and Other Information" and our audited consolidated financial statements and related notes included elsewhere in this offering circular. Our consolidated financial statements have been prepared in accordance with HKFRS. This discussion contains forward-looking statements that involve risks and uncertainties about our business and operations. Our actual results may differ materially from those we currently anticipate as a result of many factors, including those we describe under "Risk Factors" and elsewhere in this offering circular. For a discussion of forward-looking statements, see "Forward-Looking Statements."

OVERVIEW

We are a leading technology company that develops, manufactures and markets high-quality, easy-to-use technology products and services for enterprises and consumers worldwide. In 2022, we ranked 159th on the Forbes' Global 500 list, and as at March 31, 2022, we employed approximately 75,000 people worldwide. Focused on a bold vision to deliver smarter technology for all, we are developing world-changing technologies that create a more inclusive, trustworthy and sustainable digital society. By designing, engineering and building the world's most complete portfolio of smart devices and infrastructure, we are also leading an Intelligent Transformation – to create better experiences and opportunities for millions of customers around the world.

Effective April 1, 2021, we revised our business segmentation and established our Solutions and Services Group ("SSG"). SSG integrates all services and solutions that we offer to drive growth in smart verticals, support services, managed services and our as-a-service, or aaS, offerings. Our industry-leading Infrastructure Solutions Group ("ISG") business delivers one-stop IT solutions, which have expanded from server to full-stack offerings including storage, software-defined infrastructure, software, and services. Our Intelligent Devices Group ("IDG") consists of our PC, tablet, smartphone, and other smart devices businesses, with leading market positions in their respective global sectors.

Our strengths across various segments translate into robust financial performance. Our revenue grew from US$50,716 million in the year ended March 31, 2020 to US$60,742 million in the year ended March 31, 2021, and further to US$71,618 million in the year ended March 31, 2022. At the same time, our net profit margin increased from 1.6% in the year ended March 31, 2020 to 2.2% in the year ended March 31, 2021 and 3.0% in the year ended March 31, 2022. In addition, our EBITDA margin increased consistently: 5.3%, 5.8% and 6.6% in these same respective years.

KEY FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our results of operations have been, and are expected to continue to be, materially affected by a number of factors, many of which are outside of our control, including the following:

General Factors

Our business and operating results are affected by general factors affecting the information technology industry in the markets where we focus. These factors include:

- Overall economic growth and level of per capita disposable income in the various countries in which we market our products and services;

- Growth and competition in the PC, smartphone and other smart devices markets;

- Growth and competition in the data center market; and

- New and innovative technologies that could revolutionize our industry.

Changes in any of these general economic and industry conditions could materially affect demand for our products and services and correspondingly materially affect our results of operations.

Specific Factors

Our results of operations are also affected by specific factors affecting our results of operations, including the following major factors:

Popularity of Our Products

We derive a substantial majority of our revenue from our IDG segment. For the years ended March 31, 2020, 2021 and 2022, IDG revenue accounted for 89.2%, 87.3% and 87.0% of our total revenue, respectively. The revenue information for the year ended March 31, 2020 is not comparable to that for the years ended March 31, 2021 and 2022 because of our adjustment of business segmentation. See "– *Key Components of Results of Operations – Revenue*" in this section for more details. The markets in which we operate these businesses are characterized by rapid changes in customer preferences. To maintain our growth and competitive position, we must continue to innovate and offer our customers the most current and desired product features at competitive prices. For example, we launched the world's first foldable screen laptop, the X1 Fold and more recently X1 Nano, our lightest ThinkPad ever; the first 5G-connected PC; our gaming device – Legion Y-Series; and our Think Smart Collaboration, a smarter audio and video conference solutions at home or in offices. For smartphone, we also launched Motorola Edge and Edge+, in addition to the previously launched foldable smartphone – Motorola razr. We also introduced other smart devices such as ThinkReality A3 lightweight smart glasses. Our operating results have been, and will continue to be, affected by our ability to stimulate customer demand for new and upgraded products and to anticipate and respond to emerging customer preferences and demands. To accomplish this, we will need to ensure our continuing and timely development of new products, as well as enhancements to our existing products.

Product, Customer and Geographic Sales Mix and Seasonal Sales Trends

Our results of operations for any particular year or period may be adversely affected by changes in the mix of products, customers and geographic markets reflected in our sales for that period, as well as by seasonal trends. Our profit margins vary among products, services, customers and geographic markets. In addition, our business is generally stronger in the third quarter of our financial year (the fourth quarter of the calendar year), due to the combined effect of government and enterprise customers spending unutilized budgets and the festive season in many countries, while our fourth quarter (the first quarter of the calendar year) is usually the weakest, due to the combined effect of Chinese New Year and the uncertainty caused by the new budgets in our public sector and enterprise accounts.

Marketing and Brand Promotion

To support our global footprint, we engage in active marketing campaigns that promote focused brand awareness, market new products and services, and expand our customer base. For example, in 2019 we launched our vision "Smarter Technology for All" with the largest brand campaign in our company history, running in the top 12 markets and reinforcing how our customers are using smarter technology to significantly improve their lives, work and the planet. This campaign was tightly integrated with our global event series – including TechWorld, where we unveil our latest technology and key partnerships – and also used innovative digital media to drive deep engagement with our key customers. The results show increased awareness of our Lenovo brand, a significant improvement in the company's reputation and also show that our customers increasingly see us as a top global technology company. We continue to retain our ranking as a top brand on highly regarded surveys and lists, including Brand Finance's Global Top 500 Most Valuable Brand in 2022 and BrandZ China Top 50 in 2022. For the years ended March 31, 2020, 2021 and 2022 we had selling and distribution expenses of US$2,972 million, US$3,045 million and US$3,746 million, respectively. We believe brand recognition and awareness have been and will continue to be important factors to our success.

Management of Our Global Operations

We are a truly global company in terms of both our production and sales. Geographically, revenue from China, AP, EMEA and the AG accounted for 25.7%, 16.3%, 25.5% and 32.5% of our revenue for the year ended March 31, 2022, respectively. Our financial condition has been and we expect it to continue to be affected by our ability to manage a variety of risks and to capitalize on opportunities associated with our international operations. These include our ability to develop and promote products that respond to the preferences of consumers in over 180 markets in which we sell our products and services, to manage a geographically dispersed workforce and adapt to local labor conditions and regulations, our ability to manage global supply chain and supply risk, as well as our ability to manage our operations against the backdrop of ongoing instability or changes in a country's or region's economic or political conditions, including inflation, recession, interest rate or foreign exchange rate fluctuations and actual or anticipated military or political conflicts. See "*Risk Factors – Risks Relating to Our Business – Due to the international nature of our business, political or economic changes or other factors have in the past affected and could in the future harm our revenue, costs and expenses and financial condition.*"

Intelligent Transformation Driven by Smart IoT, Smart Infrastructure and Smart Verticals

We are a global technology company focused on customer-led innovation. As the world is heading towards the age of the "Internet of Things," we expect an increasing number of the devices we offer and compete against will have computing, storage and networking modules built inside. Additionally, as we transition to an environment characterized by cloud computing and software being delivered as a service, we must continue to successfully develop and deploy cloud-based solutions for our customers. To capitalize on these developments, we have adopted an Intelligent Transformation strategy, which seeks to maintain and develop our strengths in our core, established markets and to explore and develop growth opportunities in line with our vision of "Smarter Technology for All." Our sales of software as a service and other services typically achieve the highest margin among our products. We believe a deeper, service-led transformation will lead to new competencies across our business and offer new profitable revenue streams.

Hybrid Manufacturing Model and Efficient Supply Chain

We believe our hybrid manufacturing model and efficient supply chain are critical to improving our profitability. We utilize both in-house manufacturing capabilities and external manufacturers to achieve cost-efficiency and improved visibility of and control over our product-development process. We manufacture a significant portion of our products in-house through our manufacturing facilities in Argentina, Brazil, Germany, Hungary, India, Japan, Mexico, the United States and multiple locations in China. In addition to our in-house manufacturing capacity, we also outsource the remainder of our manufacturing requirements through original design manufacturing partnerships and joint venture arrangements. We leverage our hybrid manufacturing model to serve diverse needs from our customers. Failures of, or disruption in, any of these manufacturing facilities may materially negatively affect our results of operations. We intend to continue investing in manufacturing efficiencies in order to reduce our overall manufacturing costs. While we believe our hybrid model offers advantages over either a fully in-house or fully external manufacturing capability, these arrangements may be more complex to manage as compared to others in our industry. If we fail to expand our hybrid manufacturing capacity on a timely basis or in an appropriate scale, we may fail to achieve desired economies of scale and profitability. See "*Risk Factors – Risks Relating to Our Business – We face a number of risks and uncertainties arising from manufacturing a significant portion of our products in-house.*"

We manage a complex global supply chain with suppliers, manufacturing facilities, logistics hubs and consumers located across the globe. We maintain several single-source or limited-source supplier relationships. In addition, we sell our products primarily through third party distributors, resellers, retailers and network carriers for our mobile devices. Changes in our relationships with or the service capabilities of these third-party suppliers, distributors, resellers, retailers and network carriers, which can occur for various reasons in or out of our control, also have the potential to increase our expenses and adversely affect our results of operations. See "*Risk Factors – Risks Relating to Our Business – If we fail to properly manage the distribution of our products, our revenue, gross margin and profitability could suffer*" and "*Risk Factors – Risks Relating to Our Business – Our reliance on vendors for products and components, many of whom are single-source or limited-source suppliers, could harm our business by adversely affecting product availability, delivery, reliability and cost.*"

Investment in Technology, People and Infrastructure

We operate in an industry in which there are rapid technological advances in hardware, software, and service offerings; and we face aggressive product and price competition from both branded and generic competitors. To address these challenges, we must be a truly innovative company. We have made, and will continue to make, significant investments in technology, people and infrastructure, which will both enhance our customer experience and differentiate us from our competitors. For the years ended March 31, 2020, 2021 and 2022, our research and development expenses amounted to US$1,336 million, US$1,454 million and US$2,073 million, respectively.

Our patent portfolio, especially our global patent portfolio, has grown rapidly in recent years as a result of our continued investments. We expect our future investments will include designing and developing new products and services with enhanced functionalities and features, as well as continued building of our patent reserve around the world. Talent attraction and retention are critical for our business, operations and growth prospects. We have provided a competitive compensation package, including fixed compensation, performance bonus, retirement benefits and equity-based compensation under our long term incentive program. For the years ended March 31, 2020, 2021 and 2022, our administrative expenses amounted to US$2,525 million, US$2,984 million and US$2,944 million, respectively. We will continue to invest in our people, particularly engineers, researchers and scientists. In addition, we continue to upgrade and expand our technology infrastructure to keep pace with the growth of our business. Our key focus areas include: smart devices, artificial intelligence, cloud and edge computing, 5G, and smart solutions for selected verticals, and we expect to continue to invest in these areas for the foreseeable future.

Management of COVID-19 Pandemic

The COVID-19 pandemic and its outlook have affected our business in various ways, presenting challenges and opportunities that we continue to address.

COVID-19-related lockdowns have resulted in a mixed set of results. For lockdowns in locations where our production facilities and our suppliers are located, supply disruptions have impacted our operations, as has been the case of lockdowns in Shenzhen, China in the spring of 2022.

Although we have experienced unpredictable challenges across global supply chains in the last two years since the beginning of the COVID-19 pandemic, our operational results demonstrate that our size, scale, strong supplier and partner relationships, and unique hybrid manufacturing model have enabled us to maximize available supply. Our core competencies of innovation, operational excellence including a robust and flexible supply chain, and global or local footprint have helped us navigate any macro and micro challenges.

Due to the outbreak of COVID-19, our primary smartphone manufacturing site in Wuhan, China was shut down from late-January to late-February 2020, and became fully operational in April 2020. Although this interruption to our Wuhan manufacturing site resulted in product shortages that affected the results of our MBG in the last quarter of the year ended March 31, 2020, we managed to overcome short-term supply issues by taking advantage of other facilities of both our in-house and third-party manufacturing sites around the world. Given the current on-going COVID-19 situation, we closely monitor changing demand and inventory levels to identify gaps in supply and production capacity, and prepare contingency plans to minimize any disruptions. For example, we have developed a strong e-commerce strategy. While we strengthen our third-party e-commerce channels, we also enhance our in-house Lenovo.com sales channel. In addition, we have also built a new retail business model we call online-merge-offline that enables our online team to collaborate with offline partners and retail stores to provide a more efficient route to markets.

The global outbreak of COVID-19 reinforced the importance of using the power of technology to fight the pandemic and protect the wellbeing of society. This technological empowerment is expected to lead to secular growth trends in work-from-home and study-at-home arrangements with broad investment implications on PCs, cloud infrastructure and 5G services. In particular, the strong growth in data usage and accelerated public cloud migration have also boosted demand for our services and storage products. We target to capture these opportunities to deliver premium growth to the market, leveraging our operational efficiency and global footprint. For COVID-19-related risks, see "*Risk Factors – We could be adversely affected by the outbreaks of infectious diseases, such as the outbreak of the COVID-19 virus.*"

Cyber-attacks and Security Risk

We manage and store various proprietary information and sensitive and confidential data relating to our operations. In addition, our cloud computing businesses routinely process, store, and transmit large amounts of data for our customers, including sensitive and personally identifiable information. We believe our customers are focused on all aspects of cyber security, including information and physical security, intellectual property, and compliance requirements related to industry and government regulations.

Over the last several years, cyber-attacks have become more sophisticated, numerous, and pervasive. The costs to us to eliminate or address the security problems and security vulnerabilities are likely to grow as we expand our operations and these costs could be significant. See "*Risk Factors – Risks Relating to Our Business – We could suffer a loss of revenue and increased costs, exposure to significant liability and other negative consequences if we sustain cyber-attacks or other data security breaches that disrupt our operations or if our products contain defects or items in their design or manufacture that affect our products or services.*"

KEY COMPONENTS OF RESULTS OF OPERATIONS

Revenue

For the financial years ended March 31, 2020 and 2021, we reported revenue from two business segments: IDG and DCG. Effective April 1, 2021, we formed our SSG segment. We have also renamed our DCG business to the ISG business. Therefore, in our financial statements for the years ended March 31, 2022, we reported revenue from three business segments – IDG, ISG and SSG – for the years ended March 31, 2021 and 2022. We have not reclassified our financial information for the year ended March 31, 2020 to report revenue based on the three new business segments, which is burdensome, if not impracticable, for us to produce.

We currently generate our revenue from our IDG, ISG and SSG segments.

IDG. IDG revenue consists primarily of PCSD revenue and MBG revenue. PCSD revenue is derived from sales of notebook computers, desktop computers, tablets, and smart devices such as augmented reality devices. MBG revenue is derived from sales of smartphone devices, which include Motorola- and Lenovo-branded smartphones.

ISG. Previously known as DCG. ISG revenue is derived primarily from sales of data center devices, which includes our servers, storage, converged systems, networking, cloud service provider, software and services businesses.

SSG. Formed on April 1, 2021, our SSG segment integrates all services and solutions we offer to drive growth in smart verticals, including support services, managed services and as-a-service offerings.

We are a global company with operations in more than 180 markets. We maintain a strong geographical balance across our four geographies: China, AP, EMEA and AG. The following table sets forth our revenue by geography for the years indicated.

	Year ended March 31,					
	2020		2021		2022	
	US$	%	US$	%	US$	%
	(in thousands, except for %)					
China	10,857,955	21.4	14,257,290	23.5	18,380,867	25.7
AP	11,263,518	22.2	11,797,083	19.4	11,712,396	16.3
EMEA	12,419,641	24.5	15,882,576	26.1	18,274,144	25.5
AG	16,175,235	31.9	18,805,363	31.0	23,250,809	32.5
Total	50,716,349	100.0	60,742,312	100.0	71,618,216	100.0

Cost of Sales

Our cost of sales consists primarily of the direct costs for operating and offering our products and services. Cost of inventories sold accounted for a substantial majority of our cost of sales for the years ended March 31, 2020, 2021 and 2022.

Operating Expenses

Selling and Distribution Expenses

Our selling and distribution expenses consist primarily of employee benefit costs (including wages and salaries, bonuses, long-term incentive awards and other benefits) relating to our selling and marketing personnel. Employee benefit costs represent the majority of our selling and distribution expenses. Our selling and distribution expenses also include promotional and advertising expenses relating to our selling and marketing activities.

Administrative Expenses

Our administrative expenses consist primarily of employee benefit costs (including wages and salaries, bonuses, long-term incentive awards and other benefits) relating to our administrative personnel. Employee benefit costs represent the majority of our administrative expenses. Our administrative expenses also include depreciation and amortization expenses allocated to administrative expenses, third-party professional fees, service supplier expenses and IT expenses.

Research and Development Expenses

Our research and development expenses consist primarily of employee benefit costs (including wages and salaries, bonuses, long-term incentive awards and other benefits) relating to our research and development personnel. Employee benefit costs represent the majority of our research and development expenses. Our research and development expenses also include depreciation and amortization expenses associated with facilities, patent and technologies used for research and development purposes, expenses for supplies and spare parts, and service supplier expenses.

Other Operating Income/(Expenses) – Net

Our operating income/(expenses) – net primarily reflects the combined effect of our gains or losses on disposal of tangible and intangible assets, fair value gains or losses on financial assets or liabilities at fair value through profit or loss reflecting the change in value of our strategic investment portfolio and our convertible preferred shares which include a right for the holders to require a repurchase or redemption under certain conditions, exchange gains and losses from currency fluctuation, government subsidies, donations and other fees or charges.

Finance Income

Our finance income primarily relates to interest earned on our bank deposits and money market funds.

Finance Costs

Our finance costs primarily relate to our interest payments and factoring costs.

Share of Losses of Associates and Joint Ventures

Our share of losses of associates and joint ventures primarily relates to operating losses arising from the business activities of our associates and joint ventures.

RESULTS OF OPERATIONS

The following table summarizes our results of operations in absolute amounts and as percentages of our revenue for the years indicated:

	Year ended March 31,					
	2020		2021		2022	
	US$	%	US$	%	US$	%
	(in thousands, except for %)					
Revenue	50,716,349	100.0	60,742,312	100.0	71,618,216	100.0
Cost of sales	(42,359,045)	(83.5)	(50,974,425)	(83.9)	(59,569,241)	(83.2)
Gross profit	8,357,304	16.5	9,767,887	16.1	12,048,975	16.8
Selling and distribution expenses	(2,972,260)	(5.9)	(3,044,967)	(5.0)	(3,746,290)	(5.2)
Administrative expenses	(2,524,818)	(5.0)	(2,984,356)	(4.9)	(2,944,234)	(4.1)
Research and development expenses	(1,335,744)	(2.6)	(1,453,912)	(2.4)	(2,073,461)	(2.9)
Other operating income/(expenses) – net	(85,886)	(0.2)	(104,245)	(0.2)	(204,421)	(0.3)

	Year ended March 31,					
	2020		2021		2022	
	US$	%	US$	%	US$	%
	(in thousands, except for %)					
Operating profit	1,438,596	2.8	2,180,407	3.6	3,080,569	4.3
Finance income	47,850	0.1	34,754	0.1	56,458	0.1
Finance costs	(454,194)	(0.9)	(408,640)	(0.7)	(362,384)	(0.5)
Share of losses of associates and joint ventures	(14,545)	(0.0)	(32,323)	(0.1)	(6,912)	(0.0)
Profit before taxation	1,017,707	2.0	1,774,198	2.9	2,767,731	3.9
Taxation	(213,204)	(0.4)	(461,199)	(0.7)	(622,399)	(0.9)
Profit for the year	804,503	1.6	1,312,999	2.2	2,145,332	3.0

Year Ended March 31, 2022 Compared to Year Ended March 31, 2021

Revenue

The table below presents our revenue by segment for the years indicated and the year-on-year change, in absolute amount and by percentage.

	Year ended March 31,					
	2020		2021		Change	
	US$	%	US$	%	US$	%
	(in thousands, except for %)					
IDG	53,006,909	87.3	62,310,410	87.0	9,303,501	17.6
ISG	6,301,320	10.3	7,140,055	10.0	838,735	13.3
SSG	4,192,645	6.9	5,441,528	7.6	1,248,883	29.8
Total:	63,500,874	104.5	74,891,993	104.6	11,391,119	17.9
Eliminations	(2,758,562)	(4.5)	(3,273,777)	(4.6)	(515,215)	18.7
Total:	60,742,312	100.0	71,618,216	100.0	10,875,904	17.9

Our revenue increased by 17.9% to US$71,618 million for the year ended March 31, 2022, from US$60,742 million for the prior year, primarily as a result of a US$9,304 million increase in IDG revenue, a US$1,249 million increase in SSG revenue and a US$839 million increase in ISG revenue.

- IDG revenue increased by 17.6% to US$62,310 million for the year ended March 31, 2022, from US$53,007 million for the prior year, primarily due to increases in revenue from both our PCSD and MBG businesses, despite supply constraints, weakness in the education segment and continued lockdowns in some markets related to COVID-19. Our industry-leading PCSD business recorded a 14.5% increase in revenue year-on-year, primarily attributable to our investments in innovations and strong work-from-home demand for our premium products, such as workstations and ThinkBooks, and our gaining of market shares in gaming products leveraging our strong product portfolio. MBG revenue increased by 39.4% primarily due to our higher market shares for smartphones, particularly in AG, and because our 5G smartphone sales increased rapidly following the adoption of our "5G for all" strategy in early 2020.

- ISG revenue increased by 13.3% to US$7,140 million for the year ended March 31, 2022, from US$6,301 million for the prior year, primarily due to a 20.1% growth in our Cloud Service Provider (CSP) sales and the recovery of our Enterprise & Small-and-medium Business (ESMB) with 7.5% sales growth, despite industry-wide supply constraints. Our ISG business expanded our client base through broadened product offerings, which particularly appeal to customers in the CSP business that are in need of strong supplier support to expand their own cloud services. Our ESMB business increased offerings of high-growth, higher-margin products such as servers, storage, software-defined infrastructure, software and services, while capturing emerging opportunities in AI powered edge computing (including expanding our edge offerings) and hybrid cloud.

- SSG revenue increased by 29.8% to US$5,442 million for the year ended March 31, 2022, from US$4,193 million for the prior year, primarily attributable to our in-house developed solutions for digital workspace, hybrid cloud management, and ESG services. Within our SSG business: (i) our support services revenue increased by 23.1% due to rising service penetration and growing IT services demand from the hybrid work model, commercial recovery and rising ESG awareness; (ii) our management services revenue also increased by 63.1%, primarily attributable to our wide range of as-a-service offerings including device-, infrastructure-, and software-as-a-service; and (iii) our enhanced solutions and channel partner tools also enabled us to win more contracts.

Cost of Sales

Our cost of sales increased by 16.9% to US$59,569 million for the year ended March 31, 2022, from US$50,974 million for the prior year, generally in line with our revenue growth.

Gross Profit and Gross Profit Margin

Our gross profit increased by 23.4% to US$12,049 million for the year ended March 31, 2022, from US$9,768 million for the prior year. Our gross profit margin increased to 16.8% for the year ended March 31, 2022, from 16.1% for the prior year, mainly due to an increase in average selling prices of our PCs.

Operating Expenses

Our total operating expenses increased by 18.2% to US$8,968 million for the year ended March 31, 2022, from US$7,587 million for the prior year. This increase was driven by increases in both research and development expenses and selling and distribution expenses, while our administrative expenses remained relatively stable and declined as a percentage of revenue. Our total operating expenses as a percentage of revenue remained at 12.5% for the years ended March 31, 2022 and March 31, 2021.

Selling and Distribution Expenses

Our selling and distribution expenses increased by 23.0% to US$3,746 million for the year ended March 31, 2022, from US$3,045 million for the prior year, primarily due to increases in advertising and promotional expenses reflecting our increased marketing effort to improve brand recognition and drive future growth.

Administrative Expenses

Our administrative expenses remained relatively stable at US$2,944 million for the year ended March 31, 2022 and US$2,984 million for the prior year.

Research and Development Expenses

Our research and development expenses increased by 42.6% to US$2,073 million for the year ended March 31, 2022, from US$1,454 million for the prior year, primarily due to (i) higher wages and salaries, bonuses, and long-term incentives paid to our R&D staff; and (ii) higher expenses on R&D-related laboratory testing, services and supplies.

Other Operating Income/(Expenses) – Net

Our other operating expenses – net increased by 96.1% to US$204 million for the year ended March 31, 2022, from US$104 million for the prior year, primarily due to lower fair value gains from our strategic investments.

Operating Profit

As a result of the factors discussed above, our operating profit increased by 41.3% to US$3,081 million for the year ended March 31, 2022, from US$2,180 million for the prior year.

Finance Income

Our finance income increased by 62.5% to US$56 million for the year ended March 31, 2022, from US$35 million for the prior year, primarily attributable to higher interest on bank deposits.

Finance Costs

Our finance costs decreased by 11.3% to US$362 million for the year ended March 31, 2022, from US$409 million for the prior year. This decrease was primarily due to a US$37 million decrease in factoring costs and a US$10 million decrease in interest on bank loans and overdrafts, because we were granted investment-grade ratings by three leading credit rating agencies, which lowered our borrowing rates and improved the efficiency of our factoring program.

Share of Losses of Associates and Joint Ventures

Our share of losses of associates and joint ventures decreased by 78.6% to US$7 million for the year ended March 31, 2022, from US$32 million for the prior year, representing lower operating losses arising from the principal business activities of our associates and joint ventures.

Profit Before Taxation

As a result of the factors discussed above, our profit before taxation increased to US$2,768 million for the year ended March 31, 2022, from US$1,774 million for the prior year.

Taxation

Taxation increased by 35.0% to US$622 million for the year ended March 31, 2022, from US$461 million for the prior year, primarily due to our increased profit before taxation and changes in tax concessions in some jurisdictions in which we operate, which was partially offset by higher profitability of subsidiaries subject to lower tax rates.

Profit for the Year

As a result of the factors discussed above, our profit for the year increased by 63.4% to US$2,145 million for the year ended March 31, 2022, from US$1,313 million for the prior year.

Year Ended March 31, 2021 Compared to Year Ended March 31, 2020

Revenue

The table below presents our revenue by segment for the years indicated and the year-on-year change, in absolute amount and by percentage.

	Year ended March 31,					
	2020		2021		Change	
	US$	%	US$	%	US$	%
	(in thousands, except for %)					
IDG	45,216,190	89.2	54,411,212	89.6	9,195,022	20.3
DCG	5,500,159	10.8	6,331,100	10.4	830,941	15.1
Total:	50,716,349	100.0	60,742,312	100.0	10,025,963	19.8

Our revenue increased by 19.8% to US$60,742 million for the year ended March 31, 2021, from US$50,716 million for the prior year, primarily as a result of a US$9,195 million increase in IDG revenue and a US$831 million increase in DCG revenue.

- IDG revenue increased by 20.3% to US$54,411 million for the year ended March 31, 2021, from US$45,216 million for the prior year, primarily due to increases in revenue from both the PCSD and MBG businesses after we recovered from the negative impact of COVID-19. Our PCSD revenue increased by 21.7% year-on-year, due in part to the one-PC-per-person trend arising from demand for work-from-home, e-learning and e-commerce purposes following the outbreak of COVID-19. Our strength in operational efficiency, product innovation, and market responsiveness (including our hybrid manufacturing strategy consisting of global operation and local knowledge) proved to be an important driver for us to capture these "new normal" demand changes. MBG revenue increased by 8.6% year-on-year, primarily due to higher market shares gained across key regional markets, particularly Latin America and North America, and our doubled sales in Europe, thanks to our expanded product portfolio, 5G launches and broader carrier ranging.

- DCG revenue increased by 15.1% to US$6,331 million for the year ended March 31, 2021, from US$5,500 million for the prior year, primarily due to (i) growth in our CSP sales, driven by robust cloud demand and ongoing client diversification that led to strong growth across all regions; and (ii) growth of our ESMB business, as we gained market shares across multiple high-growth products including software-defined infrastructure, storage, HPC/AI, and software and services.

Cost of Sales

Our cost of sales increased by 20.3% to US$50,974 million for the year ended March 31, 2021, from US$42,359 million for the prior year, generally in line with our revenue growth.

Gross Profit and Gross Profit Margin

Our gross profit increased by 16.9% to US$9,768 million for the year ended March 31, 2021, from US$8,357 million for the prior year. Our gross profit margin decreased to 16.1% for the year ended March 31, 2021, from 16.5% for the prior year.

Operating Expenses

Our total operating expenses increased by 9.7% to US$7,587 million for the year ended March 31, 2021, from US$6,919 million for the prior year. This increase was driven primarily by higher administrative expenses. Our total operating expenses as a percentage of revenue decreased to 12.5% for the year ended March 31, 2021, from 13.6% for the prior year.

Selling and Distribution Expenses

Our selling and distribution expenses increased by 2.4% to US$3,045 million for the year ended March 31, 2021, from US$2,972 million for the prior year.

Administrative Expenses

Our administrative expenses increased by 18.2% to US$2,984 million for the year ended March 31, 2021, from US$2,525 million for the prior year, primarily due to higher employee benefit costs as a result of increases in various performance-based benefits.

Research and Development Expenses

Our research and development expenses increased by 8.8% to US$1,454 million for the year ended March 31, 2021, from US$1,336 million for the prior year, primarily due to (i) an increase in amortization of intangible assets associated with additional investments in patent and technology and internal-use software; and (ii) higher expenses on R&D-related laboratory testing, services and supplies.

Other Operating Income/(Expenses) – Net

Our other operating expenses – net increased by 21.4% to US$104 million for the year ended March 31, 2021, from US$86 million for the prior year.

Operating Profit

As a result of the factors discussed above, our operating profit increased by 51.6% to US$2,180 million for the year ended March 31, 2021, from US$1,439 million for the prior year.

Finance Income

Our finance income decreased by 27.4% to US$35 million for the year ended March 31, 2021 from US$48 million for the prior year, primarily due to lower interest on bank deposits.

Finance Costs

Our finance costs decreased by 10.0% to US$409 million for the year ended March 31, 2021 from US$454 million for the prior year. This decrease was primarily due to a US$53 million decrease in factoring costs and a US$44 million decrease in interest on bank loans, because we were granted investment-grade ratings by three leading credit rating agencies, which lowered our borrowing rates and improved the efficiency of our factoring program. These factors were offset in part by a US$46 million increase in interest on notes.

Share of Losses of Associates and Joint Ventures

Our share of losses of associates and joint ventures increased by 122.2% to US$32 million for the year ended March 31, 2022, from US$15 million for the prior year, representing higher operating losses arising from the principal business activities of our associates and joint ventures.

Profit Before Taxation

As a result of the factors discussed above, our profit before taxation increased to US$1,774 million for the year ended March 31, 2021, from US$1,018 million for the prior year.

Taxation

Taxation increased by 116.3% to US$461 million for the year ended March 31, 2021, from US$213 million for the prior year, primarily due to our increased profit before taxation and changes in tax concessions in some jurisdictions in which we operate, which was partially offset by higher profitability of subsidiaries subject to lower tax rates.

Profit for the Year

As a result of the factors discussed above, our profit for the year increased by 63.2% to US$1,313 million for the year ended March 31, 2021, from US$805 million for the prior year.

SEGMENT RESULTS

For the financial years ended March 31, 2020 and 2021, we operated our business under two business segments: IDG and DCG. Effective April 1, 2021, we formed our SSG segment. We have also renamed our DCG business to the ISG business. Therefore, in our financial statements for the years ended March 31, 2022, we reported certain segment results from three business segments – IDG, ISG and SSG – for the years ended March 31, 2021 and 2022. We have not reclassified our financial information for the year ended March 31, 2020 to report revenue based on the three new business segments, which is burdensome, if not impracticable, for us to produce.

With the adoption of the new business group structure effective April 1, 2021, the relevant comparative segment information has been reclassified to conform to the reporting format under the new organizational structure. We assessed the performance of our operating segments with "operating profit/(loss)" when preparing comparative segment information for the financial years ended March 31, 2021 and 2022. Such measurement basis excludes the effects of (i) non-cash merger and acquisition related accounting charges; (ii) non-recurring expenses such as restructuring costs from the operating segment; and (iii) certain income and expenses arising from activities driven by headquarters and centralized functions. For the financial years ended March 31, 2020 and 2021, we assessed the performance of our operating segments with "pre-tax income/(loss)" when preparing comparative segment information. Such measurement basis excludes the effects of (i) non-recurring expenses such as restructuring costs from the operating segment; and (ii) certain income and expenses arising from activities driven by headquarters and centralized functions.

For details, see note 5 to our audited consolidated financial statements for the year ended March 31, 2021 and 2022, respectively, included elsewhere in this offering circular.

Year Ended March 31, 2022 Compared to Year Ended March 31, 2021

Our operating profit for reportable segments increased by 32.6% to US$4,938 million for the year ended March 31, 2022, from US$3,723 million for the prior year, primarily due to a US$994 million increase in IDG operating profit, and to a lesser extent, a US$341 million increase in SSG operating profit.

- IDG operating profit increased by 26.5% to US$4,738 million for the year ended March 31, 2022, from US$3,744 million for the prior year, primarily due to a 17.6% increase in revenue, as well as increases in the average selling price and greater mix of our premium PC products, gaming PCs and non-PC products.

- ISG recorded operating profit of US$7 million for the year ended March 31, 2022, compared with operating loss of US$130 million for the prior year primarily due to a 13.3% increase in revenue, as well as improved profitability of our cloud service provider business and enterprise & small-and-medium business primarily due to a more diverse products offerings and expansions in higher-margin products.

- SSG operating profit increased by 39.9% to US$1,195 million for the year ended March 31, 2022, from US$855 million for the prior year, primarily due to a 29.8% increase in revenue, as well as improved profitability due to successful R&D efforts that led to the expansion of our as-a-service offerings and vertical solutions.

For details of our segment operating profit, see note 5 to our audited consolidated financial statements for the year ended March 31, 2022 included elsewhere in this offering circular.

Year Ended March 31, 2021 Compared to Year Ended March 31, 2020

Our pre-tax income for reportable segments increased by 41.5% to US$2,939 million for the year ended March 31, 2021, from US$2,076 million for the prior year, primarily due to a US$806 million increase in IDG pre-tax income, and to a lesser extent, a US$57 million decrease in DCG pre-tax loss.

- IDG pre-tax income increased by 35.0% to US$3,107 million for the year ended March 31, 2021, from US$2,302 million for the prior year, primarily due to an increase in year-on-year PCSD pre-tax margin by 0.6 percentage points to 6.5%.

- DCG pre-tax loss decreased by 25.2% to US$169 million for the year ended March 31, 2021, from US$225 million for the prior year, primarily due to higher revenue and segment profitability in cloud service provider sales.

For details of our segment pre-tax income/(loss), see note 5 to our audited consolidated financial statements for the year ended March 31, 2021 included elsewhere in this offering circular.

LIQUIDITY AND CAPITAL RESOURCES

Cash Flows and Working Capital

Our principal sources of liquidity have been cash and cash equivalents, cash generated from operations, proceeds from capital market offerings, bank borrowings and other financing arrangements. We closely monitor the financial market environment and funding opportunities, and access such opportunities as and when we deem appropriate. As at March 31, 2022, we had cash and cash equivalents of US$3,930 million. Our cash and cash equivalents represent cash at bank and in hand, and investments in investment-grade liquid money market funds.

The following table sets forth selected cash flow statement information for the years indicated:

	Year ended March 31,		
	2020	**2021**	**2022**
	(in US$ thousands)		
Net cash generated from operations	3,006,556	4,585,995	5,122,034
Interest paid	(404,691)	(309,361)	(315,570)
Tax paid	(391,942)	(623,861)	(729,485)
Net cash generated from operating activities	2,209,923	3,652,773	4,076,979
Net cash used in investing activities	(956,953)	(975,899)	(1,498,393)
Net cash used in financing activities	(238,485)	(3,228,154)	(1,757,368)
Increase/(Decrease) in cash and cash equivalents	1,014,485	(551,280)	821,218
Effects of exchange rate changes on cash and cash equivalents	(126,349)	68,675	40,684
Cash and cash equivalents at the beginning of the year	2,662,854	3,550,990	3,068,385
Cash and cash equivalents at the end of year	3,550,990	3,068,385	3,930,287

Operating Activities

Net cash generated from operations for the year ended March 31, 2022 was US$5,122 million, as compared to profit before taxation of US$2,768 million for the same year. The difference was primarily due to net cash inflows relating to changes in working capital and adjustments for non-cash and non-operating items. Our net cash inflows relating to changes in working capital were primarily due to a US$5,086 million increase in trade payables, notes payable, provisions, other payables and accruals, offset in part by a US$2,796 million increase in trade receivables, notes receivable, deposits, prepayments and other receivables and a US$1,925 million increase in inventories. The principal non-cash and non-operating items affecting the difference between our profit before taxation and our net cash generated from operations for the year ended March 31, 2022 primarily consisted of amortization of intangible assets of US$783 million and share-based compensation of US$369 million.

Net cash generated from operations for the year ended March 31, 2021 was US$4,586 million, as compared to profit before taxation of US$1,774 million for the same year. The difference was primarily due to net cash inflows relating to changes in working capital and adjustments for non-cash and non-operating items. Our net cash inflows relating to changes in working capital were primarily due to a US$6,790 million increase in trade payables, notes payable, provisions, other payables and accruals, offset in part by a US$3,647 million increase in trade receivables, notes receivable, deposits, prepayments and other receivables and a US$1,481 million increase in inventories. The principal non-cash and non-operating items affecting the difference between our profit before taxation and our net cash generated from operations for the year ended March 31, 2021 primarily consisted of amortization of intangible assets of US$659 million and finance costs of US$409 million.

Net cash generated from operations for the year ended March 31, 2020 was US$3,007 million, as compared to profit before taxation of US$1,018 million for the same year. The difference was primarily due to net cash inflows relating to changes in working capital and adjustments for non-cash and non-operating items. Our net cash inflows relating to changes in working capital were primarily due to a US$1,129 million increase in trade payables, notes payable, provisions, other payables and accruals, and a US$674 million decrease in trade receivables, notes receivable, deposits, prepayments and other receivables, which were offset in part by a US$1,526 million increase in inventories. The principal non-cash and non-operating items affecting the difference between our profit before taxation and our net cash generated from operations for the year ended March 31, 2020 primarily consisted of amortization of intangible assets of US$590 million and finance costs of US$454 million.

Investing Activities

Net cash used in investing activities for the year ended March 31, 2022 was US$1,498 million primarily due to our payments for construction-in-progress of US$602 million, purchase of property, plant and equipment of US$396 million, payment for intangible assets of US$286 million, and purchase of financial assets at fair value through profit or loss of US$256 million, which were partially offset by net proceeds from sale of financial assets at fair value through profit or loss of US$116 million and disposal of subsidiaries (net of cash disposed) of US$114 million.

Net cash used in investing activities for the year ended March 31, 2021 was US$976 million primarily due to our payments for construction-in-progress of US$394 million, purchase of property, plant and equipment of US$303 million, purchase of financial assets at fair value through profit or loss of US$211 million, and payment for intangible assets of US$147 million, which were partially offset by net proceeds from sale of financial assets at fair value through profit or loss of US$140 million.

Net cash used in investing activities for the year ended March 31, 2020 was US$957 million primarily due to our payments for construction-in-progress of US$418 million, payments for intangible assets of US$273 million, and purchase of property, plant and equipment of US$247 million. These factors were partially offset by net proceeds from sale of financial assets at fair value through profit or loss of US$99 million.

Financing Activities

Net cash used in financing activities for the year ended March 31, 2022 was US$1,757 million, primarily due to our repayments of borrowings of US$10,304 million, dividend payment of US$479 million, contribution to employee share trusts of US$387 million, and repayment of notes of US$337 million, partially offset by proceeds from borrowings of US$10,312 million.

Net cash used in financing activities for the year ended March 31, 2021 was US$3,228 million, primarily due to our repayments of borrowings of US$7,005 million, repurchase of perpetual securities of US$1,045 million, repayment of notes of US$792 million, and contribution to employee share trusts of US$738 million, which were partially offset by proceeds from borrowings of US$4,926 million and issue of notes of US$2,004 million.

Net cash used in financing activities for the year ended March 31, 2020 was US$238 million, primarily due to repayments of borrowings of US$3,136 million, repayment of notes of US$786 million, and dividends paid of US$431 million, which were partially offset by proceeds from borrowings of US$4,093 million.

Indebtedness and Other Financing Arrangements

As at March 31, 2022, we had total borrowings of US$3,421 million, comprising notes of US$2,676 million, short-term loans of US$58 million, convertible bonds of US$641 million, convertible preferred shares of US$45 million and a long-term loan of US$1 million.

As at March 31, 2022, we had the following banking facilities:

				Utilized amount as at	
Type	Date of agreement	Principal amount	Term	March 30, 2022	March 31, 2021
		US$ million		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	–	–

On July 4, 2022, we entered into a US$2 billion 5-year revolving loan facility. There have been no drawdowns under this facility as of the date of this offering circular.

As at March 31, 2022 and 2021, we had the following other short-term credit facilities:

	Total available amount		Drawn down amount	
Credit facilities	As at March 31, 2022	As at March 31, 2021	As at March 31, 2022	As at March 31, 2021
	(in US$ millions)			
Trade lines	4,053	2,003	2,813	1,637
Short-term money market facilities	1,154	1,029	54	47
Forward foreign exchange contracts	12,522	12,023	12,447	11,975

Apart from the above facilities, as at March 31, 2022, our outstanding notes, convertible bonds and convertible preferred shares were as follows:

	Issue date	Outstanding Principal amount	Term	Interest rate/dividend per annum	Due date	Use of proceeds
2023 Notes	March 29, 2018	US$687 million	5 years	4.75%	March 2023	For repayment of previous notes and general corporate purposes
Convertible Bonds	January 24, 2019	US$675 million	5 years *(Note (a))*	3.375%	January 2024	For repayment of previous notes and general corporate purposes
Convertible preferred shares	June 21, 2019	US$40 million	N/A *(Note (b))*	4%	N/A *(Note (b))*	For general corporate funding and capital expenditure
2025 Notes	April 24, 2020 and May 12, 2020	US$1 billion	5 years	5.875%	April 2025	For repayment of previous notes and general corporate purposes
2030 Notes	November 2, 2020	US$1 billion	10 years	3.421%	November 2030	For repurchase of perpetual securities and previous notes

Notes:

(a) On January 24, 2019, we completed the issuance of five-year US$675 million convertible bonds bearing annual interest at 3.375% due in January 2024 (the "Convertible Bonds") to third party professional investors (the "Bondholders"). The proceeds were used to repay previous notes and for general corporate purposes. The bondholders have the right, at any time on or after 41 days after the date of issue up to the 10th day prior to the maturity date, to convert part or all of the outstanding principal amount of the Convertible Bonds into ordinary shares of our Company at a conversion price of HK$7.99 per share, subject to adjustments. The conversion price was last adjusted to HK$6.60 per share effective on August 4, 2022. Assuming full conversion of the Convertible Bonds at the adjusted conversion price of HK$6.60 per share, the Convertible Bonds will be convertible into 801,479,735 ordinary shares of our Company.

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

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

We expect that we will be able to meet our redemption obligations based on our financial position if the Convertible Bonds are not converted on or before maturity.

(b) On June 21, 2019, we completed the issuance of 2,054,791 convertible preferred shares through our 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. We purchased 136,986 convertible preferred shares during the year ended March 31, 2021 at the consideration of approximately US$17 million.

During the year ended March 31, 2022, due to the occurrence of certain specified conditions, the holders of convertible preferred shares had the right to require LETCL to redeem or us to purchase all of their convertible preferred shares at the predetermined consideration. Holders of 1,643,833 convertible preferred shares exercised their rights and we purchased these convertible preferred shares at the consideration of approximately US$254 million.

The aggregate number of 1,780,819 convertible preferred shares purchased by us were converted into ordinary shares of LETCL as at March 31, 2022.

During the year ended March 31, 2022, an additional 54,794 convertible preferred shares were issued as dividend shares. As at March 31, 2022, 328,766 convertible preferred shares remained outstanding, representing 3.20% of the enlarged issued ordinary share capital of LETCL on an as-converted and fully diluted basis.

We expect that we will be able to meet our redemption obligations based on our financial position if these convertible preferred shares are not converted.

As at March 31, 2022 and 2021, our net cash/(debt) position and gearing ratio were as follows:

	As at March 31, 2022	As at March 31, 2021
	(in US$ millions)	
Bank deposits and cash and cash equivalents	4,023	3,128
Borrowings		
– Short-term loans	58	58
– Long-term loan	1	2
– Notes	2,676	3,011
– Convertible bonds	641	624
– Convertible preferred shares	45	303
Net cash/(debt) position	602	(870)
Total equity	5,395	3,611
Gearing ratio (Borrowings divided by total equity)	0.63	1.11

We are confident that the facilities on hand can meet the funding requirements of our operations and business development. We are in full compliance with all our banking covenants.

We adopt a consistent hedging policy for business transactions to reduce the risk of currency fluctuation arising from daily operations. As at March 31, 2022, we had commitments in respect of outstanding forward foreign exchange contracts amounting to US$12,447 million, as compared with US$11,975 million as at March 31, 2021 and US$9,222 million as at March 31, 2020. Our forward foreign exchange contracts are either used to hedge a percentage of future transactions which are highly probable, or used as fair value hedges for identified assets and liabilities.

Contingent Liabilities

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

CAPITAL EXPENDITURES

Our capital expenditures were US$953 million, US$844 million and US$1,284 million for the years ended March 31, 2020, 2021 and 2022, respectively. These capital expenditures primarily comprised expenditures for the acquisition of property, plant and equipment, and additions to construction-in-progress and intangible assets. We incurred higher capital expenditure in the year ended March 31, 2022 as compared with previous year mainly because we increased our investments in plant and machinery, patent and technology and internal use software. We will continue to make capital expenditures to meet the needs of our business' expected growth.

We believe that our current cash and cash equivalents, cash generated from operations and the available credit under our existing credit facilities will be sufficient to meet the anticipated cash needs for our operating activities and capital expenditures for at least the next 12 months.

Contractual Obligations

The table below sets forth our contractual obligations as at March 31, 2022:

	Total	Less than 1 year	Over 1-3 years	Over 3-5 years	Over 5 years
	(US$ in thousands)				
Borrowings	4,063,825	943,277	886,658	1,097,715	1,136,175
Deferred consideration	25,072	–	25,072	–	–
Written put option liabilities	565,991	–	509,694	56,297	–
Lease liabilities	460,724	159,434	166,111	94,121	41,058
Property, plant and equipment	178,997	141,761	31,847	5,390	–
Intangible assets	964	964	–	–	–
Investment in financial assets	11,138	11,138	–	–	–
Total	5,306,711	1,256,574	1,619,382	1,253,523	1,177,233

Other than those shown above and inventory purchase obligations in the ordinary course of business, we did not have any significant capital or other commitments, long-term obligations or guarantees as at March 31, 2022.

OFF-BALANCE SHEET ARRANGEMENTS

We have entered into factoring arrangements in the ordinary course of our business. Our factoring arrangements are on a non-reliance, non-recourse basis. Our utilization of these facilities varies, depending on several factors, including the liquidity, management of our credit exposure and cash-conversion cycle targets.

Except for factoring arrangements described above, we have not entered into any material financial guarantees or other commitments to guarantee the payment obligations of any third parties and do not assume credit risk in loans facilitated through our platform. We have not entered into any derivative contracts that are indexed to our shares and classified as shareholder's equity or that are not reflected in our consolidated financial statements. Furthermore, we do not have any retained or contingent interest in assets transferred to an unconsolidated entity that serves as credit, liquidity or market risk support to such entity. We do not have any variable interest in any unconsolidated entity that provides financing, liquidity, market risk or credit support to us or engages in leasing, hedging or product development services with us.

QUALITATIVE AND QUANTITATIVE DISCLOSURES ABOUT MARKET RISK

Foreign Currency Risk

We operate internationally and are exposed to foreign currency risk arising from various currency exposures, primarily with respect to the United States dollar, Renminbi and Euro. Foreign currency risk arises from recognized assets and liabilities denominated in a currency other than the functional currency of the entity to which they relate, except for the currency risk between the United States dollar and the Hong Kong dollar given the two currencies are under the linked exchange rate system.

We have set up a policy to require our group companies to manage their foreign currency risk against their functional currency. Our forward foreign currency contracts are either used to hedge a percentage of anticipated cash flows (mainly export sales and purchase of inventories) which are highly probable, or used as fair value hedges for the identified assets and liabilities. See note 3(a)(i) to the audited consolidated financial statements as at and for the year ended March 31, 2022 included elsewhere in this offering circular for more details.

As at March 31, 2022, if the United States dollar had weakened or strengthened by one percent against the major currencies, with all other variables held constant, our pre-tax profit for the years ended March 31, 2020, 2021 and 2022 would have been US$0.9 million, US$1.9 million, and US$2.1 million, higher or lower, respectively, mainly as a result of foreign exchange gains/losses on translation of the unhedged portion of receivable and payable balances. The analysis above is illustrative only and based on the assumption that the United States dollar weakened or strengthened against all other currencies in the same direction and magnitude, which may not be necessarily true in the case of actual changes.

Cash Flow Interest Rate Risk

Our interest rate risk generally arises from short-term and long-term borrowings denominated in the United States dollar. It is our policy to mitigate interest rate risk through the use of appropriate interest rate hedging instruments where necessary. Generally, we manage our cash flow interest rate risk by using floating-to-fixed interest rate swaps. These interest rate swaps have the economic effect of converting borrowings from floating rates to fixed rates. Under these interest rate swaps, we agree with other parties to settle the difference between cash flow arising from fixed contract rates and floating-rate interest of the notional amounts at specified intervals (primarily quarterly).

We operate various trade financing programs. We are exposed to fluctuation of interest rates for all the currencies covered by those programs.

Credit Risk

We manage credit risk on a group basis. Credit risk arises from cash and cash equivalents, derivative financial instruments, notes receivable, other receivables and deposits with banks and financial institutions, as well as credit exposures to customers and subcontractors, including outstanding receivables and committed transactions.

For banks and other financial institutions, we control our credit risk by monitoring their credit rating and setting approved counterparty credit limits that we review regularly.

We have no significant concentration of customer credit risk. We have a credit policy in place and exposures to these credit risks, and we monitor them on an ongoing basis. No credit limits were exceeded by any customers during the years ended March 31, 2020, 2021 and 2022, and we do not expect any significant losses from non-performance by these counterparties. See note 3(a)(iii) to the audited consolidated financial statements as at and for the year ended March 31, 2022 and 2021 included elsewhere in this offering circular for more details.

Financial Presentation

Our consolidated financial statements are prepared and presented in accordance with HKFRSs. HKFRSs, as applied in the preparation of all financial statements included elsewhere in this offering circular, differs in certain significant respects from International Financial Reporting Standards as issued by the International Accounting Standards Board, or IFRS.

CRITICAL ACCOUNTING POLICES, JUDGMENTS AND ESTIMATES

For a description of our critical accounting policies, judgments and estimates, see note 2 and note 4 to the audited consolidated financial statements as at and for the years ended March 31, 2022 and 2021, which are included elsewhere in this offering circular.

IMPACT OF RECENTLY ISSUED ACCOUNTING STANDARDS

A list of recently issued accounting pronouncements that are relevant to us is included in note 1 to the audited consolidated financial statements as at and for the years ended March 31, 2022 and 2021, respectively, which are included elsewhere in this offering circular.

OVERVIEW

We are a leading technology company that develops, manufactures and markets high-quality, easy-to-use technology products and services for enterprises and consumers worldwide. In 2022, we ranked 159th on the Forbes' Global 500 list, and as at March 31, 2022, we employed approximately 75,000 people worldwide. Focused on a bold vision to deliver smarter technology for all, we are developing world-changing technologies that create a more inclusive, trustworthy and sustainable digital society. By designing, engineering and building the world's most complete portfolio of smart devices and infrastructure, we are also leading an Intelligent Transformation – to create better experiences and opportunities for millions of customers around the world.

We were founded in the 1980s and have been listed on the Hong Kong Stock Exchange since 1994. We expanded our business and operations to a global scale through our acquisition of the personal computer division of IBM in 2005. In 2010, we adopted our PC+ strategy and established a business group focusing on our mobile, internet and digital home business. We have since achieved strong growth in our smartphones and tablets sales and further diversified our business. Since 2010, we have captured the largest market share in global PC market across both commercial and consumer segments. In recent years, we have focused on developing strategic, high-growth segments including the gaming PC segment, where we had a 17.3% global market share in 2021, according to industry data. We have also continued to introduce first-to-market technologies and increase our use of sustainable materials.

In October 2014, we acquired Motorola Mobility from Google Inc., a move that enabled us to immediately become a global smartphone player with strong positions in key emerging markets. Also in October 2014, we acquired System X, IBM's x86 server and hardware and maintenance business, a move that enabled us to gain scale and expand into the server market, a business that now serves as the foundation for our industry-leading Infrastructure Solutions Group.

In 2020, we introduced our "3S" strategy – Smart Internet of Things (IoT), Smart Infrastructure, and Smart Verticals – and we have been progressing towards this goal through the successful implementation of our "service-led transformation." Against the backdrop of the global COVID-19 pandemic, we expect the future workplace will be a hybrid model of on-site, from home, and from anywhere. As a result, we believe consumers will prefer multiple devices that are better connected and synchronized and commercial customers will want IoT solutions that combine physical and digital tools as well as services. Furthermore, we expect increased demand for smart infrastructure solutions that facilitate smooth and productive digital interaction, allowing data to be transmitted, stored and processed across different AI computing platforms. Our global footprint, with operations in more than 180 markets, will enable us to meet customers' needs wherever they are.

Effective April 1, 2021, we revised our business segmentation and established our Solutions and Services Group ("SSG"). SSG integrates all services and solutions that we offer to drive growth in smart verticals, support services, managed services and our as-a-service, or aaS, offerings. Our industry-leading Infrastructure Solutions Group ("ISG") business delivers one-stop IT solutions, which have expanded from server to full-stack offerings including storage, software-defined infrastructure, software, and services. Our Intelligent Devices Group ("IDG") consists of our PC, tablet, smartphone, and other smart devices businesses, with leading market positions in their respective global sectors.

In June 2022, we entered into definitive agreements to establish a strategic partnership with PCCW Limited ("PCCW") to engage in the provision of digital solutions and managed services primarily serving customers across the Asia-Pacific region, which will be conducted primarily through PCCW Lenovo Technology Solutions Limited ("PLTS"). The strategic partnership was established on August 12, 2022 following the completion of the transaction. This cooperation will allow us to expand our IT service capabilities, service offerings, and the geographic and vertical coverage of customers and partners. This expansion of our IT services business is strategically important for our Long-term development, as we improve our sustainable profitability and further diversify our businesses. This partnership will enable us to derive synergies and offer one-stop IT solutions to customers through the integration of services, devices and digital infrastructure provided by the combined resources and experiences of PCCW and us.

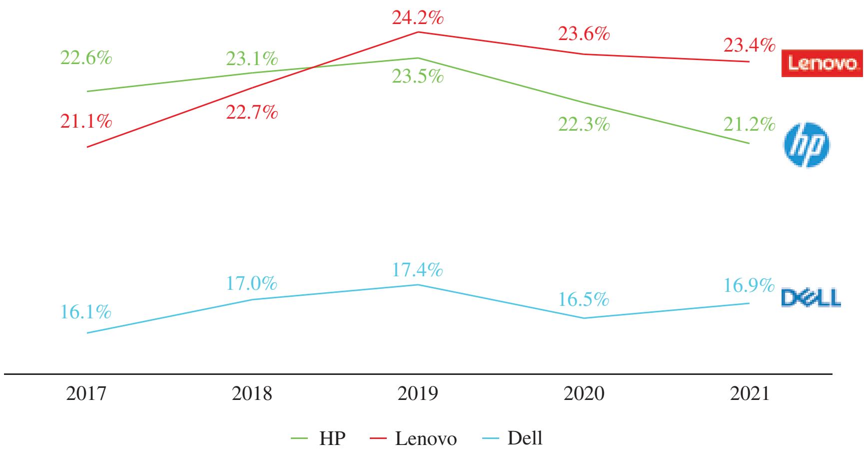
Our strengths across various segments translate into robust financial performance. Our revenue grew from US$50,716 million in the year ended March 31, 2020 to US$60,742 million in the year ended March 31, 2021, and further to US$71,618 million in the year ended March 31, 2022. At the same time, our net profit margin increased from 1.6% in the year ended March 31, 2020 to 2.2% in the year ended March 31, 2021 and 3.0% in the year ended March 31, 2022. In addition, our EBITDA margin increased consistently: 5.3%, 5.8% and 6.6% in these same respective years.

OUR STRENGTHS

We believe the following strengths have contributed to our success and differentiate us from our competitors.

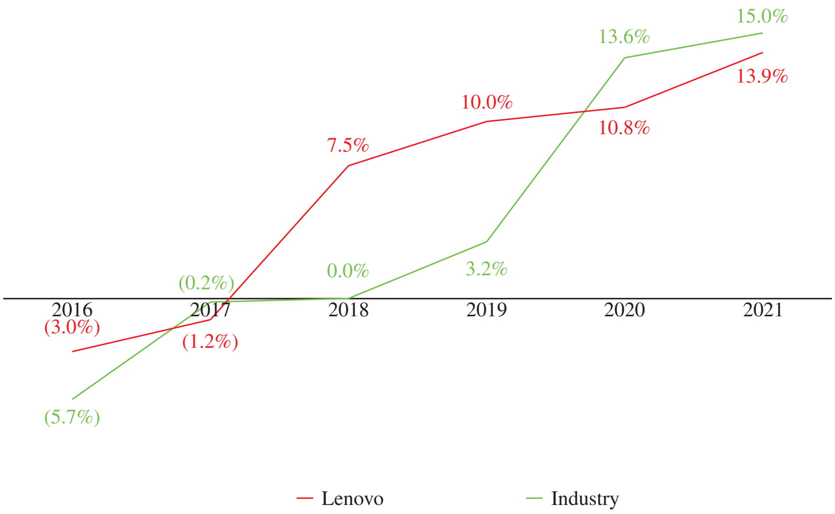
Global Leader in Growing Product Segments with No. 1 PC Market Position

We are the largest player in the global PC market, with a 23.4% market share in terms of shipments for 2021 and a 24.6% market share for the three months ended June 30, 2022, each according to industry data. We have established presence and leadership positions in major economies worldwide. According to industry data, in terms of shipments in the first quarter of 2022, we ranked No. 1 in market share in China, APAC ex-China and Latin America, No. 2 in EMEA and No. 3 in North America. We had market shares of 37.6%, 19.2%, 20.9%, 23.6% and 17.1% in China, APAC ex-China, Latin America, EMEA and North America, respectively, in terms of shipments in the first quarter of 2022, according to industry data. The chart below sets forth the development of our global PC market share in terms of shipments since 2017, compared to that of certain peer companies in our industry.



Source: Industry data (based on vendor filter)

The chart below sets forth the development of our PC shipment growth since 2016, compared to industry growth.



Source: Industry data (based on vendor filter)

We are a well-regarded brand in the global PC market; in 2022 we ranked 159th on Forbes' Global 500 list and were included on Fortune's list of Most Admired Companies.

Our solid leadership in the global PC market is underpinned by our strength in both the commercial and consumer segments worldwide. The commercial segment of the PC market has been critical to our success as it offers stable, growing demand and large cross-selling opportunities. We have also experienced robust growth from the consumer segment, which is benefiting from increasing demand for gaming and education applications.

Leveraging our "5G for all" strategy, we made a significant progress in the non-PC products segment, with a combined revenue growth of 26% in the year ended March 31, 2022 as compared with the previous year. The increase in market share of our smartphone products also demonstrate our strength in non-PC business. As a result of an enhanced product portfolio, we achieved a market share of 14.7%, an improvement of 4.1%, in America in 2021 for our smartphone business, according to industry data.

Highly Diversified Business with Strategic Focus on Boosting High-Margin Service Business

We run a global business with a well-balanced revenue structure across all major geographic markets. Our business is distributed across AG, EMEA, AP and China, with revenue contribution of 32.5%, 25.5%, 16.3% and 25.7% in the year ended March 31, 2022 in these respective regions. Our comprehensive portfolio of PCs, tablets, mobile phones and data center products enable us to deliver one-stop IT solutions to customers with various personal, family and business related technology demands. In addition to a full-suite product offering, we adopt a multi-brand strategy, with our Lenovo, "Think," "Legion," "Idea," "Yoga" and "Motorola" brands covering a wide range of price bands and market segments. This enhances our ability to address customers' diversified and evolving needs and capture demand from fast-growing segments.

Building on the strengths in our hardware-led business, we are now providing our customers with one-stop IT solutions through our newly formed SSG business to drive our service-led transformation. We are expanding our service platform through growth and strategic initiatives, leveraging existing partnerships, and tapping into new opportunities – which together will enable us to achieve sustainable growth and margin improvements. Our key focus areas for software and services include:

- *Support Services*: we provide services associated with the running of our hardware devices and data products;

- *Managed Services*: anchored on our everything-as-a-service offerings, including *TruScale,* our subscription-based consumption model, our customers outsource the management of their IT hardware infrastructure to us or lease products and services from us; and

- *Project and Solutions Services*: we address vertical-specific demands through the integration of hardware, software and services; we also or provide smart solutions based on AI and big data technologies.

Revenue of our SSG segment grew by 29.8%, and segment operating profit grew by 39.9% in the year ended March 31, 2022, each as compared with the previous year. We believe the macro trends of (i) shift to flexible work; (ii) demand for hybrid cloud solutions; and (iii) a global urgency to future-proof our planet and businesses with sustainability solutions, will continue to drive demand for our solutions and services.

Our one-stop IT solutions also help to deepen our customer engagement, maximize our customers' life-time value, and grow our recurring revenue streams. We believe our diversified business has also enabled us to accumulate a large blue-chip customer base with relationships of over 15 years with all of our top 10 customers. In addition, we expect our service-led transformation will allow us to remain competitive in the context of industry-wide supply constraints and logistical challenges.

Best-In-Class Supply Chain with Global Manufacturing Footprint

We adopt a hybrid manufacturing business model that allows us to maintain an efficient and resilient supply chain. As of March 31, 2022, we operated 35 manufacturing sites in nine markets across the globe and collaborated with over 2,000 suppliers. In addition to our in-house manufacturing capacity, we also outsource a portion of our manufacturing requirements through original design manufacturing partnerships and joint venture arrangements. As of March 31, 2022, we partnered with 22 original design manufacturers across five countries. Our hybrid manufacturing model and global footprint help us to ensure supply chain resilience and flexibility, and also enable us to nimbly reposition supply and rebalance production.

We leverage the power of cutting-edge technologies – such as automation, IoT, robotics, AI and digital twining – to enhance our smart-manufacturing capabilities. These capabilities include core competencies covering Internet factory, flexible manufacturing and smart-decisioning, which enable us to maintain effective quality control and achieve industry-leading efficiency.

Our best-in-class supply chain capabilities are highly recognized in the industry. We were ranked 9th by Gartner in its Global Top 25 Supply Chain list in 2022.

In addition, supported by our strong purchasing power and supply chain management, we have been able to maintain stable access to raw material supplies even during periods of supply shortage which we believe has allowed us to outperform our competitors.

Technology Leadership with World Class R&D Capabilities Powering Sustainable Growth

Our R&D team is led by world-class scientists with extensive experience and, as of March 31, 2022, consisted of over 15,000 R&D personnel. As of this same date, we had 17 R&D locations and four AI innovation centers across the globe. In the year ended March 31, 2022, our R&D spending amounted to US$2,073 million, which was a 42.6% increase over the prior year.

As of the date of this offering circular, we held over 22,000 patent assets.

Our world-class R&D capabilities allow us to relentlessly innovate new products. Some of our innovations include:

- *Smart Education*: we developed an industry-leading engine for smart education, powered by core technologies like real-virtual integration, human-computer interaction, and optical character recognition;

- *Foldable technology*: we developed a unique bell-shaped, foldable display with a bell-shaped hinge. These technologies have made the crease-free foldable phone a reality–with a product that shuts tight when folded. Products incorporating this technology include our:

  - *Motorola razr*: our first foldable smartphone, targeting the premium market; and

  - *ThinkPad X1 Fold*: the world's first foldable PC, designed to offer exceptional productivity.

- *Yoga 5G*: the world's first 5G-connected PC, delivering high-speed 5G network connectivity, up to 10 times faster than 4G;

- *ThinkPad X1 Yoga*: the world's first Windows hybrid laptop, with an OLED display and a 360-degree screen hinge; and

- *Lenovo Neptune™*: an industry-leading direct water-cooling solution for CPUs and GPUs that enables customers to realize up to a 40% reduction in power costs from a 3.5 times improvement in thermal efficiencies in comparison with conventional air-cooled systems.

In the year ended March 31, 2022, we received 142 industry awards across ESG, Technology, GSC, Workplace, and innovation. Our technology development drives intelligent transformation and enables our customers to capitalize on disruptive and leading edge technologies.

Disciplined and Proven Business Development Capability

We have proactively pursued targeted acquisition and investment opportunities throughout our history, and have demonstrated a track record in successful integration and cost optimization. Our disciplined acquisition strategy and proven integration capability have helped us diversify operations, strengthen competitive positions and achieve operational synergies.

In 2005, we acquired the Personal Computing Division of IBM, which, allowed us to develop into a global PC leader with both global operations and local expertise. In 2011 and 2017, we announced the setup of joint ventures with NEC and Fujitsu, respectively, to strengthen our presence in the Japan market. After successful integration, we have now developed into the largest PC seller in Japan with a 39.5% market share in terms of shipments in 2021, according to industry data. We also completed the acquisition of the x86 server business from IBM in 2014, which allowed us to expand our product offerings and broaden our customer relationships. Since then, we have built partnership relationships with a number of recognized software providers for our server business, including Nutanix and NetApp, VMWare, Microsoft and IBM/Red Hat. Most recently, in August 2022 we established a strategic partnership with PCCW to create a technology solutions business in the Asia-Pacific region.

Strong Management Team and Well-governed Board with Unwavering Commitment to Sustainability

Lenovo is led by an experienced global management team that consists of industry veterans from various geographies, each with world-class expertise in their respective fields and deep insights into local markets.

Our people are important assets. We share a common aspiration to strive for excellence through efficient teamwork. We take pride in our unique culture, which guides us in addressing our day-to-day commitments. We view ourselves as a trusted company focused on our customers in everything we do; we are global team players guided by integrity and trust, entrepreneurs committed to driving the change and innovators who relentlessly pursuing the new idea. Guided by this corporate culture, we are dedicated to fostering an environment that encourages entrepreneurism and ownership.

Our balanced board structure supports us in maintaining sound corporate governance. Our eleven-member board now has eight independent non-executive directors and eight of our ten committee positions are chaired by independent non-executive directors, all with extensive experience in corporate governance and high levels of respect in their relevant professions.

Our commitment to sustainability is critical to our long-term success. Under the leadership of our global management team, we have established a systemic program with a balanced focus on environmental, social and governance ("ESG") matters. Our ESG focus is widely recognized by the global community, and it allows us to significantly impact markets around the world. In 2021, we received an "A" score for water security and an "A-" for climate change from CDP (formerly known as the Carbon Disclosure Project). We were also included in the 2022 Bloomberg GEI, or Gender Equality Index, which tracks the financial performance of global organizations, committed to supporting gender equality through policy development, representation, and transparency. We also received the best overall industry score for the IT industry in the 2022 Hang Seng Corporate Sustainability Index, receiving an "AA+" rating for the first time. In 2022, we also received an Asia Pacific Top Rated ESG Performer rating from Sustainalytics for the first time. We also strive to construct buildings/facilities that are locally and/or internationally recognized as green buildings, such as our Beijing Campus which obtained a Leadership in Energy and Environmental Design ("LEED") "Gold" certification from the U.S. Green Building Council. We are improving our supply chain practices by completing an initial ESG risk screening of over 500 suppliers using the EcoVadis rating tool.

STRATEGIES

We aim to solidify our leadership position in major business segments, and continue to execute our strategy to become the leader and enabler of digital and intelligent transformation to bring smarter technology, as further described below.

Solidify Leadership Position in Major Business Segments

We plan to drive premium-to-market growth and improve profitability with tailored strategies across our business segments, while maintaining ESG at the highest standards.

Intelligent Devices Group (IDG)

Global digitalization has changed the way we work and live. With respect to our IDG's PC and Smart Device ("PCSD") business, we aim to seize the industry opportunities arising from the increasing popularity of remote working and e-learning and continuously develop new products and services that cater to customers' evolving needs. At the same time, we plan to focus our product innovation on high-growth and premium segments within the PC industry and capture emerging opportunities in the adjacent non-PC verticals such as IoT and Metaverse, to deliver growth with improving profitability.

For our IDG's Mobile Business Group ("MBG") business, we plan to focus on sustaining strong growth momentum in North America and Europe, while maintaining market leadership in Latin America. We will also focus on product innovation and accelerate our 5G smartphone launches to expand our geographical presence to more markets while sustaining profitable growth. We also expect to leverage our technology leadership to strengthen our product portfolios with 5G capabilities and deepen our collaborations with external distribution partners.

Infrastructure Solutions Group (ISG)

ISG will grow its channel business with the "One Lenovo" platform, which integrates our PC and data center business in order to provide our customers with one-stop IT solutions, while delivering premium-to-market growth and driving quarter-on-quarter improvement in profitability. As a hybrid infrastructure solutions provider, we have been building industry-leading end-to-end infrastructure solutions and expanding from server to a full-stack portfolio including storage, software-defined infrastructure, software, and services. In our Enterprise & Small-and-medium Business ("ESMB") segment, we will seek to grow our high-margin services attach rate, upsell premier services and expand hybrid cloud solutions to drive a paradigm shift in computing with our edge-to-cloud solutions, including a Lenovo-wide Edge Business Unit focused on maintaining our leadership position in innovation at the edge. For our Cloud Service Provider ("CSP") business, we will continue to diversify our customer base and expand our share with existing accounts. We will leverage our unique strengths including in-house custom design and manufacturing capabilities with worldwide reach and expand our product portfolio with optimized reliability and flexibility, and advanced configurations and storage platforms.

Solution & Services Group (SSG)

By targeting the fast-growing digitalization opportunities in the IT industry, our extensive exposure to commercial PC and ESMB infrastructure will offer very substantial service potential for all three key segments under SSG: Support Services, Managed Services, and Project and Solution Services. For Support Services, we expect to drive solid growth by increasing penetration rate and service upselling through the One Lenovo platform. By enhancing delivery footprint, differentiation and core platforms, Managed Services is well-positioned to capture strong as-a-service demand in the IT service market, which, according to industry data, is estimated to account for over US$1 trillion by 2025. Within this market, the device-as-a-service market is estimated to be US$67 billion by 2025. As-a-service penetration in PC and data center is only 2%, which we believe provides substantial room for growth. In addition, according to our recent research, almost half of chief information officers ("CIOs") surveyed in 2021 said that at least 31% of their IT is delivered to them as-a-service, and 92% will consider adding more as-a-service solutions to their stack. Lastly, Project and Solution Services will facilitate growth in verticals such as digital workplace, manufacturing, education, retail, and smart cities, and will be instrumental to building our intellectual property and landmark deals. We expect further investments in teams, systems and tools, IP portfolio, and delivery capabilities to build a competitive edge for our future growth.

As part of our new segmentation, we moved our IT function under SSG to facilitate the commercialization of our intellectual properties. This organizational change has improved our innovation capabilities. We also endeavor to test and implement new solutions internally and seek to adapt and repurpose those technologies we successfully deployed internally, such as hybrid cloud and AI for our customers.

Continue to Execute 3S Strategy and Lead Service-Led Transformation

Smart IoT

"Smart IoT" refers to a network of internet-connected objects that collect and exchange data. As part of our Smart IoT strategy, we plan to build artificial intelligence ("AI") in our PC and smart device product offerings, especially for commercial-use products. To achieve this, we are making substantial investments to make our existing devices – including PC and tablets – smarter and more adaptive to customers' needs, with seamless connectivity to the cloud and other devices.

We plan to continue to invest in Smart IoT, facilitating a network of many touchpoints for the connected world we live in. Specifically, our investments will accelerate in the area of edge computing, cloud, big data, and AI in vertical industries. We expect these investments to strengthen our capability as a competitive end-to-end solution provider in the era of intelligent transformation.

Smart Infrastructure

Smart Infrastructure provides the computing, storage and networking power to support smart devices. We believe Smart Infrastructure is gradually becoming the backbone of organizations, and its development drives public cloud companies, high-performance computing for scientific computations and AI companies. To this end, we have been investing to become a world-class, next-generation full-stack infrastructure provider, specifically in the areas of software-defined infrastructure, hyperscale, storage and high-performance computing. We have also launched our next-generation data center solutions in software-defined infrastructure and expect this to remain a future growth catalyst.

Smart Verticals

Smart Verticals combines big data harnessed from smart devices and the computing power of smart infrastructure to provide more insights and improve processes for customers. We are creating vertical solutions that equip customers with unparalleled insights, those that can dramatically improve business processes, facilitate decision-making, enhance financial returns, and ultimately solve tangible business problems. We also endeavor to expand our as-a-service offerings and vertical solutions with our own intellectual properties built through our R&D efforts.

Our Lenovo Capital and Incubator Group ("LCIG") has been actively building capabilities in five key areas of the Smart Internet value chain: IoT, edge computing, cloud, big data and AI. We plan to continue to leverage LCIG to enhance our corporate investments to drive innovation and integrate these investments to develop vertical solutions and our smart verticals ecosystem.

PRINCIPAL LINES OF BUSINESS, PRODUCTS AND SERVICES AND BUSINESS GROUPS

We are primarily engaged in the development, manufacturing and marketing of technology products and services, which comprise (i) PC and Smart Devices, including notebook computers, desktop computers, tablets, and smart devices such as augmented reality ("AR") devices; (ii) smartphone devices, which includes Moto and Lenovo-branded smartphones; (iii) data center devices, which includes servers, storage, converged systems, networking, hyperscale, software and services; and (iv) computer accessories and services-related hardware.

For the financial years ended March 31, 2019, 2020 and 2021, our organizational structure was divided into two groups: (i) the IDG business, which combined the PCSD Business Group, Mobile Business Group and the Others Group, and (ii) our Data Center Group ("DCG") business, which offered data center devices including servers, storage, converged systems, networking, cloud service provider business, software and services.

Effective April 1, 2021, we formed our SSG, which integrates all services and solutions we offer to drive growth in smart verticals, support services, managed services and as-a-Service offerings. With this addition, our business is now comprised of three main business groups, reflecting our mandate to deliver against the three major areas of our 3S strategy:

- IDG – Smart IoT;

- ISG – Smart Infrastructure; and

- SSG – Smart Verticals & Services.

Our Products and Services

PC & Smart Devices

PCs (Laptops and desktops)

We market our PCs primarily under three product lines: *Think, Idea* and *Yoga*.

Our *Think* line offers premium quality products, mainly targeting commercial customers at premium, mainstream, and entry levels. Think PCs are available in a wide range of models and feature cutting-edge technology, customer-centric innovation and powerful productivity. Among them are ThinkPad – a series of high-end, business-oriented laptop and tablet models with well-recognized designs, and ThinkCentre – a series of mid-range to high-end, business-oriented desktop models. Some of their flagships include:

- *ThinkPad® X & T Series* – premium laptops with superior design, spill-resistant keyboards, strong security features and performance, including ThinkPad X1 Fold – a fully functional PC with a folding OLED display. We recently introduced ThinkPad X1 Nano, which is our lightest ThinkPad ever.

- *ThinkPad® Yoga Series* – multimode Ultrabooks™ with displays that can rotate 360 degrees to offer four different usage modes: laptop, tablet, tent and stand.

- *ThinkCentre M Series All-in-Ones* – all-in-one desktop computers that offer clean, clutter-free and compact solutions for enterprises with minimal space requirement, professional appearance and enterprise-level productivity.

- *ThinkBook Series* – targets modern and young professionals, who are passionate and early adopters of new technology.

Our *Idea* line offers mainstream and entry-level consumer products. Among them, IdeaPad is a line of consumer-oriented notebooks and IdeaCentre is a line of all-in-one desktop computers that combine processor and monitor into a single unit. Some of the products for this line include:

- *3 and 5 Series* – offer the balance of value and performance laptops with fast processors, high resolution displays and comprehensive expandability I/O ports for productivity; targeted for on-line education and gaming purposes.

- *A Series All-in-Ones* – stylish and ultra-slim desktop computers with multi-touch display.

Our *Yoga* line offers products that are designed mainly for elites in design or editing professionals with multiple functionalities, flexibility, lightweights, and robustness. Made with computer numerical control (CNC) machined aluminum, they boast a high-quality finish, seamlessly mixing style with durability. One of their flagships include:

- *Yoga 2-in-1 Laptop Series* – combines the features of both a laptop and a tablet. The keyboard of these laptops can be flipped 360 degrees behind the touchscreen and function as a tablet.

Tablets

Our rapid growth in tablets is driven by the same innovation that makes us the PC leader. Some of our tablet products include:

- *M-Series* – offers competitive value-adds on media tablet essentials including screen, touch, sound and design at price points that provide more value for money; offers advanced voice capabilities and powerful multimedia experience targeted for family and educational uses.

- *P-Series* – powered by innovation across premium tablets with ultra-thin, ultra-high-performance, all-screen offering enhanced visual experiences, 2-in-1 detachable with patented kickstand design option, augmented productivity experience, optional ThinkPad-inspired keyboard experience and optional precision pen for smart note-taking. Always-on 5G connectivity for selected P-series models further enhances entertainment and versatility experience.

- *Yoga-Series* – offers the ultimate cinematic experience with immersive display, cinematic moving audio, hands-free use in any space as one delightful home for all entertainment.

- *Legion-Series* – targets gaming users with optimized size and form-factor, innovative thermal design and gaming dedicated/optimized features.

Workstations

- *ThinkStation P* – high performance workstations to address complex computing workloads in engineering, design, and scientific research. Built with the fastest and most powerful CPUs and graphics cards. Designed for customization and 24x7 operation with flexible options, plenty of memory and storage, and on-board diagnostics.

Gaming Devices

- *Legion Y Series* – immersive laptop and desktop machines with leading thermal engineering provide users excellent audio, video and control experience in the gaming world.

Smartphones

Motorola has a full product portfolio to serve the needs of consumers across many different price points under the Motorola brand with four product families:

- *Motorola RAZR Series* – foldable design-focused devices.

- *Motorola EDGE Series* – premium devices featuring high level craftsmanship focused on performance, style and technology.

- *Motorola G Series* – products with accessible premium features and offer a well-rounded, optimized user experience.

- *Motorola E Series* – entry-level options that give essential smartphone features at the most accessible price point.

Other Smart Devices

- *Think Smart Collaboration* – products designed to help users in their daily communication by offering smarter audio and video conferencing solutions, with solutions available for small and big meeting rooms.

- *ThinkReality A3 lightweight smart glasses* – advanced and versatile enterprise smart glasses, part of comprehensive digital solutions offering the ability to deliver intelligent transformation in business and bring smarter technology to more people.

Smart Infrastructure Products and Services

Our smart infrastructure products and services provide enterprises, small-to-medium businesses, and cloud service providers with a wide range of smart infrastructure, including servers, storage, converged systems, networking, software and services to SMBs/enterprises and cloud service providers. We provide hybrid infrastructure solutions for a variety of operating environments.

We deliver a portfolio of computing, storage and networking capabilities that integrate and interoperate with a range of environments by providing strong performance, reliability and security. To accelerate deployment, we offer a suite of pre-tested and pre-engineered solutions that are ready to deploy to address clients' workloads. Our solutions address every phase of the IT lifecycle, which helps maximize the value of our clients' technology investment.

We offer portfolio under the following primary brands:

- *ThinkSystem:* Server, storage and networking solutions.

- *ThinkAgile:* IT software-defined infrastructure that is designed to be easy to deploy and manage.

- *ThinkEdge:* Purpose-built server computing power designed for deployment of new data sources.

As we continue our services-led transformation, we expect services to be an even more important driver for ISG. We expect services to grow faster than any other part of our business, and we will continue to expand our as-a-service offerings under *TruScale*, a truly global everything-as-a-service model.

Smart Verticals & Services

The products and services included under our smart verticals & services primarily include industry vertical solutions for the retail, manufacturing, education, smart cities and telecommunications sectors. Our recently launched *TruScale* brand covers a wide range of as-a-service offerings including device-, infrastructure-, and software-as-a-service.

IMPACT OF COVID-19

The COVID-19 pandemic and its outlook have affected our business in various ways, presenting challenges and opportunities that we continue to address.

COVID-19-related lockdowns have resulted in a mixed set of results. For lockdowns in locations where our production facilities and our suppliers are located, supply disruptions have impacted our operations, as has been the case of lockdowns in Shenzhen, China in the spring of 2022.

Although we have experienced unpredictable challenges across global supply chains in the last two years since the beginning of the COVID-19 pandemic, our operational results demonstrate that our size, scale, strong supplier and partner relationships, and unique hybrid manufacturing model have enabled us to maximize available supply. Our core competencies of innovation, operational excellence including a robust and flexible supply chain, and global or local footprint have helped us navigate any macro and micro challenges.

Due to the outbreak of COVID-19, our primary smartphone manufacturing site in Wuhan, China was shut down from late-January to late-February 2020, and became fully operational in April 2020. Although this interruption to our Wuhan manufacturing site resulted in product shortages that affected the results of our MBG in the last quarter of the year ended March 31, 2020, we managed to overcome short-term supply issues by taking advantage of other facilities of both our in-house and third-party manufacturing sites around the world. Given the current on-going COVID-19 situation, we closely monitor changing demand and inventory levels to identify gaps in supply and production capacity, and prepare contingency plans to minimize any disruptions. For example, we have developed a strong e-commerce strategy. While we strengthen our third-party e-commerce channels, we also enhance our in-house Lenovo.com sales channel. In addition, we have also built a new retail business model we call online-merge-offline that enables our online team to collaborate with offline partners and retail stores to provide a more efficient route to markets.

The global outbreak of COVID-19 reinforced the importance of using the power of technology to fight the pandemic and protect the wellbeing of society. This technological empowerment is expected to lead to secular growth trends in work-from-home and study-at-home arrangements with broad investment implications on PCs, cloud infrastructure and 5G services. In particular, the strong growth in data usage and accelerated public cloud migration have also boosted demand for our services and storage products. We target to capture these opportunities to deliver premium growth to the market, leveraging our operational efficiency and global footprint. For COVID-19-related risks, see "*Risk Factors – We could be adversely affected by the outbreaks of infectious diseases, such as the outbreak of the COVID-19 virus.*"

CORPORATION COOPERATION

Research and Development

We are committed to being a truly innovative company and will continue to create new categories of products and technologies that will both enhance our client experience and differentiate us from our competitors. We invest for the future, targeting new products and technology, and we typically focus our research and development on ideas that can be brought to market within a timeframe of approximately 24 months. We currently hold rights to patents relating to certain aspects of our hardware devices, accessories, software and services. Over time, we have accumulated numerous patents around the world.

In addition to driving innovation in our own product development, we also work with partner startups to develop innovative solutions. Our new business development platform represents our efforts to leverage our established advantages to bring new technologies to market.

As of March 31, 2022 we had over 15,000 R&D personnel. Our global R&D presence includes 17 R&D locations worldwide, primarily in China, Japan and the United States, including a state of the art research, development and the production facility for the smartphone and the tablet products in Wuhan, China, which was officially opened in December 2013. As of March 31, 2022, we had four AI innovation centers in Morrisville, Stuttgart, Taipei and Beijing. Our research and development expenses were US$1,336 million, US$1,454 million and US$2,073 million, for the years ended March 31, 2020, 2021 and 2022, respectively.

Manufacturing and Materials

We focus on the vertical integration of manufacturing and adopt a hybrid manufacturing strategy that utilizes both in-house manufacturing capabilities and external manufacturers to achieve cost-efficiency and improved visibility of and control over our product development process. As of March 31, 2022, we manufactured most of our products through 35 manufacturing facilities in Argentina, Brazil, Germany, Hungary, India, Japan, Mexico, the United States and multiple locations in China, including Hefei, Wuhan and Shenzhen.

We believe that our hybrid model of using both in-house and third-party manufacturing capabilities enables us to build closer business relationships with our strategic suppliers and partners, control inventory levels effectively, and respond to customers' needs in a timely manner.

Our manufacturing process consists of assembly, software installation, functional testing, and quality control. We have achieved industry-leading manufacturing efficiency by utilizing advanced technologies such as automation, IoT, robotics, AI and digital twining.

We apply a quality management system throughout the manufacturing process to ensure that our products and services satisfy customer needs and our quality requirements. Our quality management system is maintained through the testing of components, sub-assemblies, software, and systems at various stages in the manufacturing process. All our global manufacturing operations are certified to the ISO14001 Environmental Management System and ISO 9001 Quality Management System.

Essential raw materials and components for our products include processors, chipsets, memory chips, NAND flashes, displays, batteries, electric components, and mechanicals. We procure raw materials and components from a large number of suppliers in China and around the world. We do not rely on any single supplier or country for supply of raw materials or components for our products. However, we maintain several single-source or limited-source supplier relationships (such as Intel for CPUs), either because multiple sources are not readily available or because the relationships are advantageous to us due to performance, quality, support, delivery, capacity, or price considerations. In addition, from time to time, we deliberately cultivate a preferred supplier relationship for certain components or products to ensure our supply. See "*Risk Factors – Risks Relating to Our Business – Our reliance on vendors for products and components, many of whom are single-source or limited-source suppliers, could harm our business by adversely affecting product availability, delivery, reliability and cost.*" for more information on the risks of our use of single-source or limited-source suppliers. We seek to avoid shortages of components and raw materials by actively planning ahead and closely monitoring product demand forecasts with our component and material inventory levels.

Global Operations

We are a global company with operations in more than 180 markets. We monitor our performance by four geographies: AG, EMEA, AP and China, and in the year ended March 31, 2022, these four markets contributed 32.5%, 25.5%, 16.3% and 25.7% of our total revenue, respectively. We are committed to maintaining this global balance as part of our strategic balance of global risks and opportunities.

Brand Building

Our brand vision is to deliver "Smarter Technology for All," building on two of our top strengths: (i) expertise in innovation and engineering which enables us to bring smarter solutions to market, and (ii) global/local balance which enables us to then deliver this innovation to every person and business on the planet. In 2019 we launched this vision with the largest brand campaign in our company history, running in the top 12 markets and reinforcing how our customers are using smarter technology to significantly improve their lives, work and the planet. This campaign was tightly integrated with our global event series-including TechWorld, where we unveil our latest technology and key partnerships-and also used innovative digital media to drive deep engagement with our key customers. The results show increased awareness of our Lenovo brand, a significant improvement in the company's reputation and also show that our customers increasingly see us as a top global technology company. We continue to retain our ranking as a top brand on highly regarded surveys and lists, including Brand Finance's Global Top 500 Most Valuable Brand and BrandZ China Top 50 in 2022.

Sales and Marketing

Our operation covers a significant number of markets and multiple market segments, which typically involve many channel partners for distribution. Depending on the geography, these include resellers, distributors, large-format retailers and telecom providers. We also provide direct sales capabilities via the Internet in many locations. We negotiate purchase contracts with our large corporate customers under our relationship model; however, order fulfillment for these customers is usually through one of our business partners.

Competition

We operate in an industry in which there are rapid technological advances in hardware, software, and service offerings. We face frequent and different product and price actions from competitors. The markets in which we compete are comprised of large and small companies across all areas of our business. New entrants may continue to enter our markets and develop technologies that may compete with ours. We compete primarily on our ability to offer our customers the most current and desired product innovation at competitive prices. Principal competitive factors important to us include product and service features, relative price and performance, product quality and reliability, design innovation, software integration and user experience, marketing and distribution capabilities, service and support, and corporate reputation. See "*Risk Factors – Risks Relating to Our Business – We face intense competition, which may adversely affect our revenue, market share and profitability*" for more information on our competitive risks.

Customer Support

We are committed to providing our customers with consistently high-quality products and services. We have dedicated customer service teams to handle general product and service inquiries, billing questions, online security and technical support issues globally and in various jurisdictions in which we operate 24 hours a day, 7 days a week. Customers can access our customer service teams through various channels such as 24-hour customer service hotlines, websites, social media, online self-help service centers and offline service centers.

Intellectual Property

We regularly file patent applications to protect innovations arising from our research and development activities and currently hold rights to over 20,000 patent assets around the world relating to certain aspects of our hardware devices, accessories, software and services. While we are not substantially dependent on any single patent or group of related patents, we rely primarily on the innovative skills, technical competence and marketing abilities of our personnel. We also enjoy copyright protection for certain aspects of our products and services, and we have obtained trademarks for our various products and brands over the world. We believe the duration of our intellectual property rights is adequate relative to the expected lives of our products.

In addition to our own intellectual property, many of our products and services may have intellectual property owned by third parties. It may be necessary in the future to seek or renew licenses relating to various aspects of our products and services. While we have generally been able to obtain licenses on commercially reasonable terms in the past, we cannot guarantee that we will be able to do so in the future or at all.

Environmental, Social and Governance

We take a systemic approach to managing our ESG programs. We believe that the integration of a strong ESG program addresses the growing concerns of individual consumers and large enterprise customers around the globe.

Environmental

Our environmental programs extend beyond the ecolabels and the carbon footprint of the products that we manufacture to programs that also identify climate mitigation opportunities in our operations, supply chain, and other aspects of our business. Our corporate Environmental Affairs Policy applies to all of our operations and provides the foundation for our Environmental Management System ("EMS"). Our EMS, which is ISO 14001:2015 certified, includes processes to evaluate legal and voluntary requirements and ensure compliance across our global design, development and manufacturing operations for computer products and devices, data center products, mobile devices, smart devices and accessories. The environmental management system, covering manufacturing and development sites, and health and safety management systems, covering manufacturing sites are subjected to regular internal and third-party environmental and health and safety audits on the schedules defined by the ISO 14001 (environmental) and ISO 45001 (health and safety) management system standards and our registrar.

Through our EMS program, we conduct a Significant Environmental Aspect ("SEA") evaluation at least annually. This process evaluates significant or material environmental aspects while identifying risks and opportunities that may impact our business or operations. To manage our SEA evaluations, we establish relevant environmental objectives and targets with key performance indicators addressing site operations, products, and global supply chain functions. We monitor and assess the progress of the objectives and targets semi-annually as part of our EMS.

As a result of our continuous environment-related efforts, in 2022 we received Green Freight Asia certifications in China (3-leaf certification), India (2-leaf certification) and Australia (4-leaf certification).

Social

Our social impact programs are framed with a global mindset that inspires innovation through inclusion and access to opportunity, both within our internal workforce and in the communities where we live and work. We are committed to advancing diversity across our workforce and have established a global goal to achieve 27% female representation in our executive population by 2025, in addition to goals that promote greater inclusion of people with disabilities across our global workforce and a U.S. specific goal to reach 35% executive representation of under-represented minorities by 2025. We advance inclusion in communities by investing in STEM (science, technology, engineering and math) education, increasing access to opportunities for diverse populations, and empowering employees to improve global communities. We implement this through various global partnerships and programs, including the Lenovo Foundation and Lenovo Foundation Beijing.

As a result of our continuous effort in social impact, in 2022, we were included in Bloomberg's Gender Equality Index. We were also named a top place to work for disability inclusion, with a 100% score on Disability:IN's 2021 Disability Equality Index. In addition, for the fifth consecutive year, we were included in the Human Rights Campaign Foundation's 2022 Corporate Equality Index, while receiving a score of 100 and the distinction of "Best Place to Work for LGBTQ+ Equality." The Index is the premier benchmarking survey on corporate policies and practices for LGBTQ workplace equality in the United States.

Corporate Governance

Our board of directors and senior management team strive to attain and uphold a high standard of corporate governance and to maintain sound and well-established corporate governance practices for the interest of shareholders and other stakeholders including customers, suppliers, employees and the general public. Our eleven-member board includes eight independent non-executive directors, who meet on a quarterly basis and are highly reputable individuals with many years of professional experience outside Lenovo. We also regularly undertake reviews of our corporate governance system to ensure it is in line with international and local best practices.

Our corporate governance framework includes a corporate sustainability policy, which outlines the ESG principles that guide our operations. Our governance structure provides a solid foundation for our ESG program with internal control procedures, while our Ethics and Compliance Office promotes the highest ethical standards of business conduct and legal compliance. We have established an ESG Executive Oversight Committee comprised of executives from across multiple organizations including operations, supply chain, development, human resources, and other areas to provide oversight for our ESG strategy.

We have received numerous recognitions for our ESG programs. For example, we were named to the Corporate Knights 100 Most Sustainable Corporations list in 2022 and rated AA+ for the first time in the 2021 Hang Seng Corporate Sustainability Index. Additionally, we were recognized as one of the World's Most Admired Companies by Fortune in 2022 and included in the 2022 Bloomberg Gender Equality Index. We have received the Best Corporate Governance & ESG Award by the Hong Kong Institute of Certified Public Accountants for nine consecutive years.

Employees

As at March 31, 2022, we had approximately 75,000 employees worldwide.

We employ a pay-for-performance approach at all levels of our professional workforce. This approach includes annual goal setting and review, group calibration of individual ratings to ensure fair assessment, and pay decisions based on both team performance and individual contribution. Our remuneration policy including bonus, employee share purchase plan (launched in October 2016) and long-term incentive schemes have been implemented with reference to our performance as a group, as well as individual employee performance. We also provide benefits such as medical, pension and wellbeing programs to employees to sustain our competitiveness. Furthermore, we have a 70-20-10 approach to employee development, which recognizes that employees learn through three distinct types of experiences: on the job assignments (70%), developmental coaching and mentoring relationships (20%), and formal coursework and training (10%). We deliver live professional development courses and forums available to our employees throughout the year, as well as online learning resources provided on demand through global learning management system.

We also hold an organizational and human resource planning ("OHRP") process annually, during which executives at all levels evaluate and make key decisions about organizational structure, strategic roles, and individual talent relative to our current and future business imperatives. We believe our OHRP process is critical for ensuring that we have the right structure and talent in place to deliver on our present and future strategy.

We maintain the Lenovo Code of Conduct, which applies to all of our employees globally and addresses matters related to our corporate culture, employee policies, conduct in the marketplace and our commitments to the community and society. Along with this Code, we have policies that instruct our employees on compliance with laws, including compliance policies for the various anti-corruption and anti-bribery laws applicable to us. We also have a policy on providing gifts, entertainment, corporate hospitality and travel to third parties, including government officials. Through the controls and processes, we maintain to monitor compliance with these policies, we have from time to time detected violations of them, and we have used lessons learned from these incidents to further enhance our ethics and compliance program. For example, in August of 2020, we launched our revised and updated gift, entertainment, corporate hospitality and travel policy, and we are continuing its roll-out through training and corporate communication.

Properties and Facilities

We have a distributed management structure with operational hubs in Beijing, China and North Carolina, United States. We own properties in a number of cities in China, including Beijing, Wuhan, Hefei, Shanghai, Shenzhen, Huiyang and Chengdu, and lease other offices in China. We also own properties in Jaguariuna, Brazil; Chennai, India; and Ota, Japan and lease offices in other jurisdictions, including Hong Kong and North Carolina. Many of these properties have received, or are expected to receive, recognized local and/or international green building certification from China Green Building Evaluation Label, BEAM Plus and/or LEED, such as our Beijing Campus which obtained a LEED "Gold" certification. We believe that we will be able to obtain adequate facilities, principally through the leasing of appropriate properties, to accommodate our future expansion plans.

Insurance

We maintain various insurance policies to safeguard against risks and unexpected events. We have purchased property insurance covering all risks of physical loss, destruction or damage to the inventory of our products and our fixed assets. We maintain commercial general liability insurance globally to protect against a variety of claims, including bodily injury, property damage and personal injury, that may arise from our products and services. In addition, we maintain trade insurance for our overseas transactions in certain markets.

MANAGEMENT

MANAGEMENT OVERVIEW

The board of directors of the Company (the "Board") currently consists of 11 directors, of whom one is an executive director, two are non-executive directors and eight are independent non-executive directors. All non-executive directors (including independent non-executive directors) have entered into letters of appointment with the Company for a term of three years, subject to retirement from office by rotation and re-election at the Company's annual general meetings.

DIRECTORS

The following table sets forth information regarding our directors as of August 15, 2022:

Name	Age	Position
Mr. Yang Yuanqing	57	Chairman, Chief Executive Officer and executive director
Mr. Zhu Linan	59	Non-executive director
Mr. Zhao John Huan	59	Non-executive director
Mr. William O. Grabe	84	Lead independent director and independent non-executive director
Mr. William Tudor Brown	64	Independent non-executive director
Mr. Yang Chih-Yuan Jerry	53	Independent non-executive director
Mr. Gordon Robert Halyburton Orr	60	Independent non-executive director
Mr. Woo Chin Wan Raymond	67	Independent non-executive director
Ms. Yang Lan	54	Independent non-executive director
Ms. Cher Wang Hsiueh Hong	63	Independent non-executive director
Professor Xue Lan	63	Independent non-executive director

HONORARY CHAIRMAN

Mr. Liu Chuanzhi, 78, has been the Honorary Chairman and Senior Advisor of the Company since November 3, 2011. Mr. Liu is the founder of the Group and held the positions of executive director, non-executive director and chairman of the Board at different times from 1993 until his resignation from the Board on November 3, 2011. As our Honorary Chairman, Mr. Liu is not a director or an officer of the Company or of any subsidiary of the Company, and does not have any management role in the Company or any of its subsidiaries. He graduated from the Radar Navigation Department of People's Liberation Army Institute of Telecommunication Engineering (now known as Xidian University) in China in 1966 and has substantial experiences in corporate management. Mr. Liu is the honorary chairman of the board of directors and senior advisor (previously the chairman of the board and executive director) of Legend Holdings Corporation (SEHK listed) which holds substantial interests in the issued shares of the Company.

CHAIRMAN AND EXECUTIVE DIRECTOR

Mr. Yang Yuanqing, 57, is the Chairman of the Board, Chief Executive Officer and an executive director of the Company. He is also a director and a shareholder of Sureinvest Holdings Limited which holds interests in the issued shares of the Company. Mr. Yang assumed the duties of Chief Executive Officer of the Company on February 5, 2009. Prior to that, he was the chairman of the Board from April 30, 2005. Before taking up the office as chairman, Mr. Yang was the chief executive officer and has been an executive director of the Company since December 16, 1997.

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

NON-EXECUTIVE DIRECTORS

Mr. Zhu Linan, 59, has been a non-executive director of the Company since April 30, 2005. Mr. Zhu graduated with a master's degree in electronic engineering from Shanghai Jiao Tong University and has more than 20 years of management experience. He was previously a senior vice president of the Group. Mr. Zhu has been re-designated as a non-executive director with effect from January 1, 2020 and prior to that, he was executive director, president and member of the executive committee of Legend Holdings Corporation (SEHK listed), a company holding substantial interests in the issued shares of the Company. He was a non-executive director of CAR Inc. (delisted from the SEHK on July 8, 2021).

Mr. Zhao John Huan, 59, has been a non-executive director of the Company since November 3, 2011. Mr. Zhao holds a master's degree in business administration from the Kellogg School of Management at Northwestern University, dual master's degrees in electric engineering and physics from Northern Illinois University and a bachelor's degree in physics from Nanjing University. He has been re-designated as a non-executive director with effect from January 1, 2020 and prior to that, he was an executive director, executive vice president and member of executive committee of Legend Holdings Corporation (SEHK listed), a company having substantial interests in the issued shares of the Company. He is also the chairman of Hony Capital Limited.

In addition, he currently holds the following positions: non-executive director of China Glass Holdings Limited, the chairman of the board and executive director of Best Food Holding Company Limited, chairman of the board and executive director of Goldstream Investment Limited (formerly known as "International Elite Ltd.") (all SEHK listed), a non-executive director of ENN Natural Gas Co., Ltd. (formerly known as "ENN Ecological Holdings Co., Ltd") (Shanghai Stock Exchange listed), Zoomlion Heavy Industry Science and Technology Co., Ltd. (SEHK and Shenzhen Stock Exchange listed), and Simcere Pharmaceutical Group Limited (SEHK listed).

Mr. Zhao was previously the deputy chairman of Shanghai Environment Group Co., Ltd., chairman of the board and non-executive director of Hospital Corporation of China Limited, and a non-executive director of Eros STX Global Corporation and Shanghai Jin Jiang International Hotels Company Limited.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. William O. Grabe, 84, has been an independent non-executive director of the Company since February 8, 2012 and was appointed as the lead independent director of the Company on May 23, 2013. Before that, he was a non-executive director of the Company since May 17, 2005. Mr. Grabe is currently a director of Gartner Inc. (NYSE listed). He was previously an independent director of Compuware Corporation and a director of Covisint Corporation and QTS Realty Trust, Inc. Mr. Grabe is an advisory director of General Atlantic LLC. He formerly served as a managing director of General Atlantic LLC and has been associated with General Atlantic Group since 1992. Prior to that, he served as a corporate vice president and officer of IBM.

Mr. William Tudor Brown, 64, has been an independent non-executive director of the Company since January 30, 2013. Mr. Brown is a Chartered Engineer and holds an MA (Cantab) Degree in electrical sciences from Cambridge University. He is a fellow of the Institution of Engineering and Technology and a fellow of the Royal Academy of Engineering. He was awarded as a Member of the Order of the British Empire (MBE) on June 15, 2013.

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

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

Mr. Yang Chih-Yuan Jerry, 53, has been an independent non-executive director of the Company since November 6, 2014. Prior to that, he was the board observer of the Company since February 20, 2013. He holds a master's degree and a bachelor's degree of science in electrical engineering from Stanford University, where he served on the Board of Trustees from June 2005 until September 2015 and from October 2017 to the present.

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

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

Mr. Gordon Robert Halyburton Orr, 60, was re-designated as an independent non-executive director of the Company on 1 September 1, 2016. Prior to that, he was a non-executive director of the Company since 2015. He holds a Master of Arts degree in Engineering Science from Oxford University, United Kingdom and a Master of Business Administration degree from Harvard University.

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

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

Mr. Woo Chin Wan Raymond, 67, has been an independent non-executive director of the Company since February 22, 2019. Mr. Woo is a retired partner of Ernst & Young ("Ernst & Young"). Before his retirement in June 2015, he had held various senior positions with Ernst & Young in the Greater China area. He was a director and the general manager of Ernst & Young Hua Ming CPA, a member of Ernst & Young's Greater China Leadership Team, and the managing partner of Ernst & Young's Greater China Operations. He has more than 30 years of professional experience, specializing in audit, corporate restructuring, IPO, risk management, and mergers and acquisitions. Mr. Woo is a Canadian Chartered Accountant and a Hong Kong Certified Public Accountant. He obtained his master's degree in Business Administration from York University (Canada) in 1982.

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

Ms. Yang Lan, 54, has been an independent non-executive director of the Company since May 15, 2020. Ms. Yang is currently a broadcast journalist and media entrepreneur with approximately 30 years' experience in the industry. She is the co-founder and chairperson of Sun Media Group and Sun Culture Foundation. Sun Media Group is a private media group in China with businesses ranging from production of high-quality programs and integrated marketing in film & television, education, women's community, publishing and location-based entertainment and sports across Mainland China, Hong Kong S.A.R. of China and the United States, while Sun Culture Foundation is a non-profit organization aiming to improve education and promote philanthropy. Ms. Yang obtained her bachelor's degree in English Language & Literature from Beijing Foreign Studies University, China in 1990 and her master's degree in International Affairs from Columbia University, the United States of America in 1996.

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

Ms. Cher Wang Hsiueh Hong, 63, has been an independent non-executive director of the Company since June 20, 2022. Ms. Wang is the co-founder and chairwoman of HTC Corporation (Taiwan Stock Exchange listed) and has established a number of successful Information Technology related businesses, with over 40 years' experience in the industry. Ms. Wang obtained her bachelor's degree in Political Economy of Industrial Societies at the University of California, Berkeley in 1982.

Ms. Wang founded VIA Technologies, Inc. in 1992 (Taiwan Stock Exchange listed), a leading developer of computing platforms connecting businesses to advanced Artificial Intelligence (AI), Internet of Things (IoT), and computer vision technology for transportation, industrial, smart city, and data center applications. She founded, was the chairwoman and is currently a director of VIA Technologies, Inc. Prior to these, Ms. Wang was the general manager of the PC division at First International Computer, Inc., and helped drive the business unit into the lucrative motherboard market.

Ms. Wang is currently also a director of Formosa Plastics Corporation, Xander International Corporation and VIA Labs, Inc. (representing VIA Technologies, Inc.) (all Taiwan Stock Exchange listed).

Professor Xue Lan, 63, has been an independent non-executive director of the Company since June 20, 2022. Prof. Xue is currently a professor at Tsinghua University, teaching and research interests in Public Policy and Management, Science and Technology Policy, Crisis Management and Global Governance.

Prof. Xue is currently an independent non-executive director of SenseTime Group Inc. (SEHK listed) and an independent non-executive director of Neusoft Corporation (Shanghai Stock Exchange listed). He is serving as the vice chairman of the board of Chinese Association of Science and Science & Technology Policy (the CASSSP), the chair of the National Expert Committee on New Generation of Artificial Intelligence Governance and a member of the Standing Committee of the China Association for Science and Technology.

Prof. Xue obtained his bachelor's degree in optics and fine mechanics from the Changchun Institute of Optics and Fine Mechanics (currently known as Changchun University of Science and Technology) in January 1982. He obtained a Master of Science degree from the State University of New York at Stony Brook in December 1987. He further received a Master of Science degree and a Ph.D. degree in engineering and public policy from Carnegie Mellon University in May 1989 and December 1991, respectively.

* The English translation of the PRC entities included in this document is for identification purposes only.

SENIOR MANAGEMENT

The following table sets forth information regarding the senior management of the Company as at August 15, 2022:

Name	Age	Position
Mr. Yang Yuanqing	57	Chairman, Chief Executive Officer and executive director
Ms. Gao Lan	56	Senior Vice President of Human Resources
Mr. He Zhiqiang	59	Senior Vice President, President of Lenovo Capital and Incubator Group
Mr. Liu Jun	53	Executive Vice President and the President of the China geography
Ms. Qiao Jian	54	Senior Vice President, Chief Strategy Officer and Chief Marketing Officer
Ms. Laura G. Quatela	64	Senior Vice President and Chief Legal Officer
Mr. Luca Rossi	49	Executive Vice President and President of the Intelligent Devices Group
Mr. Yong Rui, PhD	52	Senior Vice President and Corporate Chief Technology Officer
Mr. Kirk Skaugen	52	Executive Vice President and President of the Infrastructure Solutions Group
Mr. Che Min (Jammi) Tu	50	Senior Vice President for Group Operations
Mr. Ken Wong	48	Executive Vice President and President of the Solutions & Services Group
Mr. Wong Wai Ming	64	Executive Vice President and Chief Financial Officer
Mr. Matthew Zielinski	43	Executive Vice President and President of the International Sales Organization

Mr. Yang Yuanqing, 57, is the Chairman of the Board, Chief Executive Officer and an executive director of the Company. For the details of his biography, please refer to "*– Chairman and Executive Director*".

Ms. Gao Lan, 56, joined the Group in 2009 and is currently the Senior Vice President of Human Resources of the Company, responsible for human resources, organizational development, global talent, compensation and benefits, as well as nurturing the Company's culture. Prior to this role, Ms. Gao held several Vice President roles leading the HR functions of many teams, including Emerging Markets Group, APLA & China Geography, People & Organization Capability and HR Strategy & Operations. Before joining the Group, Ms. Gao held senior positions in HR in various multinational companies. Ms. Gao holds a bachelor's degree of science from Nankai University, an M.Phil. degree from Cambridge University in the UK, completed human resource management courses at the Western Management Institute of Beijing and the Leadership Excellence for Business HR Program at Stanford University in the US.

Mr. He Zhiqiang, 59, joined the Group in 1986 and is currently the Senior Vice President of the Company and President of the Lenovo Capital and Incubator Group. This group is responsible for driving innovation through investment in startups, spinning off new businesses and exploring new technologies. Prior to that, Mr. He held various leadership positions in the Group including the President of the Cloud Services Business Group and was the Chief Technology Officer overseeing Lenovo's Research & Technology initiatives and systems. Mr. He holds a bachelor's degree in computer communication from Beijing University of Posts and Telecommunications and a master's degree in computer engineering from the Institute of Computing Technology of the Chinese Academy of Sciences.

Mr. Liu Jun, 53, joined the Group in 1993 and is currently an Executive Vice President and the President of the China geography, responsible for leading the China business platform and sales across all three Lenovo business groups through an integrated go-to-market strategy. Prior to this role, he held a broad range of leadership positions at Lenovo including a Senior Vice President of the Company, the President of the Mobile Business Group, Product Group, Consumer Business Group, Idea Product Group and Global Supply Chain, the Chief Operating Officer of Lenovo China, the President of Planning and Operation, and the President of Lenovo Consumer and IT Business. Lenovo's famous Dual Model (transactional and relationship models) was developed under his direct leadership and remains crucial part of Lenovo business to this day. Mr. Liu holds a bachelor's degree in automation and an EMBA, both from Tsinghua University. He also completed senior executive programs at Harvard and Stanford universities.

Ms. Qiao Jian, 54, joined the Group in 1990 and is currently the Senior Vice President, Chief Strategy Officer and Chief Marketing Officer of the Company, overseeing Lenovo's strategy and planning, global brand, marketing and communications. Before that, Ms. Qiao was Co-President of the Mobile Business Group focusing on Lenovo's mobile business in China. Prior to that, Ms. Qiao was the Senior Vice President of Human Resources. Ms. Qiao held various senior positions in the Group including Senior Vice President of Strategy and Planning and Vice President of Human Resources – both before and after the acquisition of IBM's PC Division. Ms. Qiao has extensive experience in strategy, marketing and branding, human resources and business management. She holds a bachelor's degree in management science from Fudan University and holds an EMBA from the China Europe International Business School.

Ms. Laura G. Quatela, 64, joined the Group in October 2016 as a Senior Vice President and the Chief Legal Officer responsible for the Group's legal, IP, government relations and ESG (environmental, social and governance) matters globally. Before joining the Group, Ms. Quatela had a 15-year career with Eastman Kodak Company ("Kodak") holding a broad range of leadership positions including Chief Intellectual Property Officer, General Counsel, Senior Vice President, Co-Chief Operating Officer and President of the company. She had responsibility for licensing Kodak's technology, patents and trademarks and leading Kodak's consumer film, photographic paper, retail photo kiosk, event imaging and OLED businesses. Prior to joining Kodak, Ms. Quatela worked for Clover Capital Management, Inc., SASIB Railway GRS, and Bausch & Lomb. In private law practice, she was a defense litigator specializing in mass tort cases. Ms. Quatela is a graduate of Denison University, B.A., International Politics and Case Western Reserve University School of Law, J.D., where she was inducted into the Society of Benchers. The *Financial Times* named her among the Top 20 GCs in the World in June 2021. In November 2021, she was inducted into the IP Hall of Fame as a joint winner of IAM's Inaugural Q. Todd Dickinson Award. Ms. Quatela is conversant in Mandarin.

Mr. Luca Rossi, 49, joined the Group in 2015 and is currently an Executive Vice President of the Company and the President of the Intelligent Devices Group (IDG) overseeing Lenovo's global business in PCs, smartphones, tablets, workstations and other products. Prior to this role, he served as President of the Europe Middle East Africa (EMEA) and Latin America (LATAM) geographies, leading the PC, smartphone, tablet and server businesses. Before joining Lenovo, Mr. Rossi held numerous global leadership roles in Europe including president of EMEA of Acer, leading the consumer business and the product business of Packard Bell and general manager of Asus Europe. Mr. Rossi started his career as a 19-year-old entrepreneur setting up an Italian systems integrator under the Geo Microsystems brand. Mr. Rossi holds a diploma in accounting and studied in Bocconi University.

Dr. Yong Rui, 52, joined the Group in 2016 as Senior Vice President and Corporate Chief Technology Officer. He oversees Lenovo's corporate technical strategy, research and development directions, and leads the Lenovo Research organization. He drives Lenovo's effort in AI, AR, 5G, Edge/Cloud Computing, Device Innovation, and various smart vertical solutions. Before joining the Group, he had an 18-year career with Microsoft, where he held various leadership roles in R&D strategy, basic research, technology incubation and product development. Dr. Rui is a world-renowned technologist in computer science and artificial intelligence, a Fellow of ACM, IEEE, IAPR, and SPIE, and a Foreign Member of Academia Europaea. He received his BS from Southeast University, his MS from Tsinghua University, and his PhD from University of Illinois at Urbana-Champaign (UIUC).

Mr. Kirk Skaugen, 52, joined the Group in November 2016 as an Executive Vice President of the Company and President of the Infrastructure Solutions Group. In this capacity he leads the end-to-end data center business including Hyperscale & Cloud, High Performance Computing & Artificial Intelligence, Software Defined Infrastructure, Edge/IOT servers, telecommunications, and Lenovo's related server, storage, software and services business. This includes strategy, architecture, hardware and software engineering, supply chain and procurement, quality, customer service, sales and marketing across Lenovo ISG's five geographies with business in 180 countries. Prior to Lenovo, Mr. Skaugen worked at Intel for 24 years where in his most recent positions he led the Data Center Group and Client Computing Group as senior vice president. As head of Client Computing, Mr. Skaugen was responsible for Intel's largest revenue and profit contributor including Intel's PC, tablet, and phone businesses. Mr. Skaugen holds a Bachelor's degree of Science in Electrical Engineering from Purdue University.

Mr. Che Min (Jammi) Tu, 50, joined the Group in 2012 and is currently the Senior Vice President for Group Operations, where he is responsible for driving Lenovo's operational excellence and improving efficiency across the One Lenovo Operation by working across the numerous Business Groups to identify synergies and to standardize and streamline processes. Prior to this role, he was Chief Operating Officer of Lenovo's Intelligent Devices Group (IDG), playing a crucial role in leading that organization to record performance and Chief Financial Officer (CFO) for the Europe Middle East Africa (EMEA) region. Before joining Lenovo, Mr. Tu was the CFO of Acer Inc. (Acer) from 2009 to 2011 and he also held numerous leadership roles at Acer including Treasury Director, CFO of EMEA as well as special assistant to Chief Executive Officer. Mr. Tu holds an MBA from the University of Manchester.

Mr. Ken Wong, 48, is President of Lenovo's Solutions and Services Group (SSG) and a member of Lenovo Executive Committee since 2015. As Executive Vice President of Lenovo and President of SSG, Mr. Wong is tasked with transforming Lenovo from the world's largest PC and laptop company into a global leader in IT solutions and services. SSG's wide spectrum of offerings – support services, managed services, and global vertical solutions and services – aims to empower clients to solve some of the most pressing IT and business challenges.

Prior to this role, he led Lenovo Asia Pacific PCs and Smart Devices for five years, where he grew the business to the number one position. He was chairman of NEC Lenovo Japan Group (2016 to 2021) and Fujitsu Client Computing Limited (2018 to early 2021), where he remains a member of the board of directors. Previously, he was responsible for driving the development and implementation of Lenovo's global corporate strategy, reporting to Chairman and CEO of the Company, Mr. Yang Yuanqing. Mr. Wong graduated from The University of Hong Kong with a Bachelor of Engineering in Computer Science, and also holds an Executive MBA jointly awarded by The University of Hong Kong, Columbia University and the London Business School.

Mr. Wong Wai Ming, 64, is currently the Executive Vice President and the Chief Financial Officer of the Company. He was previously an investment banker for more than 15 years and also held senior management positions in listed companies in Hong Kong. He was an independent non-executive director of the Company from March 30, 1999 until his appointment to the position of Chief Financial Officer in 2007. Mr. Wong is a member of the Hong Kong Institute of Certified Public Accountants and the Institute of Chartered Accountants in England and Wales and holds a bachelor's degree in management sciences from the Victoria University of Manchester in the United Kingdom.

Mr. Matthew Zielinski, 43, joined the Group in 2018 and is currently an Executive Vice President of the Company and President of the International Sales Organization (ISO) of the Company, responsible for driving revenue and profit growth across all Lenovo businesses while reinforcing a customer-centric culture. He is also a member of Lenovo Executive Committee. He leads the ISO geographies, namely Asia Pacific, Japan, EMEA, Latin America and North America. Prior to that, he served as the President of the North America Intelligent Devices Group (IDG) where he was responsible for sales, daily operations, growth and profitability for the United States and Canada. Prior to joining Lenovo, he was the corporate vice president and general manager, head of worldwide OEM sales at AMD. He was responsible for leading AMD's end-to-end efforts for all strategic OEMs, as well as global responsibility for end-user sales through all consumer and commercial routes to market. Mr. Zielinski holds a Bachelor of Science in Engineering (BSE) degree in electrical engineering from the University of Michigan.

BOARD TENURE

In accordance with the articles of association of the Company (the "Articles of Association"), all of our directors are subject to retirement by rotation. At each annual general meeting, one-third of the directors for the time being, or, if their number is not three or a multiple of three, then the number nearest one-third, shall retire from office. The retiring directors shall be eligible for re-election. New appointments either to fill a casual vacancy or as an addition to the Board are subject to re-election by shareholders of the Company at the next annual general meeting of the Company. All of our non-executive directors (including independent non-executive directors) have entered into letters of appointment with the Company for a term of three years. Their terms of appointment shall be subject to retirement from office by rotation and re-election at the annual general meeting in accordance with the Articles of Association.

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

COMMITTEES OF THE BOARD

We maintain three Board committees: the audit committee, the compensation committee and the nomination and governance committee.

Audit Committee

Our audit committee consists of Mr. Woo Chin Wan Raymond, Mr. William Tudor Brown and Mr. Gordon Robert Halyburton Orr. Mr. Woo Chin Wan Raymond is currently the chairperson of our audit committee. The audit committee provides an independent review of our financial reporting, and assesses the effectiveness of risk management and internal control systems. It also reviews the adequacy of the Company's internal audit function and manages our relationship with external auditors.

Compensation Committee

Our compensation committee consists of Mr. William Tudor Brown, Mr. William O. Grabe, Mr. Gordon Robert Halyburton Orr and Mr. Zhao John Huan. Mr. William Tudor Brown is currently the chairperson of our compensation committee. The compensation committee is responsible for the assessment and recommendation of the compensation policy, the determination of compensation level and package for the members of the Board and senior management, the pay efficiency to support understanding of pay affordability and sustainability for the entire company. It also reviews the compensation and remuneration trends and regulatory developments in the technology industry to supplement our compensation policy.

Nomination and Governance Committee

Our nomination and governance committee consists of Mr. Yang Yuanqing, Mr. William O. Grabe and Ms. Yang Lan. Mr. Yang Yuanqing is currently the chairperson of our nomination and governance committee. The nomination and governance committee assists the Board in overseeing Board organization and composition, reviewing succession planning, and developing the corporate governance principles and policy. It is also responsible for the assessment of the performance of the Chairman of the Board and/or chief executive officer and the independence of independent non-executive directors.

LENOVO EXECUTIVE COMMITTEE

The Lenovo Executive Committee is a management committee comprising our chief executive officer and certain members of senior management. It is responsible for increasing management efficiency and communication among senior management; planning, strategy and implementation of major corporate decisions and strategic decisions; and the design, implementation and review of our risk management framework to achieve organizational objectives.

CORPORATE GOVERNANCE CODE COMPLIANCE

The Board and the management strive to attain and uphold a high standard of corporate governance and to maintain sound and well-established corporate governance practices for the benefit of shareholders and other stakeholders including customers, suppliers, employees and the general public. We abide strictly by the governing laws and regulations of the jurisdictions where we operate and observe the applicable guidelines and rules issued by regulatory authorities. We regularly review our corporate governance system to ensure it is in line with international and local best practices.

Throughout the year ended March 31, 2022 and the four months ended July 31, 2022, based on our directors' knowledge, we complied with the code provisions of the Corporate Governance Code (the "CG Code") set out in Appendix 14 to the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (the "Listing Rules"), and where appropriate, met the recommended best practices in the CG Code, except that the roles of the chairman of the Board (the "Chairman") and the chief executive officer (the "CEO") have not been segregated as required by code provision C.2.1 of the CG Code.

Since November 3, 2011, Mr. Yang Yuanqing ("Mr. Yang") has been performing both the roles as the chairman of the Board and chief executive officer. The Board has reviewed the organization human resources planning of the Company and is of the opinion that it is appropriate and in the best interests of the Company at the present stage for Mr. Yang to continue to hold both the positions as it would help to maintain the continuity of our 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 led by Mr. Yang.

The Board also appointed Mr. William O. Grabe ("Mr. 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 when 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.

In relation to the recommended best practices in the CG Code, we published quarterly financial results and business reviews in addition to interim and annual results. Quarterly financial results enhanced the shareholders' ability to assess the performance, financial position and prospects of the Company. The quarterly financial results were also prepared using the accounting standards consistent with the policies applied to the interim and annual financial results.

PRINCIPAL SHAREHOLDERS

As at July 31, 2022, the following persons beneficially own 5% or more of our outstanding shares and underlying shares, as recorded in the register maintained by us pursuant to section 336 of the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) (the "SFO"):

	Capacity and number of shares/underlying shares held				
Name	**Long position/ Short position**	**Beneficial owner**	**Corporate interests**	**Aggregate long and short positions**	**Approximate percentage of interests**
					(Note 1)
Legend Holdings Corporation	Long position	2,867,636,724	1,461,168,248 *(Note 2)*	4,328,804,972	35.94%
Right Lane Limited	Long position	257,400,000	1,203,768,248 *(Note 3)*	1,461,168,248	12.13%
Legion Elite Limited.	Long position	480,900,000	764,868,248 *(Note 4)*	1,245,768,248	10.34%
Yang Yuanqing.	Long position	527,861,463	622,804,000 *(Note 7)*	1,150,665,463	9.56%
Red Eagle Group (PTC) Limited	Long position	–	719,304,248	719,304,248 *(Note 5)*	5.97%
Harvest Star Limited.	Long position	–	719,304,248	719,304,248 *(Note 6)*	5.97%
Union Star Limited	Long position	719,304,248	–	719,304,248	5.97%
Sureinvest Holdings Limited	Long position	622,804,000	–	622,804,000 *(Note 7)*	5.17%

Notes:

1. The percentage were compiled based on 12,041,705,614 ordinary shares in issue of the Company as at July 31, 2022.

2. Pursuant to the corporate substantial shareholder notice filed by Legend Holdings Corporation on March 25, 2022, out of these 1,461,168,248 shares corporate interest held by Legend Holdings Corporation, 257,400,000 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 722,868,248 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 interests in those 722,868,248 shares of the Company held by Union Star under the SFO. Subsequently, Union Star filed a corporate substantial shareholder notice on April 1, 2022, and its interest in shares of the Company decreased to 719,304,248.

3. Part of these shares are directly or indirectly held by Legion Elite.

4. These shares are directly held by Union Star.

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

6. These shares are directly held by Union Star.

7. Mr. Yang Yuanqing holds more than one-third of the voting power at general meetings of Sureinvest Holdings Limited ("Sureinvest"). Accordingly, Mr. Yang is deemed to have interests in those 622,804,000 shares of the Company held by Sureinvest under the SFO.

TAXATION

The following summary of certain tax consequences of the purchase, ownership and disposition of the Bonds is based upon applicable laws, regulations, rulings and decisions in effect as at the date of this offering circular, all of which are subject to change (possibly with retroactive effect). This summary does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to purchase, own or dispose of the Bonds and does not purport to deal with consequences applicable to all categories of investors, some of which may be subject to special rules. Neither these statements nor any other statements in this offering circular are to be regarded as advice on the tax position of any holder of the Bonds or any person acquiring, selling or otherwise dealing in the Bonds or on any tax implications arising from the acquisition, sale or other dealings in respect of the Bonds.

Persons considering the purchase of the Bonds should consult their own tax advisers concerning the tax consequences of the purchase, ownership and disposition of the Bonds.

HONG KONG

Withholding tax

No withholding tax is payable in Hong Kong in respect of payments of principal (including any premium payable on redemption of the Bonds) or interest on the Bonds or in respect of any capital gains arising from the sale of the Bonds.

Profits tax

Hong Kong profits tax is chargeable on every person carrying on a trade, profession or business in Hong Kong in respect of assessable profits arising in or derived from Hong Kong from such trade, profession or business (excluding profits arising from the sale of capital assets).

Under the Inland Revenue Ordinance (Chapter. 112 of the Laws of Hong Kong) (the "Inland Revenue Ordinance") as it is currently applied by the Inland Revenue Department, interest on the Bonds may be deemed to be profits arising in or derived from Hong Kong from a trade, profession or business carried on in Hong Kong in the following circumstances:

(a) interest on the Bonds is derived from Hong Kong and is received by or accrues to a corporation (other than a financial institution) carrying on a trade, profession or business in Hong Kong;

(b) interest on the Bonds is derived from Hong Kong and is received by or accrues to a person, other than a corporation (such as a partnership), carrying on a trade, profession or business in Hong Kong and is in respect of the funds of the trade, profession or business;

(c) interest on the Bonds is received by or accrues to a financial institution (as defined in the Inland Revenue Ordinance) by way of interest which arises through or from the carrying on by the financial institution of its business in Hong Kong, notwithstanding that the moneys in respect of which the interest is received or accrues are made available outside Hong Kong; or

(d) interest on the Bonds is received by or accrues to a corporation, other than a financial institution, and arises through or from the carrying on in Hong Kong by the corporation of its intra-group financing business (within the meaning of section 16(3) of the Inland Revenue Ordinance).

Sums received by or accrued to a financial institution by way of gains or profits arising through or from the carrying on by the financial institution of its business in Hong Kong from the sale, disposal or redemption of the Bonds will be subject to Hong Kong profits tax.

Sums derived from the sale, disposal or redemption of the Bonds will be subject to Hong Kong profits tax where received by or accrued to a person, other than a financial institution, from the carrying on of a trade, profession or business in Hong Kong and the sums are revenue in nature and have a Hong Kong source. The source of such sums will generally be determined by having regard to the manner in which the Bonds are acquired and disposed of.

Sums received by or accrued to a corporation (other than a financial institution) by way of gains or profits arising through or from the carrying on in Hong Kong by the corporation of its intra-group financing business (as defined in section 16(3) of the Inland Revenue Ordinance) from the sale, disposal or redemption of the Bonds will be subject to profits tax. In certain circumstances, Hong Kong profits tax exemptions (such as concessionary tax rates) may be available to certain qualifying investors. Investors are advised to consult their own tax advisors to ascertain the applicability of any exemptions to their individual positions.

Stamp duty

No stamp duty is payable on the issue of the Bonds. Stamp duty may be payable on any transfer of the Bonds if the relevant transfer is required to be registered in Hong Kong. Stamp duty will, however, not be payable on any transfers of the Bonds **provided that** either:

(a) such Registered Bonds are denominated in a currency other than the currency of Hong Kong and are not repayable in any circumstances in the currency of Hong Kong; or

(b) such Registered Bonds constitute loan capital (as defined in the Stamp Duty Ordinance (Cap. 117 of the Laws of Hong Kong)).

If stamp duty is payable in respect of the sale and purchase of the Registered Bonds, it will be payable at the rate of 0.13 per cent. by the seller and 0.13 per cent. by the buyer, normally by reference to the consideration or its market value, whichever is higher. If, in the case of either the sale or purchase of the Registered Bonds, stamp duty is not paid, both the seller and the buyer are liable jointly and severally to pay any unpaid stamp duty and also any penalties for late payment. If stamp duty is not paid on or before the due date (two days after the sale or purchase if effected in Hong Kong or 30 days if effected elsewhere) a penalty of up to 10 times the duty payable may be imposed. In addition, stamp duty is payable at the fixed rate of HK$5 on each instrument of transfer executed in relation to any transfer of the Bonds if the relevant transfer is required to be registered in Hong Kong.

Estate duty

No estate duty will be payable in respect of Bonds in Hong Kong.

THE PROPOSED FINANCIAL TRANSACTION TAX

On February 14, 2013, the European Commission published a proposal (the "Commission's Proposal") for a Directive for a common financial transaction tax ("FTT") in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the "participating Member States"). However, Estonia has ceased to participate.

The Commission's Proposal has very broad scope and could, if introduced in its current form, apply to certain dealings in the Bonds (including secondary market transactions) in certain circumstances.

Under the Commission's Proposal, the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in the Bonds where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, "established" in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

However, the FTT proposal remains subject to negotiation between participating Member States. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU Member States may decide to participate and/or certain of the participating Member States may decide to withdraw.

Prospective holders of the Bonds are advised to seek their own professional advice in relation to the FTT.

FATCA

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, commonly known as FATCA, a "foreign financial institution" may be required to withhold on "foreign passthru payments" (a term not yet defined) it makes to persons that fail to meet certain certification, reporting, or related requirements. The Company may be a foreign financial institution for these purposes. A number of jurisdictions (including Hong Kong) have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA ("IGAs"), which modify the way in which FATCA applies in their jurisdictions. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as the Bonds, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Bonds, are uncertain and may be subject to change.

Under a grandfathering rule, this withholding tax will not apply to any foreign passthru payment made under a debt instrument that is not treated as equity for U.S. tax purposes unless the debt instrument is issued or materially modified after the date that is six months after the date on which final U.S. Treasury Regulations defining the term foreign passthru payment are filed with the U.S. Federal Register. For shares and debt instruments that are not grandfathered, this withholding tax would apply only to foreign passthru payments made more than two years after the date on which final U.S. Treasury Regulations defining the term "foreign passthru payment" are filed with the U.S. Federal Register. Holders should consult their own tax advisers regarding how these rules may apply to their investment in the Bonds. In the event any withholding would be required pursuant to FATCA or an IGA with respect to payments on the Bonds, no person will be required to pay additional amounts as a result of the withholding.

SUBSCRIPTION AND SALE

The Issuer has entered into a subscription agreement with the Managers on August 17, 2022 (the "Subscription Agreement"), pursuant to which and subject to certain conditions contained therein, the Issuer has undertaken, among other things, that the Bonds will be issued on August 26, 2022 (the "Issue Date"), and the Managers have severally and not jointly agreed with the Issuer to subscribe and pay for, or procure subscribers to subscribe and pay for, the Bonds at an issue price of 100.0 per cent. of their principal amount in the amount set forth below:

Managers	**Principal amount of Bonds to be subscribed**
	(US$)
Goldman Sachs (Asia) L.L.C.	125,000,000
J.P. Morgan Securities plc	125,000,000
BNP Paribas Securities (Asia) Limited	125,000,000
Citigroup Global Markets Limited	125,000,000
Morgan Stanley Asia Limited	43,750,000
Credit Suisse (Hong Kong) Limited	43,750,000
DBS Bank Ltd.	43,750,000
The Hongkong and Shanghai Banking Corporation Limited	43,750,000
Total	675,000,000

The Issuer has agreed to indemnify the Managers against certain liabilities in connection with the offer and sale of the Bonds. The Subscription Agreement entitles the Managers to terminate any agreement that they make to subscribe Bonds in certain circumstances prior to payment for such Bonds being made to us.

IMPORTANT NOTICE TO CMIS (INCLUDING PRIVATE BANKS)

This notice to CMIs (including Private Banks) is a summary of certain obligations the Code imposes on CMIs, which require the attention and cooperation of other CMIs (including Private Banks). Certain CMIs may also be acting as OCs for this offering and are subject to additional requirements under the Code.

Paragraph 21.3.3(c) of the Code requires that a CMI should take all reasonable steps to identify whether investors may have any Associations with the issuer and provide sufficient information to the OC to enable it to assess whether orders placed by these investors may negatively impact the price discovery process.

Prospective investors who are the directors, employees or major shareholders of the Issuer, a CMI or its group companies would be considered under the Code as having an Association with the Issuer, the CMI or the relevant group company (as the case may be). CMIs should specifically disclose whether their investor clients have any Association when submitting orders for the Bonds. In addition, Private Banks should take all reasonable steps to identify whether their investor clients may have any Associations with the Issuer or any CMI (including its group companies) and inform the Managers accordingly.

Prospective investors to whom the allocation of Bonds will be subject to restrictions or require prior consent from the Hong Kong Stock Exchange under the Listing Rules and other regulatory requirements or guidance issued by the Hong Kong Stock Exchange from time to time (e.g. a connected person of a listed issuer) would be considered as "Restricted Investors". Bonds may only be allocated to Restricted Investors in accordance with applicable SEHK Requirements. CMIs should specifically disclose whether their investor clients are Restricted Investors when submitting orders for the Bonds.

CMIs are informed that the marketing and investor targeting strategy for this offering includes institutional investors, long-only investors, sovereign wealth funds, pension funds, hedge funds, corporates, private banks/broking companies, family offices and high net worth individuals, in each case, subject to the applicable SEHK Requirements, selling restrictions and any MiFID II product governance language (if applicable) set out in this offering circular.

CMIs should ensure that orders placed are bona fide, are not inflated and do not constitute duplicated orders (i.e. two or more corresponding or identical orders placed via two or more CMIs). CMIs should enquire with their investor clients regarding any orders which appear unusual or irregular. CMIs should disclose the identities of all investors when submitting orders for the Bonds (except for omnibus orders where underlying investor information should be provided to the OCs when submitting orders). Failure to provide underlying investor information for omnibus orders, where required to do so, may result in that order being rejected. CMIs should not place "X-orders" into the order book.

CMIs should segregate and clearly identify their own proprietary orders (and those of their group companies, including Private Banks as the case may be) in the order book and book messages.

CMIs (including Private Banks) should not offer any rebates to prospective investors or pass on any rebates provided by the Issuer. In addition, CMIs (including Private Banks) should not enter into arrangements which may result in prospective investors paying different prices for the Bonds.

The Code requires that a CMI disclose complete and accurate information in a timely manner on the status of the order book and other relevant information it receives to targeted investors for them to make an informed decision. In order to do this, those Managers in control of the order book should consider disclosing order book updates to all CMIs.

When placing an order for the Bonds, Private Banks should disclose, at the same time, if such order is placed other than on a "principal" basis (whereby it is deploying its own balance sheet for onward selling to investors). Private Banks who do not provide such disclosure are hereby deemed to be placing their order on such a "principal" basis. Private Banks who disclose that they are placing their order other than on a "principal" basis (i.e. they are acting as an agent) should note that such order may be considered to be an omnibus order pursuant to the Code. Private Banks should be aware that if any of their group companies is a CMI of this offering, placing an order on a "principal" basis may require the Managers to apply the "proprietary orders" requirements of the Code to such order and will require the Managers to apply the "rebates" requirements of the Code to such order.

In relation to omnibus orders, when submitting such orders, CMIs (including Private Banks) are requested to provide the following underlying investor information, preferably in Excel Workbook format, in respect of each order constituting the relevant omnibus order (failure to provide such information may result in that order being rejected). To the extent information being disclosed by CMIs and investors is personal and/or confidential in nature, CMIs (including Private Banks) agree and warrant: (A) to take appropriate steps to safeguard the transmission of such information to the OCs; (B) that they have obtained the necessary consents from the underlying investors to disclose such information to the OCs. By submitting an order and providing such information to the OCs, each CMI (including Private Banks) further warrants that they and the underlying investors have understood and consented to the collection, disclosure, use and transfer of such information by the OCs and/or any other third parties as may be required by the Code, including to the Issuer, relevant regulators and/or any other third parties as may be required by the Code, for the purpose of complying with the Code, during the bookbuilding process for this offering. CMIs that receive such underlying investor information are reminded that such information should be used only for submitting orders in this offering. The Managers may be asked to demonstrate compliance with their obligations under the Code and may request other CMIs (including Private Banks) to provide evidence showing compliance with the obligations above (in particular, that the necessary consents have been obtained). In such event, other CMIs (including Private Banks) are required to provide the relevant Manager with such evidence within the timeline requested.

To:	Goldman Sachs (Asia) L.L.C. Email: SyndicateExecutionHK@ny.email.gs.com J.P. Morgan Securities plc Email: Asian_ECM_Syndicate@jpmorgan.com BNP Paribas Securities (Asia) Limited Email: DL.Tahoe.II@asia.bnpparibas.com Citigroup Global Markets Limited Email: ECM.Omnibus@citi.com *CMIs submitting orders should send ALL of the below information, at the same time as such order is submitted, to EACH OC contact set out above. Failure to do so may result in such order being rejected.*
Offering:	US$675 million Convertible Bonds due 2029
Date:	
Name of CMI submitting order:	
Name of prospective investor:	
Type of unique identification of prospective investor:	*For **individual investor clients**, indicate one of the following:* *(i) HKID card; or* *(ii) national identification document; or* *(iii) passport.* *For **corporate investor clients**, indicate one of the following:* *(i) legal entity identifier (LEI) registration; or* *(ii) company incorporation identifier; or* *(iii) business registration identifier; or* *(iv) other equivalent identity document identifier.*
Unique identification number of prospective investor:	*Indicate the unique identification number which corresponds with the above "type" of unique identification*

Order size (and any price limits):

Other information:

– Associations	*Identify any "Associations" (as defined above) and, if any Associations identified, provide sufficient information to enable the OCs to assess whether such order may negatively impact the price discovery process.*
– Restricted Investors	*Identify any "**Restricted Investors**" (as used in the Code, e.g. a connected person of a listed issuer) and, if any Restricted Investors identified, inform the OCs (whether directly or indirectly) before placing an order on behalf of such clients.*
– Proprietary Orders	*Identify if this order is a "**Proprietary Order**" (as used in the Code) and, if so, provide sufficient information to enable the OCs to assess whether such order may negatively impact the price discovery process.*
– Duplicated Orders (i.e. two or more corresponding or identical orders placed via two or more CMIs)	*If the prospective investor has placed an/any order(s) via other CMIs in this offering, identify if this order is (i) a separate/unique order or (ii) a duplicated order.*
Contact Information of CMI submitting the order:	*Provide 24-hour contact details (telephone and email) of relevant individual(s) who may be contacted in relation to this order.*

In connection with each the issue of the Bonds, the Managers or certain of their affiliates may subscribe or purchase Bonds and be allocated Bonds for asset management and/or proprietary purposes but not with a view to distribution. Further, the Managers or their respective affiliates may purchase Bonds for its or their own account and enter into transactions, including credit derivatives, such as asset swaps, repackaging and credit default swaps relating to such Bonds and/or other of our securities or our subsidiaries or affiliates at the same time as the offer and sale of each series of the Bonds or in secondary market transactions. Such transactions would be carried out as bilateral trades with selected counterparties and separately from any existing sale or resale of the Bonds (notwithstanding that such selected counterparties may also be purchasers of such series of the Bonds).

The Managers and their affiliates are full service financial institutions engaged in various activities which may include securities trading, commercial and investment banking, financial advice, investment management, principal investment, hedging, financing and brokerage activities. Each of the Managers may have engaged in, and may in the future engage in, investment banking and other commercial dealings in the ordinary course of business with us or our subsidiaries, jointly controlled entities or associated companies from time to time. In the ordinary course of their various business activities, the Managers and their affiliates may make or hold (on their own account, on behalf of clients or in their capacity as investment advisers) a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments and enter into other transactions, including credit derivatives (such as asset swaps, repackaging and credit default swaps) in relation thereto. Such transactions, investments and securities activities may involve our securities and instruments or those of our subsidiaries, jointly controlled entities or associated companies may be entered into at the same time or proximate to offers and sales of the Bonds or at other times in the secondary market and be carried out with counterparties that are also purchasers, holders or sellers of the Bonds.

If a jurisdiction requires that the offering be made by a licensed broker or dealer and a Manager or any affiliate of that Manager is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by that Manager or such affiliate on behalf of the Issuer in such jurisdiction.

SELLING RESTRICTIONS

United States of America

The Bonds have not been and will not be registered under the U.S. Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act.

Each Manager has represented, warranted and undertaken to the Issuer that:

(a) offers/sales only in accordance with Regulation S: it has not offered or sold, and will not offer or sell, any Bonds constituting part of its allotment within the United States except in accordance with Rule 903 of Regulation S; and

(b) no directed selling efforts: neither it nor any of its Affiliates (as defined in Rule 501(b) of Regulation D under the U.S. Securities Act) (nor any person acting on behalf of such Manager or any of its Affiliates) has engaged or will engage in any directed selling efforts (as defined in Regulation S) with respect to the Bonds.

Terms used in the paragraph above have the meanings given to them by Regulation S.

Prohibition of Sales to EEA Retail Investors

Each Manager has represented, warranted and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Bonds which are the subject of the offering contemplated by this offering circular in relation thereto to any retail investor in the European Economic Area.

For the purposes of this provision, the expression "retail investor" means a person who is one (or more) of the following:

(i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "MiFID II"); or

(ii) a customer within the meaning of Directive (EU) 2016/97 (the "Insurance Distribution Directive"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II.

United Kingdom

Prohibition of Sales to UK Retail Investors

Each Manager has represented, warranted and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Bonds which are the subject of the offering contemplated by this offering circular in relation thereto to any retail investor in the United Kingdom.

For the purposes of this provision, the expression "retail investor" means a person who is one (or more) of the following:

(a) a retail client as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 ("EUWA"); or

(b) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA.

Other UK regulatory restrictions

Each Manager has represented, warranted and undertaken that:

(a) *Financial promotion*: it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of any Bonds in circumstances in which section 21(1) of the FSMA does not apply to the Issuer.

(b) *General compliance*: it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Bonds in, from or otherwise involving the United Kingdom.

People's Republic of China

Each Manager has represented and undertaken that the Bonds are not being offered or sold and may not be offered or sold, directly or indirectly, in the PRC (for such purposes, not including the Hong Kong and Macau Special Administrative Regions or Taiwan), except as permitted by the securities laws of the PRC.

Hong Kong

Each Manager has represented, warranted and agreed that:

(a) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Bonds, except for Bonds which are a "structured product" as defined in the SFO, other than (i) to "professional investors" as defined in the SFO and any rules made under the SFO; or (ii) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32 of the Laws of Hong Kong) (the "Companies (WUMP) Ordinance") or which do not constitute an offer to the public within the meaning of the Companies (WUMP) Ordinance; and

(b) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Bonds, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Bonds which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the SFO and any rules made under the SFO.

Japan

The Bonds have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948), as amended (the "FIEA"). Accordingly, each Manager has represented, warranted and undertaken, that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any Bonds in Japan or to, or for the benefit of, a resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organized under the laws of Japan) or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, a resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and any other applicable laws, regulations and ministerial guidelines of Japan.

Singapore

Each Manager acknowledges that this offering circular has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Manager represents, warrants and agrees that it has not offered or sold any Bonds or caused the Bonds to be made the subject of an invitation for subscription or purchase and will not offer or sell such Bonds or cause such Bonds to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this offering circular or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Bonds, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor (as defined in Section 4A of the Securities and Futures Act 2001 of Singapore, as modified or amended from time to time (the "SFA")) pursuant to Section 274 of the SFA, (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Bonds are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

(a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

(b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities or securities-based derivatives contracts (each term as defined in section 2(1) of the SFA) of that corporation or the beneficiaries' rights and interests (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Bonds pursuant to an offer made under Section 275 of the SFA except:

(a) to an institutional investor or to a relevant person, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;

(b) where no consideration is or will be given for the transfer;

(c) where the transfer is by operation of law;

(d) as specified in Section 276(7) of the SFA; or

(e) as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018.

LEGAL MATTERS

Certain legal matters with respect to the Bonds will be passed upon for the Company by Cleary Gottlieb Steen & Hamilton (Hong Kong) as to matters of English law and Hong Kong law. Certain legal matters regarding Bonds will be passed upon for the Managers by Clifford Chance with respect to matters of English law.

INDEPENDENT AUDITOR

The consolidated financial statements of the Company as at and for each of the financial years ended March 31, 2021 and 2022 have been prepared and presented in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accounts ("HKICPA") and have been audited by PricewaterhouseCoopers, Certified Public Accountants, Hong Kong.

GENERAL INFORMATION

AVAILABLE DOCUMENTS

As long as any Bonds are outstanding, copies of the following documents will be available for inspection, and in case of the documents referred to in paragraph (b) below, copies may be obtained, during normal business hours at the registered office of the Company at 23rd Floor, Lincoln House, Taikoo Place, 979 King's Road, Quarry Bay, Hong Kong:

(a) Articles of Association of the Company;

(b) copies of the audited consolidated financial statements of the Company for each of the financial years ended March 31, 2020, 2021 and 2022; and

(c) The Trust Deed and the Agency Agreement.

LISTING OF THE BONDS

Application has been made to the Hong Kong Stock Exchange for the listing of, and permission to deal in, the Bonds by way of debt issues to Professional Investors only. There is no assurance that the application to the Hong Kong Stock Exchange will be approved. Hong Kong Stock Exchanges and Clearing Limited and the Hong Kong Stock Exchange takes no responsibility for the contents of this offering circular, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this offering circular.

CLEARING SYSTEM

The Bonds have been accepted for clearance through the facility of Euroclear and Clearstream under Common Code number 252339086 and the International Securities Identification Number for the Bonds is XS2523390867.

NDRC REGISTRATION

Pursuant to the NDRC Circular, the Company has registered the issuance of the Bonds with the NDRC and obtained a certificate from NDRC on September 1, 2021 evidencing such registration and intends to provide the requisite information on the issuance of the Bonds to the NDRC within the prescribed period.

NO MATERIAL CHANGE

Except as disclosed in this offering circular, there has been no material change in the financial or trading position of the Company since March 31, 2022.

INDEX TO FINANCIAL STATEMENTS

Index to Unaudited Quarterly Consolidated Financial Information as at and for the three months ended June 30, 2022

Index to Audited Consolidated Financial Statements as at and for the year ended March 31, 2022[1]

(1) The Company's financial information included in this offering circular relating to each of the years ended March 31, 2022 and 2021 do 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 and will deliver the consolidated financial statements for the year ended March 31, 2022 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. 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.

(2) The Independent Auditor's Report on the consolidated financial statements of the Group set out herein are reproduced from the Company's annual report for the year ended March 31, 2022.

Index to Audited Consolidated Financial Statements as at and for the year ended March 31, 2021[3]

(3) The Company's financial information included in this offering circular relating to each of the years ended March 31, 2021 and 2020 do 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 each of the years ended March 31, 2021 and 2020 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. 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.

(4) The Independent Auditor's Report on the consolidated financial statements of the Group set out herein are reproduced from the Company's annual report for the year ended March 31, 2021.

CONSOLIDATED INCOME STATEMENT

	Note	**3 months ended June 30, 2022 (unaudited)** ***US$'000***	3 months ended June 30, 2021 (unaudited) *US$'000*
Revenue	*2*	**16,955,618**	16,929,247
Cost of sales		**(14,086,717)**	(14,105,505)
Gross profit		**2,868,901**	2,823,742
Selling and distribution expenses		**(879,337)**	(847,043)
Administrative expenses		**(686,984)**	(812,243)
Research and development expenses		**(511,415)**	(466,463)
Other operating income/(expenses) - net		**(13,916)**	44,778
Operating profit	*3*	**777,249**	742,771
Finance income	*4(a)*	**18,675**	9,076
Finance costs	*4(b)*	**(100,335)**	(100,581)
Share of losses of associates and joint ventures		**(5,076)**	(1,043)
Profit before taxation		**690,513**	650,223
Taxation	*5*	**(151,042)**	(165,056)
Profit for the period		**539,471**	485,167
Profit attributable to:			
Equity holders of the Company		**515,707**	466,065
Other non-controlling interests		**23,764**	19,102
		539,471	485,167
Earnings per share attributable to equity holders of the Company			
Basic	*6(a)*	**US4.39 cents**	US4.02 cents
Diluted	*6(b)*	**US4.01 cents**	US3.53 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	3 months ended June 30, 2022 (unaudited) ***US$'000***	3 months ended June 30, 2021 (unaudited) *US$'000*
Profit for the period	**539,471**	485,167
Other comprehensive income/(loss):		
Items that will not be reclassified to profit or loss		
Remeasurements of post-employment benefit obligations, net of taxes	**309**	(5,269)
Fair value change on financial assets at fair value through other comprehensive income, net of taxes	**(387)**	(744)
Items that have been reclassified or may be subsequently reclassified to profit or loss		
Fair value change on cash flow hedges from foreign exchange forward contracts, net of taxes		
- Fair value gain/(loss), net of taxes	**311,478**	(46,710)
- Reclassified to consolidated income statement	**(198,937)**	3,505
Currency translation differences	**(512,097)**	192,676
Other comprehensive (loss)/income for the period	**(399,634)**	143,458
Total comprehensive income for the period	**139,837**	628,625
Total comprehensive income/(loss) attributable to:		
Equity holders of the Company	**147,490**	609,399
Other non-controlling interests	**(7,653)**	19,226
	139,837	628,625

CONSOLIDATED BALANCE SHEET

	Note	**June 30, 2022 (unaudited)** *US$'000*	March 31, 2022 (audited) *US$'000*
Non-current assets			
Property, plant and equipment		**1,571,413**	1,636,629
Right-of-use assets		**802,878**	839,233
Construction-in-progress		**472,372**	510,211
Intangible assets		**7,849,694**	8,066,785
Interests in associates and joint ventures		**334,610**	339,547
Deferred income tax assets		**2,486,092**	2,527,955
Financial assets at fair value through profit or loss		**1,147,485**	1,104,408
Financial assets at fair value through other comprehensive income		**61,734**	64,572
Other non-current assets		**417,178**	424,241
		15,143,456	15,513,581
Current assets			
Inventories	*7*	**8,867,663**	8,300,658
Trade and notes receivables	*8(a)*	**11,646,783**	11,289,547
Derivative financial assets		**225,606**	113,757
Deposits, prepayments and other receivables	*9*	**4,269,802**	5,014,292
Income tax recoverable		**249,524**	255,809
Bank deposits		**57,575**	92,513
Cash and cash equivalents		**3,788,089**	3,930,287
		29,105,042	28,996,863
Total assets		**44,248,498**	44,510,444

CONSOLIDATED BALANCE SHEET (CONTINUED)

	Note	June 30, 2022 (unaudited) *US$'000*	March 31, 2022 (audited) *US$'000*
Share capital	*13*	**3,203,913**	3,203,913
Reserves		**1,975,967**	1,786,726
Equity attributable to owners of the Company		**5,179,880**	4,990,639
Other non-controlling interests		**952,571**	951,415
Put option written on non-controlling interests	*11(b)*	**(547,353)**	(547,353)
Total equity		**5,585,098**	5,394,701
Non-current liabilities			
Borrowings	*12*	**2,637,821**	2,633,348
Warranty provision	*10(b)*	**239,499**	242,776
Deferred revenue		**1,386,750**	1,459,582
Retirement benefit obligations		**320,549**	340,542
Deferred income tax liabilities		**386,664**	406,759
Other non-current liabilities	*11*	**722,394**	1,274,001
		5,693,677	6,357,008
Current liabilities			
Trade and notes payables	*8(b)*	**13,609,606**	13,184,831
Derivative financial liabilities		**34,583**	127,625
Other payables and accruals	*10(a)*	**15,522,846**	15,744,911
Provisions	*10(b)*	**916,770**	980,112
Deferred revenue		**1,531,077**	1,440,022
Income tax payable		**540,555**	493,312
Borrowings	*12*	**814,286**	787,922
		32,969,723	32,758,735
Total liabilities		**38,663,400**	39,115,743
Total equity and liabilities		**44,248,498**	44,510,444

CONSOLIDATED CASH FLOW STATEMENT

	Note	**3 months ended June 30, 2022 (unaudited) *US$'000***	3 months ended June 30, 2021 (unaudited) *US$'000*
Cash flows from operating activities			
Net cash generated from operations	*14*	**596,682**	742,464
Interest paid		**(102,310)**	(94,032)
Tax paid		**(95,654)**	(200,789)
Net cash generated from operating activities		**398,718**	447,643
Cash flows from investing activities			
Purchase of property, plant and equipment		**(93,076)**	(97,935)
Sale of property, plant and equipment		**11,730**	4,961
Disposal of subsidiaries, net of cash disposed		**-**	123,647
Interest acquired in a joint venture		**(298)**	-
Payment for construction-in-progress		**(133,105)**	(105,211)
Payment for intangible assets		**(160,004)**	(76,199)
Purchase of financial assets at fair value through profit or loss		**(97,676)**	(50,515)
Purchase of financial assets at fair value through other comprehensive income		**(2,000)**	-
Net proceeds from sale of financial assets at fair value through profit or loss		**29,524**	23,547
Net proceeds from sale of financial assets at fair value through other comprehensive income		**2,307**	-
Decrease/(increase) in bank deposits		**34,938**	(23,375)
Dividends received		**1,216**	425
Interest received		**18,675**	9,076
Net cash used in investing activities		**(387,769)**	(191,579)
Cash flows from financing activities			
Capital contribution from other non-controlling interests		**11,236**	8,337
Contribution to employee share trusts		**(10,985)**	(161,182)
Principal elements of lease payments		**(33,801)**	(26,869)
Dividends paid to convertible preferred shares holders		**(800)**	(5,600)
Proceeds from borrowings		**3,532,594**	2,803,396
Repayments of borrowings		**(3,506,740)**	(2,797,848)
Net cash used in financing activities		**(8,496)**	(179,766)
Increase in cash and cash equivalents		**2,453**	76,298
Effect of foreign exchange rate changes		**(144,651)**	31,129
Cash and cash equivalents at the beginning of the period		**3,930,287**	3,068,385
Cash and cash equivalents at the end of the period		**3,788,089**	3,175,812

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holders of the Company										
	Share capital (unaudited) *US$'000*	Investment revaluation reserve (unaudited) *US$'000*	Employee share trusts (unaudited) *US$'000*	Share-based compensation reserve (unaudited) *US$'000*	Hedging reserve (unaudited) *US$'000*	Exchange reserve (unaudited) *US$'000*	Other reserves (unaudited) *US$'000*	Retained earnings (unaudited) *US$'000*	Other non-controlling interests (unaudited) *US$'000*	Put option written on non-controlling interests (unaudited) *US$'000*	Total (unaudited) *US$'000*
At April 1, 2022	**3,203,913**	**(67,176)**	**(332,455)**	**(196,562)**	**48,233**	**(1,506,279)**	**37,758**	**3,803,207**	**951,415**	**(547,353)**	**5,394,701**
Profit for the period	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**515,707**	**23,764**	**–**	**539,471**
Other comprehensive (loss)/income	**–**	**(387)**	**–**	**–**	**112,541**	**(480,680)**	**–**	**309**	**(31,417)**	**–**	**(399,634)**
Total comprehensive (loss)/income for the period	**–**	**(387)**	**–**	**–**	**112,541**	**(480,680)**	**–**	**516,016**	**(7,653)**	**–**	**139,837**
Transfer to statutory reserve	**–**	**–**	**–**	**–**	**–**	**–**	**28,522**	**(28,522)**	**–**	**–**	**–**
Transfer of investment revaluation reserve upon disposal of financial assets at fair value through other comprehensive income to retained earnings	**–**	**376**	**–**	**–**	**–**	**–**	**–**	**(376)**	**–**	**–**	**–**
Vesting of shares under long-term incentive program	**–**	**–**	**148,399**	**(192,940)**	**–**	**–**	**–**	**–**	**–**	**–**	**(44,541)**
Deferred tax in relation to long-term incentive program	**–**	**–**	**–**	**(674)**	**–**	**–**	**–**	**–**	**–**	**–**	**(674)**
Settlement of bonus through long-term incentive program	**–**	**–**	**–**	**23,259**	**–**	**–**	**–**	**–**	**–**	**–**	**23,259**
Share-based compensation	**–**	**–**	**–**	**74,557**	**–**	**–**	**–**	**–**	**–**	**–**	**74,557**
Contribution to employee share trusts	**–**	**–**	**(10,985)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(10,985)**
Capital contribution from other non-controlling interests	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**8,944**	**–**	**8,944**
Change of ownership of subsidiaries without loss of control	**–**	**–**	**–**	**–**	**–**	**–**	**135**	**–**	**(135)**	**–**	**–**
At June 30, 2022	**3,203,913**	**(67,187)**	**(195,041)**	**(292,360)**	**160,774**	**(1,986,959)**	**66,415**	**4,290,325**	**952,571**	**(547,353)**	**5,585,098**
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	–	–	–	–	–	–	–	466,065	19,102	–	485,167
Other comprehensive (loss)/income	–	(744)	–	–	(43,205)	192,552	–	(5,269)	124	–	143,458
Total comprehensive (loss)/income for the period	–	(744)	–	–	(43,205)	192,552	–	460,796	19,226	–	628,625
Transfer to statutory reserve	–	–	–	–	–	–	8,134	(8,134)	–	–	–
Vesting of shares under long-term incentive program	–	–	231,335	(291,422)	–	–	–	–	–	–	(60,087)
Disposal of subsidiaries	–	–	–	–	–	(10,749)	(89)	–	–	–	(10,838)
Settlement of bonus through long-term incentive program	–	–	–	27,789	–	–	–	–	–	–	27,789
Share-based compensation	–	–	–	95,415	–	–	–	–	–	–	95,415
Contribution to employee share trusts	–	–	(161,182)	–	–	–	–	–	–	–	(161,182)
Capital contribution from other non-controlling interests	–	–	–	–	–	–	–	–	29,802	–	29,802
Change of ownership of subsidiaries without loss of control	–	–	–	–	–	–	826	–	(826)	–	–
At June 30, 2021	3,203,913	(49,877)	(430,124)	19,158	30,271	(1,509,145)	139,111	2,657,051	865,937	(766,238)	4,160,057

Notes

1 General information and basis of preparation

The financial information relating to the year ended March 31, 2022 included in the FY2022/23 first quarter results announcement does not constitute the Company's statutory annual consolidated financial statements for that year but is derived from those consolidated financial statements. Further information relating to these statutory consolidated financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance is as follows:

The Company will deliver the consolidated financial statements for the year ended March 31, 2022 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance.

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

Basis of preparation

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

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

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

- Amendments to HKAS 37, Onerous contracts – Cost of fulfilling a contract
- Annual improvements to HKFRS Standards 2018-2020 cycle
- Amendments to HKAS 16, Property, plant and equipment: Proceeds before intended use
- Amendments to HKFRS 3, Reference to the conceptual framework
- Accounting Guideline 5 (Revised), Merger accounting for common control combinations

Interpretation and amendments to existing standards not yet effective

The following interpretation and amendments to existing standards, which are considered appropriate and relevant to the Group's operations, have been issued but are not effective for the year ending March 31, 2023 and have not been early adopted:

	Effective for annual periods beginning on or after
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
Hong Kong Interpretation 5 (2020), Presentation of financial statements – Classification by the borrower of a term loan that contains a repayment on demand clause	January 1, 2023
Amendments to HKFRS 10 and HKAS 28, Sale or contribution of assets between an investor and its associate or joint venture	Date to be determined

The Group is in the process of assessing what the impact of these developments is expected to be in the 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

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

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

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

	3 months ended June 30, 2022		3 months ended June 30, 2021	
	Revenue *US$'000*	**Operating profit** *US$'000*	Revenue *US$'000*	Operating profit/(loss) *US$'000*
IDG	**14,273,843**	**1,069,512**	14,665,833	1,095,486
ISG	**2,086,073**	**11,311**	1,834,908	(10,791)
SSG	**1,455,872**	**329,342**	1,184,366	263,631
Total	**17,815,788**	**1,410,165**	17,685,107	1,348,326
Eliminations	**(860,170)**	**(284,552)**	(755,860)	(222,625)
	16,955,618	**1,125,613**	16,929,247	1,125,701
Unallocated:				
Headquarters and corporate income/(expenses) - net		**(319,713)**		(393,392)
Depreciation and amortization		**(142,000)**		(165,215)
Impairment of intangible assets		**-**		(15,000)
Finance income		**10,075**		5,075
Finance costs		**(3,790)**		(34,422)
Share of losses of associates and joint ventures		**(5,076)**		(1,043)
(Loss)/gain on disposal of property, plant and equipment		**(96)**		435
Fair value gain on financial assets at fair value through profit or loss		**25,292**		131,270
Fair value loss on a financial liability at fair value through profit or loss		**(873)**		(4,165)
Gain on disposal of subsidiaries		**-**		825
Dividend income		**1,081**		154
Consolidated profit before taxation		**690,513**		650,223

(b) Analysis of revenue by geography

	3 months ended June 30, 2022 *US$'000*	3 months ended June 30, 2021 *US$'000*
China	**4,006,215**	4,508,904
Asia Pacific ("AP")	**2,672,806**	2,634,044
Europe-Middle East-Africa ("EMEA")	**4,273,682**	4,243,382
Americas ("AG")	**6,002,915**	5,542,917
	16,955,618	16,929,247

(c) Analysis of revenue by timing of revenue recognition

	3 months ended June 30, 2022 *US$'000*	3 months ended June 30, 2021 *US$'000*
Point in time	**16,411,935**	16,511,768
Over time	**543,683**	417,479
	16,955,618	16,929,247

(d) Other segment information

	IDG		ISG		SSG		Total	
	2022	2021	**2022**	2021	**2022**	2021	**2022**	2021
	US$'000	*US$'000*	***US$'000***	*US$'000*	***US$'000***	*US$'000*	***US$'000***	*US$'000*
For the three months ended June 30								
Depreciation and amortization	**147,800**	106,434	**40,343**	34,965	**1,258**	680	**189,401**	142,079
Finance income	**6,438**	3,405	**2,043**	452	**119**	144	**8,600**	4,001
Finance costs	**69,608**	50,569	**26,788**	15,435	**149**	155	**96,545**	66,159

(e) The directors review goodwill and trademarks and trade names with indefinite useful lives with an aggregate amount of US$5,921 million (March 31, 2022: US$6,136 million). The carrying amounts of goodwill and trademarks and trade names with indefinite useful lives are presented below:

At June 30, 2022

	China	**AP**	**EMEA**	**AG**	**Mature Market**	**Emerging Market**	**Total**
	US$ million	***US$ million***	***US$ million***	***US$ million***	***US$ million***	***US$ million***	***US$ million***
Goodwill							
- PCSD	**961**	**513**	**185**	**250**	**N/A**	**N/A**	**1,909**
- MBG	**N/A**	**N/A**	**N/A**	**N/A**	**667**	**791**	**1,458**
- ISG	**496**	**141**	**63**	**343**	**N/A**	**N/A**	**1,043**
- SSG (Note)	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**246**
Trademarks and trade names with indefinite useful lives							
- PCSD	**191**	**52**	**92**	**57**	**N/A**	**N/A**	**392**
- MBG	**N/A**	**N/A**	**N/A**	**N/A**	**197**	**263**	**460**
- ISG	**162**	**54**	**31**	**123**	**N/A**	**N/A**	**370**
- SSG (Note)	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**43**

At March 31, 2022

	China	AP	EMEA	AG	Mature Market	Emerging Market	Total
	US$ million	*US$ million*	*US$ million*	*US$ million*	*US$ million*	*US$ million*	*US$ million*
Goodwill							
- PCSD	1,009	565	200	256	N/A	N/A	2,030
- MBG	N/A	N/A	N/A	N/A	673	825	1,498
- ISG	515	151	69	345	N/A	N/A	1,080
- SSG (Note)	N/A	N/A	N/A	N/A	N/A	N/A	260
Trademarks and trade names with indefinite useful lives							
- PCSD	186	53	95	56	N/A	N/A	390
- MBG	N/A	N/A	N/A	N/A	197	263	460
- ISG	161	54	31	123	N/A	N/A	369
- SSG (Note)	N/A	N/A	N/A	N/A	N/A	N/A	49

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

The directors are of the view that there was no impairment of goodwill and trademarks and trade names with indefinite useful lives based on impairment tests performed at June 30, 2022 (March 31, 2022: nil).

3 Operating profit

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

	3 months ended June 30, 2022 ***US$'000***	3 months ended June 30, 2021 *US$'000*
Depreciation of property, plant and equipment	**90,416**	85,297
Depreciation of right-of-use assets	**35,874**	32,376
Amortization of intangible assets	**205,111**	189,621
Impairment of intangible assets	**-**	15,000
Impairment of property, plant and equipment	**-**	10,189
Employee benefit costs, including	**1,310,015**	1,457,762
– long-term incentive awards	***74,557***	*95,415*
Rental expenses	**7,910**	8,602
Loss/(gain) on disposal of property, plant and equipment	**254**	(479)
Fair value gain on financial assets at fair value through profit or loss	**(25,292)**	(131,270)
Fair value loss on a financial liability at fair value through profit or loss	**873**	4,165
Gain on disposal of subsidiaries	**-**	(825)

4 Finance income and costs

(a) Finance income

	3 months ended June 30, 2022 ***US$'000***	3 months ended June 30, 2021 *US$'000*
Interest on bank deposits	**18,486**	8,978
Interest on money market funds	**189**	98
	18,675	9,076

(b) Finance costs

	3 months ended June 30, 2022 ***US$'000***	3 months ended June 30, 2021 *US$'000*
Interest on bank loans and overdrafts	**13,187**	8,419
Interest on convertible bonds	**10,159**	10,087
Interest on notes	**31,848**	35,244
Interest on lease liabilities	**3,927**	4,579
Factoring costs	**37,883**	33,948
Interest on written put option liabilities	**2,974**	6,805
Others	**357**	1,499
	100,335	100,581

5 Taxation

The amount of taxation in the consolidated income statement represents:

	3 months ended June 30, 2022 ***US$'000***	3 months ended June 30, 2021 *US$'000*
Current tax		
Profits tax in Hong Kong S.A.R. of China	**24,812**	39,957
Taxation outside Hong Kong S.A.R. of China	**145,523**	181,015
Deferred tax		
Credit for the period	**(19,293)**	(55,916)
	151,042	165,056

Profits tax in Hong Kong S.A.R. of China has been provided for at the rate of 16.5% (2021/22: 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 June 30, 2022	3 months ended June 30, 2021
Weighted average number of ordinary shares in issue	**12,041,705,614**	12,041,705,614
Adjustment for shares held by employee share trusts	**(287,640,750)**	(442,772,438)
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	**11,754,064,864**	11,598,933,176

	3 months ended June 30, 2022 ***US$'000***	3 months ended June 30, 2021 *US$'000*
Profit attributable to equity holders of the Company used in calculating basic earnings per share	**515,707**	466,065

(b) Diluted

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

The Group has four (2021/22: four) categories of potential ordinary shares, namely long-term incentive awards, put option written on non-controlling interests, convertible bonds and convertible preferred shares. Long-term incentive awards and convertible bonds were dilutive for three months ended June 30, 2022 and 2021. Put option written on non-controlling interests and convertible preferred shares were anti-dilutive for three months ended June 30, 2022 and 2021.

	3 months ended June 30, 2022	3 months ended June 30, 2021
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	**11,754,064,864**	11,598,933,176
Adjustment for long-term incentive awards	**557,938,872**	1,115,441,546
Adjustment for convertible bonds	**769,980,531**	741,902,700
Weighted average number of ordinary shares used as the denominator in calculating diluted earnings per share	**13,081,984,267**	13,456,277,422

	3 months ended June 30, 2022 ***US$'000***	3 months ended June 30, 2021 *US$'000*
Profit attributable to equity holders of the Company used in calculating basic earnings per share	**515,707**	466,065
Adjustment for interest on convertible bonds, net of tax	**8,483**	8,423
Profit attributable to equity holders of the Company used in calculating diluted earnings per share	**524,190**	474,488

7 Inventories

	June 30, 2022 ***US$'000***	March 31, 2022 *US$'000*
Raw materials and work-in-progress	**5,786,991**	5,527,420
Finished goods	**2,613,515**	2,315,797
Service parts	**467,157**	457,441
	8,867,663	8,300,658

8 Trade and notes receivables and trade and notes payables

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

	June 30, 2022	March 31, 2022
	US$'000	*US$'000*
Trade receivables	**11,603,924**	11,189,551
Notes receivable	**42,859**	99,996
	11,646,783	11,289,547

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:

	June 30, 2022	March 31, 2022
	US$'000	*US$'000*
0 – 30 days	**8,862,728**	8,908,669
31 – 60 days	**1,431,154**	1,392,704
61 – 90 days	**540,558**	433,934
Over 90 days	**918,324**	560,864
	11,752,764	11,296,171
Less: loss allowance	**(148,840)**	(106,620)
Trade receivables – net	**11,603,924**	11,189,551

At June 30, 2022, trade receivables, net of loss allowance, of US$1,045,716,000 (March 31, 2022: US$784,900,000) were past due. The ageing of these receivables, based on due date, is as follows:

	June 30, 2022	March 31, 2022
	US$'000	*US$'000*
Within 30 days	**445,131**	430,225
31 – 60 days	**266,471**	191,093
61 – 90 days	**175,157**	59,715
Over 90 days	**158,957**	103,867
	1,045,716	784,900

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

	3 months ended June 30, 2022	Year ended March 31, 2022
	US$'000	*US$'000*
At the beginning of the period/year	**106,620**	145,206
Exchange adjustment	**(249)**	(357)
Increase in loss allowance recognized in profit or loss	**49,542**	90,311
Uncollectible receivables written off	**(4,528)**	(27,267)
Unused amounts reversed in profit or loss	**(2,545)**	(101,273)
At the end of the period/year	**148,840**	106,620

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

	June 30, 2022	March 31, 2022
	US$'000	*US$'000*
Trade payables	**11,505,327**	11,035,924
Notes payable	**2,104,279**	2,148,907
	13,609,606	13,184,831

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

	June 30, 2022	March 31, 2022
	US$'000	*US$'000*
0 – 30 days	**5,787,788**	7,217,768
31 – 60 days	**2,863,109**	2,401,203
61 – 90 days	**1,654,440**	920,426
Over 90 days	**1,199,990**	496,527
	11,505,327	11,035,924

9 Deposits, prepayments and other receivables

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

	June 30, 2022	March 31, 2022
	US$'000	*US$'000*
Deposits	**162,554**	97,428
Other receivables	**2,900,874**	3,699,539
Prepayments	**1,206,374**	1,217,325
	4,269,802	5,014,292

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

10 Provisions, other payables and accruals

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

	June 30, 2022	March 31, 2022
	US$'000	*US$'000*
Accruals	**3,889,433**	4,441,470
Allowance for billing adjustments (i)	**3,607,029**	3,599,717
Written put option liabilities (Note 11(b)(i))	**433,318**	-
Other payables (ii)	**7,444,041**	7,558,629
Lease liabilities	**149,025**	145,095
	15,522,846	15,744,911

Notes:

(i) Allowance for billing adjustments relates primarily to allowances for future volume discounts, price protection, rebates, and customer sales returns.

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

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

(b) The components of provisions are as follows:

	Warranty	**Environmental restoration**	**Total**
	US$'000	***US$'000***	***US$'000***
Year ended March 31, 2022			
At the beginning of the year	1,173,882	32,150	1,206,032
Exchange adjustment	(1,053)	(2,656)	(3,709)
Provisions made	983,035	26,367	1,009,402
Amounts utilized	(936,966)	(25,074)	(962,040)
	1,218,898	30,787	1,249,685
Long-term portion classified as non-current liabilities	(242,776)	(26,797)	(269,573)
At the end of the year	976,122	3,990	980,112
Three months ended June 30, 2022			
At the beginning of the period	**1,218,898**	**30,787**	**1,249,685**
Exchange adjustment	**(28,859)**	**(2,883)**	**(31,742)**
Provisions made	**183,567**	**6,686**	**190,253**
Amounts utilized	**(222,211)**	**(5,789)**	**(228,000)**
	1,151,395	**28,801**	**1,180,196**
Long-term portion classified as non-current liabilities	**(239,499)**	**(23,927)**	**(263,426)**
At the end of the period	**911,896**	**4,874**	**916,770**

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.

11 Other non-current liabilities

Details of other non-current liabilities are as follows:

	June 30, 2022	March 31, 2022
	US$'000	*US$'000*
Deferred consideration (a)	**25,072**	25,072
Written put option liabilities (b)	**43,846**	528,060
Lease liabilities	**252,181**	262,902
Environmental restoration (Note 10(b))	**23,927**	26,797
Government incentives and grants received in advance (c)	**77,300**	75,787
Others	**300,068**	355,383
	722,394	1,274,001

Notes:

(a) Pursuant to the joint venture agreement entered into with NEC Corporation, the Group is required to pay in cash to NEC Corporation deferred consideration. At June 30, 2022, 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, 2022: US$25 million).

(b) (i) 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. At June 30, 2022, the written put option liabilities to Fujitsu has been reclassified to current liabilities as the written put option will be exercisable within the next twelve months.

(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.

During the option exercise period, Yuan Jia notified the Group of its intention to exercise its put option. On December 28, 2021, ZJSB, Yuan Jia and the Group entered into an agreement pursuant to which ZJSB transferred 39% interest in the JV Co to the Group at an exercise price of RMB1,895 million (approximately US$297 million). Upon completion on January 10, 2022, the Company and ZJSB respectively owns 90% and 10% of the interest in the JV Co.

Yuan Jia continues to hold 99.31% interest in ZJSB and is subject to a new option agreement whereby the Group and Yuan Jia are respectively granted call and put options which entitle the Group to purchase from Yuan Jia, or Yuan Jia to sell to the Group, the 99.31% interest in ZJSB. The call and put options will be exercisable after 54 months and from the 48 months to the 54 months respectively from the date of the new option agreement. The exercise price for the call and put options will be determined in accordance with the new option agreement, and up to a maximum of RMB 500 million (approximately US$75 million).

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

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

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

12 Borrowings

	June 30, 2022	March 31, 2022
	US$'000	*US$'000*
Current liabilities		
Short-term loans (a)	**83,369**	57,427
Notes (b)	**685,729**	685,380
Convertible preferred shares (d)	**45,188**	45,115
	814,286	787,922
Non-current liabilities		
Long-term loan (a)	**785**	1,045
Notes (b)	**1,991,184**	1,990,888
Convertible bonds (c)	**645,852**	641,415
	2,637,821	2,633,348
	3,452,107	3,421,270

Notes:

(a) Majority of the short-term and long-term loans are denominated in United States dollars. At June 30, 2022, the Group has total revolving and short-term loan facilities of US$3,204 million (March 31, 2022: US$3,154 million) which has been utilized to the extent of US$54 million (March 31, 2022: US$54 million).

(b)

Issue date	**Outstanding principal amount**	**Term**	**Interest rate per annum**	**Due date**	**June 30, 2022** ***US$'000***	March 31, 2022 *US$'000*
March 29, 2018	US$687 million	5 years	4.75%	March 2023	**685,729**	685,380
April 24, 2020 and May 12, 2020	US$1 billion	5 years	5.875%	April 2025	**999,446**	999,397
November 2, 2020	US$1 billion	10 years	3.421%	November 2030	**991,738**	991,491
					2,676,913	2,676,268

(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$6.60 per share effective on August 4, 2022. Assuming full conversion of the Bonds at the adjusted conversion price of HK$6.60 per share, the Bonds will be convertible into 801,479,735 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 is allocated to the conversion option and recognized in shareholders' equity, net of income tax, and not subsequently remeasured.

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

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 year ended March 31, 2022, 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 1,643,833 convertible preferred shares have exercised their rights and the Group has purchased these convertible preferred shares at the consideration of approximately US$254 million.

The aggregate number of 1,780,819 convertible preferred shares purchased by the Group were converted into ordinary shares of LETCL during the year ended March 31, 2022.

At June 30, 2022, 328,766 convertible preferred shares remained outstanding, representing 3.2% 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.

The exposure of all the borrowings of the Group to interest rate changes and the contractual repricing dates at June 30, 2022 and March 31, 2022 are as follows:

	June 30, 2022	March 31, 2022
	US$'000	*US$'000*
Within 1 year	**814,286**	787,922
Over 1 to 2 years	**646,637**	642,460
Over 2 to 5 years	**999,446**	999,397
Over 5 years	**991,738**	991,491
	3,452,107	3,421,270

13 Share capital

	June 30, 2022		March 31, 2022	
	Number of shares	***US$'000***	*Number of shares*	*US$'000*
Issued and fully paid:				
Voting ordinary shares:				
At the beginning and end of the period/year	**12,041,705,614**	**3,203,913**	12,041,705,614	3,203,913

14 Reconciliation of profit before taxation to net cash generated from operations

	3 months ended June 30, 2022 ***US$'000***	3 months ended June 30, 2021 *US$'000*
Profit before taxation	**690,513**	650,223
Share of losses of associates and joint ventures	**5,076**	1,043
Finance income	**(18,675)**	(9,076)
Finance costs	**100,335**	100,581
Depreciation of property, plant and equipment	**90,416**	85,297
Depreciation of right-of-use assets	**35,874**	32,376
Amortization of intangible assets	**205,111**	189,621
Impairment of intangible assets	**-**	15,000
Impairment of property, plant and equipment	**-**	10,189
Share-based compensation	**74,557**	95,415
Loss/(gain) on disposal of property, plant and equipment	**254**	(479)
Loss on disposal of intangible assets	**8**	-
Gain on disposal of subsidiaries	**-**	(825)
Loss on disposal of an associate	**10**	-
Fair value change on financial instruments	**(92,350)**	(4,651)
Fair value change on financial assets at fair value through profit or loss	**(25,292)**	(131,270)
Fair value change on a financial liability at fair value through profit or loss	**873**	4,165
Dividend income	**(1,216)**	(425)
Increase in inventories	**(567,005)**	(1,450,324)
Decrease/(increase) in trade and notes receivables, deposits, prepayments and other receivables	**395,601**	(607,953)
(Decrease)/increase in trade and notes payables, provisions, other payables and accruals	**(383,138)**	1,736,037
Effect of foreign exchange rate changes	**85,730**	27,520
Net cash generated from operations	**596,682**	742,464

Reconciliation of financing liabilities

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

Financing liabilities	**June 30, 2022** ***US$'000***	March 31, 2022 *US$'000*
Short-term loans – current	**83,369**	57,427
Long-term loan – non-current	**785**	1,045
Notes – current	**685,729**	685,380
Notes – non-current	**1,991,184**	1,990,888
Convertible bonds – non-current	**645,852**	641,415
Convertible preferred shares – current	**45,188**	45,115
Lease liabilities – current	**149,025**	145,095
Lease liabilities – non-current	**252,181**	262,902
	3,853,313	3,829,267

Short-term loans – variable interest rates	**56,215**	56,400
Short-term loans – fixed interest rates	**27,154**	1,027
Long-term loan – fixed interest rates	**785**	1,045
Notes – fixed interest rates	**2,676,913**	2,676,268
Convertible bonds – fixed interest rates	**645,852**	641,415
Convertible preferred shares – fair value	**45,188**	45,115
Lease liabilities – fixed interest rates	**401,206**	407,997
	3,853,313	3,829,267

	Short-term loans current *US$'000*	**Long-term loan non-current** *US$'000*	**Notes current** *US$'000*	**Notes non-current** *US$'000*	**Convertible bonds non-current** *US$'000*	**Convertible preferred shares current** *US$'000*	**Lease liabilities current** *US$'000*	**Lease liabilities non-current** *US$'000*	**Total** *US$'000*
Financing liabilities at April 1, 2021	58,190	2,070	336,709	2,673,688	623,824	303,372	133,662	333,264	4,464,779
Proceeds from borrowings	10,311,552	-	-	-	-	-	-	-	10,311,552
Repayments of borrowings	(10,304,211)	-	-	-	-	-	-	-	(10,304,211)
Repayment of notes	-	-	(337,309)	-	-	-	-	-	(337,309)
Repurchase of convertible preferred shares	-	-	-	-	-	(254,490)	-	-	(254,490)
Transfer	1,025	(1,025)	685,380	(685,380)	-	-	131,342	(131,342)	-
Principal elements of lease payments	-	-	-	-	-	-	(146,485)	-	(146,485)
Disposal of a subsidiary	(9,319)	-	-	-	-	-	-	-	(9,319)
Dividends paid	-	-	-	-	-	(16,385)	-	-	(16,385)
Foreign exchange adjustments	190	-	-	-	-	-	2,358	3,152	5,700
Other non-cash movements	-	-	600	2,580	17,591	12,618	24,218	57,828	115,435
Financing liabilities at March 31, 2022	57,427	1,045	685,380	1,990,888	641,415	45,115	145,095	262,902	3,829,267
Financing liabilities at April 1, 2022	**57,427**	**1,045**	**685,380**	**1,990,888**	**641,415**	**45,115**	**145,095**	**262,902**	**3,829,267**
Proceeds from borrowings	**3,532,594**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**3,532,594**
Repayments of borrowings	**(3,506,740)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(3,506,740)**
Transfer	**260**	**(260)**	**-**	**-**	**-**	**-**	**21,707**	**(21,707)**	**-**
Principal elements of lease payments	**-**	**-**	**-**	**-**	**-**	**-**	**(33,801)**	**-**	**(33,801)**
Dividends paid	**-**	**-**	**-**	**-**	**-**	**(800)**	**-**	**-**	**(800)**
Foreign exchange adjustments	**(172)**	**-**	**-**	**-**	**-**	**-**	**(1,456)**	**(2,464)**	**(4,092)**
Other non-cash movements	**-**	**-**	**349**	**296**	**4,437**	**873**	**17,480**	**13,450**	**36,885**
Financing liabilities at June 30, 2022	**83,369**	**785**	**685,729**	**1,991,184**	**645,852**	**45,188**	**149,025**	**252,181**	**3,853,313**

15 Non-adjusting post balance sheet date events

On July 27, 2022, the Company completed the issuance of a 10-Year US$625 million notes bearing annual interest at 6.536% due in July 2032 (the "2032 Notes") and a 5.5-Year US$625 million notes bearing annual interest at 5.831% due in January 2028 (the "2028 Notes"). The Company intends to use an amount equivalent to the net proceeds of the 2032 Notes for financing or refinancing, in whole or in part, one or more of the Company's new or existing green projects, such as green buildings and renewable energy projects, in accordance with the Company's green finance framework. On the same date, part of the net proceeds of the 2028 Notes was used to purchase an aggregate principal amount of US$200 million of the notes due in March 2023. The Company intends to use the remaining proceeds of the 2028 Notes for working capital purposes.

Independent Auditor's Report

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

(incorporated in Hong Kong with limited liability)

OPINION

What we have audited

The consolidated financial statements of Lenovo Group Limited (the "Company") and its subsidiaries (the "Group"), which are set out on pages 172 to 274, comprise:

- the consolidated balance sheet as at March 31, 2022;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated cash flow statement for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at March 31, 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

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

Independence

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

KEY AUDIT MATTERS

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

KEY AUDIT MATTERS *(continued)*

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

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

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment assessment of goodwill and other intangible assets with indefinite useful lives Refer to notes 4(a) and 16 to the consolidated financial statements. As at March 31, 2022, the Group had goodwill and other intangible assets with indefinite useful lives totaling US$6,136 million. The Group tests at least annually whether goodwill and other intangible assets that have indefinite useful lives have suffered any impairment. For the purpose of assessing impairment, assets are grouped at the lowest level for which there are separately identified cash flows cash generating units ("CGUs"). The recoverable amount of each CGU was determined based on value in use calculations using cash flow projections. We focused on the impairment of goodwill and other intangible assets with indefinite useful lives because the estimation of recoverable amount is subject to high degree of estimation uncertainty. The inherent risk in relation to the impairment of goodwill and other intangible assets with indefinite useful lives is considered significant due to significant management judgement to appropriately identify CGUs and to determine the key assumptions, including revenue growth rates, operating margins, discount rates and the length of time and severity of the impact of COVID-19. Management are of the view that there was no evidence of impairment of goodwill or other intangible assets with indefinite useful lives as at March 31, 2022.	Our procedures in relation to the Group's impairment assessment included: • Assessing the value in use calculation methodology adopted by management. • Understanding management's controls and processes for determining the recoverable amount and assessing the inherent risk of material misstatement by considering the degree of estimation uncertainty and the judgement involved in determining assumptions to be applied. • Assessing management's identification of CGUs based on the Group's accounting policies and our understanding of the Group's business. • Challenging the reasonableness of key assumptions such as revenue growth rates, operating margins and discount rates and the length of time and severity of the impact of COVID-19 with reference to the business and industry circumstances. • Reconciling input data to supporting evidence, such as approved forecasts of future profits and strategic plans. • Considering the reasonableness of the forecasts of future profits and strategic plans by comparing them against past results achieved. • Assessing management's sensitivity analysis around the key assumptions, to ascertain the extent to which adverse changes, both individually or in aggregate, might impact on the outcome of the impairment assessment of the goodwill and other intangible assets with indefinite useful lives. We found the judgements made by management in relation to the impairment assessment to be supportable based on the available evidence.

KEY AUDIT MATTERS *(continued)*

<table>
<tr><th>Key Audit Matter</th><th>How our audit addressed the Key Audit Matter</th></tr>
<tr><td>Recognition of deferred income tax assets

Refer to notes 4(b) and 19 to the consolidated financial statements.

As at March 31, 2022, the Group had deferred income tax assets of US$2,528 million.

Deferred income tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and expected to apply when the related deferred tax income asset is realized.

We focused on the recognition of deferred income tax assets because the estimation of future taxable profit is subject to high degree of estimation uncertainty. The inherent risk in relation to the recognition of deferred income tax assets is considered significant due to significant management judgement regarding the future financial performance of the entity in which the deferred income tax asset has been recognized. A number of factors are evaluated in considering whether there is evidence that it is probable the deferred income tax assets will be realized, including whether there will be sufficient taxable profits available during the utilization periods, the length of time and severity of the impact of COVID-19, existence of taxable temporary differences, group relief and tax planning strategies.

Management has performed its assessment on the recognition of these deferred income tax assets and considers that the realization of these assets is probable as at March 31, 2022.</td>
<td>Our procedures in relation to the recognition of deferred income tax assets included:

• Understanding management's controls and processes for the recognition of deferred income tax assets and assessing the inherent risk of material misstatement by considering the degree of estimation uncertainty and the judgement involved in determining assumptions to be applied.

• Evaluating management's assessment as to whether there will be sufficient taxable profits in future periods by reference to forecasts of future profits/strategic plans and future reversals of taxable temporary differences to support the recognition of deferred income tax assets.

• Assessing the underlying assumptions used in management's approved forecasts of future profits such as revenue growth rates and operating margins by comparison to historical results and future strategic and tax plans and with reference to the business and industry circumstances.

• Testing management's reconciliations of forecast profits to forecast taxable profits to supporting evidence on a sample basis.

• Validating available tax losses, including the respective expiry periods to tax returns and tax correspondence of the relevant subsidiaries.

• Testing the calculation of deferred income tax assets by reference to tax rates enacted or substantively enacted by the balance sheet date.

We found the judgements made by management in relation to recognition of deferred income tax assets to be supportable based on the available evidence.</td></tr>
</table>

OTHER INFORMATION

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

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

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

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

RESPONSIBILITIES OF DIRECTORS AND THE AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit Committee is responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, in accordance with Section 405 of the Hong Kong Companies Ordinance and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Cheng Woon Yin Michael.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, May 26, 2022

Consolidated income statement

For the year ended March 31, 2022

	Note	2022 US$'000	2021 US$'000
Revenue	5	**71,618,216**	60,742,312
Cost of sales		**(59,569,241)**	(50,974,425)
Gross profit		**12,048,975**	9,767,887
Selling and distribution expenses		**(3,746,290)**	(3,044,967)
Administrative expenses		**(2,944,234)**	(2,984,356)
Research and development expenses		**(2,073,461)**	(1,453,912)
Other operating income/(expenses) – net		**(204,421)**	(104,245)
Operating profit	6	**3,080,569**	2,180,407
Finance income	7(a)	**56,458**	34,754
Finance costs	7(b)	**(362,384)**	(408,640)
Share of losses of associates and joint ventures	17	**(6,912)**	(32,323)
Profit before taxation		**2,767,731**	1,774,198
Taxation	8	**(622,399)**	(461,199)
Profit for the year		**2,145,332**	1,312,999
Profit attributable to:			
Equity holders of the Company		**2,029,818**	1,178,307
Perpetual securities holders		**–**	32,532
Other non-controlling interests		**115,514**	102,160
		2,145,332	1,312,999
Earnings per share attributable to equity holders of the Company			
Basic	11(a)	**US17.45 cents**	US9.54 cents
Diluted	11(b)	**US15.77 cents**	US8.91 cents
Dividends	12	**583,999**	474,573

Consolidated statement of comprehensive income

For the year ended March 31, 2022

	Note	**2022 US$'000**	2021 US$'000
Profit for the year		**2,145,332**	1,312,999
Other comprehensive income/(loss):			
Items that will not be reclassified to profit or loss			
Remeasurements of post-employment benefit obligations, net of taxes	8, 34	**58,194**	35,735
Fair value change on financial assets at fair value through other comprehensive income, net of taxes	8, 20	**(18,064)**	(5,081)
Items that have been reclassified or may be subsequently reclassified to profit or loss			
Fair value change on cash flow hedges from foreign exchange forward contracts, net of taxes	8		
– Fair value gain/(loss), net of taxes		**243,257**	(240,325)
– Reclassified to consolidated income statement		**(268,500)**	255,312
Currency translation differences	8	**172,638**	104,133
Other comprehensive income for the year		**187,525**	149,774
Total comprehensive income for the year		**2,332,857**	1,462,773
Total comprehensive income attributable to:			
Equity holders of the Company		**2,244,669**	1,336,074
Perpetual securities holders		**-**	32,532
Other non-controlling interests		**88,188**	94,167
		2,332,857	1,462,773

Consolidated balance sheet

At March 31, 2022

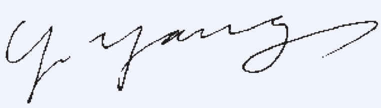
	Note	2022 US$'000	2021 US$'000
Non-current assets			
Property, plant and equipment	13	**1,636,629**	1,573,875
Right-of-use assets	14	**839,233**	893,422
Construction-in-progress	15	**510,211**	207,614
Intangible assets	16	**8,066,785**	8,405,005
Interests in associates and joint ventures	17	**339,547**	65,455
Deferred income tax assets	19	**2,527,955**	2,344,740
Financial assets at fair value through profit or loss	20	**1,104,408**	805,013
Financial assets at fair value through other comprehensive income	20	**64,572**	84,796
Other non-current assets		**424,241**	275,359
		15,513,581	14,655,279
Current assets			
Inventories	21	**8,300,658**	6,380,576
Trade receivables	22(a)	**11,189,551**	8,397,825
Notes receivable	22(b)	**99,996**	78,939
Derivative financial assets		**113,757**	118,299
Deposits, prepayments and other receivables	22(c)	**5,014,292**	4,977,501
Income tax recoverable		**255,809**	254,442
Bank deposits	23	**92,513**	59,385
Cash and cash equivalents	23	**3,930,287**	3,068,385
		28,996,863	23,335,352
Total assets		**44,510,444**	37,990,631

Consolidated balance sheet

At March 31, 2022

	Note	2022 US$'000	2021 US$'000
Share capital	28	**3,203,913**	3,203,913
Reserves		**1,786,726**	355,123
Equity attributable to owners of the Company		**4,990,639**	3,559,036
Other non-controlling interests		**951,415**	817,735
Put option written on non-controlling interests	27(b)	**(547,353)**	(766,238)
Total equity		**5,394,701**	3,610,533
Non-current liabilities			
Borrowings	26	**2,633,348**	3,299,582
Warranty provision	25(b)	**242,776**	266,313
Deferred revenue		**1,459,582**	1,183,247
Retirement benefit obligations	34	**340,542**	431,905
Deferred income tax liabilities	19	**406,759**	391,258
Other non-current liabilities	27	**1,274,001**	1,436,156
		6,357,008	7,008,461
Current liabilities			
Trade payables	24(a)	**11,035,924**	10,220,796
Notes payable	24(b)	**2,148,907**	885,628
Derivative financial liabilities		**127,625**	35,944
Other payables and accruals	25(a)	**15,744,911**	13,178,498
Provisions	25(b)	**980,112**	910,380
Deferred revenue		**1,440,022**	1,046,677
Income tax payable		**493,312**	395,443
Borrowings	26	**787,922**	698,271
		32,758,735	27,371,637
Total liabilities		**39,115,743**	34,380,098
Total equity and liabilities		**44,510,444**	37,990,631

On behalf of the Board



Yang Yuanqing
Chairman and Chief Executive Officer

Zhu Linan
Director

Consolidated cash flow statement

For the year ended March 31, 2022

	Note	2022 US$'000	2021 US$'000
Cash flows from operating activities			
Net cash generated from operations	33	**5,122,034**	4,585,995
Interest paid		**(315,570)**	(309,361)
Tax paid		**(729,485)**	(623,861)
Net cash generated from operating activities		**4,076,979**	3,652,773
Cash flows from investing activities			
Purchase of property, plant and equipment		**(396,358)**	(302,920)
Sale of property, plant and equipment		**21,193**	89,344
Acquisition of subsidiaries, net of cash acquired		**(76,294)**	(5,049)
Disposal of subsidiaries, net of cash disposed		**114,312**	(37,289)
Deemed disposal of subsidiaries, net of cash disposed		**–**	(1,816)
Interests acquired in associates and a joint venture		**(160,194)**	(3,657)
Payment for construction-in-progress		**(601,946)**	(394,084)
Payment for intangible assets		**(285,777)**	(146,746)
Purchase of financial assets at fair value through profit or loss		**(256,461)**	(210,661)
Purchase of financial assets at fair value through other comprehensive income		**(2,000)**	(29,556)
Net proceeds from sale of financial assets at fair value through profit or loss		**116,017**	139,622
Net proceeds from sale of financial assets at fair value through other comprehensive income		**1,500**	557
Payment for contingent consideration		**–**	(117,390)
(Increase)/decrease in bank deposits		**(33,128)**	7,095
Dividends received		**4,285**	1,897
Interest received		**56,458**	34,754
Net cash used in investing activities		**(1,498,393)**	(975,899)

Consolidated cash flow statement

For the year ended March 31, 2022

	Note	2022 US$'000	2021 US$'000
Cash flows from financing activities			
Issue of warrant shares		-	17,990
Capital contribution from other non-controlling interests		179,322	87,175
Contribution to employee share trusts		(387,496)	(737,867)
Issue of notes		-	2,003,500
Issuing costs of notes		-	(14,383)
Repayment of notes		(337,309)	(791,555)
Principal elements of lease payments		(146,485)	(165,150)
Dividends paid		(478,822)	(434,269)
Dividends paid to other non-controlling interests		(30,877)	(5,156)
Distribution to perpetual securities holders		-	(34,772)
Dividends paid to convertible preferred shares holders		(16,385)	(11,600)
Repurchase of convertible preferred shares		(254,490)	(16,575)
Cash received for disposal of subsidiaries without loss of control		5,185	–
Payment for written put option liabilities		(297,352)	–
Proceeds from borrowings		10,311,552	4,925,628
Repayments of borrowings		(10,304,211)	(7,005,300)
Repurchase of perpetual securities		-	(1,045,320)
Redemption of convertible bonds		-	(500)
Net cash used in financing activities		(1,757,368)	(3,228,154)
Increase/(decrease) in cash and cash equivalents		821,218	(551,280)
Effect of foreign exchange rate changes		40,684	68,675
Cash and cash equivalents at the beginning of the year		3,068,385	3,550,990
Cash and cash equivalents at the end of the year	23	3,930,287	3,068,385

Consolidated statement of changes in equity

For the year ended March 31, 2022

	Attributable to equity holders of the Company											
	Share capital US$'000	Investment revaluation reserve US$'000	Employee share trusts US$'000	Share-based compensation reserve US$'000	Hedging reserve US$'000	Exchange reserve US$'000	Other reserves US$'000	Retained earnings US$'000	Perpetual securities US$'000	Other non-controlling interests US$'000	Put option written on non-controlling interests US$'000	Total US$'000
At April 1, 2020	3,185,923	(48,716)	(101,467)	287,574	58,489	(1,799,017)	176,642	1,438,114	993,670	634,321	(766,238)	4,059,295
Profit for the year	-	-	-	-	-	-	-	1,178,307	32,532	102,160	-	1,312,999
Other comprehensive (loss)/income	-	(5,081)	-	-	14,987	112,126	-	35,735	-	(7,993)	-	149,774
Total comprehensive (loss)/income for the year	-	(5,081)	-	-	14,987	112,126	-	1,214,042	32,532	94,167	-	1,462,773
Transfer to statutory reserve	-	-	-	-	-	-	8,890	(8,890)	-	-	-	-
Transfer of investment revaluation reserve upon disposal of financial assets at fair value through other comprehensive income to retained earnings	-	4,664	-	-	-	-	-	(4,664)	-	-	-	-
Repurchase of perpetual securities	-	-	-	-	-	-	(53,890)	-	(991,430)	-	-	(1,045,320)
Issue of warrant shares	17,990	-	-	-	-	-	-	-	-	-	-	17,990
Vesting of shares under long-term incentive program	-	-	339,057	(472,153)	-	-	-	-	-	-	-	(133,096)
Deferred tax in relation to long-term incentive program	-	-	-	45,774	-	-	-	-	-	-	-	45,774
Acquisition of subsidiaries	-	-	-	-	-	-	-	-	-	2,113	-	2,113
Disposal and deemed disposal of subsidiaries	-	-	-	-	-	(4,057)	(1,819)	-	-	3,006	-	(2,870)
Settlement of bonus through long-term incentive program	-	-	-	34,444	-	-	-	-	-	-	-	34,444
Share-based compensation	-	-	-	291,737	-	-	-	-	-	-	-	291,737
Contribution to employee share trusts	-	-	(737,867)	-	-	-	-	-	-	-	-	(737,867)
Dividends paid	-	-	-	-	-	-	-	(434,269)	-	-	-	(434,269)
Dividends paid to other non-controlling interests	-	-	-	-	-	-	-	-	-	(5,156)	-	(5,156)
Capital contribution from other non-controlling interests	-	-	-	-	-	-	-	-	-	89,758	-	89,758
Change of ownership of subsidiaries without loss of control	-	-	-	-	-	-	474	-	-	(474)	-	-
Distribution to perpetual securities holders	-	-	-	-	-	-	-	-	(34,772)	-	-	(34,772)
Redemption of convertible bonds	-	-	-	-	-	-	(57)	56	-	-	-	(1)
At March 31, 2021	3,203,913	(49,133)	(500,277)	187,376	73,476	(1,690,948)	130,240	2,204,389	-	817,735	(766,238)	3,610,533

Consolidated statement of changes in equity

For the year ended March 31, 2022

	Attributable to equity holders of the Company											
	Share capital US$'000	Investment revaluation reserve US$'000	Employee share trusts US$'000	Share-based compensation reserve US$'000	Hedging reserve US$'000	Exchange reserve US$'000	Other reserves US$'000	Retained earnings US$'000	Perpetual securities US$'000	Other non-controlling interests US$'000	Put option written on non-controlling interests US$'000	Total US$'000
At April 1, 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 year	-	-	-	-	-	-	-	2,029,818	-	115,514	-	2,145,332
Other comprehensive (loss)/income	-	(18,064)	-	-	(25,243)	199,964	-	58,194	-	(27,326)	-	187,525
Total comprehensive (loss)/income for the year	-	(18,064)	-	-	(25,243)	199,964	-	2,088,012	-	88,188	-	2,332,857
Transfer to statutory reserve	-	-	-	-	-	-	10,352	(10,352)	-	-	-	-
Transfer of investment revaluation reserve upon disposal of financial assets at fair value through other comprehensive income to retained earnings	-	20	-	-	-	-	-	(20)	-	-	-	-
Vesting of shares under long-term incentive program	-	-	555,318	(751,269)	-	-	-	-	-	-	-	(195,951)
Deferred tax in relation to long-term incentive program	-	-	-	(29,371)	-	-	-	-	-	-	-	(29,371)
Acquisition of a subsidiary	-	-	-	-	-	-	680	-	-	4,803	-	5,483
Disposal of subsidiaries	-	1	-	-	-	(15,295)	(552)	-	-	(365)	-	(16,211)
Settlement of bonus through long-term incentive program	-	-	-	27,781	-	-	-	-	-	-	-	27,781
Share-based compensation	-	-	-	368,921	-	-	-	-	-	-	-	368,921
Contribution to employee share trusts	-	-	(387,496)	-	-	-	-	-	-	-	-	(387,496)
Dividends paid	-	-	-	-	-	-	-	(478,822)	-	-	-	(478,822)
Dividends paid to other non-controlling interests	-	-	-	-	-	-	-	-	-	(30,877)	-	(30,877)
Capital contribution from other non-controlling interests	-	-	-	-	-	-	-	-	-	183,252	-	183,252
Change of ownership of subsidiaries without loss of control	-	-	-	-	-	-	5,965	-	-	(780)	-	5,185
Exercise of put option written on non-controlling interest	-	-	-	-	-	-	(108,927)	-	-	(110,541)	218,885	(583)
At March 31, 2022	3,203,913	(67,176)	(332,455)	(196,562)	48,233	(1,506,279)	37,758	3,803,207	-	951,415	(547,353)	5,394,701

Notes to the financial statements

1 GENERAL INFORMATION AND BASIS OF PREPARATION

Lenovo Group Limited (the "Company") and its subsidiaries (together, the "Group") develop, manufacture and market reliable, high-quality, secure and easy-to-use technology products and services. Its product lines include legendary Think-branded commercial personal computers and Idea-branded consumer personal computers, as well as servers, workstations, and a family of mobile internet devices, including tablets and smartphones.

The Company is a limited liability company incorporated in Hong Kong S.A.R. of China. The address of its registered office is 23rd Floor, Lincoln House, Taikoo Place, 979 King's Road, Quarry Bay, Hong Kong S.A.R. of China. The Company has its primary listing on The Stock Exchange of Hong Kong Limited.

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"). The consolidated financial statements have been prepared under the historical cost convention except that plan assets under defined benefit pension plans and certain financial assets and financial liabilities are stated at fair values, as explained in the significant accounting policies set out in Note 2.

The preparation of the consolidated financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

Changes in accounting policies and disclosures

The below amended standards became applicable for the current reporting period. The Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting these amended standards.

- 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)*

Changes in accounting policies and disclosures *(continued)*

Interpretation, improvements and amendments to existing standards not yet effective

The following interpretation, improvements and amendments to existing standards, which are considered appropriate and relevant to the Group's operations, have been issued but are not effective for the year ended 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
Accounting Guideline 5 (Revised), Merger accounting for common control combinations	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
Hong Kong Interpretation 5 (2020), Presentation of financial statements – Classification by the borrower of a term loan that contains a repayment on demand clause	January 1, 2023
Amendments to HKFRS 10 and HKAS 28, Consolidated financial statements and investments in associates	Date to be determined

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

2 SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Principles of consolidation and equity accounting

(i) Subsidiaries

The consolidated financial statements include the financial statements of the Company and all of its subsidiaries made up to March 31.

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group (refer to (ii)).

Intra-group transactions, balances, income and expenses on transactions are eliminated. Profits and losses resulting from intra-group transactions that are recognized in assets are also eliminated.

Adjustments have been made to the financial statements of subsidiaries when necessary to align their accounting policies to ensure consistency with the policies adopted by the Group.

For subsidiaries which adopted December 31 as their financial year end date for statutory reporting purposes, their financial statements for the years ended March 31, 2022 and 2021 have been used for the preparation of the Group's consolidated financial statements.

(ii) Business combinations

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognizes any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognized amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(a) Principles of consolidation and equity accounting *(continued)*

(ii) Business combinations *(continued)*

If the business combination is achieved in stages, the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognized in profit or loss.

Any contingent consideration to be transferred by the Group is recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognized in the consolidated income statement. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

Goodwill is initially measured as the excess of the aggregate of the consideration transferred, the amount of any non-controlling interest in the acquiree and, in a business combination achieved in stages the acquisition-date fair value of any previous equity interest in the acquiree over the net identifiable assets acquired and liabilities assumed (Note 2(g)(i)). If it is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized directly in the consolidated income statement.

(iii) Changes in ownership interests

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognized in a separate reserve within equity attributable to owners of the Company.

When the Group ceases to consolidate or equity account for an investment because of a loss of control, joint control or significant influence, any retained interest in the entity is re-measured to its fair value with the change in carrying amount recognized in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequent accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized in other comprehensive income are reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs.

If the ownership interest in a joint venture or an associate is reduced but joint control or significant influence is retained, only a proportionate share of the amounts previously recognized in other comprehensive income are reclassified to profit or loss where appropriate.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(a) Principles of consolidation and equity accounting *(continued)*

(iii) Changes in ownership interests *(continued)*

The potential cash payments related to put options issued by the Group over the equity of a subsidiary are accounted for as financial liabilities. The amount that may become payable under the option on exercise is initially recognized at present value of redemption amount as a written put option liability with a corresponding charge directly to equity.

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

(iv) Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognized in the consolidated income statement. The fair value is the initial carrying amount for the purposes of subsequent accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognized as other comprehensive income or loss in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized as other comprehensive income or loss are reclassified to the consolidated income statement.

(v) Separate financial statements

Investments in subsidiaries in the Company's balance sheet are accounted for at cost less impairment. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

(b) Associates and joint arrangements

Associates are entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights.

Investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor, rather than the legal structures of the joint arrangements. The Group has assessed the nature of its joint arrangements and applied HKFRS 11 in preparing the consolidated financial statements.

(b) Associates and joint arrangements *(continued)*

Associates and joint ventures

Interests in associates and joint ventures are accounted for using the equity method of accounting and are initially recognized at cost. The Group's interests in associates and joint ventures include goodwill identified on acquisition, net of any accumulated impairment losses.

The Group's share of its associates' and joint ventures' post-acquisition profits or losses is recognized in the consolidated income statement, and its share of post-acquisition movements in other comprehensive income or loss is recognized as other comprehensive income or loss with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate or a joint venture equals or exceeds its interest in the associate or the joint venture including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate or the joint venture.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate and joint venture is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value and recognizes the amount adjacent to share of profit/(loss) of associates and joint ventures in the consolidated income statement.

Profits and losses resulting from upstream and downstream transactions between the Group and its associates or joint ventures are recognized in the Group's consolidated financial statements only to the extent of unrelated investor's interests in the associates or the joint ventures. Unrealized losses are eliminated unless the transaction provides evidence of an impairment of the assets transferred.

Accounting policies of associates and joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

For associates and joint ventures which adopted December 31 as their financial year end date for statutory reporting purposes, their financial statements for the years ended March 31, 2022 and 2021 have been used for the preparation of the Group's consolidated financial statements.

Joint operation

Joint operations arise where the investors have rights to the assets and obligations for the liabilities of an arrangement. Investments in joint operations are accounted for such that each joint operator recognizes its assets (including its share of any assets jointly held), its liabilities (including its share of any liabilities incurred jointly), its revenue (including its share of revenue from the sale of the output by the joint operation) and its expenses (including its share of any expenses incurred jointly). Each joint operator accounts for the assets and liabilities, as well as revenues and expenses, relating to its interest in the joint operation in accordance with the applicable standards.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(c) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Lenovo Executive Committee (the "LEC") that makes strategic decisions.

(d) Translation of foreign currencies

(i) Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The financial statements of the Company and of the Group are presented in United States dollars, which is the Company's functional and the Group's presentation currency.

(ii) Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognized in the income statement. They are deferred in equity if they are related to qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

All foreign exchange gains and losses that relate to monetary assets and liabilities denominated in foreign currency are presented in the income statement within "Other operating income/(expenses) – net".

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on financial assets and liabilities carried at fair value are as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss ("FVPL") are recognized in profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equities classified as fair value through other comprehensive income ("FVOCI") are recognized in other comprehensive income or loss.

(iii) The results and financial position of all the group entities that have a functional currency different from the Group's presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

- income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rates on the dates of the transactions); and

- all resulting exchange differences are recognized as other comprehensive income or loss.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognized as other comprehensive income or loss and included in the exchange reserve in equity.

(d) Translation of foreign currencies *(continued)*

(iv) On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary, loss of joint control of a joint venture, or loss of significant influence over an associate that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the equity holders of the Company are reclassified to the consolidated income statement.

In the case of a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of the accumulated exchange differences are re-attributed to non-controlling interests and are not recognized in the consolidated income statement. For all other partial disposals (that is, reductions in the Group's ownership interest in an associate or a joint venture that do not result in the Group losing influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to the consolidated income statement.

(e) Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognized when replaced. All other repairs and maintenance are charged in the consolidated income statement during the financial period in which they are incurred.

Freehold land and buildings comprise mainly factories and office premises. All freehold lands are located outside Hong Kong S.A.R. of China and are not depreciated. Depreciation of buildings, buildings related equipment and leasehold improvements is calculated using the straight-line method to allocate their costs to their estimated residual values over the unexpired periods of the leases or their expected useful lives to the Group ranging from 10 to 50 years whichever is shorter.

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their costs to their estimated residual values over their estimated useful lives to the Group. The principal annual rates used for this purpose are:

Plant and machinery	
Tooling equipment	50% – 100%
Other machinery	14% – 20%
Furniture and fixtures	20% – 25%
Office equipment	20% – 33%
Motor vehicles	20%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2(h)).

Gain or loss on disposal of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognized within "Other operating income/(expenses) – net" in the consolidated income statement.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(f) Construction-in-progress

Construction-in-progress represents buildings, plant and machinery and internal use software under construction and pending installation and is stated at historical cost, less any accumulated impairment losses. Historical cost comprises all direct and indirect costs of acquisition or construction or installation of buildings, plant and machinery or internal use software as well as interest expenses and exchange differences on the related funds borrowed during the construction, installation and testing periods and prior to the date when the assets were available for use. No depreciation or amortization is provided for on construction-in-progress. On completion, the carrying values of the buildings, plant and machinery or internal use software are transferred from construction-in-progress to property, plant and equipment or intangible assets.

Gain on disposal of construction-in-progress is the difference between the net sales proceeds and the carrying amount of the relevant asset and is recognized within "Other operating income/(expenses) – net" in the consolidated income statement.

(g) Intangible assets

(i) Goodwill

Goodwill represents the excess of the consideration of an acquisition transferred, amount of any non-controlling interest in the acquired entity, and acquisition-date fair value of any previous equity interest in the acquired entity over the Group's interests in the fair value of the acquiree's identifiable assets acquired and liabilities assumed at the acquisition date. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of associates and joint ventures is included in interests in associates and joint ventures.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("CGU"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs to sell. Any impairment is recognized immediately as an expense and is not subsequently reversed.

(ii) Trademarks and trade names

Separately acquired trademarks and trade names are shown at historical cost. Trademarks and trade names acquired in a business combination are recognized at fair value at the acquisition date.

Trademarks and trade names that have an indefinite useful life are tested annually for impairment and carried at cost less accumulated impairment losses. They are considered to have an indefinite useful life as there is no foreseeable limit to the period over which they are expected to generate net cash inflows.

(iii) Customer relationships

Customer relationships acquired in a business combination are recognized at fair value at the acquisition date. Customer relationships have a definite useful life and are carried at cost less accumulated amortization. Amortization is calculated using the straight-line method over their estimated useful lives of not more than 15 years.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(g) Intangible assets *(continued)*

(iv) Internal use software

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software.

Development costs that are directly attributable to the design and testing of identifiable and unique software controlled by the Group are recognized as intangible assets when the following criteria are met:

- it is technically feasible to complete the software so that it will be available for use;
- management intends to complete the software and use or sell it;
- there is an ability to use or sell the software;
- it can be demonstrated how the software will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software are available; and
- the expenditure attributable to the software during its development can be reliably measured.

Development costs include the employee costs incurred as a result of developing software and an appropriate portion of relevant overheads.

Other development expenditures that do not meet these criteria are recognized as an expense as incurred. Development costs previously recognized as an expense are not recognized as an asset in a subsequent period.

Costs associated with maintaining computer software are recognized as an expense as incurred.

Acquired computer software licenses costs and computer software development costs are amortized using the straight-line method over their estimated useful lives of not more than 8 years.

(v) Patents and technology

Expenditure on acquired patents and technology is capitalized at historical cost upon acquisition and amortized using the straight-line method over their estimated useful lives of not more than 10 years.

(vi) Exclusive right

An exclusive right acquired in a business combination is recognized at fair value at the acquisition date. An exclusive right has a definite useful life and is carried at cost less accumulated amortization. Amortization is calculated using the straight-line method over their estimated useful lives of not more than 15 years.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(h) Impairment of non-financial assets

Assets that have an indefinite useful life or are not yet available for use are not subject to depreciation or amortization and are tested annually for impairment. Assets that are subject to depreciation or amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest level for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

(i) Financial assets

(i) Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income or through profit or loss), and

- those to be measured at amortized cost.

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investments at FVOCI.

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

(ii) Recognition and derecognition

Regular way purchases and sales of financial assets are recognized on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

(iii) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at FVPL, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

(i) Financial assets *(continued)*

(iii) Measurement *(continued)*

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the assets and the cash flow characteristics of the assets. There are three measurement categories into which the Group classifies its debt instruments:

- Amortized cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. Interest income from these financial assets, impairment losses, foreign exchange gains and losses, and gain or loss arising on derecognition are recognized directly in profit or loss.

- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment losses, interest income and foreign exchange gains and losses which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss.

- FVPL: Assets that do not meet the criteria for amortized cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognized in profit or loss in the period in which it arises.

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognized in profit or loss when the Group's right to receive payments is established. On disposal of these equity investments, any related balance within the investment revaluation reserve is reclassified to retained earnings. Changes in the fair value of financial assets at FVPL are recognized in profit or loss as applicable.

Financial assets at FVOCI comprise equity investments which are not held for trading, and which the Group has irrevocably elected at initial recognition to recognize in this category. These are strategic investments and the Group considers this classification to be more relevant.

Financial assets at FVPL comprise equity investments which are held for trading, and which the Group has not elected to recognize fair value gains and losses through other comprehensive income.

Details on how the fair value of financial instruments is determined are disclosed in Note 3(d).

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(i) Financial assets *(continued)*

(iv) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

(j) Impairment of financial assets

The Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortized cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach required by HKFRS 9, which requires expected lifetime losses to be recognized from initial recognition of the receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

Impairment losses on trade receivables are recognized in the consolidated income statement. Subsequent recoveries of amounts previously written off are credited against the same line item.

(k) Derivative financial instruments and hedging activities

Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair values. The method of recognizing the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as either: (i) hedges of the fair value of recognized assets or liabilities or a firm commitment (fair value hedge) or (ii) hedges of highly probable forecast transactions (cash flow hedges).

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months, and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or liability.

(i) Fair value hedge

Changes in the fair value of derivatives that are designated and qualified as fair value hedges are recorded in the consolidated income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

(k) Derivative financial instruments and hedging activities *(continued)*

(ii) Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualified as cash flow hedges is recognized as other comprehensive income or loss. The gain or loss relating to the ineffective portion is recognized immediately in the consolidated income statement.

Amounts accumulated in equity are reclassified to the consolidated income statement in the periods when the hedged item affects profit or loss (for example, when the forecast sale or purchase that is hedged takes place). The gain or loss relating to the effective portion of interest rate swaps hedging variable rate borrowings is recognized in the consolidated income statement within “Finance costs”. The gain or loss relating to the ineffective portion is recognized in the consolidated income statement within “Other operating income/(expenses) – net”.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gains or losses on the hedging instrument that has been recognized as other comprehensive income from the period when the hedge was effective shall remain separately in equity until the forecast transaction occurs. When a forecast transaction is no longer expected to occur, the cumulative gains or losses on the hedging instrument that has been recognized as other comprehensive income from the period when the hedge was effective shall be reclassified from equity to the consolidated income statement immediately.

(iii) Derivatives that do not qualify for hedge accounting

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instruments that do not qualify for hedge accounting are recognized immediately in the consolidated income statement.

(l) Financial guarantee contracts

Financial guarantee contracts are recognized as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of:

- the amount determined in accordance with the expected credit loss model under HKFRS 9 and

- the amount initially recognized less, where appropriate, the cumulative amount of income recognized in accordance with the principles of HKFRS 15.

The fair value of financial guarantees is determined as the present value of the difference in net cash flows between the contractual payments under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

Where guarantees in relation to loans or other payables of associates are provided for no compensation, the fair values are accounted for as contributions and recognized as part of the cost of the investment.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(m) Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined on a weighted average basis. The cost of finished goods (except for trading products) and work-in-progress comprises direct materials, direct labour and an attributable proportion of production overheads. For trading products, cost represents invoiced value on purchases, less purchase returns and discounts. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

(n) Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. Majority of other receivables are amounts due from subcontractors for components sold in the ordinary course of business. Trade receivables are recognized initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognized at fair value, and subsequently measured at FVOCI, less loss allowance.

Other receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. See Note 2(j) for a description of the Group's impairment policies.

If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

(o) Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents mainly comprise cash on hand, deposits held at call with banks, other short-term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the consolidated balance sheet.

(p) Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Where any group company purchases the Company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes), is deducted from equity attributable to the Company's equity holders until the shares are cancelled or reissued. Where such shares are subsequently reissued, any consideration received (net of any directly attributable incremental transaction costs and the related income tax effects) is included in equity attributable to the Company's equity holders.

(q) Borrowings and borrowing costs

Borrowings are recognized initially at fair value, net of transaction costs incurred. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability, including fees and commissions paid to agents, advisers, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Borrowings are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the consolidated income statement over the period of the borrowings using the effective interest method.

(q) Borrowings and borrowing costs *(continued)*

Preferred shares, which are mandatory redeemable on a special date, are classified as liabilities. The dividends on these preferred shares are recognized in profit or loss as finance costs.

The Group designated the convertible preferred shares as financial liability at fair value through profit or loss ("FVPL"). Subsequent to initial recognition, the convertible preferred shares are carried at fair value with changes in fair value recognized in profit or loss in the period in which it arises.

The fair value of the liability portion of a convertible bond is determined using a market interest rate for an equivalent non-convertible bond. This amount is recorded as a liability on an amortized cost basis until extinguished on conversion or maturity of the bonds. The remainder of the proceeds is allocated to the conversion option. This is recognized and included in shareholders' equity, net of income tax effects.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

(r) Trade and other payables

Trade payables are obligations to pay for components or services that have been acquired in the ordinary course of business from suppliers. Majority of other payables are obligations to pay for finished goods that have been acquired in the ordinary course of business from subcontractors. Trade and other payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

Trade and other payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

(s) Provisions

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(s) Provisions *(continued)*

(i) Warranty provision

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

(ii) Other provisions

Provisions for environmental restoration, restructuring costs and legal claims are recognized when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Restructuring costs provision comprises lease termination penalties and employee termination payments. Provisions are not recognized for future operating losses.

(t) Current and deferred income tax

The tax expense for the period comprises current and deferred income tax.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries, joint ventures and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and considers whether it is probable that a taxation authority will accept an uncertain tax treatment. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax liabilities are not recognized if they arise from the initial recognition of goodwill; deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, joint ventures and associates, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same tax authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

(u) Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognized because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognized but is disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that the outflow is probable, it will then be recognized as a provision.

(v) Revenue and other income

Income is classified by the Group as revenue when it arises from the sales of goods and the provision of services in the ordinary course of the Group's business.

(i) Sale of goods and provision of services

Revenue from sale of hardware, software, peripherals and mobile devices and the provision of services is recognized when control over such products or services is transferred to the customer at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value-added tax, an allowance for estimated returns, rebates and discounts.

The Group enters into different shipping terms with customers. Control of hardware, software, peripherals and mobile devices is transferred when delivery has occurred. Delivery is generally considered as occurred once the goods are shipped. For certain transactions that the Group retains control during the course of shipment, the Group defers the recognition of revenue and cost of such products until they are delivered to the designated locations. The Group's obligation to repair or replace faulty products under the standard warranty terms is recognized as a provision.

Control of systems integration service, information technology technical service and extended warranty service is transferred over time during the contract period or when services are rendered.

The Group recognizes revenue on a gross or net basis depending on whether the Group is acting as a principal or an agent in the transaction.

No element of financing is deemed present as the sales are made with a credit term of 0 – 120 days, which is consistent with market practice. A receivable is recognized when the goods or services are delivered and consideration is unconditional because only the passage of time is required before the payment is due.

(ii) Interest income

Interest income is recognized using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired receivables is recognized using the original effective interest rate.

(iii) Dividend income

Dividend income is recognized when the right to receive payment is established.

2 **SIGNIFICANT ACCOUNTING POLICIES** *(continued)*

(w) Non-base manufacturing costs

Non-base manufacturing costs are costs that are periodic in nature as opposed to product specific. They are typically incurred after the physical completion of the product and include items such as outbound freight for in-country finished goods shipments, warranty costs, engineering charges, storage and warehousing costs, and contribute to bringing inventories to their present location and condition. Non-base manufacturing costs enter into the calculation of gross margin but are not inventoriable costs.

(x) Employee benefits

(i) Pension obligations

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

A defined benefit plan is a pension plan which defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognized in the consolidated balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. Significant portion of the defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation. In countries where there is no deep market in such bonds, the market rates on government bonds are used.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is included in employee benefit expense in the consolidated income statement.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognized as other comprehensive income or loss in the year in which they arise. They are included in retained earnings in the consolidated statement of changes in equity and in the consolidated balance sheet.

Past service costs are recognized immediately in the consolidated income statement. Changes in the present value of the defined benefit obligation resulting from plan amendments or curtailments are recognized immediately in profit or loss as past service costs.

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. The contributions are recognized as employee benefit expense when they are due and are reduced by employer's portion of voluntary contributions forfeited by those employees who leave the scheme prior to vesting fully. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in the future payments is available.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(x) Employee benefits *(continued)*

(i) Pension obligations *(continued)*

The Group's contributions to local municipal government retirement schemes in connection with retirement benefit schemes in the Mainland of China ("Chinese Mainland") are expensed as incurred. The local municipal governments in the Chinese Mainland assume the retirement benefit obligations of the qualified employees.

(ii) Post-employment medical benefits

The Group operates a number of post-employment medical benefit schemes, the largest being in the United States. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment using an accounting methodology similar to that for defined benefit pension plans. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognized as other comprehensive income or loss in the period in which they arise. The obligations of these schemes in the United States are valued annually by independent qualified actuaries.

(iii) Long-term incentive program

The Group operates a long-term incentive program to recognize employees' individual and collective contributions, and includes two types of awards, namely share appreciation rights and restricted share units ("Long-term Incentive Awards"). The Company reserves the right, at its discretion, to pay the award in cash or ordinary shares of the Company. The fair value of the employee services received in exchange for the grant of the Long-term Incentive Awards is recognized as employee benefit expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the Long-term Incentive Awards granted, including any market performance conditions (for example, an entity's share price); excluding the impact of any service and non-market performance vesting conditions (for example, profitability and sales growth targets); and including the impact of non-vesting conditions. Non-market performance and service conditions are included in assumptions about the number of Long-term Incentive Awards that are expected to become exercisable/vested. The total expense is recognized over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied.

At each balance sheet date, the Group revises its estimates of the number of Long-term Incentive Awards that are expected to become exercisable. It recognizes the impact of the revision of original estimates, if any, in the consolidated income statement, with a corresponding adjustment to share-based compensation reserve under equity.

Employee share trusts are established for the purposes of awarding shares to eligible employees under the long-term incentive program. The employee share trusts are administered by independent trustees and are funded by the Group's cash contributions and recorded as contributions to employee share trusts, an equity component. The administrator of the employee share trusts buys the Company's shares in the open market for award to employees upon vesting.

Upon vesting, the corresponding amounts in the share-based compensation reserve will be transferred to share capital for new allotment of shares to employees, or to the employee share trusts for shares awarded to employees by the employee share trusts.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(x) Employee benefits *(continued)*

(iv) Termination benefit

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognizes termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the entity recognizes costs for a restructuring that is within the scope of HKAS 37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

(y) Government grants

Grants from the government are recognized at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognized as "Other operating income/(expenses) – net" in the consolidated income statement over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to property, plant and equipment are included in other non-current liabilities as deferred government grants and are credited to the consolidated income statement on a straight-line basis over the expected lives of the related assets.

(z) Leases (as the lessee)

Leases are recognized as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that are based on an index or a rate;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

(z) Leases (as the lessee) *(continued)*

Some property leases contain variable payment terms that are linked to sales generated from stores. There is a wide range of sales percentages applied. Variable payment terms are used for a variety of reasons, including minimising the fixed costs base for newly established stores. Variable lease payments that depend on sales are recognized as a profit or loss in the period in which the event or condition that triggers those payments occurs.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liabilities;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

Payments associated with leases of low-value assets are recognized on a straight-line basis as an expense in profit or loss. Low-value assets mainly comprise office equipment.

The Group's right-of-use assets include interest in leasehold land and building and prepaid lease payments for leasehold land. Prepaid lease payments represent the payments for land use rights held by the Group in the Chinese Mainland under term leases between 10 to 50 years. Rental contracts for leasehold land and building are typically made for fixed periods of 1 to 9 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Lease liabilities are presented within "other payables and accruals" (for current portion) and "other non-current liabilities" (for non-current portion) in the consolidated balance sheet.

(aa) Related party transactions

A related party transaction is a transfer of resources, services or obligations between the Group and a related party of the Group, regardless of whether a price is charged.

(i) A person, or a close member of that person's family, is related to the Group if that person:

- has control or joint control over the Group;
- has significant influence over the Group; or
- is a member of the key management personnel of the Group or the Group's parent.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(aa) Related party transactions *(continued)*

(ii) An entity is related to the Group if any of the following conditions applies:

- The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

- One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

- Both entities are joint ventures of the same third party.

- One entity is a joint venture of a third entity and the other entity is an associate of the third party.

- The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

- The entity is controlled or jointly controlled by a person identified in (i) above.

- A person, or a close member of that person's family, who has control or joint control over the Group, has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

- The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

(ab) Dividend distribution

Dividend distribution to the Company's shareholders is recognized as a liability in the Group's and Company's financial statements in the period in which the dividends are approved by the Company's shareholders in case of final dividend and by the Company's directors in case of interim dividend.

3 FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks, such as market risk (including foreign currency risk, cash flow interest rate risk and price risk), credit risk, and liquidity risk. The Group's overall financial risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to hedge certain risk exposures. Financial risk management is carried out by the centralized treasury department ("Group Treasury").

(a) Financial risk factors

(i) Foreign currency risk

The Group operates internationally and is exposed to foreign currency risk arising from various currency exposures, primarily with respect to United States dollar, Renminbi and Euro. Foreign currency risk arises from future commercial transactions, recognized assets and liabilities and net investment in foreign operations denominated in a currency that is not the group companies' functional currency.

Management has set up a policy to require group companies to manage their foreign currency risk against their functional currency. The Group's forward foreign currency contracts are either used to hedge a percentage of anticipated cash flows (mainly export sales and purchase of inventories) which are highly probable, or used as fair value hedges for the identified assets and liabilities.

3 FINANCIAL RISK MANAGEMENT *(continued)*

(a) Financial risk factors *(continued)*

(i) Foreign currency risk (continued)

For segment reporting purposes, external hedge contracts on assets, liabilities or future transactions are designated to each operating segment, as appropriate.

The following tables detail the Group's exposure at the balance sheet date to currency risk arising from recognized assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate, except for the currency risk between United States dollar and Hong Kong dollar given the two currencies are under the linked exchange rate system. For presentation purposes, the amounts of the exposure are shown in United States dollar, translated using the spot rate at the balance sheet date. Differences resulting from the translation of the financial statements of foreign operations into the Group's presentation currency are excluded.

	2022			2021		
	United States dollar US$'000	**Renminbi US$'000**	**Euro US$'000**	United States dollar US$'000	Renminbi US$'000	Euro US$'000
Trade and other receivables	**784,653**	**7,445**	**208,688**	345,911	23,149	175,220
Bank deposits and cash and cash equivalents	**79,397**	**52,637**	**134,993**	45,456	20,857	33,212
Trade and other payables	**(658,185)**	**(85,265)**	**(96,903)**	(483,935)	(38,425)	(35,240)
Intercompany balances before elimination	**(1,817,641)**	**2,739,944**	**(116,399)**	(1,514,790)	1,037,500	(195,056)
Gross exposure	**(1,611,776)**	**2,714,761**	**130,379**	(1,607,358)	1,043,081	(21,864)
Notional amounts of forward exchange contracts used as economic hedges	**2,968,059**	**(895,931)**	**(379,822)**	2,315,015	(586,253)	85,961
Net exposure	**1,356,283**	**1,818,830**	**(249,443)**	707,657	456,828	64,097

(ii) Cash flow interest rate risk

The Group's interest rate risk generally arises from short-term and long-term borrowings denominated in United States dollar. It is the Group's policy to mitigate interest rate risk through the use of appropriate interest rate hedging instruments when necessary. Generally, the Group manages its cash flow interest rate risk by using floating-to-fixed interest rate swaps. Such interest rate swaps have the economic effect of converting borrowings from floating rates to fixed rates. Under the interest rate swaps, the Group agrees with other parties to settle the difference between cash flow arising from fixed contract rates and floating-rate interest of the notional amounts at specified intervals (primarily quarterly).

The Group participates in various trade financing programs. The Group is exposed to fluctuation of interest rates of all the currencies covered by those programs.

3 FINANCIAL RISK MANAGEMENT *(continued)*

(a) Financial risk factors *(continued)*

(iii) Credit risk

Credit risk is managed on a group basis. Credit risk arises from cash and cash equivalents, derivative financial instruments, notes receivable, other receivables and deposits with banks and financial institutions, as well as credit exposures to customers and subcontractors, including outstanding receivables and committed transactions.

For banks and other financial institutions, the Group controls its credit risk through monitoring their credit rating and setting approved counterparty credit limits that are regularly reviewed.

The Group has no significant concentration of customer credit risk. The Group has a credit policy in place and exposures to these credit risks are monitored on an ongoing basis. No credit limits were exceeded by any customers and subcontractors during the reporting period, and management does not expect any significant losses from non-performance by these counterparties.

Except for trade receivables, the Group measures the loss allowance equal to 12 months expected credit loss, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime expected credit loss. The expected credit loss was minimal.

The Group applies the simplified approach to provide for expected credit losses prescribed by HKFRS 9, which requires the use of the lifetime expected credit loss provision for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on the shared credit risk characteristics and days past due. The gross carrying amount of the trade receivables and the loss allowance analyzed by aging band are set out below:

March 31, 2022	**Gross carrying amount US$'000**	**Loss allowance US$'000**	**Expected credit loss rate**
Not past due	**10,410,855**	**(6,204)**	**0%**
Past due less than 31 days	**445,886**	**(15,661)**	**4%**
Past due within 31 to 60 days	**197,229**	**(6,136)**	**3%**
Past due within 61 to 90 days	**61,214**	**(1,499)**	**2%**
Past due over 90 days	**180,987**	**(77,120)**	**43%**
	11,296,171	**(106,620)**	

March 31, 2021	Gross carrying amount US$'000	Loss allowance US$'000	Expected credit loss rate
Not past due	7,835,578	(401)	0%
Past due less than 31 days	332,967	(183)	0%
Past due within 31 to 60 days	95,218	(7)	0%
Past due within 61 to 90 days	53,418	(177)	0%
Past due over 90 days	225,850	(144,438)	64%
	8,543,031	(145,206)	

3 FINANCIAL RISK MANAGEMENT *(continued)*

(a) Financial risk factors *(continued)*

(iv) Liquidity risk

Cash flow forecasting at least for next 12 months of the Group is performed by Group Treasury. It monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational, financing and investing needs while maintaining sufficient headroom on its undrawn committed borrowing facilities (Note 26) at all times so that the Group does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities. Such forecasting takes into consideration the Group's debt financing plans, net current liabilities position, covenant compliance, compliance with internal balance sheet ratio targets, the COVID-19 impact and, if applicable external regulatory or legal requirements, for example, currency restrictions.

Surplus cash held by the operating entities over and above balances required for working capital management are transferred to Group Treasury. Group Treasury invests surplus cash in interest bearing current accounts, time deposits, money market funds and marketable securities, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient headroom as determined by the above-mentioned forecasts. At the balance sheet date, the Group held money market funds of US$314,904,000 (2021: nil) (Note 23).

3 FINANCIAL RISK MANAGEMENT *(continued)*

(a) Financial risk factors *(continued)*

(iv) *Liquidity risk* *(continued)*

The tables below analyze the Group's non-derivative financial liabilities and derivative financial liabilities into relevant maturity groupings based on the remaining periods at the balance sheet date to the contractual maturity dates. Derivative financial liabilities are included in the analysis if their contractual maturities are essential for an understanding of the timing of the cash flows. The amounts disclosed in the tables are the contractual undiscounted cash outflows/(inflows).

	Repayable on demand or 3 months or less US$'000	Over 3 months to 1 year US$'000	Over 1 to 3 years US$'000	Over 3 to 5 years US$'000	Over 5 years US$'000	Total US$'000
At March 31, 2021						
Borrowings	66,924	802,622	1,630,089	1,157,539	1,173,711	4,830,885
Trade, notes and other payables and accruals	20,033,088	1,329,875	–	–	–	21,362,963
Deferred consideration	–	–	25,072	–	–	25,072
Written put option liabilities	–	338,370	542,691	–	–	881,061
Lease liabilities	32,085	121,863	201,583	107,650	78,641	541,822
Others	–	–	215,312	248,436	–	463,748
Derivatives settled in gross:						
Forward foreign exchange contracts						
– outflow	10,542,111	56,608	–	–	–	10,598,719
– inflow	(10,616,227)	(58,000)	–	–	–	(10,674,227)
At March 31, 2022						
Borrowings	**79,089**	**864,188**	**886,658**	**1,097,715**	**1,136,175**	**4,063,825**
Trade, notes and other payables and accruals	**22,209,229**	**1,967,261**	**-**	**-**	**-**	**24,176,490**
Deferred consideration	**-**	**-**	**25,072**	**-**	**-**	**25,072**
Written put option liabilities	**-**	**-**	**509,694**	**56,297**	**-**	**565,991**
Lease liabilities	**36,356**	**123,078**	**166,111**	**94,121**	**41,058**	**460,724**
Others	**-**	**-**	**212,473**	**142,910**	**-**	**355,383**
Derivatives settled in net:						
Forward foreign exchange contracts	**4,352**	**-**	**-**	**-**	**-**	**4,352**
Derivatives settled in gross:						
Forward foreign exchange contracts						
– outflow	**10,031,012**	**795,081**	**-**	**-**	**-**	**10,826,093**
– inflow	**(10,022,709)**	**(794,219)**	**-**	**-**	**-**	**(10,816,928)**

3 FINANCIAL RISK MANAGEMENT *(continued)*

(b) Market risk sensitivity analysis

HKFRS 7 "Financial instruments: Disclosures" requires the disclosure of a sensitivity analysis for market risks that show the effects of a hypothetical change in the relevant market risk variable to which the Group is exposed to at the balance sheet date on profit or loss and total equity.

The sensitivity analysis for each type of market risks does not reflect inter-dependencies between risk variables. The sensitivity analysis assumes that a hypothetical change of the relevant risk variable had occurred at the balance sheet date and had been applied to the relevant risk variable in existence on that date. The bases and assumptions adopted in the preparation of the analyses will by definition, seldom equal to the related actual results.

The disclosure of the sensitivity analysis on market risks is solely for compliance with HKFRS 7 disclosure requirements in respect of financial instruments, and are for illustration purposes only; and it should be noted that the hypothetical amounts so generated do not represent a projection of likely future events and profits or losses of the Group.

(i) Foreign currency exchange rate sensitivity analysis

At March 31, 2022, if United States dollar had weakened/strengthened by one percent against the major currencies with all other variables held constant, pre-tax profit for the year would have been US$2.1 million higher/lower (2021: US$1.9 million lower/higher), mainly as a result of foreign exchange gains/losses on translation of unhedged portion of receivable and payable balances.

The analysis above is based on the assumption that United States dollar weakened or strengthened against all other currencies in the same direction and magnitude, but it may not be necessarily true in reality.

(ii) Interest rate sensitivity analysis

At March 31, 2022, the Group's short term borrowings at variable rate do not have significant impact on pre-tax profit for the year if interest rate on borrowings had been 25 basis points higher/lower with all other variable held constant (2021: do not have significant impact).

3 FINANCIAL RISK MANAGEMENT *(continued)*

(b) Market risk sensitivity analysis *(continued)*

(iii) Price risk sensitivity analysis

Exposure

The Group's exposure to equity securities price risk arises from investments held by the Group and classified in the consolidated balance sheet either as financial assets at FVPL (Note 20(a)) or FVOCI (Note 20(b)).

To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Group.

The Group's listed equity investments are determined based on respective quoted market prices. The fair value of unlisted equity investments is determined based on valuation techniques, please refer to Note 3(d) for details.

Sensitivity

The table below summarizes the impact of increase/decrease of the quoted market prices of the listed equity investments and the prices of unlisted equity investments on the Group's equity and pre-tax profit for the year. The analysis is based on the assumption that the fair value of the equity investments had increased/decreased by 5% with all other variables held constant.

	Impact on pre-tax profit		Pre-tax impact on other components of equity	
	2022 US$'000	2021 US$'000	**2022 US$'000**	2021 US$'000
Increase by 5%	**55,220**	40,251	**3,229**	4,240
Decrease by 5%	**(55,220)**	(40,251)	**(3,229)**	(4,240)

(c) Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

3 FINANCIAL RISK MANAGEMENT *(continued)*

(c) Capital risk management *(continued)*

Consistent with others in the industry, the Group monitors capital on the basis of gearing ratio. This ratio is calculated as total borrowings (including current and non-current borrowings) divided by total equity. The Group's strategy remains unchanged and the gearing ratios and net cash/(debt) position of the Group at March 31, 2022 and 2021 are as follows:

	2022 US$ million	2021 US$ million
Bank deposits and cash and cash equivalents	**4,023**	3,128
Less: total borrowings	**(3,421)**	(3,998)
Net cash/(debt) position	**602**	(870)
Total equity	**5,395**	3,611
Gearing ratio	**0.63**	1.11

(d) Fair value estimation

The table below analyzes financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1 Quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices)
- Level 3 Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs)

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in Level 1.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3.

3 FINANCIAL RISK MANAGEMENT *(continued)*

(d) Fair value estimation *(continued)*

Specific valuation techniques used to value financial instruments include:

- The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves.
- The fair value of forward foreign exchange contracts is determined using quoted forward exchange rates at the balance sheet date, with the resulting value discounted back to present value.
- Other techniques, such as estimated discounted cash flows and recent transaction for similar instruments, are used to determine fair value for the remaining financial instruments.

The following table presents the assets and liabilities that are measured at fair value at March 31, 2022 and 2021.

	2022				2021			
	Level 1 US$'000	**Level 2 US$'000**	**Level 3 US$'000**	**Total US$'000**	Level 1 US$'000	Level 2 US$'000	Level 3 US$'000	Total US$'000
Assets								
Financial assets at FVPL								
Listed equity investments	**146,772**	**-**	**108,488**	**255,260**	138,039	-	217,025	355,064
Unlisted equity investments	**-**	**-**	**849,148**	**849,148**	-	-	449,949	449,949
Financial assets at FVOCI								
Listed equity investments	**45,292**	**-**	**-**	**45,292**	56,914	-	-	56,914
Unlisted equity investments	**-**	**-**	**19,280**	**19,280**	-	-	27,882	27,882
Trade receivables	**-**	**11,189,551**	**-**	**11,189,551**	-	8,397,825	-	8,397,825
Derivative financial assets	**-**	**113,757**	**-**	**113,757**	-	118,299	-	118,299
	192,064	**11,303,308**	**976,916**	**12,472,288**	194,953	8,516,124	694,856	9,405,933
Liabilities								
Derivative financial liabilities	**-**	**127,625**	**-**	**127,625**	-	35,944	-	35,944
Convertible preferred shares	**-**	**-**	**45,115**	**45,115**	-	-	303,372	303,372
	-	**127,625**	**45,115**	**172,740**	-	35,944	303,372	339,316

3 FINANCIAL RISK MANAGEMENT *(continued)*

(d) Fair value estimation *(continued)*

The movements in the financial assets and liabilities included in Level 3 fair value hierarchy for the years ended March 31, 2022 and 2021 are as follows:

Equity securities

	Financial assets at FVPL		Financial assets at FVOCI	
	2022 US$'000	2021 US$'000	**2022 US$'000**	2021 US$'000
At the beginning of the year	**666,974**	417,268	**27,882**	31,754
Exchange adjustment	**19,841**	34,212	**735**	1,629
Fair value change recognized in other comprehensive income	**-**	–	**(9,837)**	(9,993)
Fair value change recognized in profit or loss	**198,527**	8,157	**-**	–
Transfer to Level 1	**(178,862)**	–	**-**	–
Additions	**256,461**	210,661	**2,000**	5,049
Disposals	**(5,305)**	(3,324)	**(1,500)**	(557)
At the end of the year	**957,636**	666,974	**19,280**	27,882

The Level 3 equity securities are valued primarily based on the latest available financial statements. The Group may make adjustments to the value based on considerations such as the value date of the net assets value provided, cash flows since the latest value date, geographic and sector exposures, market movements and the basis of accounting of the underlying equity securities. A reasonable possible change in key assumptions used in the fair value measurement of equity securities would not result in any significant potential financial impact.

During the year ended March 31, 2022, two investments which were categorized as Level 3 have listed their equity shares on the exchanges. With the published price quotations in active markets, related fair value measurement was transferred from Level 3 to Level 1 of the fair value hierarchy at March 31, 2022.

3 FINANCIAL RISK MANAGEMENT *(continued)*

(d) Fair value estimation *(continued)*

Contingent consideration

	2022 US$'000	2021 US$'000
At the beginning of the year	-	117,387
Exchange adjustment	-	3
Settlement	-	(117,390)
At the end of the year	-	–
Total losses for the year included in profit or loss under "finance costs"	-	–

The contingent consideration was valued with reference to the performance indicators of Fujitsu Client Computing Limited and its subsidiary, Shimane Fujitsu Limited (together "FCCL").

Convertible preferred shares

	2022 US$'000	2021 US$'000
At the beginning of the year	303,372	317,826
Repurchase	(254,490)	(16,575)
Dividends paid	(16,385)	(11,600)
Fair value change recognized in profit or loss	12,618	13,721
At the end of the year	45,115	303,372

If the discount rate increased/decreased by 0.5%, the convertible preferred shares would have decreased/increased by approximately US$0.2 million and US$0.2 million respectively (2021: US$7 million and US$8 million respectively) with the corresponding gain/loss recognized in the consolidated income statement.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of financial statements often requires the use of judgment to select specific accounting methods and policies from several acceptable alternatives. Estimates and judgments used in preparing the financial statements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The following are the more significant assumptions and estimates, as well as the accounting policies and methods used in the preparation of the financial statements:

(a) Impairment of non-financial assets

The Group tests at least annually whether goodwill and other assets that have indefinite useful lives have suffered any impairment. Other assets that are subject to depreciation and amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset exceeds its recoverable amount. The recoverable amounts of an asset or a cash-generating unit have been determined based on value-in-use calculations. These calculations require the use of estimates.

The value-in-use calculations use cash flow projection based on financial budgets approved by management covering a five-year period with a terminal value related to the future cash flows extrapolated using constant projection of cash flows beyond the five-year period. There are a number of assumptions and estimates involved for the preparation of cash flow projections for the period covered by the approved budget and the estimated terminal value. Key assumptions include the revenue growth rates, operating margins, discount rates and the length of time and severity of the impact of COVID-19 with reference to the business and industry circumstances.

Management prepared the financial budgets reflecting actual and prior year performance and market development expectations. Judgment is required to determine key assumptions adopted in the cash flow projections and changes to key assumptions can significantly affect these cash flow projections and therefore the results of the impairment reviews.

(b) Income taxes

The Group is subject to income taxes in numerous jurisdictions. Significant judgment is required in determining the worldwide provision for income taxes. There are certain transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The tax liabilities recognized are based on management's assessment of the likely outcome taking into consideration precedent tax ruling in the relevant jurisdiction.

The Group recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying values in the financial statements.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS *(continued)*

(b) Income taxes *(continued)*

Deferred income tax assets are mainly recognized for temporary differences such as warranty provision, accrued sales rebates, bonus accruals, and other accrued expenses, and unused tax losses carried forward to the extent it is probable that future taxable profits will be available against which deductible temporary differences and the unused tax losses can be utilized, based on all available evidence. Recognition primarily involves judgment regarding the future financial performance of the particular legal entity or tax group taking into consideration the COVID-19 impact in which the deferred income tax asset has been recognized. A variety of other factors are also evaluated in considering whether there is convincing evidence that it is probable that some portion or all of the deferred income tax assets will ultimately be realized, such as the existence of taxable temporary differences, group relief, tax planning strategies and the periods in which estimated tax losses can be utilized. The carrying amount of deferred income tax assets and related financial models and budgets are reviewed at each balance sheet date and to the extent that there is insufficient convincing evidence that sufficient taxable profits will be available within the utilization periods to allow utilization of the carry forward tax losses, the asset balance will be reduced and the difference charged to the consolidated income statement.

Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax provisions and deferred income tax assets and liabilities in the period in which such determination is made.

(c) Warranty provision

Warranty provision is based on the estimated cost of product warranties when revenue is recognized. Factors that affect the Group's warranty liability include the number of sold units currently under warranty, historical and anticipated rates of warranty claims on those units, and cost per claim to satisfy our warranty obligation. The estimation basis is reviewed on an on-going basis and revised where appropriate. Certain of these costs are reimbursable from the suppliers in accordance with the terms of relevant arrangements with the suppliers. These amounts are recognized as a separate asset, to the extent of the amount of the provision made, when it is virtually certain that reimbursement will be received if the Group settles the obligation.

(d) Revenue recognition

Application of various accounting principles related to the measurement and recognition of revenue requires the Group to make judgments and estimates. Specifically, complex arrangements with non-standard terms and conditions may require significant contract interpretation to determine the appropriate accounting, including whether the deliverables specified in a multiple element arrangement should be treated as separate performance obligations. Other significant judgments include determining whether the Group or a reseller is acting as the principal in a transaction and whether separate contracts are considered part of one arrangement.

The Group sells products to channels. Sales through channels are primarily made under agreements allowing for volume discounts, price protection and rebates, and marketing development funds. The Group monitors the channel inventory level with reference to historical data. Revenue recognition is also impacted by the Group's ability to estimate volume discounts, price protection and rebates, and marketing development funds. The Group considers various factors, including review of specific transactions, historical experience, market and economic conditions and channel inventory level when calculating these provisions and allowances. Revenue is only recognized to the extent that it is highly probable that a significant reversal will not occur.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS *(continued)*

(d) Revenue recognition *(continued)*

Revenue from sales of goods is recognized when the control of the goods is transferred to customers, which are generally occurred upon shipment. For certain transactions that the Group retains control during the course of shipment, the Group defers the recognition of revenue and cost of such products until they are delivered to the designated locations.

(e) Retirement benefits

Pension and other post-retirement benefit costs and obligations are dependent on various assumptions. The Group's major assumptions primarily relate to discount rate, expected return on assets, and salary growth. In determining the discount rate, the Group references market yields at the balance sheet date on high quality corporate bonds. The currency and term of the bonds are consistent with the currency and estimated term of the benefit obligations being valued. The expected return on plan assets is based on market expectations for returns over the life of the related assets and obligations. The salary growth assumptions reflect the Group's long-term actual experience and future and near-term outlook. Actual results that differ from the assumptions are generally recognized in the year they occur.

(f) Fair value of derivatives and other financial instruments

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. The Group uses its judgment to select a variety of methods and make assumptions that are mainly based on market conditions existing at each balance sheet date.

5 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 ended 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.

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.

5 SEGMENT INFORMATION *(continued)*

(a) Revenue and operating profit/(loss) for business groups

	2022		2021	
	Revenue US$'000	Operating profit US$'000	Revenue US$'000	Operating profit/(loss) US$'000
IDG	62,310,410	4,737,823	53,006,909	3,744,006
ISG	7,140,055	6,703	6,301,320	(130,227)
SSG	5,441,528	1,195,386	4,192,645	854,507
Total	74,891,993	5,939,912	63,500,874	4,468,286
Eliminations	(3,273,777)	(1,001,478)	(2,758,562)	(745,341)
	71,618,216	4,938,434	60,742,312	3,722,945
Unallocated:				
Headquarters and corporate income/(expenses) – net		(1,506,022)		(1,429,187)
Depreciation and amortization		(648,775)		(552,086)
Impairment of intangible assets		(31,434)		(52,606)
Finance income		34,504		19,685
Finance costs		(171,751)		(234,244)
Share of losses of associates and joint ventures		(6,912)		(32,323)
Gain on disposal of property, plant and equipment		914		85,038
Fair value gain on financial assets at FVPL		135,075		201,597
Fair value loss on a financial liability at FVPL		(12,618)		(13,721)
Dilution gain on interest in an associate		-		31,374
Gain on deemed disposal of subsidiaries		-		2,964
Gain on disposal of subsidiaries		32,303		22,978
Dividend income		4,013		1,784
Consolidated profit before taxation		2,767,731		1,774,198

(b) Analysis of revenue by geography

	2022 US$'000	2021 US$'000
China	18,380,867	14,257,290
Asia Pacific ("AP")	11,712,396	11,797,083
Europe-Middle East-Africa ("EMEA")	18,274,144	15,882,576
Americas ("AG")	23,250,809	18,805,363
	71,618,216	60,742,312

5 SEGMENT INFORMATION *(continued)*

(c) Analysis of revenue by timing of revenue recognition

	2022 US$'000	2021 US$'000
Point in time	**69,671,524**	59,080,578
Over time	**1,946,692**	1,661,734
	71,618,216	60,742,312

(d) Revenue recognized in relation to deferred revenue and receipt in advance

Deferred revenue and receipt in advance (included in "other payables and accruals") amounting to US$3,167 million (2021: US$2,374 million) primarily relate to the Group's unfulfilled performance obligations for which consideration has been received at the reporting date. Revenue is recognized in the period when the performance obligations are fulfilled. US$1,191 million (2021: US$1,002 million) was recognized as revenue during the year that was included in such balance at the beginning of the year.

(e) Transaction price allocated to the remaining performance obligations

The following table includes revenue expected to be recognized in the future related to performance obligations that are unsatisfied or partially unsatisfied at the reporting date.

	2022 US$'000	2021 US$'000
Within one year	**1,707,527**	1,190,970
More than one year	**1,459,582**	1,183,247
	3,167,109	2,374,217

(f) Other segment information

	IDG		ISG		SSG		Total	
	2022 US$'000	2021 US$'000	2022 US$'000	2021 US$'000	2022 US$'000	2021 US$'000	2022 US$'000	2021 US$'000
Depreciation and amortization	**458,742**	372,335	**153,838**	131,955	**3,009**	3,642	**615,589**	507,932
Finance income	**17,437**	13,122	**3,861**	1,274	**656**	673	**21,954**	15,069
Finance costs	**129,563**	120,247	**60,295**	53,376	**775**	773	**190,633**	174,396

The total of non-current assets other than financial instruments, deferred income tax assets and post-employment benefit assets (there are no rights arising under insurance contracts) located in the Chinese Mainland and other countries is approximately US$5,459,792,000 (2021: US$5,097,235,000) and US$6,356,854,000 (2021: US$6,323,495,000) respectively.

Notes to the financial statements

6 OPERATING PROFIT

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

	2022 **US$'000**	2021 US$'000
Depreciation of property, plant and equipment	**344,498**	301,483
Depreciation of right-of-use assets	**136,993**	99,795
Amortization of intangible assets	**782,873**	658,740
Impairment of intangible assets	**31,434**	52,606
Impairment of property, plant and equipment	**10,189**	–
Employee benefit costs (Note 9)	**5,829,480**	5,149,862
Cost of inventories sold	**56,131,752**	48,230,328
Auditor's remuneration (Note)		
– Audit services	**13,063**	9,871
– Non-audit services	**3,211**	1,625
Rental expenses	**29,862**	14,361
Government grants (Note 27(c))	**(59,859)**	(54,623)
Net foreign exchange loss	**156,981**	116,046
Net (gain)/loss on foreign exchange forward contracts for cash flow hedges reclassified from equity	**(268,500)**	255,312
Loss/(gain) on disposal of property, plant and equipment	**2,265**	(110,004)
Loss on disposal of intangible assets	**8,399**	1,574
Fair value gain on financial assets at FVPL	**(135,075)**	(201,597)
Fair value loss on a financial liability at FVPL	**12,618**	13,721
Dilution gain on interest in an associate	**-**	(31,374)
Gain on deemed disposal of subsidiaries	**-**	(2,964)
Gain on disposal of subsidiaries	**(32,303)**	(36,029)

Note: Included in the above audit services fee, US$11,956,000 (2021: US$8,172,000) is paid or payable to the Company's auditor. For the year ended March 31, 2022, audit services fee of US$2,960,000 and non-audit services fee of US$2,460,000 paid or payable to the Company's auditor relating to the proposed issuance of Chinese depository receipts was recognized in profit or loss.

7 FINANCE INCOME AND COSTS

(a) Finance income

	2022 US$'000	2021 US$'000
Interest on bank deposits and trust	**56,114**	32,788
Interest on money market funds	**344**	1,966
	56,458	34,754

(b) Finance costs

	2022 US$'000	2021 US$'000
Interest on bank loans and overdrafts	**34,226**	43,845
Interest on convertible bonds	**40,360**	39,853
Interest on notes	**141,282**	136,983
Interest on lease liabilities	**19,098**	20,005
Factoring costs	**99,653**	136,820
Interest on written put option liabilities	**23,587**	26,329
Others	**4,178**	4,805
	362,384	408,640

8 TAXATION

The amount of taxation in the consolidated income statement represents:

	2022 US$'000	2021 US$'000
Current tax		
– Profits tax in Hong Kong S.A.R. of China	**160,855**	118,751
– Taxation outside Hong Kong S.A.R. of China	**661,373**	537,973
Deferred tax (Note 19)		
– Credit for the year	**(199,829)**	(195,525)
	622,399	461,199

8 TAXATION *(continued)*

Profits tax in Hong Kong S.A.R. of China has been provided for at the rate of 16.5% (2021: 16.5%) on the estimated assessable profit for the year. Taxation outside Hong Kong S.A.R. of China represents income and irrecoverable withholding taxes of subsidiaries operating in the Chinese Mainland and overseas, calculated at rates applicable in the respective jurisdictions.

The Group has been granted certain tax concessions by tax authorities in the Chinese Mainland and overseas whereby the subsidiaries operating in the respective jurisdictions are entitled to tax concessions.

The differences between the Group's expected tax charge, calculated at the domestic rates applicable to the countries concerned, and the Group's tax charge for the year are as follows:

	2022 US$'000	2021 US$'000
Profit before taxation	**2,767,731**	1,774,198
Tax calculated at domestic rates applicable in countries concerned	**724,912**	576,223
Income not subject to taxation	**(607,424)**	(517,533)
Expenses not deductible for taxation purposes	**429,836**	279,905
Recognition/utilization of previously unrecognized temporary differences/tax losses	**(24,443)**	(46,216)
Deferred income tax assets not recognized	**108,460**	155,670
(Over)/under-provision in prior years	**(8,942)**	13,150
	622,399	461,199

The weighted average applicable tax rate for the year was 26.2% (2021: 32.5%). The decrease is caused by changes in tax concessions and profitability of the Group's subsidiaries in respective countries they are operating.

The tax credit/(charge) relating to components of other comprehensive income is as follows:

	2022			2021		
	Before tax US$'000	**Tax credit US$'000**	**After tax US$'000**	Before tax US$'000	Tax charge US$'000	After tax US$'000
Fair value change on financial assets at FVOCI	**(18,776)**	**712**	**(18,064)**	(4,398)	(683)	(5,081)
Fair value change on cash flow hedges	**(25,243)**	**-**	**(25,243)**	14,987	-	14,987
Remeasurements of post-employment benefit obligations (Note 34)	**58,194**	**-**	**58,194**	35,735	-	35,735
Currency translation differences	**172,638**	**-**	**172,638**	104,133	-	104,133
Other comprehensive income/(loss)	**186,813**	**712**	**187,525**	150,457	(683)	149,774
Deferred tax (Note 19)		**712**			(683)	

9 EMPLOYEE BENEFIT COSTS

	2022 US$'000	2021 US$'000
Wages and salaries (2021: including severance and other related costs of US$75,006,000)	**4,548,105**	4,028,934
Social security costs	**337,046**	282,753
Long-term incentive awards granted (Note 28)	**368,921**	291,737
Pension costs		
– Defined contribution plans	**281,222**	188,551
– Defined benefit plans (Note 34)	**19,561**	26,157
Others	**274,625**	331,730
	5,829,480	5,149,862

The Group contributes to respective local municipal government retirement schemes which are available to all qualified employees in the Chinese Mainland. Contributions to these schemes are calculated with reference to the monthly average salaries as set out by the local municipal government.

The Group participates in various defined contribution schemes, either voluntary or mandatory, for all qualified employees. The assets of those defined contribution schemes are held separately from those of the Group in independently administered funds.

The Group also contributes to certain defined benefit pension schemes, details of which are set out in Note 34.

10 EMOLUMENTS OF DIRECTORS AND HIGHEST PAID INDIVIDUALS

(a) Directors' and senior management's emoluments

Directors' emoluments comprise payments by the Group to directors of the Company in connection with the management of the affairs of the Company and its subsidiaries. The remuneration of each director and the chief executive who is also a director, for the years ended March 31, 2022 and 2021 is set out below:

	2022						
Name of Director	Fees US$'000	Salaries US$'000	Discretionary bonuses (i) US$'000	Long-term incentive awards (ii), (iii) US$'000	Retirement payments and employer's contribution to pension schemes US$'000	Other benefits in-kind US$'000	Total US$'000
Executive director							
Mr. Yang Yuanqing (CEO)	-	1,455	6,752	18,502	154	429	27,292
Non-executive directors							
Mr. Zhu Linan	100	-	-	242	-	-	342
Mr. Zhao John Huan	100	-	-	242	-	-	342
Independent non-executive directors							
Mr. Nicholas C. Allen	71	-	-	226	-	-	297
Mr. William O. Grabe	135	-	-	242	-	-	377
Mr. William Tudor Brown	120	-	-	242	-	-	362
Mr. Yang Chih-Yuan Jerry	100	-	-	242	-	-	342
Mr. Gordon Robert Halyburton Orr	100	-	-	242	-	-	342
Mr. Woo Chin Wan Raymond	113	-	-	237	-	-	350
Ms. Yang Lan	100	-	-	176	-	-	276
	939	1,455	6,752	20,593	154	429	30,322

10 EMOLUMENTS OF DIRECTORS AND HIGHEST PAID INDIVIDUALS *(continued)*

(a) Directors' and senior management's emoluments *(continued)*

	2021						
Name of Director	Fees US$'000	Salaries US$'000	Discretionary bonuses (i) US$'000	Long-term incentive awards (iii) US$'000	Retirement payments and employer's contribution to pension schemes US$'000	Other benefits in-kind US$'000	Total US$'000
Executive director							
Mr. Yang Yuanqing (CEO)	-	1,301	6,050	20,009	137	425	27,922
Non-executive directors							
Mr. Zhu Linan	100	-	-	220	-	-	320
Mr. Zhao John Huan	100	-	-	220	-	-	320
Independent non-executive directors							
Mr. Nicholas C. Allen	128	-	-	220	-	-	348
Mr. Nobuyuki Idei	53	-	-	289	-	-	342
Mr. William O. Grabe	135	-	-	220	-	-	355
Mr. William Tudor Brown	120	-	-	220	-	-	340
Mr. Yang Chih-Yuan Jerry	100	-	-	220	-	-	320
Mr. Gordon Robert Halyburton Orr	100	-	-	220	-	-	320
Mr. Woo Chin Wan Raymond	100	-	-	182	-	-	282
Ms. Yang Lan	63	-	-	62	-	-	125
	999	1,301	6,050	22,082	137	425	30,994

10 EMOLUMENTS OF DIRECTORS AND HIGHEST PAID INDIVIDUALS *(continued)*

(a) Directors' and senior management's emoluments *(continued)*

Notes:

(i) Figures shown in the table above represent discretionary bonuses receivable at March 31, 2022 and 2021 in connection with the performance bonuses for the respective two fiscal years then ended. Comparative figure for the year ended March 31, 2021 has been restated to conform to the current year's presentation. In the previous years, discretionary bonuses presented in the respective years were the amounts received in connection with the performance bonuses for the prior year.

(ii) Mr. Yang Yuanqing made the personal decision to donate 35,644,748 units of SARs and 2,070,957 units of RSUs (being a part of the share awards by the Company in June 2021) at a total grant value of approximately US$12.5 million, and the Company agreed to pay the equivalent amounts as special cash bonuses to eligible factory workers and other frontline employees who committed to their roles to keep Lenovo's continuous operation during the pandemic. Figure shown in the table above for the year ended March 31, 2022 is the net amount after the donation.

(iii) Details of the long-term incentive program of the Company are set out in Note 28. The fair value of the employee services received in exchange for the grant of the long-term incentive awards is recognized as an expense. The total amount to be amortized over the vesting period is determined by reference to the fair value of the long-term incentive awards at the date of grant. The amounts disclosed above represent the amortized amounts for the two years ended March 31, 2022 and 2021.

(iv) Mr. William O. Grabe has elected to defer his receipt of the cash of director's fee into fully vested share units under the long-term incentive program (Note 28) for the two years ended March 31, 2022 and 2021.

(v) During the years ended March 31, 2022 and 2021, annual pension payment of US$1.5 million was made to Mr. Liu Chuanzhi, a retired director.

(vi) Mr. Nicholas C. Allen retired from the position of an independent non-executive director on July 20, 2021.

(vii) Ms. Yang Lan was appointed as an independent non-executive director on May 15, 2020.

(viii) Mr. Nobuyuki Idei retired from the position of an independent non-executive director on July 9, 2020.

During the year, no retirement benefits, payments or benefits in respect of termination of directors' services were paid or made, directly or indirectly, to the directors; nor any are payable (2021: nil). No consideration was provided to or receivable by third parties for making available directors' service (2021: nil). There are no loans, quasi-loans or other dealings in favour of the directors, their controlled body corporate and connected entities (2021: nil).

No director of the Company had a material interest, directly or indirectly, in any significant transactions, arrangements and contracts in relation to the Company's business to which the Company was or is a party that subsisted at the end of the year or at any time during the year (2021: nil).

10 EMOLUMENTS OF DIRECTORS AND HIGHEST PAID INDIVIDUALS *(continued)*

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include one (2021: one) director, who is the CEO of the Group, whose emoluments are reflected in the analysis presented above. The emoluments of the remaining four (2021: four) individuals during the year are as follows:

	2022 US$'000	2021 US$'000
Basic salaries, allowances, and other benefits-in-kind	**3,652**	4,490
Discretionary bonuses (i), (ii)	**25,949**	26,427
Retirement payments and employer's contribution to pension schemes (iii)	**20,225**	4,736
Long-term incentive awards (ii), (iv)	**44,252**	28,722
Others	**2,802**	942
	96,880	65,317

Notes:

(i) Figures shown in the table above represent discretionary bonuses receivable at March 31, 2022 and 2021 in connection with the performance bonuses for the respective two fiscal years then ended. Comparative figure for the year ended March 31, 2021 has been restated to conform to the current year's presentation. In the previous years, discretionary bonuses presented in the respective years were the amounts received in connection with the performance bonuses for the prior year.

(ii) Figures shown in the table above for the year ended March 31, 2022 include a special incentive payment of US$25 million to an executive, delivered in the form of cash and shares, for multi-year performance achieved.

(iii) Retirement payments and employer's contribution to pension schemes includes US$20 million paid to one of the executives retired during the year ended March 31, 2022.

(iv) Details of the long-term incentive program of the Company are set out in Note 28. The fair value of the employee services received in exchange for the grant of the long-term incentive awards is recognized as an expense. The total amount to be amortized over the vesting period is determined by reference to the fair value of the long-term incentive awards at the date of grant. The amounts disclosed above represent the amortized amounts for the two years ended March 31, 2022 and 2021.

The emoluments fell within the following bands:

	Number of individuals	
	2022	2021
Emolument bands		
US$9,249,195 – US$9,313,425	**–**	1
US$10,019,961 – US$10,084,191	**–**	1
US$10,212,653 – US$10,276,882	**–**	1
US$10,341,114 – US$10,405,343	**1**	–
US$11,882,646 – US$11,946,876	**1**	–
US$35,712,170 – US$35,776,399	**–**	1
US$36,739,858 – US$36,804,087	**1**	–
US$37,767,546 – US$37,831,776	**1**	–

11 EARNINGS PER SHARE

(a) Basic

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

	2022	2021
Weighted average number of ordinary shares in issue	**12,041,705,614**	12,024,746,107
Adjustment for shares held by employee share trusts	**(412,831,508)**	(114,835,047)
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	**11,628,874,106**	11,909,911,060

	2022 **US$'000**	2021 US$'000
Profit attributable to equity holders of the Company	**2,029,818**	1,178,307
Adjustment for tender premium on repurchase of perpetual securities	**-**	(42,609)
Profit attributable to equity holders of the Company used in calculating basic earnings per share	**2,029,818**	1,135,698

(b) Diluted

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

11 EARNINGS PER SHARE *(continued)*

(b) Diluted *(continued)*

The Group has four (2021: five) categories of potential ordinary shares, namely long-term incentive awards, put option written on non-controlling interests, convertible bonds and convertible preferred shares (2021: long-term incentive awards, bonus warrants, put option written on non-controlling interests, convertible bonds and convertible preferred shares). Long-term incentive awards and convertible bonds were dilutive for the years ended March 31, 2022 and 2021. Put option written on non-controlling interests and convertible preferred shares were anti-dilutive for the years ended March 31, 2022 and 2021. Bonus warrants were anti-dilutive for the year ended March 31, 2021.

	2022	2021
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	**11,628,874,106**	11,909,911,060
Adjustment for long-term incentive awards	**683,274,532**	471,364,397
Adjustment for convertible bonds	**769,980,531**	741,902,700
Weighted average number of ordinary shares used as the denominator in calculating diluted earnings per share	**13,082,129,169**	13,123,178,157

	2022 US$'000	2021 US$'000
Profit attributable to equity holders of the Company used in calculating basic earnings per share	**2,029,818**	1,135,698
Adjustment for interest on convertible bonds, net of tax	**33,701**	33,278
Profit attributable to equity holders of the Company used in calculating diluted earnings per share	**2,063,519**	1,168,976

12 DIVIDENDS

	2022 US$'000	2021 US$'000
Interim dividend of HK8.0 cents (2021: HK6.6 cents) per ordinary share, paid on December 10, 2021	**123,771**	102,298
Proposed final dividend – HK30.0 cents (2021: HK24.0 cents) per ordinary share	**460,228**	372,275
	583,999	474,573

13 PROPERTY, PLANT AND EQUIPMENT

	Freehold land and buildings US$'000	Leasehold improvements US$'000	Plant and machinery US$'000	Furniture and fixtures US$'000	Office equipment US$'000	Motor vehicles US$'000	Total US$'000
At April 1, 2020							
Cost	833,471	515,678	837,614	92,798	677,408	8,210	2,965,179
Accumulated depreciation and impairment losses	126,781	283,084	603,323	58,808	490,574	4,169	1,566,739
Net book amount	706,690	232,594	234,291	33,990	186,834	4,041	1,398,440
Year ended March 31, 2021							
Opening net book amount	706,690	232,594	234,291	33,990	186,834	4,041	1,398,440
Exchange adjustment	30,960	2,292	5,053	1,295	5,026	171	44,797
Acquisition of subsidiaries	322	-	-	-	19	7	348
Disposal of subsidiaries	(7)	(206)	(207)	(27)	(2,011)	-	(2,458)
Additions	21,092	25,877	150,333	5,377	99,298	943	302,920
Transfers	124,225	14,761	46,360	34,121	6,823	6	226,296
Disposals	(71,899)	(3,886)	(13,110)	(301)	(5,342)	(447)	(94,985)
Depreciation	(24,920)	(53,437)	(105,327)	(29,863)	(86,577)	(1,359)	(301,483)
Closing net book amount	786,463	217,995	317,393	44,592	204,070	3,362	1,573,875
At March 31, 2021							
Cost	946,688	547,309	955,603	128,635	651,667	8,262	3,238,164
Accumulated depreciation and impairment losses	160,225	329,314	638,210	84,043	447,597	4,900	1,664,289
Net book amount	786,463	217,995	317,393	44,592	204,070	3,362	1,573,875
Year ended March 31, 2022							
Opening net book amount	**786,463**	**217,995**	**317,393**	**44,592**	**204,070**	**3,362**	**1,573,875**
Exchange adjustment	**12,758**	**(361)**	**(2,526)**	**(3,045)**	**2,319**	**134**	**9,279**
Acquisition of subsidiaries	**-**	**9**	**-**	**-**	**291**	**33**	**333**
Disposal of subsidiaries	**-**	**-**	**(27,912)**	**(150)**	**(607)**	**-**	**(28,669)**
Additions	**5,738**	**18,583**	**207,337**	**4,527**	**157,315**	**2,858**	**396,358**
Transfers	**3,974**	**15,228**	**15,817**	**27,689**	**890**	**-**	**63,598**
Disposals	**(1,515)**	**(514)**	**(13,372)**	**(242)**	**(7,571)**	**(244)**	**(23,458)**
Depreciation	**(27,484)**	**(49,680)**	**(145,396)**	**(29,775)**	**(90,650)**	**(1,513)**	**(344,498)**
Impairment	**-**	**-**	**(10,189)**	**-**	**-**	**-**	**(10,189)**
Closing net book amount	**779,934**	**201,260**	**341,152**	**43,596**	**266,057**	**4,630**	**1,636,629**
At March 31, 2022							
Cost	**969,952**	**577,966**	**1,097,985**	**144,738**	**735,022**	**10,267**	**3,535,930**
Accumulated depreciation and impairment losses	**190,018**	**376,706**	**756,833**	**101,142**	**468,965**	**5,637**	**1,899,301**
Net book amount	**779,934**	**201,260**	**341,152**	**43,596**	**266,057**	**4,630**	**1,636,629**

14 RIGHT-OF-USE ASSETS

	2022 US$'000	2021 US$'000
At the beginning of the year	893,422	812,235
Exchange adjustment	12,093	37,743
Acquisition of subsidiaries	863	28
Disposal of subsidiaries	(629)	(16)
Additions	89,530	168,750
Disposals	(7,484)	(14,842)
Depreciation	(148,562)	(110,476)
At the end of the year	839,233	893,422

15 CONSTRUCTION-IN-PROGRESS

	Buildings under construction		Internal use software		Others		Total	
	2022 US$'000	2021 US$'000	2022 US$'000	2021 US$'000	2022 US$'000	2021 US$'000	2022 US$'000	2021 US$'000
At the beginning of the year	23,290	62,918	168,900	228,234	15,424	13,089	207,614	304,241
Exchange adjustment	960	15,771	8,201	7,115	(4,258)	(1,394)	4,903	21,492
Disposal of subsidiaries	-	(36,626)	-	-	-	-	-	(36,626)
Additions	79,601	137,155	450,570	277,386	71,775	52,077	601,946	466,618
Transfers	(14,156)	(155,928)	(239,461)	(343,835)	(50,635)	(48,348)	(304,252)	(548,111)
At the end of the year	89,695	23,290	388,210	168,900	32,306	15,424	510,211	207,614

16 INTANGIBLE ASSETS

(a)

	Goodwill (b) US$'000	Trademarks and trade names (b) US$'000	Internal use software US$'000	Customer relationships US$'000	Patent and technology (c) US$'000	Exclusive right US$'000	Total US$'000
At April 1, 2020							
Cost	4,715,313	1,304,568	1,467,163	1,528,255	2,269,831	46,159	11,331,289
Accumulated amortization and impairment losses	-	36,854	1,030,646	727,071	1,548,608	3,528	3,346,707
Net book amount	4,715,313	1,267,714	436,517	801,184	721,223	42,631	7,984,582
Year ended March 31, 2021							
Opening net book amount	4,715,313	1,267,714	436,517	801,184	721,223	42,631	7,984,582
Exchange adjustment	120,972	4,143	33,613	11,741	3,547	4,339	178,355
Acquisition of subsidiaries	11,106	-	568	156	297	4,807	16,934
Disposals of subsidiaries	-	-	(145)	-	-	-	(145)
Additions	-	-	34,905	-	581,479	-	616,384
Transfer from construction-in-progress	-	-	252,049	-	69,766	-	321,815
Disposals	-	-	(658)	-	(916)	-	(1,574)
Amortization	-	-	(190,786)	(142,865)	(321,848)	(3,241)	(658,740)
Impairment	-	-	-	-	(52,606)	-	(52,606)
Closing net book amount	4,847,391	1,271,857	566,063	670,216	1,000,942	48,536	8,405,005
At March 31, 2021							
Cost	4,847,391	1,308,752	1,811,116	1,553,325	2,835,244	55,693	12,411,521
Accumulated amortization and impairment losses	-	36,895	1,245,053	883,109	1,834,302	7,157	4,006,516
Net book amount	4,847,391	1,271,857	566,063	670,216	1,000,942	48,536	8,405,005
Year ended March 31, 2022							
Opening net book amount	**4,847,391**	**1,271,857**	**566,063**	**670,216**	**1,000,942**	**48,536**	**8,405,005**
Exchange adjustment	**9,853**	**(3,380)**	**8,534**	**(15,366)**	**924**	**1,033**	**1,598**
Acquisition of subsidiaries	**10,672**	**-**	**-**	**-**	**-**	**-**	**10,672**
Disposals of subsidiaries	**-**	**-**	**(2,160)**	**-**	**-**	**-**	**(2,160)**
Additions	**-**	**-**	**36,242**	**174**	**197,306**	**-**	**233,722**
Transfer from construction-in-progress	**-**	**-**	**133,802**	**790**	**106,062**	**-**	**240,654**
Disposals	**-**	**-**	**(2,900)**	**(1)**	**(5,498)**	**-**	**(8,399)**
Amortization	**-**	**-**	**(218,040)**	**(141,545)**	**(420,040)**	**(3,248)**	**(782,873)**
Impairment	**-**	**-**	**(16,434)**	**-**	**(15,000)**	**-**	**(31,434)**
Closing net book amount	**4,867,916**	**1,268,477**	**505,107**	**514,268**	**864,696**	**46,321**	**8,066,785**
At March 31, 2022							
Cost	**4,867,916**	**1,305,877**	**1,988,197**	**1,515,847**	**3,127,189**	**57,935**	**12,862,961**
Accumulated amortization and impairment losses	**-**	**37,400**	**1,483,090**	**1,001,579**	**2,262,493**	**11,614**	**4,796,176**
Net book amount	**4,867,916**	**1,268,477**	**505,107**	**514,268**	**864,696**	**46,321**	**8,066,785**

16 INTANGIBLE ASSETS *(continued)*

(a) *(continued)*

Amortization of US$115,339,000 (2021: US$43,154,000), US$9,934,000 (2021: US$11,057,000), US$432,665,000 (2021: US$445,904,000) and US$224,935,000 (2021: US$158,625,000) are included in the 'cost of sales', 'selling and distribution expenses', 'administrative expenses' and 'research and development expenses' in the consolidated income statement respectively.

(b) Impairment tests for goodwill and intangible assets with indefinite useful lives

The carrying amounts of goodwill and trademarks and trade names with indefinite useful lives are presented below:

	China US$ million	AP US$ million	EMEA US$ million	AG US$ million	Mature Market US$ million	Emerging Market US$ million	Total US$ million
At March 31, 2022							
Goodwill							
- PC and Smart Device Business Group ("PCSD")	**1,009**	**565**	**200**	**256**	**N/A**	**N/A**	**2,030**
- Mobile Business Group ("MBG")	**N/A**	**N/A**	**N/A**	**N/A**	**673**	**825**	**1,498**
- ISG	**515**	**151**	**69**	**345**	**N/A**	**N/A**	**1,080**
- SSG (Note)	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**260**
Trademarks and trade names with indefinite useful lives							
- PCSD	**186**	**53**	**95**	**56**	**N/A**	**N/A**	**390**
- MBG	**N/A**	**N/A**	**N/A**	**N/A**	**197**	**263**	**460**
- ISG	**161**	**54**	**31**	**123**	**N/A**	**N/A**	**369**
- SSG (Note)	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**49**
At March 31, 2021							
Goodwill							
- PCSD	1,089	683	234	295	N/A	N/A	2,301
- MBG	N/A	N/A	N/A	N/A	676	774	1,450
- DCG	508	159	85	344	N/A	N/A	1,096
Trademarks and trade names with indefinite useful lives							
- PCSD	209	59	107	67	N/A	N/A	442
- MBG	N/A	N/A	N/A	N/A	197	263	460
- DCG	162	54	31	123	N/A	N/A	370

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

16 INTANGIBLE ASSETS *(continued)*

(b) Impairment tests for goodwill and intangible assets with indefinite useful lives *(continued)*

The Group completed its annual impairment test for goodwill allocated to the Group's various CGUs by comparing their recoverable amounts to their carrying amounts at the reporting date. The recoverable amount of a CGU is determined based on value in use. These assessments use pre-tax cash flow projections based on financial budgets approved by management covering a five-year period with a terminal value related to the future cash flow of the CGU extrapolated using constant projection of cash flows beyond the five-year period. The estimated growth rates adopted do not exceed the long-term average growth rates for the businesses in which the CGU operates.

Future cash flows are discounted at the rate of 10%, 12%, 11% and 11% for PCSD, MBG, ISG and SSG respectively (2021: 10%, 12% and 11% for PCSD, MBG, DCG respectively). The estimated compound annual growth rates of revenue used for value-in-use calculations under the five-year financial budgets period are as follows:

	2022				2021		
	PCSD	**MBG**	**ISG**	**SSG**	PCSD	MBG	DCG
China	**4%**	**N/A**	**16%**	**N/A**	-1%	N/A	16%
AP	**0%**	**N/A**	**17%**	**N/A**	-4%	N/A	20%
EMEA	**0%**	**N/A**	**14%**	**N/A**	-5%	N/A	17%
AG	**1%**	**N/A**	**23%**	**N/A**	-4%	N/A	24%
Mature Market	**N/A**	**15%**	**N/A**	**N/A**	N/A	25%	N/A
Emerging Market	**N/A**	**14%**	**N/A**	**N/A**	N/A	19%	N/A
SSG	**N/A**	**N/A**	**N/A**	**23%**	N/A	N/A	N/A

Management determined budgeted gross margins based on past performance and its expectations for the market development. Key assumptions include the revenue growth rates, operating margins, discount rates and the length of time and severity of the impact of COVID-19 with reference to the business and industry circumstances for the purpose of goodwill impairment test. The discount rates are pre-tax and reflect specific risks relating to the relevant segments.

The directors are of the view that there was no impairment of goodwill and trademarks and trade names with indefinite useful lives based on impairment tests performed at March 31, 2022 (2021: nil).

The Group has performed a sensitivity analysis on key assumptions used for the annual impairment test for goodwill. A reasonably possible change in key assumptions used in the impairment test for goodwill would not cause any CGU's carrying amount to exceed its respective recoverable amount.

(c) At March 31, 2022, patent and technology of US$31,385,000 (2021: US$77,163,000) is under development.

17 INTERESTS IN ASSOCIATES AND JOINT VENTURES

	2022 US$'000	2021 US$'000
Share of net assets		
– Associates	91,207	60,618
– Joint ventures	119,709	4,837
	210,916	65,455
Loans to		
– An associate (a)	98,073	–
– A joint venture (a)	30,558	–
	128,631	–
Interests in associates and joint ventures (b)	339,547	65,455

Notes:

(a) The loan forms an integral part of the Group's equity investment in the associate/joint venture and is recognized as such.

(b) At March 31, 2022 and 2021, there is no unrecognized share of losses, commitments and contingent liabilities.

The following is a list of the principal associates and joint ventures:

Company name	Place of incorporation/ establishment	Interest held indirectly 2022	Interest held indirectly 2021	Principal activities
Associates				
北京閃聯雲視信息技術有限公司 (Beijing Shanlian Yunshi Information Technology Limited) (ii)	Chinese Mainland	23.7%	23.7%	Distribution and development of IT technology
茄子技術控股有限公司 (SHAREit Technology Holdings Inc.) (ii)	Cayman Islands	37.3%	38.0%	Software development
北京平安聯想智慧醫療信息技術有限公司 (Beijing Lenovo Healthcare Information Technology Limited) (ii)	Chinese Mainland	25.4%	25.4%	Development of hospital and regional healthcare information system
北京聯想協同科技有限公司 (Beijing Lenovo Collaborative Technology Co., Limited) (ii), (iii)	Chinese Mainland	34.1%	50.5%	Distribution and development of IT technology
天津聯博基業科技發展有限公司 (Tianjin Lianbo Foundation Technology Development Co., Limited) (ii)	Chinese Mainland	39.0%	-	Distribution and development of IT technology
Joint ventures				
聯想新視界(北京)科技有限公司 (Lenovo New Vision (Beijing) Technology Co., Limited) (ii)	Chinese Mainland	37.6%	37.6%	Software development
深圳市浦瑞置業有限公司 (Shenzhen Purui Real Estate Co., Limited) (ii)	Chinese Mainland	50.0%	-	Property development

Notes to the financial statements

17 INTERESTS IN ASSOCIATES AND JOINT VENTURES *(continued)*

Notes:

(i) Majority of the above associates and joint ventures operate principally in their respective places of incorporation or establishment.

(ii) The English name of the company is a direct translation or transliteration of its Chinese registered name.

(iii) The company was reclassified from a subsidiary to an associate upon partial disposal during the year.

The following sets out the aggregate amount of the Group's share of associates and joint ventures:

	2022 US$'000	2021 US$'000
Share of losses of associates	**5,478**	27,087
Share of losses of joint ventures	**1,434**	5,236
	6,912	32,323

18 FINANCIAL INSTRUMENTS BY CATEGORY

	Financial assets at amortized cost US$'000	**Financial assets at FVPL** US$'000	**Derivatives used for hedging** US$'000	**Financial assets at FVOCI (non-recycling)** US$'000	**Other financial assets at FVOCI (recycling)** US$'000	**Total** US$'000
Assets						
At March 31, 2022						
Financial assets at FVPL	**-**	**1,104,408**	**-**	**-**	**-**	**1,104,408**
Financial assets at FVOCI	**-**	**-**	**-**	**64,572**	**-**	**64,572**
Derivative financial assets	**-**	**-**	**113,757**	**-**	**-**	**113,757**
Trade receivables	**-**	**-**	**-**	**-**	**11,189,551**	**11,189,551**
Notes receivable	**99,996**	**-**	**-**	**-**	**-**	**99,996**
Deposits and other receivables	**3,673,023**	**-**	**-**	**-**	**-**	**3,673,023**
Bank deposits	**92,513**	**-**	**-**	**-**	**-**	**92,513**
Cash and cash equivalents	**3,930,287**	**-**	**-**	**-**	**-**	**3,930,287**
	7,795,819	**1,104,408**	**113,757**	**64,572**	**11,189,551**	**20,268,107**
At March 31, 2021						
Financial assets at FVPL	-	805,013	-	-	-	805,013
Financial assets at FVOCI	-	-	-	84,796	-	84,796
Derivative financial assets	-	179	118,120	-	-	118,299
Trade receivables	-	-	-	-	8,397,825	8,397,825
Notes receivable	78,939	-	-	-	-	78,939
Deposits and other receivables	3,804,465	-	-	-	-	3,804,465
Bank deposits	59,385	-	-	-	-	59,385
Cash and cash equivalents	3,068,385	-	-	-	-	3,068,385
	7,011,174	805,192	118,120	84,796	8,397,825	16,417,107

18 FINANCIAL INSTRUMENTS BY CATEGORY *(continued)*

	Financial liabilities at amortized cost US$'000	Financial liabilities at FVPL US$'000	Derivatives used for hedging US$'000	Total US$'000
Liabilities				
At March 31, 2022				
Trade payables	**11,035,924**	**–**	**–**	**11,035,924**
Notes payable	**2,148,907**	**–**	**–**	**2,148,907**
Derivative financial liabilities	**–**	**348**	**127,277**	**127,625**
Other payables and accruals	**10,991,659**	**–**	**–**	**10,991,659**
Lease liabilities	**407,997**	**–**	**–**	**407,997**
Borrowings	**3,376,155**	**45,115**	**–**	**3,421,270**
Deferred consideration	**25,072**	**–**	**–**	**25,072**
Written put option liabilities	**528,060**	**–**	**–**	**528,060**
Others	**355,383**	**–**	**–**	**355,383**
	28,869,157	**45,463**	**127,277**	**29,041,897**
At March 31, 2021				
Trade payables	10,220,796	–	–	10,220,796
Notes payable	885,628	–	–	885,628
Derivative financial liabilities	–	202	35,742	35,944
Other payables and accruals	10,256,539	–	–	10,256,539
Lease liabilities	466,926	–	–	466,926
Borrowings	3,694,481	303,372	–	3,997,853
Deferred consideration	25,072	–	–	25,072
Written put option liabilities	842,776	–	–	842,776
Others	463,748	–	–	463,748
	26,855,966	303,574	35,742	27,195,282

19 DEFERRED INCOME TAX ASSETS AND LIABILITIES

Deferred income tax is calculated in full on temporary differences under the liability method using the rates applicable in the respective jurisdictions.

Deferred income tax assets and liabilities are netted off when the taxes relate to the same tax authority and where offsetting is legally enforceable. The following amounts, determined after appropriate offsetting, are shown separately on the consolidated balance sheet:

	2022 US$'000	2021 US$'000
Deferred income tax assets:		
Recoverable within 12 months	**1,113,264**	935,870
Recoverable after 12 months	**1,414,691**	1,408,870
	2,527,955	2,344,740
Deferred income tax liabilities:		
Settled after 12 months	**(406,759)**	(391,258)
Net deferred income tax assets	**2,121,196**	1,953,482

The movements in the net deferred income tax assets are as follows:

	2022 US$'000	2021 US$'000
At the beginning of the year	**1,953,482**	1,716,777
Reclassification and exchange adjustment	**(3,456)**	(2,465)
Credited to consolidated income statement (Note 8)	**199,829**	195,525
Credited/(charged) to other comprehensive income (Note 8)	**712**	(683)
(Charged)/credited to share-based compensation reserve	**(29,371)**	45,774
Acquisition of subsidiaries	**-**	(1,446)
At the end of the year	**2,121,196**	1,953,482

19 DEFERRED INCOME TAX ASSETS AND LIABILITIES *(continued)*

(a) The movements in deferred income tax assets (prior to offsetting of balances within the same tax jurisdiction), analyzed by major components, during the year are as follows:

	Provisions and accruals US$'000	Tax losses US$'000	Tax depreciation allowance US$'000	Deferred revenue US$'000	Share-based payment US$'000	Others US$'000	Total US$'000
At April 1, 2020	522,614	1,314,799	84,250	151,921	17,571	1,236	2,092,391
Reclassification and exchange adjustments	6,430	992	318	(788)	-	(151)	6,801
Credited to consolidated income statement	46,634	86,658	11,425	35,321	45,600	-	225,638
Credited to share-based compensation reserve	-	-	-	-	45,774	-	45,774
At March 31, 2021	**575,678**	**1,402,449**	**95,993**	**186,454**	**108,945**	**1,085**	**2,370,604**
Reclassification and exchange adjustments	**8,426**	**(38,289)**	**3,013**	**(5,636)**	**(64)**	**(484)**	**(33,034)**
Credited/(charged) to consolidated income statement	**167,935**	**23,735**	**33,257**	**19,040**	**(20,835)**	**-**	**223,132**
Charged to share-based compensation reserve	**-**	**-**	**-**	**-**	**(29,371)**	**-**	**(29,371)**
At March 31, 2022	**752,039**	**1,387,895**	**132,263**	**199,858**	**58,675**	**601**	**2,531,331**

Deferred income tax assets are recognized for deductible temporary differences and tax losses carried forward to the extent that realization of the related tax benefit through the future taxable profits is probable.

19 DEFERRED INCOME TAX ASSETS AND LIABILITIES *(continued)*

(a) *(continued)*

At March 31, 2022, the Group did not recognize deferred income tax assets in respect of deductible temporary differences of approximately US$2,471,851,000 (2021: US$1,841,623,000) and tax losses of approximately US$2,797,660,000 (2021: US$2,667,943,000) that can be carried forward against future taxable income, of which, tax losses of US$1,405,442,000 (2021: US$1,269,280,000) can be carried forward indefinitely. The remaining balances of tax losses will expire as follows:

	2022 US$'000	2021 US$'000
Expiring in		
– 2021	**-**	321,978
– 2022	**195,433**	185,616
– 2023	**308,289**	297,610
– 2024	**35,914**	79,408
– 2025	**208,061**	175,976
– 2026	**203,512**	250,998
– 2027	**324,843**	17,618
– 2028	**2,977**	3,198
– 2029	**14**	187
– 2030	**109,868**	66,074
– 2031	**3,307**	–
	1,392,218	1,398,663

19 DEFERRED INCOME TAX ASSETS AND LIABILITIES *(continued)*

(b) The movements in deferred income tax liabilities (prior to offsetting of balances within the same tax jurisdiction), analyzed by major components, during the year are as follows:

	Intangible valuation US$'000	Undistributed earnings US$'000	Property valuation US$'000	Accelerated tax depreciation US$'000	Others US$'000	Total US$'000
At April 1, 2020	128,268	81,794	1,737	161,002	2,813	375,614
Reclassification and exchange adjustments	(1,447)	(768)	1,936	9,642	(97)	9,266
(Credited)/charged to consolidated income statement	(16,782)	17,434	-	18,999	10,462	30,113
Charged to other comprehensive income	-	-	-	-	683	683
Acquisition of subsidiaries	1,446	-	-	-	-	1,446
At March 31, 2021	**111,485**	**98,460**	**3,673**	**189,643**	**13,861**	**417,122**
Reclassification and exchange adjustments	**(975)**	**(5,569)**	**(2,139)**	**(19,548)**	**(1,347)**	**(29,578)**
(Credited)/charged to consolidated income statement	**(25,291)**	**20,933**	**-**	**10,466**	**17,195**	**23,303**
Credited to other comprehensive income	**-**	**-**	**-**	**-**	**(712)**	**(712)**
At March 31, 2022	**85,219**	**113,824**	**1,534**	**180,561**	**28,997**	**410,135**

Notes to the financial statements

20 FINANCIAL ASSETS

(a) Financial assets at FVPL

	2022 US$'000	2021 US$'000
At the beginning of the year	**805,013**	494,807
Exchange adjustment	**23,876**	37,570
Fair value change recognized in profit or loss	**135,075**	201,597
Additions	**256,461**	210,661
Disposals	**(116,017)**	(139,622)
At the end of the year	**1,104,408**	805,013
Listed equity securities:		
– In Hong Kong S.A.R. of China	**7,824**	42,613
– Outside Hong Kong S.A.R. of China	**247,436**	312,451
	255,260	355,064
Unlisted equity securities	**849,148**	449,949
	1,104,408	805,013

(b) Financial assets at FVOCI

	2022 US$'000	2021 US$'000
At the beginning of the year	**84,796**	56,136
Exchange adjustment	**(1,948)**	4,059
Fair value change recognized in other comprehensive income	**(18,776)**	(4,398)
Additions	**2,000**	29,556
Disposals	**(1,500)**	(557)
At the end of the year	**64,572**	84,796
Listed equity securities:		
– In Hong Kong S.A.R. of China	**16,136**	14,211
– Outside Hong Kong S.A.R. of China	**29,156**	42,703
	45,292	56,914
Unlisted equity securities	**19,280**	27,882
	64,572	84,796

21 INVENTORIES

	2022 US$'000	2021 US$'000
Raw materials and work-in-progress	**5,527,420**	4,155,268
Finished goods	**2,315,797**	1,920,660
Service parts	**457,441**	304,648
	8,300,658	6,380,576

22 RECEIVABLES

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

	2022 US$'000	2021 US$'000
0 – 30 days	**8,908,669**	6,301,112
31 – 60 days	**1,392,704**	1,315,788
61 – 90 days	**433,934**	457,658
Over 90 days	**560,864**	468,473
	11,296,171	8,543,031
Less: loss allowance	**(106,620)**	(145,206)
Trade receivables – net	**11,189,551**	8,397,825

At March 31, 2022, trade receivables, net of loss allowance, of US$784,900,000 (2021: US$562,648,000) were past due. The aging of these receivables, based on due date, is as follows:

	2022 US$'000	2021 US$'000
Within 30 days	**430,225**	332,784
31 – 60 days	**191,093**	95,211
61 – 90 days	**59,715**	53,241
Over 90 days	**103,867**	81,412
	784,900	562,648

22 RECEIVABLES *(continued)*

(a) *(continued)*

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

	2022 US$'000	2021 US$'000
At the beginning of the year	**145,206**	95,456
Exchange adjustment	**(357)**	(4,954)
Increase in loss allowance recognized in profit or loss	**90,311**	142,663
Uncollectible receivables written off	**(27,267)**	(53,366)
Unused amounts reversed in profit or loss	**(101,273)**	(34,593)
At the end of the year	**106,620**	145,206

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

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

	2022 US$'000	2021 US$'000
Deposits	**97,428**	16,731
Other receivables	**3,699,539**	3,787,734
Prepayments	**1,217,325**	1,173,036
	5,014,292	4,977,501

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

(d) The carrying amounts of trade receivables, notes receivable, deposits and other receivables approximate their fair values. The maximum exposure to credit risk at the balance sheet date is the fair value of each class of receivable mentioned above.

23 BANK DEPOSITS AND CASH AND CASH EQUIVALENTS

	2022 US$'000	2021 US$'000
Bank deposits		
– maturing between three to twelve months	**34,205**	13,211
– restricted bank balances	**58,308**	46,174
	92,513	59,385
Cash and cash equivalents		
– cash at bank and in hand	**3,615,383**	3,068,385
– money market funds	**314,904**	–
	3,930,287	3,068,385
	4,022,800	3,127,770
Maximum exposure to credit risk	**4,022,800**	3,127,770
Effective annual interest rates	**0%-11.75%**	0%-2.75%

24 PAYABLES

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

	2022 US$'000	2021 US$'000
0 – 30 days	**7,217,768**	6,824,377
31 – 60 days	**2,401,203**	2,049,369
61 – 90 days	**920,426**	949,294
Over 90 days	**496,527**	397,756
	11,035,924	10,220,796

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

(c) The carrying amounts of trade payables and notes payable approximate their fair values.

25 PROVISIONS, OTHER PAYABLES AND ACCRUALS

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

	2022 US$'000	2021 US$'000
Accruals	**4,441,470**	3,385,903
Allowance for billing adjustments (i)	**3,599,717**	2,464,020
Written put option liabilities (Note 27(b)(ii))	**-**	324,277
Other payables (ii)	**7,558,629**	6,870,636
Lease liabilities	**145,095**	133,662
	15,744,911	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) Majority of other payables are obligations to pay for finished goods and services that have been acquired in the ordinary course of business from subcontractors.

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

25 PROVISIONS, OTHER PAYABLES AND ACCRUALS *(continued)*

(b) The components of provisions of the Group are as follows:

	Warranty US$'000	Environmental restoration US$'000	Total 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)
	1,173,882	32,150	1,206,032
Long-term portion classified as non-current liabilities	(266,313)	(29,339)	(295,652)
At the end of the year	907,569	2,811	910,380
Year ended March 31, 2022			
At the beginning of the year	**1,173,882**	**32,150**	**1,206,032**
Exchange adjustment	**(1,053)**	**(2,656)**	**(3,709)**
Provisions made	**983,035**	**26,367**	**1,009,402**
Amounts utilized	**(936,966)**	**(25,074)**	**(962,040)**
	1,218,898	**30,787**	**1,249,685**
Long-term portion classified as non-current liabilities	**(242,776)**	**(26,797)**	**(269,573)**
At the end of the year	**976,122**	**3,990**	**980,112**

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.

26 BORROWINGS

	2022 US$'000	2021 US$'000
Current liabilities		
Short-term loans (a)	**57,427**	58,190
Notes (b)	**685,380**	336,709
Convertible preferred shares (d)	**45,115**	303,372
	787,922	698,271
Non-current liabilities		
Long-term loan (a)	**1,045**	2,070
Notes (b)	**1,990,888**	2,673,688
Convertible bonds (c)	**641,415**	623,824
	2,633,348	3,299,582
	3,421,270	3,997,853

Notes:

(a) Majority of the short-term and long-term loans are denominated in United States dollars. At March 31, 2022, the Group has total revolving and short-term loan facilities of US$3,154 million (2021: US$3,029 million) which has been utilized to the extent of US$54 million (2021: US$47 million).

(b)

Issue date	Outstanding principal amount	Term	Interest rate per annum	Due date	2022 US$'000	2021 US$'000
March 16, 2017	US$337 million	5 years	3.875%	March 2022	**-**	336,709
March 29, 2018	US$687 million	5 years	4.75%	March 2023	**685,380**	683,982
April 24, 2020 and May 12, 2020	US$1 billion	5 years	5.875%	April 2025	**999,397**	999,199
November 2, 2020	US$1 billion	10 years	3.421%	November 2030	**991,491**	990,507
					2,676,268	3,010,397

(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$6.87 per share effective on December 1, 2021. Assuming full conversion of the Bonds at the adjusted conversion price of HK$6.87 per share, the Bonds will be convertible into 769,980,531 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 is allocated to the conversion option and recognized in shareholders' equity, net of income tax, and not subsequently remeasured.

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

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.

26 BORROWINGS *(continued)*

(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 year, 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 1,643,833 convertible preferred shares have exercised their rights and the Group has purchased these convertible preferred shares at the consideration of approximately US$254 million.

The aggregate number of 1,780,819 convertible preferred shares purchased by the Group were converted into ordinary shares of LETCL during the year.

During the year, additional 54,794 convertible preferred shares have been issued as dividend shares. At March 31, 2022, 328,766 convertible preferred shares remained outstanding, representing 3.20% 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.

The exposure of all the borrowings of the Group to interest rate changes and the contractual repricing dates at March 31, 2022 and 2021 are as follows:

	2022 US$'000	2021 US$'000
Within 1 year	**787,922**	698,271
Over 1 to 2 years	**642,460**	685,008
Over 2 to 5 years	**999,397**	1,624,067
Over 5 years	**991,491**	990,507
	3,421,270	3,997,853

The fair values of the notes and convertible bonds at March 31, 2022 were US$2,661 million and US$904 million respectively (2021: US$3,215 million and US$1,140 million respectively). The carrying amounts of other borrowings are either at fair value or approximate their fair values as the impact of discounting is not significant.

26 BORROWINGS *(continued)*

Total bank facilities of the Group are as follows:

	Total facilities		Utilized amounts	
	2022 US$'000	2021 US$'000	**2022 US$'000**	2021 US$'000
Revolving loans	**2,000,000**	2,000,000	**-**	-
Short-term loans	**1,154,439**	1,028,706	**53,800**	46,958
Foreign exchange contracts	**12,522,372**	12,022,799	**12,446,610**	11,975,409
Other trade finance facilities	**4,053,446**	2,002,760	**2,812,538**	1,637,437
	19,730,257	17,054,265	**15,312,948**	13,659,804

All borrowings are unsecured and the effective annual interest rates at March 31, 2022 and 2021 are as follows:

	United States dollar	
	2022	2021
Short-term and long-term loans	**1.08%-4.35%**	1.72%-5.85%
Convertible bonds	**6.15%**	6.15%

27 OTHER NON-CURRENT LIABILITIES

	2022 US$'000	2021 US$'000
Deferred consideration (a)	**25,072**	25,072
Written put option liabilities (b)	**528,060**	518,499
Lease liabilities	**262,902**	333,264
Environmental restoration (Note 25(b))	**26,797**	29,339
Government incentives and grants received in advance (c)	**75,787**	66,234
Others	**355,383**	463,748
	1,274,001	1,436,156

27 OTHER NON-CURRENT LIABILITIES *(continued)*

Notes:

(a) Pursuant to the joint venture agreement entered into with NEC Corporation, the Group is required to pay in cash to NEC Corporation deferred consideration. At March 31, 2022, 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 (2021: US$25 million).

(b) (i) 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 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.

(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.

During the option exercise period, Yuan Jia notified the Group of its intention to exercise its put option. On December 28, 2021, ZJSB, Yuan Jia and the Group entered into an agreement pursuant to which ZJSB transferred 39% interest in the JV Co to the Group at an exercise price of RMB1,895 million (approximately US$297 million). Upon completion on January 10, 2022, the Company and ZJSB respectively owns 90% and 10% of the interest in the JV Co.

Yuan Jia continues to hold 99.31% interest in ZJSB and is subject to a new option agreement whereby the Group and Yuan Jia are respectively granted call and put options which entitle the Group to purchase from Yuan Jia, or Yuan Jia to sell to the Group, the 99.31% interest in ZJSB. The call and put options will be exercisable after 54 months and from the 48 months to the 54 months respectively from the date of the new option agreement. The exercise price for the call and put options will be determined in accordance with the new option agreement, and up to a maximum of RMB500 million (approximately US$79 million).

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

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

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

28 SHARE CAPITAL

	2022		2021	
	Number of shares	US$'000	Number of shares	US$'000
Issued and fully paid:				
Voting ordinary shares:				
At the beginning of the 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 year	**12,041,705,614**	**3,203,913**	12,041,705,614	3,203,913

Long-term incentive program

A performance-related long-term incentive program was approved on May 26, 2005 for the purpose of rewarding and motivating directors, executives and top-performing employees of the Company and its subsidiaries (the "Participants"). The long-term incentive program is designed to enable the Company to attract and retain the best available personnel, and encourage and motivate Participants to work towards enhancing the value of the Company and its shares by aligning their interests with those of the shareholders of the Company.

The Company also approved a share-based compensation package for non-executive directors.

Under the long-term incentive program, the Company may grant awards, at its discretion, using any of the two types of equity-based compensation: (i) share appreciation rights and (ii) restricted share units, which are described below:

(i) Share Appreciation Rights ("SARs")

An SAR entitles the holder to receive the appreciation in value of the Company's share price above a predetermined level.

(ii) Restricted Share Units ("RSUs")

An RSU equals to the value of one ordinary share of the Company. Once vested, an RSU is converted to an ordinary share.

Under the two types of compensation, the Company reserves the right, at its discretion, to settle the award in cash or ordinary shares of the Company.

28 SHARE CAPITAL *(continued)*

Long-term incentive program *(continued)*

Movements in the number of units of award granted during the year and their related weighted average fair values are as follows:

	Number of units	
	SARs	RSUs
Outstanding at April 1, 2020	1,168,850,235	537,129,247
Granted during the year	777,991,660	395,749,492
Vested during the year	(766,516,032)	(358,490,323)
Cancelled during the year	(72,718,578)	(35,268,323)
Outstanding at March 31, 2021	**1,107,607,285**	**539,120,093**
Granted during the year	**300,485,737**	**280,501,462**
Vested during the year	**(756,046,576)**	**(390,776,616)**
Cancelled during the year	**(77,958,404)**	**(30,166,210)**
Outstanding at March 31, 2022	**574,088,042**	**398,678,729**
Average fair value per unit (HK$)		
– At March 31, 2021	0.71	4.69
– At March 31, 2022	**1.34**	**7.71**

The fair values of the SARs awarded under the long-term incentive program were calculated by applying a Black-Scholes pricing model. For the year ended March 31, 2022, the model inputs were the fair value (i.e. market value) of the Company's shares at the grant date, taking into account the expected volatility of 40.6 percent (2021: 32.82 percent), expected dividends during the vesting periods of 4.00 percent (2021: 4.75 percent), contractual life of 4.4 years (2021: 4.4 years), and a risk-free interest rate of 0.44 percent (2021: 0.39 percent).

The remaining vesting periods of the awards under the long-term incentive program at March 31, 2022 ranged from 0.14 to 2.92 years (2021: 0.15 to 2.84 years).

29 BALANCE SHEET AND MOVEMENT OF RESERVES OF THE COMPANY

(a) Balance sheet of the Company

	At March 31	
	2022 US$'000	2021 US$'000
Non-current assets		
Property, plant and equipment	**602**	1,398
Right-of-use assets	**3,591**	561
Intangible assets	**185**	425
Interest in an associate	**1,887**	1,887
Investments in subsidiaries	**12,395,100**	9,676,753
Financial assets at FVPL	**54,597**	35,633
Financial assets at FVOCI	**17,267**	15,080
	12,473,229	9,731,737
Current assets		
Derivative financial assets	**858**	179
Deposits, prepayments and other receivables	**274,145**	292,028
Amounts due from subsidiaries	**7,487,005**	6,802,788
Income tax recoverable	**4,564**	–
Cash and cash equivalents	**17,961**	185,150
	7,784,533	7,280,145
Total assets	**20,257,762**	17,011,882

29 BALANCE SHEET AND MOVEMENT OF RESERVES OF THE COMPANY *(continued)*

(a) Balance sheet of the Company *(continued)*

	At March 31	
	2022 **US$'000**	2021 US$'000
Share capital	**3,203,913**	3,203,913
Reserves (Note 29(b))	**1,437,588**	1,565,116
Total equity	**4,641,501**	4,769,029
Non-current liabilities		
Borrowings	**2,632,303**	3,297,512
Deferred income tax liabilities	**5,044**	1,345
Other non-current liabilities	**27,783**	25,579
	2,665,130	3,324,436
Current liabilities		
Derivative financial liabilities	**348**	202
Other payables and accruals	**113,724**	91,269
Borrowings	**685,380**	336,709
Amounts due to subsidiaries	**12,151,679**	8,490,237
	12,951,131	8,918,417
Total liabilities	**15,616,261**	12,242,853
Total equity and liabilities	**20,257,762**	17,011,882

On behalf of the Board

Yang Yuanqing
Chairman and Chief Executive Officer

Zhu Linan
Director

29 BALANCE SHEET AND MOVEMENT OF RESERVES OF THE COMPANY *(continued)*

(b) Movement of reserves of the Company

The changes in the reserves of the Company during the years ended March 31, 2022 and 2021 are as follows:

	Investment revaluation reserve US$'000	Share-based compensation reserve US$'000	Exchange reserve US$'000	Other reserves US$'000	Retained earnings US$'000	Total US$'000
At April 1, 2020	(23,573)	287,575	10,204	79,557	1,227,188	1,580,951
Profit for the year	-	-	-	-	562,621	562,621
Other comprehensive income	3,280	-	-	-	-	3,280
Total comprehensive income for the year	3,280	-	-	-	562,621	565,901
Vesting of shares under long-term incentive program	-	(472,153)	-	-	-	(472,153)
Share-based compensation	-	291,737	-	-	-	291,737
Settlement of bonus through long-term incentive program	-	34,444	-	-	-	34,444
Redemption of convertible bonds	-	-	-	(57)	56	(1)
Dividends paid	-	-	-	-	(435,763)	(435,763)
At March 31, 2021	**(20,293)**	**141,603**	**10,204**	**79,500**	**1,354,102**	**1,565,116**
Profit for the year	**-**	**-**	**-**	**-**	**720,375**	**720,375**
Other comprehensive income	**1,777**	**-**	**-**	**-**	**-**	**1,777**
Total comprehensive income for the year	**1,777**	**-**	**-**	**-**	**720,375**	**722,152**
Vesting of shares under long-term incentive program	**-**	**(751,269)**	**-**	**-**	**-**	**(751,269)**
Share-based compensation	**-**	**368,921**	**-**	**-**	**-**	**368,921**
Settlement of bonus through long-term incentive program	**-**	**27,781**	**-**	**-**	**-**	**27,781**
Transfer of investment revaluation reserve upon disposal of financial assets at FVOCI to retained earnings	**20**	**-**	**-**	**-**	**(20)**	**-**
Dividends paid	**-**	**-**	**-**	**-**	**(495,113)**	**(495,113)**
At March 31, 2022	**(18,496)**	**(212,964)**	**10,204**	**79,500**	**1,579,344**	**1,437,588**

30 SIGNIFICANT RELATED PARTY TRANSACTIONS

(a) The Group had the following significant related party transactions in the normal course of business during the year:

	2022 US$'000	2021 US$'000
閃聯信息技術工程中心有限公司		
(IGRS Engineering Lab Limited) (an associate) (i)		
– Purchase of goods	**24,767**	7,186
異能者（南京）電子科技有限公司		
(Superman (Nanjing) Electronic Technology Limited) (an associate) (i)		
– Purchase of goods	**6,720**	420
– Sale of goods	**7,345**	2,700
浙江恒雲智聯數字科技有限公司		
(Zhejiang Hengyun Zhilian Digital Technology Co., Ltd.) (an associate) (i)		
– Sale of goods	**11,605**	1,179
來酷智能科技（南京）有限公司		
(Lecco Smart Technology (Nanjing) Limited) (an associate) (i)		
– Sale of goods	**7,974**	–

Note:

(i) The English name of the company is a direct translation or transliteration of its Chinese registered name.

(b) Key management compensation

Details on key management compensation are set out as below. The emoluments shown below include one (2021: one) director and thirteen (2021: twelve) senior management during the year.

	2022 US$'000	2021 US$'000
Basic salaries, allowances, and other benefits-in-kind	**11,544**	11,295
Discretionary bonuses	**44,172**	39,002
Retirement payments and employer's contribution to pension schemes	**21,461**	5,220
Long-term incentive awards	**94,509**	75,521
Others	**4,077**	2,301
	175,763	133,339

31 CAPITAL COMMITMENTS

Apart from disclosed elsewhere in these financial statements, on March 31, 2022 and 2021, the Group had the following other capital commitments:

	2022 US$'000	2021 US$'000
Contracted but not provided for:		
– Property, plant and equipment	**178,997**	131,073
– Intangible assets	**964**	2,927
– Investment in financial assets	**11,138**	7,578
	191,099	141,578

32 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.

33 RECONCILIATION OF PROFIT BEFORE TAXATION TO NET CASH GENERATED FROM OPERATIONS

	2022 US$'000	2021 US$'000
Profit before taxation	**2,767,731**	1,774,198
Share of losses of associates and joint ventures	**6,912**	32,323
Finance income	**(56,458)**	(34,754)
Finance costs	**362,384**	408,640
Depreciation of property, plant and equipment	**344,498**	301,483
Depreciation of right-of-use assets	**136,993**	99,795
Amortization of intangible assets	**782,873**	658,740
Impairment of intangible assets	**31,434**	52,606
Impairment of property, plant and equipment	**10,189**	–
Share-based compensation	**368,921**	291,737
Loss/(gain) on disposal of property, plant and equipment	**2,265**	(110,004)
Loss on disposal of intangible assets	**8,399**	1,574
Dilution gain on interest in an associate	**-**	(31,374)
Gain on deemed disposal of subsidiaries	**-**	(2,964)
Gain on disposal of subsidiaries	**(32,303)**	(36,029)
Fair value change on bonus warrants	**-**	(1,138)
Fair value change on financial instruments	**70,980**	(1,201)
Fair value change on financial assets at FVPL	**(135,075)**	(201,597)
Fair value change on a financial liability at FVPL	**12,618**	13,721
Dividend income	**(4,285)**	(1,897)
Increase in inventories	**(1,925,105)**	(1,481,367)
Increase in trade receivables, notes receivable, deposits, prepayments and other receivables	**(2,795,512)**	(3,646,837)
Increase in trade payables, notes payable, provisions, other payables and accruals	**5,086,067**	6,789,649
Effect of foreign exchange rate changes	**78,508**	(289,309)
Net cash generated from operations	**5,122,034**	4,585,995

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

(a) Reconciliation of financing liabilities

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

Financing liabilities	**2022 US$'000**	2021 US$'000
Short-term loans – current	**57,427**	58,190
Long-term loan – non-current	**1,045**	2,070
Notes – current	**685,380**	336,709
Notes – non-current	**1,990,888**	2,673,688
Convertible bonds – non-current	**641,415**	623,824
Convertible preferred shares – current	**45,115**	303,372
Lease liabilities – current	**145,095**	133,662
Lease liabilities – non-current	**262,902**	333,264
	3,829,267	4,464,779
Short-term loans – variable interest rates	**56,400**	39,672
Short-term loans – fixed interest rates	**1,027**	18,518
Long-term loan – fixed interest rates	**1,045**	2,070
Notes – fixed interest rates	**2,676,268**	3,010,397
Convertible bonds – fixed interest rates	**641,415**	623,824
Convertible preferred shares – fair value	**45,115**	303,372
Lease liabilities – fixed interest rates	**407,997**	466,926
	3,829,267	4,464,779

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

(a) Reconciliation of financing liabilities *(continued)*

	Short-term loans current US$'000	Long-term loan non-current US$'000	Notes Current US$'000	Notes non-current US$'000	Convertible bonds current US$'000	Convertible bonds non-current US$'000	Convertible preferred shares current US$'000	Convertible preferred shares non-current US$'000	Lease liabilities current US$'000	Lease liabilities non-current US$'000	Total US$'000
Financing liabilities at 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 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 at March 31, 2021	**58,190**	**2,070**	**336,709**	**2,673,688**	**-**	**623,824**	**303,372**	**-**	**133,662**	**333,264**	**4,464,779**
Proceeds from borrowings	**10,311,552**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**10,311,552**
Repayments of borrowings	**(10,304,211)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(10,304,211)**
Repayment of notes	**-**	**-**	**(337,309)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(337,309)**
Repurchase of convertible preferred shares	**-**	**-**	**-**	**-**	**-**	**-**	**(254,490)**	**-**	**-**	**-**	**(254,490)**
Transfer	**1,025**	**(1,025)**	**685,380**	**(685,380)**	**-**	**-**	**-**	**-**	**131,342**	**(131,342)**	**-**
Principal elements of lease payments	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(146,485)**	**-**	**(146,485)**
Disposal of a subsidiary	**(9,319)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(9,319)**
Dividends paid	**-**	**-**	**-**	**-**	**-**	**-**	**(16,385)**	**-**	**-**	**-**	**(16,385)**
Foreign exchange adjustments	**190**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**2,358**	**3,152**	**5,700**
Other non-cash movements	**-**	**-**	**600**	**2,580**	**-**	**17,591**	**12,618**	**-**	**24,218**	**57,828**	**115,435**
Financing liabilities at March 31, 2022	**57,427**	**1,045**	**685,380**	**1,990,888**	**-**	**641,415**	**45,115**	**-**	**145,095**	**262,902**	**3,829,267**

Notes to the financial statements

34 RETIREMENT BENEFIT OBLIGATIONS

	2022 US$'000	2021 US$'000
Pension obligation included in non-current liabilities		
Pension benefits	**312,176**	401,699
Post-employment medical benefits	**28,366**	30,206
	340,542	431,905
Expensed in consolidated income statement		
Pension benefits (Note 9)	**19,561**	26,157
Post-employment medical benefits	**1,289**	894
	20,850	27,051
Remeasurements for:		
Defined pension benefits	**(56,173)**	(37,211)
Post-employment medical benefits	**(2,021)**	1,476
	(58,194)	(35,735)

The Group's largest pension liabilities are now in Germany. The Group operates a sectionalized plan that has both defined contribution and defined benefit features in Germany, including benefits based on a final pay formula. This plan is closed to new entrants. The defined benefit plan for Motorola Mobility in Germany contains no employees, only a large number of retirees and former employees with benefits which have vested, but where payment will be deferred until they retire.

The Group continues to maintain significant pension liabilities in Japan, where a cash balance benefit is provided for substantially all employees.

In the US, the defined benefit plan is closed to new entrants, and now covers only less than 1.0% of employees. There is also a supplemental defined benefit plan that covers certain executives.

The Group also operates final salary defined benefit plans in a number of countries as a result of past acquisitions.

The Group's major plans are valued by qualified actuaries annually using the projected unit credit method.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income in the period in which they arise.

34 RETIREMENT BENEFIT OBLIGATIONS *(continued)*

(a) Pension benefits

The amounts recognized in the consolidated balance sheet are determined as follows:

	2022 US$'000	2021 US$'000
Present value of funded obligations	**554,263**	641,174
Fair value of plan assets	**(409,527)**	(444,172)
Deficit of funded plans	**144,736**	197,002
Present value of unfunded obligations	**167,440**	204,697
Liability in the consolidated balance sheet	**312,176**	401,699
Representing:		
Pension benefits obligation	**312,176**	401,699

The principal actuarial assumptions used are as follows:

	2022	2021
Discount rate	**0.5%-3.6%**	0.3%-2.5%
Future salary increases	**0%-3.0%**	0%-3.0%
Future pension increases	**0%-2.0%**	0%-2.0%
Life expectancy for male aged 60	**25**	25
Life expectancy for female aged 60	**26**	26

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is:

	Impact on defined benefit obligation		
2022	**Change in assumption**	**Increase in assumption**	**Decrease in assumption**
Discount rate	**0.5%**	**Decrease by 6.6%**	**Increase by 7.2%**
Salary growth rate	**0.5%**	**Increase by 1.2%**	**Decrease by 1.8%**
Pension growth rate	**0.5%**	**Increase by 6.2%**	**Decrease by 6.1%**
Life expectancy	**1 year**	**Increase by 1.6%**	**Decrease by 1.6%**

	Impact on defined benefit obligation		
2021	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate	0.5%	Decrease by 7.3%	Increase by 8.3%
Salary growth rate	0.5%	Increase by 0.5%	Decrease by 1.1%
Pension growth rate	0.5%	Increase by 6.9%	Decrease by 6.5%
Life expectancy	1 year	Increase by 1.9%	Decrease by 2.0%

34 RETIREMENT BENEFIT OBLIGATIONS *(continued)*

(a) Pension benefits *(continued)*

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the pension liability recognized within the consolidated balance sheet.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous year.

(b) Post-employment medical benefits

The Group operates a number of post-employment medical benefit schemes, principally in the US. The method of accounting, assumptions and the frequency of valuations are similar to those used for defined benefit pension schemes.

The US plan (Lenovo Future Health Account Plan) is currently an unfunded plan, and benefits to eligible retirees and dependents will be made through general assets.

As post-employment medical benefits plan made no agreements on future benefit level changes, the changes in future medical cost trend rates have no effect on the liabilities for post-employment medical benefits.

The liability recognized in the consolidated balance sheet of US$28,366,000 (2021: US$30,206,000) represents the present value of unfunded obligations.

34 RETIREMENT BENEFIT OBLIGATIONS *(continued)*

(c) Additional information on post-employment benefits (pension and medical)

Plan assets of the Group comprise:

	2022			2021		
	Quoted US$'000	**Unquoted US$'000**	**Total US$'000**	Quoted US$'000	Unquoted US$'000	Total US$'000
Pension plan						
Equity instruments						
Information technology	**2,418**	**-**	**2,418**	2,610	–	2,610
Energy	**316**	**-**	**316**	270	–	270
Manufacturing	**2,207**	**-**	**2,207**	2,675	–	2,675
Others	**9,150**	**-**	**9,150**	10,240	–	10,240
	14,091	**-**	**14,091**	15,795	–	15,795
Debt instruments						
Government	**84,314**	**-**	**84,314**	108,187	–	108,187
Corporate bonds (investment grade)	**59,985**	**-**	**59,985**	79,419	–	79,419
Corporate bonds (Non-investment grade)	**52,460**	**-**	**52,460**	55,083	–	55,083
	196,759	**-**	**196,759**	242,689	–	242,689
Others						
Property	**-**	**16,360**	**16,360**	–	16,595	16,595
Qualifying insurance policies	**-**	**61,365**	**61,365**	–	76,232	76,232
Cash and cash equivalents	**22,027**	**-**	**22,027**	12,092	–	12,092
Investment funds	**-**	**68,309**	**68,309**	–	32,813	32,813
Structured bonds	**-**	**24,893**	**24,893**	–	42,356	42,356
Others	**-**	**5,723**	**5,723**	–	5,600	5,600
	22,027	**176,650**	**198,677**	12,092	173,596	185,688
	232,877	**176,650**	**409,527**	270,576	173,596	444,172

The long term strategic asset allocations of the plans are set and reviewed from time to time by the plans' trustees taking into account the membership, liability profile and the liquidity requirements of the plans.

The weighted average duration of the defined benefit obligation is 14.01 years.

34 RETIREMENT BENEFIT OBLIGATIONS *(continued)*

(c) Additional information on post-employment benefits (pension and medical) *(continued)*

Expected maturity analysis of undiscounted pension and post-employments medical benefits:

At March 31, 2022	Less than a year US$'000	Between 1-2 years US$'000	Between 2-5 years US$'000	Over 5 years US$'000	Total US$'000
Pension benefits	30,836	28,625	93,304	770,661	923,426
Post-employment medical benefits	1,339	1,500	5,414	34,934	43,187
Total	32,175	30,125	98,718	805,595	966,613

Pension and medical plan assets do not include any of the Company's ordinary shares or US real estate occupied by the Group (2021: nil).

Reconciliation of fair value of plan assets of the Group:

	Pension		Medical	
	2022 US$'000	2021 US$'000	**2022 US$'000**	2021 US$'000
Opening fair value	**444,172**	396,192	**-**	468
Exchange adjustment	**(25,507)**	29,379	**-**	1
Interest income	**4,140**	3,050	**19**	20
Remeasurements:				
Experience (loss)/gain	**(17,780)**	6,314	**-**	(118)
Contributions by the employer	**23,497**	26,326	**1,123**	447
Contributions by plan participants	**1,933**	1,698	**-**	–
Benefits paid	**(20,928)**	(18,787)	**(1,142)**	(818)
Closing fair value	**409,527**	444,172	**-**	–
Actual return on plan assets	**(13,640)**	9,364	**19**	(98)

Contributions of US$22,056,000 are estimated to be made for the year ending March 31, 2023.

34 RETIREMENT BENEFIT OBLIGATIONS *(continued)*

(c) Additional information on post-employment benefits (pension and medical) *(continued)*

Reconciliation of movements in present value of defined benefit obligation of the Group:

	Pension		Medical	
	2022 US$'000	2021 US$'000	**2022 US$'000**	2021 US$'000
Opening defined benefit obligation	**845,871**	826,464	**30,206**	28,582
Exchange adjustment	**(50,481)**	42,417	**15**	170
Current service cost	**16,897**	22,733	**454**	453
Past service cost	**-**	(925)	**-**	-
Interest cost	**7,829**	6,223	**854**	461
Remeasurements:				
(Gain)/loss from changes in demographic assumptions	**(495)**	188	**(2)**	(22)
(Gain)/loss from changes in financial assumptions	**(86,364)**	(31,747)	**(1,964)**	1,424
Experience loss/(gain)	**12,906**	662	**(55)**	(44)
Contributions by plan participants	**921**	896	**-**	-
Benefits paid	**(24,356)**	(22,216)	**(1,142)**	(818)
Curtailment (gain)/loss	**(1,025)**	1,176	**-**	-
Closing defined benefit obligation	**721,703**	845,871	**28,366**	30,206

During the year, benefits of US$3,428,000 were settled directly by the Group (2021: US$3,429,000).

Summary of pensions and post-retirement medical benefits of the Group:

	2022 US$'000	2021 US$'000	2020 US$'000	2019 US$'000	2018 US$'000
Present value of defined benefit obligation	**750,069**	876,077	855,046	782,047	750,470
Fair value of plan assets	**409,527**	444,172	396,660	347,801	336,988
Deficit	**340,542**	431,905	458,386	434,246	413,482
Actuarial losses/(gains) arising on plan assets	**17,780**	(6,196)	(11,476)	(3,639)	(5,962)
Actuarial (gains)/losses arising on plan liabilities	**(75,974)**	(29,539)	57,751	29,280	25,759
	(58,194)	(35,735)	46,275	25,641	19,797

34 RETIREMENT BENEFIT OBLIGATIONS *(continued)*

(c) Additional information on post-employment benefits (pension and medical) *(continued)*

The amounts recognized in the consolidated income statement are as follows:

	Pension		Medical	
	2022 US$'000	2021 US$'000	**2022 US$'000**	2021 US$'000
Current service cost	**16,897**	22,733	**454**	453
Past service cost	**–**	(925)	**–**	–
Interest cost	**7,829**	6,223	**854**	461
Interest income	**(4,140)**	(3,050)	**(19)**	(20)
Curtailment (gain)/loss	**(1,025)**	1,176	**–**	–
Total expense recognized in the consolidated income statement	**19,561**	26,157	**1,289**	894

35 PRINCIPAL SUBSIDIARIES

The following includes the principal subsidiaries directly or indirectly held by the Company and, in the opinion of the directors, are significant to the results of the year or form a substantial portion of the net assets of the Group. The directors consider that giving details of other subsidiaries would result in particulars of excessive length.

Company name	Place of incorporation/ establishment	Issued and fully paid up capital/ registered capital	Percentage of issued share capital held 2022	2021	Principal activities
Held directly:					
聯想(北京)有限公司 (Lenovo (Beijing) Limited)[1] (wholly foreign-owned enterprise)	Chinese Mainland	HK$5,650,000,000	**100%**	100%	Manufacturing and distribution of IT products and provision of IT services
聯想(上海)有限公司 (Lenovo (Shanghai) Co., Ltd.)[1] (wholly foreign-owned enterprise)	Chinese Mainland	HK$400,000,000	**100%**	100%	Distribution of IT products and provision of IT services

35 PRINCIPAL SUBSIDIARIES *(continued)*

Company name	Place of incorporation/ establishment	Issued and fully paid up capital/ registered capital	Percentage of issued share capital held 2022	2021	Principal activities
Held indirectly:					
Fujitsu Client Computing Limited	Japan	JPY400,000,000	**51%**	51%	Manufacturing and distribution of IT products
聯寶(合肥)電子科技有限公司 (LCFC (Hefei) Electronics Technology Co., Ltd.)[1] (wholly foreign-owned enterprise)	Chinese Mainland	US$265,000,000	**90%**	51%	Manufacturing and distribution of IT products
Lenovo (Asia Pacific) Limited	Hong Kong S.A.R. of China	HK$3,045,209,504.92	**100%**	100%	Investment holding and distribution of IT products
北京聯想軟件有限公司 (Beijing Lenovo Software Limited)[1] (wholly foreign-owned enterprise)	Chinese Mainland	HK$5,000,000	**100%**	100%	Provision of IT services and distribution of IT products
Lenovo (Australia & New Zealand) Pty Limited	Australia	AUD45,860,993.40	**100%**	100%	Distribution of IT products
Lenovo (Belgium) BV	Belgium	EUR1,317,700,834.94	**100%**	100%	Investment holding and distribution of IT products
聯想(北京)信息技術有限公司 (Lenovo (Beijing) Information Technology Limited)[1] (wholly foreign-owned enterprise)	Chinese Mainland	US$272,300,000.00	**100% (iv)**	100% (iv)	Investment holding and distribution of IT products
聯想(北京)電子科技有限公司 (Lenovo (Beijing) Electronic Technology Limited)[1]	Chinese Mainland	RMB150,000,000	**100%**	100%	Provision of IT services and distribution of IT products
Lenovo (Canada) Inc.	Canada	CAD100	**100%**	100%	Distribution of IT products
Lenovo Computer Limited	Hong Kong S.A.R. of China	HK$2	**100%**	100%	Procurement agency and distribution of IT products
Lenovo (Danmark) ApS	Denmark	DKK126,000	**100%**	100%	Distribution of IT products

35 PRINCIPAL SUBSIDIARIES *(continued)*

Company name	Place of incorporation/ establishment	Issued and fully paid up capital/ registered capital	Percentage of issued share capital held 2022	2021	Principal activities
Lenovo (Deutschland) GmbH	Germany	EUR25,100	**100%**	100%	Distribution of IT products
Lenovo Enterprise Solutions (Singapore) Pte. Ltd.	Singapore	SGD55,958,592	**100%**	100%	Manufacturing and wholesaling of computers, computer hardware and peripheral equipment
Lenovo Enterprise Solutions LLC	Japan	JPY50,000,000	**100%**	100%	Distribution of IT products
Lenovo Enterprise Technology Company Limited	Hong Kong S.A.R. of China	US$1,459,999,584 (ordinary shares) and US$39,999,912 (convertible preferred shares)	**100% (iv)**	100% (iv)	Investment holding and distribution of IT products
Lenovo (France) SAS	France	EUR1,837,000	**100%**	100%	Distribution of IT products
Lenovo HK Services Limited	Hong Kong S.A.R. of China	HK$2	**100%**	100%	Provision of business planning, management, global supply chain, financial accounting, and administration support services
Lenovo Global Technology (Asia Pacific) Limited	Hong Kong S.A.R. of China	US$2,128,924.89	**100%**	100%	Investment holding and distribution of IT products
Lenovo Global Technology HK Limited	Hong Kong S.A.R. of China	US$10,000,001	**100%**	100%	Procurement agency and distribution of IT products
Lenovo Global Technology (Hong Kong) Distribution Limited	Hong Kong S.A.R. of China	US$1	**100%**	100%	Distribution of IT products

35 PRINCIPAL SUBSIDIARIES *(continued)*

Company name	Place of incorporation/ establishment	Issued and fully paid up capital/ registered capital	Percentage of issued share capital held 2022	2021	Principal activities
Lenovo Global Technologies International Limited	Hong Kong S.A.R. of China	US$941,072,637	**100%**	100%	Investment holding and intellectual properties
Lenovo Global Technology (United States) Inc.	United States	US$10	**100%**	100%	Provision of IT services and distribution of IT products
Lenovo (Hong Kong) Limited	Hong Kong S.A.R. of China	HK$74,256,023	**100%**	100%	Distribution of IT products
惠陽聯想電子工業有限公司 (Lenovo (Huiyang) Electronic Industrial Co., Ltd.)[1] (wholly foreign-owned enterprise)	Chinese Mainland	HK$31,955,500	**100%**	100%	Manufacturing and distribution of IT products
Lenovo (India) Private Limited	India	INR8,607,471,514	**100%**	100%	Manufacturing and distribution of IT products
聯想信息產品(深圳)有限公司 (Lenovo Information Products (Shenzhen) Co. Ltd.)[1] (limited liability company (wholly-owned entity))	Chinese Mainland	RMB643,966,800	**100%**	100%	Manufacturing and distribution of IT products
Lenovo (Israel) Ltd.	Israel	ILS132,853.12	**100%**	100%	Distribution of IT products
Lenovo (Italy) S.r.l	Italy	EUR100,000	**100%**	100%	Distribution of IT products
Lenovo Japan LLC	Japan	JPY100,000,000	**95.10% (v)**	95.10% (v)	Distribution of IT products
Lenovo Korea LLC	Korea	KRW3,580,940,000	**100%**	100%	Wholesale and retail trade of computer, peripheral equipment and software
Lenovo Mexico, S. de R.L. de C.V.	Mexico	MXN3,426,638,114	**100%**	100%	Distribution of IT products

35 PRINCIPAL SUBSIDIARIES *(continued)*

Company name	Place of incorporation/ establishment	Issued and fully paid up capital/ registered capital	Percentage of issued share capital held 2022	2021	Principal activities
摩托羅拉移動通信技術有限公司 (Motorola Mobile Communication Technology Ltd.)[1] 前稱"聯想移動通信科技有限公司" (formerly known as "Lenovo Mobile Communication Technology Ltd.")[1] (foreign-investment enterprise wholly-owned entity)	Chinese Mainland	RMB187,500,000	**100%**	100%	Manufacturing and distribution of IT products and provision of IT services
摩托羅拉(武漢)移動技術通信有限公司 (Motorola (Wuhan) Mobility Technologies Communication Company Limited)[1] 前稱"聯想移動通信(武漢)有限公司" (formerly known as "Lenovo Mobile Communication (Wuhan) Limited")[1] (foreign-investment enterprise wholly-owned entity)	Chinese Mainland	RMB60,000,000	**100%**	100%	Manufacturing of mobile products
聯想凌拓科技有限公司 (Lenovo NetApp Technology Limited)[1] (Chinese-foreign equity joint venture)	Chinese Mainland	US$10,000,000	**51% (iv)**	51% (iv)	Delivering IT products and data management solution
Lenovo PC HK Limited	Hong Kong S.A.R. of China	HK$2,377,934,829.50 (ordinary shares) and HK$1,000,000 (non-voting deferred shares)	**100%**	100%	Procurement agency and distribution of IT products
Lenovo PC International Limited	Hong Kong S.A.R. of China	HK$4,758,857,785	**100%**	100%	Intellectual properties
Lenovo (Schweiz) GmbH	Switzerland	CHF2,000,000	**100%**	100%	Manufacturing and distribution of IT products
Lenovo (Singapore) Pte. Ltd.	Singapore	SGD5,519,432,283.14	**100%**	100%	Manufacturing and wholesaling of computers, computer hardware and peripheral equipment

35 PRINCIPAL SUBSIDIARIES *(continued)*

Company name	Place of incorporation/ establishment	Issued and fully paid up capital/ registered capital	Percentage of issued share capital held 2022	2021	Principal activities
Lenovo (South Africa) (Pty) Limited	South Africa	ZAR177,500	**100%**	100%	Distribution and marketing of IT products
Lenovo (Spain), S.L.	Spain	EUR37,475,456.40	**100%**	100%	Distribution of IT products
Lenovo (Sweden) AB	Sweden	SEK200,000	**100%**	100%	Distribution of IT products
聯想系統集成(深圳)有限公司 (Lenovo Systems Technology Company Limited)[1] (limited liability company (wholly-owned entity))	Chinese Mainland	RMB263,407,660	**100%**	100%	Manufacturing and distribution of IT products
Lenovo Technology (United Kingdom) Limited	United Kingdom	GBP8,629,511	**100%**	100%	Distribution of IT products
Lenovo Technology B.V.	Netherlands	EUR20,000	**100%**	100%	Distribution of IT products
Lenovo Technology Sdn. Bhd.	Malaysia	MYR1,000,000	**100%**	100%	Retail sale of computers, computer equipment and supplies
Lenovo Tecnologia (Brasil) Ltda	Brazil	BRL6,911,200,307	**100%**	100%	Manufacturing and distribution of IT products
Lenovo (Thailand) Limited	Thailand	THB252,000,000	**100%**	100%	Distribution of IT products as well as mobile phone, smartphone and tablet, server and storage
Lenovo (United States) Inc.	United States	US$1	**100%**	100%	Distribution of IT products
Lenovo (Venezuela), SA	Venezuela	VEB717,184,632	**100%**	100%	Distribution of IT products

35 PRINCIPAL SUBSIDIARIES *(continued)*

Company name	Place of incorporation/ establishment	Issued and fully paid up capital/ registered capital	Percentage of issued share capital held 2022	2021	Principal activities
聯想(西安)有限公司 (Lenovo (Xian) Limited)[1] (Chinese-foreign equity joint venture)	Chinese Mainland	RMB10,000,000	**100%**	100%	Provision of IT services and distribution of IT products
LLC "Lenovo (East Europe/Asia)"	Russia	RUB1,910,000	**100%**	100%	Distribution and marketing of IT products
Medion AG	Germany	EUR48,418,400	**80.08% (iii)**	80.08% (iii)	Retail and service business for consumer electronic products and complementary digital services
Motorola Mobility Comércio de Produtos Eletronicos Ltda.	Brazil	BRL756,663,401	**100%**	100%	Distribution of communication products, developer, owner, licensor and seller of communications hardware and software
Motorola Mobility International Sales LLC	United States	-	**100%**	100%	Holding company
Motorola Mobility LLC	United States	-	**100%**	100%	Developer, owner, licensor and seller of communications hardware and software
NEC Personal Computers, Ltd.	Japan	JPY500,000,000	**95.10% (v)**	95.10% (v)	Manufacturing and distribution of IT products
深圳聯想海外控股有限公司 (Shenzhen Lenovo Overseas Holdings Limited)[1] (wholly-foreign owned enterprise)	Chinese Mainland	US$776,822,799.24	**100%**	100%	Investment management

35 PRINCIPAL SUBSIDIARIES *(continued)*

Company name	Place of incorporation/ establishment	Issued and fully paid up capital/ registered capital	Percentage of issued share capital held 2022	2021	Principal activities
Shimane Fujitsu Limited	Japan	JPY450,000,000	**51%**	51%	Manufacturing and distribution of IT products
Stoneware, Inc.	United States	US$1	**100%**	100%	Development and distribution of IT products
陽光雨露信息技術服務(北京)有限公司 (Sunny Information Technology Service, Inc.)[1] (Chinese-foreign equity joint venture)	Chinese Mainland	RMB50,000,000	**47.25%**	100%	Maintenance of electronic equipment (including repair services for computer hardware and software systems), and provision of IT outsourcing and systems integration services
Edgebricks Pte. Limited	Singapore	SGD10	**90%**	-	Development of software and applications

Notes:

(i) All the above subsidiaries operate principally in their respective places of incorporation or establishment.

(ii) All the Chinese Mainland subsidiaries are limited liability companies. They have adopted December 31 as their financial year end date for statutory reporting purposes. For the preparation of the consolidated financial statements, financial statements of these Chinese Mainland subsidiaries for the years ended March 31, 2022 and 2021 have been used.

(iii) Medion AG is a publicly traded German stock corporation listed on the Frankfurt am Main stock exchange. The percentage of issued capital held is equivalent to approximately 86.77% (2021: 86.77%) excluding treasury shares.

(iv) At March 31, 2022, the Group held 100% in the ordinary shares of LETCL, the immediate holding company of Lenovo (Beijing) Information Technology Limited and intermediate holding company of Lenovo NetApp Technology Limited. 328,766 convertible preferred shares issued by LETCL remain outstanding and held by independent third parties, please refer to Note 26(d) for details.

(v) At March 31, 2022 and 2021, the Group held 95.10% in the ordinary shares of Lenovo NEC Holdings B.V., the immediate holding company of Lenovo Japan LLC and NEC Personal Computers, Ltd., while the remaining 4.90% ordinary shares and 42,700 deferred shares of Lenovo NEC Holdings B.V. were held by NEC Corporation.

(vi) The company whose English name ends with a "1" is a direct transliteration of its Chinese registered name.

35 PRINCIPAL SUBSIDIARIES *(continued)*

Material non-controlling interests

Set out below is the summarized financial information of FCCL. The amounts disclosed are before inter-company eliminations.

	2022 US$'000	2021 US$'000
Revenue	**2,381,704**	2,939,273
Profit for the year	**108,387**	152,433
Other comprehensive loss	**(53,238)**	(7,454)
Total comprehensive income	**55,149**	144,979
Net assets		
Non-current assets	**154,395**	168,974
Current assets	**1,067,324**	1,197,049
Current liabilities	**(590,852)**	(748,828)
Non-current liabilities	**(70,086)**	(59,051)
	560,781	558,144
Cash flows		
Net cash generated from operating activities	**33,363**	113,417
Net cash used in investing activities	**(28,640)**	(25,453)
Net cash used in financing activities	**(6,116)**	(6,861)
Effect of foreign exchange rate changes	**(21,296)**	(6,184)
Cash and cash equivalents at the beginning of the year	**238,295**	163,376
Cash and cash equivalents at the end of the year	**215,606**	238,295

36 APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the board of directors on May 26, 2022.

Independent auditor's report

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

(incorporated in Hong Kong with limited liability)

OPINION

What we have audited

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

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

Our opinion

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

BASIS FOR OPINION

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

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

Independence

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

KEY AUDIT MATTERS

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

KEY AUDIT MATTERS *(continued)*

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

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

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

KEY AUDIT MATTERS *(continued)*

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

OTHER INFORMATION

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

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

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

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

RESPONSIBILITIES OF DIRECTORS AND THE AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit Committee is responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, in accordance with Section 405 of the Hong Kong Companies Ordinance and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Cheng Woon Yin Michael.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, May 27, 2021

Consolidated income statement

For the year ended March 31, 2021

	Note	2021 US$'000	2020 US$'000
Revenue	5	**60,742,312**	50,716,349
Cost of sales		**(50,974,425)**	(42,359,045)
Gross profit		**9,767,887**	8,357,304
Selling and distribution expenses		**(3,044,967)**	(2,972,260)
Administrative expenses		**(2,984,356)**	(2,524,818)
Research and development expenses		**(1,453,912)**	(1,335,744)
Other operating income/(expenses) – net		**(104,245)**	(85,886)
Operating profit	6	**2,180,407**	1,438,596
Finance income	7(a)	**34,754**	47,850
Finance costs	7(b)	**(408,640)**	(454,194)
Share of losses of associates and joint ventures	17	**(32,323)**	(14,545)
Profit before taxation		**1,774,198**	1,017,707
Taxation	8	**(461,199)**	(213,204)
Profit for the year		**1,312,999**	804,503
Profit attributable to:			
Equity holders of the Company		**1,178,307**	665,091
Perpetual securities holders		**32,532**	53,760
Other non-controlling interests		**102,160**	85,652
		1,312,999	804,503
Earnings per share attributable to equity holders of the Company			
Basic	11(a)	**US9.54 cents**	US5.58 cents
Diluted	11(b)	**US8.91 cents**	US5.43 cents
Dividends	12	**474,573**	429,902

Consolidated statement of comprehensive income

For the year ended March 31, 2021

	Note	2021 US$'000	2020 US$'000
Profit for the year		**1,312,999**	804,503
Other comprehensive income/(loss):			
Items that will not be reclassified to profit or loss			
Remeasurements of post-employment benefit obligations, net of taxes	8, 35	**35,735**	(46,275)
Fair value change on financial assets at fair value through other comprehensive income, net of taxes	8, 20	**(5,081)**	(10,925)
Items that have been reclassified or may be subsequently reclassified to profit or loss			
Fair value change on cash flow hedges from foreign exchange forward contracts, net of taxes	8		
– Fair value (loss)/gain, net of taxes		**(240,325)**	177,545
– Reclassified to consolidated income statement		**255,312**	(142,296)
Currency translation differences	8	**104,133**	(424,422)
Other comprehensive income/(loss) for the year		**149,774**	(446,373)
Total comprehensive income for the year		**1,462,773**	358,130
Total comprehensive income attributable to:			
Equity holders of the Company		**1,336,074**	216,055
Perpetual securities holders		**32,532**	53,760
Other non-controlling interests		**94,167**	88,315
		1,462,773	358,130

Consolidated balance sheet

At March 31, 2021

	Note	2021 US$'000	2020 US$'000
Non-current assets			
Property, plant and equipment	13	**1,573,875**	1,398,440
Right-of-use assets	14	**893,422**	812,235
Construction-in-progress	15	**207,614**	304,241
Intangible assets	16	**8,405,005**	7,984,582
Interests in associates and joint ventures	17	**65,455**	60,307
Deferred income tax assets	19	**2,344,740**	2,059,582
Financial assets at fair value through profit or loss	20	**805,013**	494,807
Financial assets at fair value through other comprehensive income	20	**84,796**	56,136
Other non-current assets		**275,359**	224,396
		14,655,279	13,394,726
Current assets			
Inventories	21	**6,380,576**	4,946,914
Trade receivables	22(a)	**8,397,825**	6,263,012
Notes receivable	22(b)	**78,939**	11,529
Derivative financial assets		**118,299**	138,813
Deposits, prepayments and other receivables	22(c)	**4,977,501**	3,559,239
Income tax recoverable		**254,442**	196,464
Bank deposits	23	**59,385**	66,480
Cash and cash equivalents	23	**3,068,385**	3,550,990
		23,335,352	18,733,441
Total assets		**37,990,631**	32,128,167

Consolidated balance sheet

At March 31, 2021

	Note	**2021 US$'000**	2020 US$'000
Share capital	28	**3,203,913**	3,185,923
Reserves		**355,123**	11,619
Equity attributable to owners of the Company		**3,559,036**	3,197,542
Perpetual securities	29	**-**	993,670
Other non-controlling interests		**817,735**	634,321
Put option written on non-controlling interests	27(b)	**(766,238)**	(766,238)
Total equity		**3,610,533**	4,059,295
Non-current liabilities			
Borrowings	26	**3,299,582**	1,564,619
Warranty provision	25(b)	**266,313**	258,840
Deferred revenue		**1,183,247**	864,805
Retirement benefit obligations	35	**431,905**	458,386
Deferred income tax liabilities	19	**391,258**	342,805
Other non-current liabilities	27	**1,436,156**	1,321,296
		7,008,461	4,810,751
Current liabilities			
Trade payables	24(a)	**10,220,796**	7,509,724
Notes payable	24(b)	**885,628**	1,458,645
Derivative financial liabilities		**35,944**	73,784
Other payables and accruals	25(a)	**13,178,498**	9,025,643
Provisions	25(b)	**910,380**	718,771
Deferred revenue		**1,046,677**	819,199
Income tax payable		**395,443**	357,375
Borrowings	26	**698,271**	3,294,980
		27,371,637	23,258,121
Total liabilities		**34,380,098**	28,068,872
Total equity and liabilities		**37,990,631**	32,128,167

On behalf of the Board

Yang Yuanqing

Chairman and Chief Executive Officer

Zhu Linan

Director

Consolidated cash flow statement

For the year ended March 31, 2021

	Note	**2021 US$'000**	2020 US$'000
Cash flows from operating activities			
Net cash generated from operations	34	**4,585,995**	3,006,556
Interest paid		**(309,361)**	(404,691)
Tax paid		**(623,861)**	(391,942)
Net cash generated from operating activities		**3,652,773**	2,209,923
Cash flows from investing activities			
Purchase of property, plant and equipment		**(302,920)**	(246,663)
Sale of property, plant and equipment		**89,344**	15,338
Acquisition of subsidiaries, net of cash acquired		**(5,049)**	–
Disposal of subsidiaries, net of cash disposed		**(37,289)**	(18,155)
Deemed disposal of subsidiaries, net of cash disposed		**(1,816)**	–
Interest acquired in associates and a joint venture		**(3,657)**	(1,616)
Prepaid lease payments		**-**	(15,734)
Payment for construction-in-progress		**(394,084)**	(417,552)
Payment for intangible assets		**(146,746)**	(273,131)
Purchase of financial assets at fair value through profit or loss		**(210,661)**	(86,498)
Purchase of financial assets at fair value through other comprehensive income		**(29,556)**	(429)
Loan to a joint venture		**-**	(72,603)
Net proceeds from sale of financial assets at fair value through profit or loss		**139,622**	99,296
Net proceeds from sale of financial assets at fair value through other comprehensive income		**557**	2,803
Payment of contingent consideration		**(117,390)**	–
Decrease in bank deposits		**7,095**	3,730
Dividends received		**1,897**	6,411
Interest received		**34,754**	47,850
Net cash used in investing activities		**(975,899)**	(956,953)

Consolidated cash flow statement

For the year ended March 31, 2021

	Note	**2021 US$'000**	2020 US$'000
Cash flows from financing activities			
Issue of warrant shares		**17,990**	–
Capital contribution from other non-controlling interests		**87,175**	76,357
Contribution to employee share trusts		**(737,867)**	(159,147)
Issue of convertible preferred shares		**-**	300,000
Issue of notes		**2,003,500**	–
Issuing costs of notes		**(14,383)**	–
Repayment of notes		**(791,555)**	(786,244)
Principal elements of lease payments		**(165,150)**	(130,993)
Dividends paid		**(434,269)**	(431,148)
Dividends paid to other non-controlling interests		**(5,156)**	(4,620)
Distribution to perpetual securities holders		**(34,772)**	(53,760)
Dividends paid to convertible preferred shares holders		**(11,600)**	(6,000)
Repurchase of convertible preferred shares		**(16,575)**	–
Proceeds from borrowings		**4,925,628**	4,092,870
Repayments of borrowings		**(7,005,300)**	(3,135,800)
Repurchase of perpetual securities		**(1,045,320)**	–
Redemption of convertible bonds		**(500)**	–
Net cash used in financing activities		**(3,228,154)**	(238,485)
(Decrease)/increase in cash and cash equivalents		**(551,280)**	1,014,485
Effect of foreign exchange rate changes		**68,675**	(126,349)
Cash and cash equivalents at the beginning of the year		**3,550,990**	2,662,854
Cash and cash equivalents at the end of the year	23	**3,068,385**	3,550,990

Consolidated statement of changes in equity

For the year ended March 31, 2021

	Attributable to equity holders of the Company											
	Share capital US$'000	Investment revaluation reserve US$'000	Employee share trusts US$'000	Share-based compensation reserve US$'000	Hedging reserve US$'000	Exchange reserve US$'000	Other reserves US$'000	Retained earnings US$'000	Perpetual securities US$'000	Other non-controlling interests US$'000	Put option written on non-controlling interests US$'000	Total US$'000
At April 1, 2019	3,185,923	(36,095)	(140,209)	311,540	23,240	(1,371,932)	163,241	1,260,745	993,670	473,178	(766,238)	4,097,063
Profit for the year	-	-	-	-	-	-	-	665,091	53,760	85,652	-	804,503
Other comprehensive (loss)/income	-	(10,925)	-	-	35,249	(427,085)	-	(46,275)	-	2,663	-	(446,373)
Total comprehensive (loss)/income for the year	-	(10,925)	-	-	35,249	(427,085)	-	618,816	53,760	88,315	-	358,130
Transfer to statutory reserve	-	-	-	-	-	-	11,995	(11,995)	-	-	-	-
Transfer of investment revaluation reserve upon disposal of financial assets at fair value through other comprehensive income to retained earnings	-	(1,696)	-	-	-	-	-	1,696	-	-	-	-
Vesting of shares under long-term incentive program	-	-	197,889	(275,551)	-	-	-	-	-	-	-	(77,662)
Deferred tax in relation to long-term incentive program	-	-	-	(7,025)	-	-	-	-	-	-	-	(7,025)
Disposal of subsidiaries	-	-	-	-	-	-	(267)	-	-	-	-	(267)
Share-based compensation	-	-	-	258,610	-	-	-	-	-	-	-	258,610
Contribution to employee share trusts	-	-	(159,147)	-	-	-	-	-	-	-	-	(159,147)
Dividends paid	-	-	-	-	-	-	-	(431,148)	-	-	-	(431,148)
Capital contribution from other non-controlling interests	-	-	-	-	-	-	-	-	-	79,121	-	79,121
Change of ownership of subsidiaries without loss of control	-	-	-	-	-	-	1,673	-	-	(1,673)	-	-
Dividends paid to other non-controlling interests	-	-	-	-	-	-	-	-	-	(4,620)	-	(4,620)
Distribution to perpetual securities holders	-	-	-	-	-	-	-	-	(53,760)	-	-	(53,760)
At March 31, 2020	3,185,923	(48,716)	(101,467)	287,574	58,489	(1,799,017)	176,642	1,438,114	993,670	634,321	(766,238)	4,059,295

Consolidated statement of changes in equity

For the year ended March 31, 2021

	Attributable to equity holders of the Company											
	Share capital US$'000	Investment revaluation reserve US$'000	Employee share trusts US$'000	Share-based compensation reserve US$'000	Hedging reserve US$'000	Exchange reserve US$'000	Other reserves US$'000	Retained earnings US$'000	Perpetual securities US$'000	Other non-controlling interests US$'000	Put option written on non-controlling interests US$'000	Total US$'000
At April 1, 2020	3,185,923	(48,716)	(101,467)	287,574	58,489	(1,799,017)	176,642	1,438,114	993,670	634,321	(766,238)	4,059,295
Profit for the year	-	-	-	-	-	-	-	1,178,307	32,532	102,160	-	1,312,999
Other comprehensive (loss)/income	-	(5,081)	-	-	14,987	112,126	-	35,735	-	(7,993)	-	149,774
Total comprehensive (loss)/income for the year	-	(5,081)	-	-	14,987	112,126	-	1,214,042	32,532	94,167	-	1,462,773
Transfer to statutory reserve	-	-	-	-	-	-	8,890	(8,890)	-	-	-	-
Transfer of investment revaluation reserve upon disposal of financial assets at fair value through other comprehensive income to retained earnings	-	4,664	-	-	-	-	-	(4,664)	-	-	-	-
Repurchase of perpetual securities	-	-	-	-	-	-	(53,890)	-	(991,430)	-	-	(1,045,320)
Issue of warrant shares	17,990	-	-	-	-	-	-	-	-	-	-	17,990
Vesting of shares under long-term incentive program	-	-	339,057	(472,153)	-	-	-	-	-	-	-	(133,096)
Deferred tax in relation to long-term incentive program	-	-	-	45,774	-	-	-	-	-	-	-	45,774
Acquisition of subsidiaries	-	-	-	-	-	-	-	-	-	2,113	-	2,113
Disposal and deemed disposal of subsidiaries	-	-	-	-	-	(4,057)	(1,819)	-	-	3,006	-	(2,870)
Settlement of bonus through long-term incentive program	-	-	-	34,444	-	-	-	-	-	-	-	34,444
Share-based compensation	-	-	-	291,737	-	-	-	-	-	-	-	291,737
Contribution to employee share trusts	-	-	(737,867)	-	-	-	-	-	-	-	-	(737,867)
Dividends paid	-	-	-	-	-	-	-	(434,269)	-	-	-	(434,269)
Dividends paid to other non-controlling interests	-	-	-	-	-	-	-	-	-	(5,156)	-	(5,156)
Capital contribution from other non-controlling interests	-	-	-	-	-	-	-	-	-	89,758	-	89,758
Change of ownership of subsidiaries without loss of control	-	-	-	-	-	-	474	-	-	(474)	-	-
Distribution to perpetual securities holders	-	-	-	-	-	-	-	-	(34,772)	-	-	(34,772)
Redemption of convertible bonds	-	-	-	-	-	-	(57)	56	-	-	-	(1)
At March 31, 2021	3,203,913	(49,133)	(500,277)	187,376	73,476	(1,690,948)	130,240	2,204,389	-	817,735	(766,238)	3,610,533

Notes to the financial statements

1 GENERAL INFORMATION AND BASIS OF PREPARATION

Lenovo Group Limited (the "Company") and its subsidiaries (together, the "Group") develop, manufacture and market reliable, high-quality, secure and easy-to-use technology products and services. Its product lines include legendary Think-branded commercial personal computers and Idea-branded consumer personal computers, as well as servers, workstations, and a family of mobile internet devices, including tablets and smartphones.

The Company is a limited liability company incorporated in Hong Kong S.A.R. of China. The address of its registered office is 23rd Floor, Lincoln House, Taikoo Place, 979 King's Road, Quarry Bay, Hong Kong S.A.R. of China. The Company has its primary listing on The Stock Exchange of Hong Kong Limited.

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"). The consolidated financial statements have been prepared under the historical cost convention except that certain financial assets and financial liabilities are stated at fair values, as explained in the significant accounting policies set out in Note 2.

The preparation of the consolidated financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

Changes in accounting policies and disclosures

The below amended standards became applicable for the current reporting period. The Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting these amended standards.

- Amendments to HKFRS 3, Definition of a business
- Amendments to HKAS 1 and HKAS 8, Definition of material
- Amendments to HKFRS 9, HKAS 39 and HKFRS 7, Interest rate benchmark reform

1 GENERAL INFORMATION AND BASIS OF PREPARATION *(continued)*

Changes in accounting policies and disclosures *(continued)*

New amendments to existing standards not yet effective

The following new amendments to existing standards, which are considered appropriate and relevant to the Group's operations, have been issued but are not effective for the year ended March 31, 2021 and have not been early adopted:

	Effective for annual periods beginning on or after
Amendments to HKFRS 16, COVID-19-Related rent concessions	June 1, 2020
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16, Interest rate benchmark reform – Phase 2	January 1, 2021
Amendment to HKFRS 16, COVID-19-Related rent concessions beyond 30 June 2021	April 1, 2021
Amendments to HKAS 37, Onerous contracts – Cost of fulfilling a contract	January 1, 2022
Annual improvements to HKFRS Standards 2018-2020 cycle	January 1, 2022
Amendments to HKAS 16, Property, plant and equipment: Proceeds before intended use	January 1, 2022
Amendments to HKFRS 3, Reference to the conceptual framework	January 1, 2022
Amendments to HKAS 1, Classification of liabilities as current or non-current	January 1, 2023
Amendments to HKFRS 10 and HKAS 28, Consolidated financial statements and investments in associates	Date to be determined

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

2 SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Principles of consolidation and equity accounting

(i) Subsidiaries

The consolidated financial statements include the financial statements of the Company and all of its subsidiaries made up to March 31.

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group (refer to (ii)).

Intra-group transactions, balances, income and expenses on transactions are eliminated. Profits and losses resulting from intra-group transactions that are recognized in assets are also eliminated.

Adjustments have been made to the financial statements of subsidiaries when necessary to align their accounting policies to ensure consistency with the policies adopted by the Group.

For subsidiaries which adopted December 31 as their financial year end date for statutory reporting purposes, their financial statements for the years ended March 31, 2021 and 2020 have been used for the preparation of the Group's consolidated financial statements.

(ii) Business combinations

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognizes any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognized amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(a) Principles of consolidation and equity accounting *(continued)*

(ii) Business combinations (continued)

If the business combination is achieved in stages, the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognized in profit or loss.

Any contingent consideration to be transferred by the Group is recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognized in the consolidated income statement. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

Goodwill is initially measured as the excess of the aggregate of the consideration transferred, the amount of any non-controlling interest in the acquiree and, in a business combination achieved in stages the acquisition-date fair value of any previous equity interest in the acquiree over the net identifiable assets acquired and liabilities assumed (Note 2(g)(i)). If it is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized directly in the consolidated income statement.

(iii) Changes in ownership interests

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognized in a separate reserve within equity attributable to owners of the Company.

When the Group ceases to consolidate or equity account for an investment because of a loss of control, joint control or significant influence, any retained interest in the entity is re-measured to its fair value with the change in carrying amount recognized in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequent accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized in other comprehensive income are reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs.

If the ownership interest in a joint venture or an associate is reduced but joint control or significant influence is retained, only a proportionate share of the amounts previously recognized in other comprehensive income are reclassified to profit or loss where appropriate.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(a) Principles of consolidation and equity accounting *(continued)*

(iii) Changes in ownership interests *(continued)*

The potential cash payments related to put options issued by the Group over the equity of a subsidiary are accounted for as financial liabilities. The amount that may become payable under the option on exercise is initially recognized at present value of redemption amount as a written put option liability with a corresponding charge directly to equity.

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

(iv) Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognized in the consolidated income statement. The fair value is the initial carrying amount for the purposes of subsequent accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognized as other comprehensive income or loss in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized as other comprehensive income or loss are reclassified to the consolidated income statement.

(v) Separate financial statements

Investments in subsidiaries in the Company's balance sheet are accounted for at cost less impairment. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

(b) Associates and joint arrangements

Associates are entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights.

Investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor, rather than the legal structures of the joint arrangements. The Group has assessed the nature of its joint arrangements and applied HKFRS 11 in preparing the consolidated financial statements.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(b) Associates and joint arrangements *(continued)*

Associates and joint ventures

Interests in associates and joint ventures are accounted for using the equity method of accounting and are initially recognized at cost. The Group's interests in associates and joint ventures include goodwill identified on acquisition, net of any accumulated impairment losses.

The Group's share of its associates' and joint ventures' post-acquisition profits or losses is recognized in the consolidated income statement, and its share of post-acquisition movements in other comprehensive income or loss is recognized as other comprehensive income or loss with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate or a joint venture equals or exceeds its interest in the associate or the joint venture including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate or the joint venture.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate and joint venture is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value and recognizes the amount adjacent to share of profit/(loss) of associates and joint ventures in the consolidated income statement.

Profits and losses resulting from upstream and downstream transactions between the Group and its associates or joint ventures are recognized in the Group's consolidated financial statements only to the extent of unrelated investor's interests in the associates or the joint ventures. Unrealized losses are eliminated unless the transaction provides evidence of an impairment of the assets transferred.

Accounting policies of associates and joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

For associates and joint ventures which adopted December 31 as their financial year end date for statutory reporting purposes, their financial statements for the years ended March 31, 2021 and 2020 have been used for the preparation of the Group's consolidated financial statements.

Joint operation

Joint operations arise where the investors have rights to the assets and obligations for the liabilities of an arrangement. Investments in joint operations are accounted for such that each joint operator recognizes its assets (including its share of any assets jointly held), its liabilities (including its share of any liabilities incurred jointly), its revenue (including its share of revenue from the sale of the output by the joint operation) and its expenses (including its share of any expenses incurred jointly). Each joint operator accounts for the assets and liabilities, as well as revenues and expenses, relating to its interest in the joint operation in accordance with the applicable standards.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(c) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Lenovo Executive Committee (the "LEC") that makes strategic decisions.

(d) Translation of foreign currencies

(i) Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The financial statements of the Company and of the Group are presented in United States dollars, which is the Company's functional and the Group's presentation currency.

(ii) Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognized in the income statement. They are deferred in equity if they are related to qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

All foreign exchange gains and losses that relate to monetary assets and liabilities denominated in foreign currency are presented in the income statement within "Other operating income/(expenses) – net".

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on financial assets and liabilities carried at fair value are as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss ("FVPL") are recognized in profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equities classified as fair value through other comprehensive income ("FVOCI") are recognized in other comprehensive income or loss.

(iii) The results and financial position of all the group entities that have a functional currency different from the Group's presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

- income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rates on the dates of the transactions); and

- all resulting exchange differences are recognized as other comprehensive income or loss.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognized as other comprehensive income or loss and included in the exchange reserve in equity.

(d) Translation of foreign currencies *(continued)*

(iv) On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary, loss of joint control of a joint venture, or loss of significant influence over an associate that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the equity holders of the Company are reclassified to the consolidated income statement.

In the case of a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of the accumulated exchange differences are re-attributed to non-controlling interests and are not recognized in the consolidated income statement. For all other partial disposals (that is, reductions in the Group's ownership interest in an associate or a joint venture that do not result in the Group losing influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to the consolidated income statement.

(e) Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognized when replaced. All other repairs and maintenance are charged in the consolidated income statement during the financial period in which they are incurred.

Freehold land and buildings comprise mainly factories and office premises. All freehold lands are located outside Hong Kong S.A.R. of China and are not depreciated. Depreciation of buildings, buildings related equipment and leasehold improvements is calculated using the straight-line method to allocate their costs to their estimated residual values over the unexpired periods of the leases or their expected useful lives to the Group ranging from 10 to 50 years whichever is shorter.

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their costs to their estimated residual values over their estimated useful lives to the Group. The principal annual rates used for this purpose are:

Plant and machinery	
Tooling equipment	50% – 100%
Other machinery	14% – 20%
Furniture and fixtures	20% – 25%
Office equipment	20% – 33%
Motor vehicles	20%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2(h)).

Gain or loss on disposal of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognized within "Other operating income/(expenses) – net" in the consolidated income statement.

Notes to the financial statements

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(f) Construction-in-progress

Construction-in-progress represents buildings, plant and machinery and internal use software under construction and pending installation and is stated at historical cost, less any accumulated impairment losses. Historical cost comprises all direct and indirect costs of acquisition or construction or installation of buildings, plant and machinery or internal use software as well as interest expenses and exchange differences on the related funds borrowed during the construction, installation and testing periods and prior to the date when the assets were available for use. No depreciation or amortization is provided for on construction-in-progress. On completion, the carrying values of the buildings, plant and machinery or internal use software are transferred from construction-in-progress to property, plant and equipment or intangible assets.

Gain on disposal of construction-in-progress is the difference between the net sales proceeds and the carrying amount of the relevant asset and is recognized within "Other operating income/(expenses) – net" in the consolidated income statement.

(g) Intangible assets

(i) Goodwill

Goodwill represents the excess of the consideration of an acquisition transferred over the Group's interests in the fair value of the acquiree's identifiable assets acquired and liabilities assumed at the acquisition date. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of associates and joint ventures is included in interests in associates and joint ventures.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("CGU"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs to sell. Any impairment is recognized immediately as an expense and is not subsequently reversed.

(ii) Trademarks and trade names

Separately acquired trademarks and trade names are shown at historical cost. Trademarks and trade names acquired in a business combination are recognized at fair value at the acquisition date.

Trademarks and trade names that have an indefinite useful life are tested annually for impairment and carried at cost less accumulated impairment losses. They are considered to have an indefinite useful life as there is no foreseeable limit to the period over which they are expected to generate net cash inflows.

(iii) Customer relationships

Customer relationships acquired in a business combination are recognized at fair value at the acquisition date. Customer relationships have a definite useful life and are carried at cost less accumulated amortization. Amortization is calculated using the straight-line method over their estimated useful lives of not more than 15 years.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(g) Intangible assets *(continued)*

(iv) Internal use software

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software.

Development costs that are directly attributable to the design and testing of identifiable and unique software controlled by the Group are recognized as intangible assets when the following criteria are met:

- it is technically feasible to complete the software so that it will be available for use;
- management intends to complete the software and use or sell it;
- there is an ability to use or sell the software;
- it can be demonstrated how the software will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software are available; and
- the expenditure attributable to the software during its development can be reliably measured.

Development costs include the employee costs incurred as a result of developing software and an appropriate portion of relevant overheads.

Other development expenditures that do not meet these criteria are recognized as an expense as incurred. Development costs previously recognized as an expense are not recognized as an asset in a subsequent period.

Costs associated with maintaining computer software are recognized as an expense as incurred.

Acquired computer software licenses costs and computer software development costs are amortized using the straight-line method over their estimated useful lives of not more than 8 years.

(v) Patents and technology

Expenditure on acquired patents and technology is capitalized at historical cost upon acquisition and amortized using the straight-line method over their estimated useful lives of not more than 10 years.

(vi) Exclusive right

An exclusive right acquired in a business combination is recognized at fair value at the acquisition date. An exclusive right has a definite useful life and is carried at cost less accumulated amortization. Amortization is calculated using the straight-line method over their estimated useful lives of not more than 15 years.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(h) Impairment of non-financial assets

Assets that have an indefinite useful life or are not yet available for use are not subject to depreciation or amortization and are tested annually for impairment. Assets that are subject to depreciation or amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest level for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

(i) Financial assets

(i) Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income or through profit or loss), and

- those to be measured at amortized cost.

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investments at FVOCI.

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

(ii) Recognition and derecognition

Regular way purchases and sales of financial assets are recognized on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

(iii) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at FVPL, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the assets and the cash flow characteristics of the assets. There are three measurement categories into which the Group classifies its debt instruments:

- Amortized cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. Interest income from these financial assets, impairment losses, foreign exchange gains and losses, and gain or loss arising on derecognition are recognized directly in profit or loss.

- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment losses, interest income and foreign exchange gains and losses which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss.

- FVPL: Assets that do not meet the criteria for amortized cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognized in profit or loss in the period in which it arises.

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognized in profit or loss when the Group's right to receive payments is established. On disposal of these equity investments, any related balance within the investment revaluation reserve is reclassified to retained earnings. Changes in the fair value of financial assets at FVPL are recognized in profit or loss as applicable.

Financial assets at FVOCI comprise equity investments which are not held for trading, and which the Group has irrevocably elected at initial recognition to recognize in this category. These are strategic investments and the Group considers this classification to be more relevant.

Financial assets at FVPL comprise equity investments which are held for trading, and which the Group has not elected to recognize fair value gains and losses through other comprehensive income.

Details on how the fair value of financial instruments is determined are disclosed in Note 3(d).

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(i) Financial assets *(continued)*

(iv) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

(j) Impairment of financial assets

The Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortized cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognized from initial recognition of the receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

Impairment losses on trade receivables are presented as net impairment losses in the consolidated income statement. Subsequent recoveries of amounts previously written off are credited against the same line item.

(k) Derivative financial instruments and hedging activities

Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair values. The method of recognizing the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as either: (i) hedges of the fair value of recognized assets or liabilities or a firm commitment (fair value hedge) or (ii) hedges of highly probable forecast transactions (cash flow hedges).

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months, and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or liability.

(i) Fair value hedge

Changes in the fair value of derivatives that are designated and qualified as fair value hedges are recorded in the consolidated income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

(k) Derivative financial instruments and hedging activities *(continued)*

(ii) Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualified as cash flow hedges is recognized as other comprehensive income or loss. The gain or loss relating to the ineffective portion is recognized immediately in the consolidated income statement.

Amounts accumulated in equity are reclassified to the consolidated income statement in the periods when the hedged item affects profit or loss (for example, when the forecast sale or purchase that is hedged takes place). The gain or loss relating to the effective portion of interest rate swaps hedging variable rate borrowings is recognized in the consolidated income statement within "Finance costs". The gain or loss relating to the ineffective portion is recognized in the consolidated income statement within "Other operating income/(expenses) – net".

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gains or losses on the hedging instrument that has been recognized as other comprehensive income from the period when the hedge was effective shall remain separately in equity until the forecast transaction occurs. When a forecast transaction is no longer expected to occur, the cumulative gains or losses on the hedging instrument that has been recognized as other comprehensive income from the period when the hedge was effective shall be reclassified from equity to the consolidated income statement immediately.

(iii) Derivatives that do not qualify for hedge accounting

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instruments that do not qualify for hedge accounting are recognized immediately in the consolidated income statement.

(l) Financial guarantee contracts

Financial guarantee contracts are recognized as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of:

- the amount determined in accordance with the expected credit loss model under HKFRS 9 and

- the amount initially recognized less, where appropriate, the cumulative amount of income recognized in accordance with the principles of HKFRS 15.

The fair value of financial guarantees is determined as the present value of the difference in net cash flows between the contractual payments under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

Where guarantees in relation to loans or other payables of associates are provided for no compensation, the fair values are accounted for as contributions and recognized as part of the cost of the investment.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(m) Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined on a weighted average basis. The cost of finished goods (except for trading products) and work-in-progress comprises direct materials, direct labour and an attributable proportion of production overheads. For trading products, cost represents invoiced value on purchases, less purchase returns and discounts. Net realizable value is determined on the basis of anticipated sales proceeds less estimated selling expenses.

(n) Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. Majority of other receivables are amounts due from subcontractors for part components sold in the ordinary course of business. Trade receivables are recognized initially at fair value and subsequently measured at FVOCI, less loss allowance. Other receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. See Note 2(i) for further information about the Group's accounting for trade receivables and Note 2(j) for a description of the Group's impairment policies.

If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

(o) Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents mainly comprise cash on hand, deposits held at call with banks, other short-term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the consolidated balance sheet.

(p) Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Where any group company purchases the Company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes), is deducted from equity attributable to the Company's equity holders until the shares are cancelled or reissued. Where such shares are subsequently reissued, any consideration received (net of any directly attributable incremental transaction costs and the related income tax effects) is included in equity attributable to the Company's equity holders.

(q) Borrowings and borrowing costs

Borrowings are recognized initially at fair value, net of transaction costs incurred. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability, including fees and commissions paid to agents, advisers, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Borrowings are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the consolidated income statement over the period of the borrowings using the effective interest method.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(q) Borrowings and borrowing costs *(continued)*

Preferred shares, which are mandatory redeemable on a special date, are classified as liabilities. The dividends on these preferred shares are recognized in profit or loss as finance costs.

The Group designated the convertible preferred shares as financial liability at fair value through profit or loss ("FVPL"). Subsequent to initial recognition, the convertible preferred shares are carried at fair value with changes in fair value recognized in profit or loss in the period in which it arises.

The fair value of the liability portion of a convertible bond is determined using a market interest rate for an equivalent non-convertible bond. This amount is recorded as a liability on an amortized cost basis until extinguished on conversion or maturity of the bonds. The remainder of the proceeds is allocated to the conversion option. This is recognized and included in shareholders' equity, net of income tax effects.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

(r) Trade and other payables

Trade payables are obligations to pay for part components or services that have been acquired in the ordinary course of business from suppliers. Majority of other payables are obligations to pay for finished goods that have been acquired in the ordinary course of business from subcontractors. Trade and other payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

Trade and other payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

(s) Provisions

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(s) Provisions *(continued)*

(i) Warranty provision

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

(ii) Other provisions

Provisions for environmental restoration, restructuring costs and legal claims are recognized when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Restructuring costs provision comprises lease termination penalties and employee termination payments. Provisions are not recognized for future operating losses.

(t) Current and deferred income tax

The tax expense for the period comprises current and deferred income tax.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries, joint ventures and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax liabilities are not recognized if they arise from the initial recognition of goodwill; deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, joint ventures and associates, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same tax authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

(u) Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognized because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognized but is disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that the outflow is probable, it will then be recognized as a provision.

(v) Revenue

Income is classified by the Group as revenue when it arises from the sales of goods and the provision of services in the ordinary course of the Group's business.

(i) Sale of goods and provision of services

Revenue from sale of hardware, software, peripherals and mobile devices and the provision of services is recognized when control over such products or services is transferred to the customer at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value-added tax, an allowance for estimated returns, rebates and discounts.

The Group enters into different shipping terms with customers. Control of hardware, software, peripherals and mobile devices is transferred when delivery has occurred. Delivery is generally considered as occurred once the goods are shipped. For certain transactions that the Group retains control during the course of shipment, the Group defers the recognition of revenue and cost of such products until they are delivered to the designated locations. The Group's obligation to repair or replace faulty products under the standard warranty terms is recognized as a provision.

Control of systems integration service, information technology technical service and extended warranty service is transferred over time during the contract period or when services are rendered.

The Group recognizes revenue on a gross or net basis depending on whether the Group is acting as a principal or an agent in the transaction.

No element of financing is deemed present as the sales are made with a credit term of 0 – 120 days, which is consistent with market practice. A receivable is recognized when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

(ii) Interest income

Interest income is recognized using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired receivables is recognized using the original effective interest rate.

(iii) Dividend income

Dividend income is recognized when the right to receive payment is established.

Notes to the financial statements

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(w) Non-base manufacturing costs

Non-base manufacturing costs are costs that are periodic in nature as opposed to product specific. They are typically incurred after the physical completion of the product and include items such as outbound freight for in-country finished goods shipments, warranty costs, engineering charges, storage and warehousing costs, and contribute to bringing inventories to their present location and condition. Non-base manufacturing costs enter into the calculation of gross margin but are not inventoriable costs.

(x) Employee benefits

(i) Pension obligations

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

A defined benefit plan is a pension plan which defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognized in the consolidated balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. Significant portion of the defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation. In countries where there is no deep market in such bonds, the market rates on government bonds are used.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is included in employee benefit expense in the consolidated income statement.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognized as other comprehensive income or loss in the year in which they arise. They are included in retained earnings in the consolidated statement of changes in equity and in the consolidated balance sheet.

Past service costs are recognized immediately in the consolidated income statement. Changes in the present value of the defined benefit obligation resulting from plan amendments or curtailments are recognized immediately in profit or loss as past service costs.

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. The contributions are recognized as employee benefit expense when they are due and are reduced by employer's portion of voluntary contributions forfeited by those employees who leave the scheme prior to vesting fully. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in the future payments is available.

(x) Employee benefits *(continued)*

(i) Pension obligations *(continued)*

The Group's contributions to local municipal government retirement schemes in connection with retirement benefit schemes in the Mainland of China ("Chinese Mainland") are expensed as incurred. The local municipal governments in the Chinese Mainland assume the retirement benefit obligations of the qualified employees.

(ii) Post-employment medical benefits

The Group operates a number of post-employment medical benefit schemes, the largest being in the United States. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment using an accounting methodology similar to that for defined benefit pension plans. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognized as other comprehensive income or loss in the period in which they arise. The obligations of these schemes in the United States are valued annually by independent qualified actuaries.

(iii) Long-term incentive program

The Group operates a long-term incentive program to recognize employees' individual and collective contributions, and includes two types of awards, namely share appreciation rights and restricted share units ("Long-term Incentive Awards"). The Company reserves the right, at its discretion, to pay the award in cash or ordinary shares of the Company. The fair value of the employee services received in exchange for the grant of the Long-term Incentive Awards is recognized as employee benefit expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the Long-term Incentive Awards granted, including any market performance conditions (for example, an entity's share price); excluding the impact of any service and non-market performance vesting conditions (for example, profitability and sales growth targets); and including the impact of non-vesting conditions. Non-market performance and service conditions are included in assumptions about the number of Long-term Incentive Awards that are expected to become exercisable/vested. The total expense is recognized over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied.

At each balance sheet date, the Group revises its estimates of the number of Long-term Incentive Awards that are expected to become exercisable. It recognizes the impact of the revision of original estimates, if any, in the consolidated income statement, with a corresponding adjustment to share-based compensation reserve under equity.

Employee share trusts are established for the purposes of awarding shares to eligible employees under the long-term incentive program. The employee share trusts are administered by independent trustees and are funded by the Group's cash contributions and recorded as contributions to employee share trusts, an equity component. The administrator of the employee share trusts buys the Company's shares in the open market for award to employees upon vesting.

Upon vesting, the corresponding amounts in the share-based compensation reserve will be transferred to share capital for new allotment of shares to employees, or to the employee share trusts for shares awarded to employees by the employee share trusts.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(x) Employee benefits *(continued)*

(iv) Termination benefit

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognizes termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the entity recognizes costs for a restructuring that is within the scope of HKAS 37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

(y) Government grants

Grants from the government are recognized at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognized as "Other operating income/(expenses) – net" in the consolidated income statement over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to property, plant and equipment are included in other non-current liabilities as deferred government grants and are credited to the consolidated income statement on a straight-line basis over the expected lives of the related assets.

(z) Leases (as the lessee)

Leases are recognized as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payments that are based on an index or a rate
- amounts expected to be payable by the lessee under residual value guarantees
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

(z) Leases (as the lessee) *(continued)*

Some property leases contain variable payment terms that are linked to sales generated from stores. There is a wide range of sales percentages applied. Variable payment terms are used for a variety of reasons, including minimising the fixed costs base for newly established stores. Variable lease payments that depend on sales are recognized as a profit or loss in the period in which the event or condition that triggers those payments occurs.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liabilities

- any lease payments made at or before the commencement date less any lease incentives received

- any initial direct costs, and

- restoration costs.

Payments associated with leases of low-value assets are recognized on a straight-line basis as an expense in profit or loss. Low-value assets mainly comprise office equipment.

The Group's right-of-use assets include interest in leasehold land and building and prepaid lease payments for leasehold land. Prepaid lease payments represent the payments for land use rights held by the Group in the Chinese Mainland under term leases between 10 to 50 years. Rental contracts for leasehold land and building are typically made for fixed periods of 1 to 9 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Lease liabilities are presented within "other payables and accruals" (for current portion) and "other non-current liabilities" (for non-current portion) in the consolidated balance sheet.

(aa) Related party transactions

A related party transaction is a transfer of resources, services or obligations between the Group and a related party of the Group, regardless of whether a price is charged.

(i) A person, or a close member of that person's family, is related to the Group if that person:

- has control or joint control over the Group;

- has significant influence over the Group; or

- is a member of the key management personnel of the Group or the Group's parent.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(aa) Related party transactions *(continued)*

(ii) An entity is related to the Group if any of the following conditions applies:

- The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

- One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

- Both entities are joint ventures of the same third party.

- One entity is a joint venture of a third entity and the other entity is an associate of the third party.

- The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

- The entity is controlled or jointly controlled by a person identified in (i) above.

- A person, or a close member of that person's family, who has control or joint control over the Group, has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(ab) Dividend distribution

Dividend distribution to the Company's shareholders is recognized as a liability in the Group's and Company's financial statements in the period in which the dividends are approved by the Company's shareholders in case of final dividend and by the Company's directors in case of interim dividend.

3 FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks, such as market risk (including foreign currency risk, cash flow interest rate risk and price risk), credit risk, and liquidity risk. The Group's overall financial risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to hedge certain risk exposures. Financial risk management is carried out by the centralized treasury department ("Group Treasury").

(a) Financial risk factors

(i) Foreign currency risk

The Group operates internationally and is exposed to foreign currency risk arising from various currency exposures, primarily with respect to United States dollar, Renminbi and Euro. Foreign currency risk arises from future commercial transactions, recognized assets and liabilities and net investment in foreign operations denominated in a currency that is not the group companies' functional currency.

Management has set up a policy to require group companies to manage their foreign currency risk against their functional currency. The Group's forward foreign currency contracts are either used to hedge a percentage of anticipated cash flows (mainly export sales and purchase of inventories) which are highly probable, or used as fair value hedges for the identified assets and liabilities.

For segment reporting purposes, external hedge contracts on assets, liabilities or future transactions are designated to each operating segment, as appropriate.

3 FINANCIAL RISK MANAGEMENT *(continued)*

(a) Financial risk factors *(continued)*

(i) Foreign currency risk *(continued)*

The following tables detail the Group's exposure at the balance sheet date to currency risk arising from recognized assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate, except for the currency risk between United States dollar and Hong Kong dollar given the two currencies are under the linked exchange rate system. For presentation purposes, the amounts of the exposure are shown in United States dollar, translated using the spot rate at the balance sheet date. Differences resulting from the translation of the financial statements of foreign operations into the Group's presentation currency are excluded.

	2021			2020		
	United States dollar US$'000	**Renminbi US$'000**	**Euro US$'000**	United States dollar US$'000	Renminbi US$'000	Euro US$'000
Trade and other receivables	**345,911**	**23,149**	**175,220**	242,131	3,760	95,724
Bank deposits and cash and cash equivalents	**45,456**	**20,857**	**33,212**	20,703	3,790	175,614
Trade and other payables	**(483,935)**	**(38,425)**	**(35,240)**	(221,554)	(26,077)	(11,084)
Borrowings	**-**	**-**	**-**	-	(563,249)	-
Intercompany balances before elimination	**(1,514,790)**	**1,037,500**	**(195,056)**	(3,579,291)	468,450	(371,022)
Gross exposure	**(1,607,358)**	**1,043,081**	**(21,864)**	(3,538,011)	(113,326)	(110,768)
Notional amounts of forward exchange contracts used as economic hedges	**2,315,015**	**(586,253)**	**85,961**	3,516,807	204,153	91,638
Net exposure	**707,657**	**456,828**	**64,097**	(21,204)	90,827	(19,130)

(ii) Cash flow interest rate risk

The Group's interest rate risk mainly arises from short-term and long-term borrowings denominated in United States dollar. It is the Group's policy to mitigate interest rate risk through the use of appropriate interest rate hedging instruments when necessary. Generally, the Group manages its cash flow interest rate risk by using floating-to-fixed interest rate swaps. Such interest rate swaps have the economic effect of converting borrowings from floating rates to fixed rates. Under the interest rate swaps, the Group agrees with other parties to settle the difference between cash flow arising from fixed contract rates and floating-rate interest of the notional amounts at specified intervals (primarily quarterly).

The Group operates various trade financing programs. The Group is exposed to fluctuation of interest rates of all the currencies covered by those programs.

Notes to the financial statements

3 FINANCIAL RISK MANAGEMENT *(continued)*

(a) Financial risk factors *(continued)*

(iii) Credit risk

Credit risk is managed on a group basis. Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to customers and subcontractors, including outstanding receivables and committed transactions.

For banks and other financial institutions, the Group controls its credit risk through monitoring their credit rating and setting approved counterparty credit limits that are regularly reviewed.

The Group has no significant concentration of customer credit risk. The Group has a credit policy in place and exposures to these credit risks are monitored on an ongoing basis.

No credit limits were exceeded by any customers during the reporting period, and management does not expect any significant losses from non-performance by these counterparties.

The Group applies the simplified approach to provide for expected credit losses prescribed by HKFRS 9, which permits the use of the lifetime expected credit loss provision for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on the days past due. The gross carrying amount of the trade receivables and the loss allowance analyzed by aging band are set out below:

March 31, 2021	**Gross carrying amount US$'000**	**Loss allowance US$'000**	**Expected credit loss rate**
Not past due	**7,835,578**	**(401)**	**0%**
Past due less than 31 days	**332,967**	**(183)**	**0%**
Past due within 31 to 60 days	**95,218**	**(7)**	**0%**
Past due within 61 to 90 days	**53,418**	**(177)**	**0%**
Past due over 90 days	**225,850**	**(144,438)**	**64%**
	8,543,031	**(145,206)**	

March 31, 2020	Gross carrying amount US$'000	Loss allowance US$'000	Expected credit loss rate
Not past due	5,457,313	(42)	0%
Past due less than 31 days	521,561	(17)	0%
Past due within 31 to 60 days	149,097	(1)	0%
Past due within 61 to 90 days	72,908	(262)	0%
Past due over 90 days	157,589	(95,134)	60%
	6,358,468	(95,456)	

3 FINANCIAL RISK MANAGEMENT *(continued)*

(a) Financial risk factors *(continued)*

(iv) Liquidity risk

Cash flow forecasting at least for next 12 months of the Group is performed by Group Treasury. It monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational, financing and investing needs while maintaining sufficient headroom on its undrawn committed borrowing facilities (Note 26) at all times so that the Group does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities. Such forecasting takes into consideration the Group's debt financing plans, net current liabilities position, covenant compliance, compliance with internal balance sheet ratio targets, the COVID-19 impact and, if applicable external regulatory or legal requirements, for example, currency restrictions.

Surplus cash held by the operating entities over and above balances required for working capital management are transferred to Group Treasury. Group Treasury invests surplus cash in interest bearing current accounts, time deposits, money market funds and marketable securities, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient headroom as determined by the above-mentioned forecasts. At the balance sheet date, the Group did not hold any money market funds (2020: US$522,379,000) (Note 23).

3 FINANCIAL RISK MANAGEMENT *(continued)*

(a) Financial risk factors *(continued)*

(iv) Liquidity risk *(continued)*

The tables below analyze the Group's non-derivative financial liabilities and derivative financial liabilities into relevant maturity groupings based on the remaining periods at the balance sheet date to the contractual maturity dates. Derivative financial liabilities are included in the analysis if their contractual maturities are essential for an understanding of the timing of the cash flows. The amounts disclosed in the tables are the contractual undiscounted cash outflows/(inflows).

	Repayable on demand or 3 months or less US$'000	Over 3 months to 1 year US$'000	Over 1 to 3 years US$'000	Over 3 to 5 years US$'000	Over 5 years US$'000	Total US$'000
At March 31, 2020						
Borrowings	2,683,046	799,893	1,713,860	–	–	5,196,799
Trade, notes and other payables and accruals	13,293,339	2,872,936	–	–	–	16,166,275
Deferred consideration	–	–	25,072	–	–	25,072
Contingent consideration	117,387	–	–	–	–	117,387
Written put option liabilities	–	–	312,365	552,933	–	865,298
Lease liabilities	29,753	79,836	158,485	106,345	120,576	494,995
Others	–	–	27,382	34,993	–	62,375
Derivatives settled in gross:						
Forward foreign exchange contracts						
– outflow	7,040,808	672,034	–	–	–	7,712,842
– inflow	(7,093,967)	(676,556)	–	–	–	(7,770,523)
At March 31, 2021						
Borrowings	**66,924**	**802,622**	**1,630,089**	**1,157,539**	**1,173,711**	**4,830,885**
Trade, notes and other payables and accruals	**20,033,088**	**1,329,875**	**-**	**-**	**-**	**21,362,963**
Deferred consideration	**-**	**-**	**25,072**	**-**	**-**	**25,072**
Written put option liabilities	**-**	**338,370**	**542,691**	**-**	**-**	**881,061**
Lease liabilities	**32,085**	**121,863**	**201,583**	**107,650**	**78,641**	**541,822**
Others	**-**	**-**	**215,312**	**248,436**	**-**	**463,748**
Derivatives settled in gross:						
Forward foreign exchange contracts						
– outflow	**10,542,111**	**56,608**	**-**	**-**	**-**	**10,598,719**
– inflow	**(10,616,227)**	**(58,000)**	**-**	**-**	**-**	**(10,674,227)**

3 FINANCIAL RISK MANAGEMENT *(continued)*

(b) Market risk sensitivity analysis

HKFRS 7 "Financial instruments: Disclosures" requires the disclosure of a sensitivity analysis for market risks that show the effects of a hypothetical change in the relevant market risk variable to which the Group is exposed to at the balance sheet date on profit or loss and total equity.

The sensitivity analysis for each type of market risks does not reflect inter-dependencies between risk variables. The sensitivity analysis assumes that a hypothetical change of the relevant risk variable had occurred at the balance sheet date and had been applied to the relevant risk variable in existence on that date. The bases and assumptions adopted in the preparation of the analyses will by definition, seldom equal to the related actual results.

The disclosure of the sensitivity analysis on market risks is solely for compliance with HKFRS 7 disclosure requirements in respect of financial instruments, and are for illustration purposes only; and it should be noted that the hypothetical amounts so generated do not represent a projection of likely future events and profits or losses of the Group.

(i) Foreign currency exchange rate sensitivity analysis

At March 31, 2021, if United States dollar had weakened/strengthened by one percent against the major currencies with all other variables held constant, pre-tax profit for the year would have been US$1.9 million lower/higher (2020: US$0.9 million higher/lower), mainly as a result of foreign exchange gains/losses on translation of unhedged portion of receivable and payable balances.

The analysis above is based on the assumption that United States dollar weakened or strengthened against all other currencies in the same direction and magnitude, but it may not be necessarily true in reality.

(ii) Interest rate sensitivity analysis

At March 31, 2021, if interest rate on borrowings had been 25 basis points higher/lower with all other variables held constant, pre-tax profit for the year would have been US$4.9 million lower/higher (2020: US$6.0 million lower/higher).

At March 31, 2021, if interest rates on trade financing programs had been 25 basis points higher/lower with all other variables held constant, pre-tax profit for the year would have been US$10.0 million lower/higher (2020: US$9.7 million lower/higher). This analysis is based on the assumption that the interest rates of all the currencies covered by the trade financing programs go up and down at the same time and with the same magnitude; however, such assumptions may not be necessarily true in reality.

3 FINANCIAL RISK MANAGEMENT *(continued)*

(b) Market risk sensitivity analysis *(continued)*

(iii) Price risk sensitivity analysis

Exposure

The Group's exposure to equity securities price risk arises from investments held by the Group and classified in the consolidated balance sheet either as financial assets at FVPL (Note 20(a)) or FVOCI (Note 20(b)).

To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Group.

The Group's listed equity investments are determined based on respective quoted market prices. The fair value of unlisted equity investments is determined based on valuation techniques, please refer to Note 3(d) for details.

Sensitivity

The table below summarizes the impact of increases/decreases of the quoted market prices of the listed equity investments and the prices of unlisted equity investments on the Group's equity and pre-tax profit for the year. The analysis is based on the assumption that the fair value of the equity investments had increased/decreased by 5% with all other variables held constant.

	Impact on pre-tax profit		Pre-tax impact on other components of equity	
	2021 US$'000	2020 US$'000	**2021 US$'000**	2020 US$'000
Increase by 5%	**40,251**	24,740	**4,240**	2,807
Decrease by 5%	**(40,251)**	(24,740)	**(4,240)**	(2,807)

(c) Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

3 FINANCIAL RISK MANAGEMENT *(continued)*

(c) Capital risk management *(continued)*

Consistent with others in the industry, the Group monitors capital on the basis of gearing ratio. This ratio is calculated as total borrowings (including current and non-current borrowings) divided by total equity. The Group's strategy remains unchanged and the gearing ratios and net debt position of the Group as at March 31, 2021 and 2020 are as follows:

	2021 US$ million	2020 US$ million
Bank deposits and cash and cash equivalents	**3,128**	3,617
Less: total borrowings	**(3,998)**	(4,860)
Net debt position	**(870)**	(1,243)
Total equity	**3,611**	4,059
Gearing ratio	**1.11**	1.20

(d) Fair value estimation

The table below analyzes financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1 Quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices)
- Level 3 Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs)

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in Level 1.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3.

3 FINANCIAL RISK MANAGEMENT *(continued)*

(d) Fair value estimation *(continued)*

Specific valuation techniques used to value financial instruments include:

– The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves.

– The fair value of forward foreign exchange contracts is determined using quoted forward exchange rates at the balance sheet date, with the resulting value discounted back to present value.

– Other techniques, such as estimated discounted cash flows and recent transaction for similar instruments, are used to determine fair value for the remaining financial instruments.

The following table presents the assets and liabilities that are measured at fair value at March 31, 2021 and 2020.

	2021				2020			
	Level 1 US$'000	Level 2 US$'000	Level 3 US$'000	Total US$'000	Level 1 US$'000	Level 2 US$'000	Level 3 US$'000	Total US$'000
Assets								
Financial assets at FVPL								
Listed equity investments	138,039	-	217,025	355,064	77,539	-	-	77,539
Unlisted equity investments	-	-	449,949	449,949	-	-	417,268	417,268
Financial assets at FVOCI								
Listed equity investments	56,914	-	-	56,914	24,382	-	-	24,382
Unlisted equity investments	-	-	27,882	27,882	-	-	31,754	31,754
Trade receivables	-	8,397,825	-	8,397,825	-	6,263,012	-	6,263,012
Derivative financial assets	-	118,299	-	118,299	-	138,813	-	138,813
	194,953	8,516,124	694,856	9,405,933	101,921	6,401,825	449,022	6,952,768
Liabilities								
Derivative financial liabilities	-	35,944	-	35,944	-	73,784	-	73,784
Contingent consideration	-	-	-	-	-	-	117,387	117,387
Convertible preferred shares	-	-	303,372	303,372	-	-	317,826	317,826
	-	35,944	303,372	339,316	-	73,784	435,213	508,997

3 FINANCIAL RISK MANAGEMENT *(continued)*

(d) Fair value estimation *(continued)*

The movements in the financial assets and liabilities included in Level 3 fair value hierarchy for the years ended March 31, 2021 and 2020 are as follows:

Equity securities

	Financial assets at FVPL		Financial assets at FVOCI	
	2021 US$'000	2020 US$'000	**2021 US$'000**	2020 US$'000
At the beginning of the year	**417,268**	253,138	**31,754**	40,628
Exchange adjustment	**34,212**	(11,687)	**1,629**	(1,587)
Fair value change recognized in other comprehensive income	**-**	–	**(9,993)**	(4,913)
Fair value change recognized in profit or loss	**8,157**	90,117	**-**	–
Additions	**210,661**	91,406	**5,049**	429
Disposals	**(3,324)**	(5,706)	**(557)**	(2,803)
At the end of the year	**666,974**	417,268	**27,882**	31,754

A reasonable possible change in key assumptions used in the fair value measurement of equity securities would not result in any significant potential financial impact.

Contingent consideration

	2021 US$'000	2020 US$'000
At the beginning of the year	**117,387**	113,283
Exchange adjustment	**3**	2,254
Settlement	**(117,390)**	–
Fair value change recognized in profit or loss	**-**	1,850
At the end of the year	**-**	117,387
Total losses for the year included in profit or loss under "finance costs"	**-**	1,850

The contingent consideration is valued with reference to the performance indicators of Fujitsu Client Computing Limited and its subsidiary, Shimane Fujitsu Limited ("FCCL").

3 FINANCIAL RISK MANAGEMENT *(continued)*

(d) Fair value estimation *(continued)*

Convertible preferred shares

	2021 US$'000	2020 US$'000
At the beginning of the year	**317,826**	–
Additions	**-**	300,000
Repurchase	**(16,575)**	–
Dividends paid	**(11,600)**	(6,000)
Fair value change recognized in profit or loss	**13,721**	23,826
At the end of the year	**303,372**	317,826

If the discount rate increased/decreased by 0.5%, the convertible preferred shares would have decreased/increased by approximately US$7 million and US$8 million respectively (2020: US$12 million and US$14 million respectively) with the corresponding gain/loss recognized in the consolidated income statement.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of financial statements often requires the use of judgment to select specific accounting methods and policies from several acceptable alternatives. Estimates and judgments used in preparing the financial statements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The following are the more significant assumptions and estimates, as well as the accounting policies and methods used in the preparation of the financial statements:

(a) Impairment of non-financial assets

The Group tests at least annually whether goodwill and other assets that have indefinite useful lives have suffered any impairment. Other assets that are subject to depreciation and amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset exceeds its recoverable amount. The recoverable amounts of an asset or a cash-generating unit have been determined based on value-in-use calculations. These calculations require the use of estimates.

The value-in-use calculations use cash flow projection based on financial budgets approved by management covering a five-year period with a terminal value related to the future cash flows extrapolated using constant projection of cash flows beyond the five-year period. There are a number of assumptions and estimates involved for the preparation of cash flow projections for the period covered by the approved budget and the estimated terminal value. Key assumptions include the expected growth in revenues and operating margins, estimated compound growth rates, selection of discount rates and the COVID-19 impact.

Management prepared the financial budgets reflecting actual and prior year performance and market development expectations. Judgment is required to determine key assumptions adopted in the cash flow projections and changes to key assumptions can significantly affect these cash flow projections and therefore the results of the impairment reviews.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS *(continued)*

(b) Income taxes

The Group is subject to income taxes in numerous jurisdictions. Significant judgment is required in determining the worldwide provision for income taxes. There are certain transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The tax liabilities recognized are based on management's assessment of the likely outcome taking into consideration precedent tax ruling in the relevant jurisdiction.

The Group recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying values in the financial statements.

Deferred income tax assets are mainly recognized for temporary differences such as warranty provision, accrued sales rebates, bonus accruals, and other accrued expenses, and unused tax losses carried forward to the extent it is probable that future taxable profits will be available against which deductible temporary differences and the unused tax losses can be utilized, based on all available evidence. Recognition primarily involves judgment regarding the future financial performance of the particular legal entity or tax group taking into consideration the COVID-19 impact in which the deferred income tax asset has been recognized. A variety of other factors are also evaluated in considering whether there is convincing evidence that it is probable that some portion or all of the deferred income tax assets will ultimately be realized, such as the existence of taxable temporary differences, group relief, tax planning strategies and the periods in which estimated tax losses can be utilized. The carrying amount of deferred income tax assets and related financial models and budgets are reviewed at each balance sheet date and to the extent that there is insufficient convincing evidence that sufficient taxable profits will be available within the utilization periods to allow utilization of the carry forward tax losses, the asset balance will be reduced and the difference charged to the consolidated income statement.

Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax provisions and deferred income tax assets and liabilities in the period in which such determination is made.

(c) Warranty provision

Warranty provision is based on the estimated cost of product warranties when revenue is recognized. Factors that affect the Group's warranty liability include the number of sold units currently under warranty, historical and anticipated rates of warranty claims on those units, and cost per claim to satisfy our warranty obligation. The estimation basis is reviewed on an on-going basis and revised where appropriate. Certain of these costs are reimbursable from the suppliers in accordance with the terms of relevant arrangements with the suppliers. These amounts are recognized as a separate asset, to the extent of the amount of the provision made, when it is virtually certain that reimbursement will be received if the Group settles the obligation.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS *(continued)*

(d) Revenue recognition

Application of various accounting principles related to the measurement and recognition of revenue requires the Group to make judgments and estimates. Specifically, complex arrangements with non-standard terms and conditions may require significant contract interpretation to determine the appropriate accounting, including whether the deliverables specified in a multiple element arrangement should be treated as separate performance obligations. Other significant judgments include determining whether the Group or a reseller is acting as the principal in a transaction and whether separate contracts are considered part of one arrangement.

The Group sells products to channels. Sales through channels are primarily made under agreements allowing for volume discounts, price protection and rebates, and marketing development funds. The Group monitors the channel inventory level with reference to historical data. Revenue recognition is also impacted by the Group's ability to estimate volume discounts, price protection and rebates, and marketing development funds. The Group considers various factors, including review of specific transactions, historical experience, market and economic conditions and channel inventory level when calculating these provisions and allowances. Revenue is only recognized to the extent that it is highly probable that a significant reversal will not occur.

Revenue from sales of goods is recognized when the control of the goods is transferred to customers, which are generally occurred upon shipment. For certain transactions that the Group retains control during the course of shipment, the Group defers the recognition of revenue and cost of such products until they are delivered to the designated locations.

(e) Retirement benefits

Pension and other post-retirement benefit costs and obligations are dependent on various assumptions. The Group's major assumptions primarily relate to discount rate, expected return on assets, and salary growth. In determining the discount rate, the Group references market yields at the balance sheet date on high quality corporate bonds. The currency and term of the bonds are consistent with the currency and estimated term of the benefit obligations being valued. The expected return on plan assets is based on market expectations for returns over the life of the related assets and obligations. The salary growth assumptions reflect the Group's long-term actual experience and future and near-term outlook. Actual results that differ from the assumptions are generally recognized in the year they occur.

(f) Fair value of derivatives and other financial instruments

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. The Group uses its judgment to select a variety of methods and make assumptions that are mainly based on market conditions existing at each balance sheet date.

(g) Fair value of identifiable assets and liabilities acquired through business combinations

The Group applies the acquisition method to account for business combinations, which requires the Group to record assets acquired and liabilities assumed at their fair values on the date of acquisition. Significant judgment is used to estimate the fair values of the assets and liabilities acquired, including estimating future cash flows from the acquired business, determining appropriate discount rates, asset lives and other assumptions.

5 SEGMENT INFORMATION

Management has determined the operating segments based on the reports reviewed by the Lenovo Executive Committee (the "LEC"), the chief operating decision-maker, that are used to make strategic decisions. Segments by business group comprise Intelligent Devices Group ("IDG") and Data Center Group ("DCG").

The LEC assesses the performance of the operating segments based on a measure of pre-tax income/(loss). This measurement basis excludes the effects of non-recurring expenses such as restructuring costs from the operating segments. The measurement basis also excludes the effects of certain income and expenses such as fair value change of financial instruments and disposal gain/(loss) of property, plant and equipment that are from activities driven by headquarters and centralized functions. Certain finance income and costs are not allocated to segments when these types of activities are driven by the central treasury function which manages the cash position of the Group.

Supplementary information on segment assets and liabilities presented below is primarily based on the business group of the entities or operations which carry the assets and liabilities, except for entities performing centralized functions for the Group the assets and liabilities of which are not allocated to any segment.

5 **SEGMENT INFORMATION** *(continued)*

(a) Segment revenue and pre-tax income/(loss) for reportable segments

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

5 SEGMENT INFORMATION *(continued)*

(b) Segment assets for reportable segments

	2021 US$'000	2020 US$'000
IDG	**24,832,408**	20,045,317
DCG	**5,192,122**	4,656,685
Segment assets for reportable segments	**30,024,530**	24,702,002
Unallocated:		
Deferred income tax assets	**2,344,740**	2,059,582
Financial assets at FVPL	**805,013**	494,807
Financial assets at FVOCI	**84,796**	56,136
Derivative financial assets	**118,299**	138,813
Interests in associates and joint ventures	**65,455**	60,307
Bank deposits and cash and cash equivalents	**3,127,770**	3,617,470
Unallocated deposits, prepayments and other receivables	**650,892**	379,429
Income tax recoverable	**254,442**	196,464
Other unallocated assets	**514,694**	423,157
Total assets per consolidated balance sheet	**37,990,631**	32,128,167

5 SEGMENT INFORMATION *(continued)*

(c) Segment liabilities for reportable segments

	2021 US$'000	2020 US$'000
IDG	**26,543,826**	20,271,781
DCG	**2,202,485**	1,666,557
Segment liabilities for reportable segments	**28,746,311**	21,938,338
Unallocated:		
Deferred income tax liabilities	**391,258**	342,805
Derivative financial liabilities	**35,944**	73,784
Borrowings	**3,997,853**	4,859,599
Unallocated other payables and accruals	**786,028**	470,200
Unallocated other non-current liabilities	**27,261**	26,771
Income tax payable	**395,443**	357,375
Total liabilities per consolidated balance sheet	**34,380,098**	28,068,872

(d) Analysis of revenue by geography

	2021 US$'000	2020 US$'000
China	**14,257,290**	10,857,955
Asia Pacific ("AP")	**11,797,083**	11,263,518
Europe-Middle East-Africa ("EMEA")	**15,882,576**	12,419,641
Americas ("AG")	**18,805,363**	16,175,235
	60,742,312	50,716,349

(e) Analysis of revenue by timing of revenue recognition

	2021 US$'000	2020 US$'000
Point in time	**59,080,578**	49,406,643
Over time	**1,661,734**	1,309,706
	60,742,312	50,716,349

5 SEGMENT INFORMATION *(continued)*

(f) Revenue recognized in relation to deferred revenue and receipt in advance

Deferred revenue and receipt in advance (included in "other payables and accruals") amounting to US$2,374 million (2020: US$1,866 million) primarily relate to the Group's unfulfilled performance obligations for which consideration has been received at the reporting date. Revenue is recognized in the period when the performance obligations are fulfilled. US$1,002 million (2020: US$997 million) was recognized as revenue during the year that was included in such balance at the beginning of the year.

(g) Transaction price allocated to the remaining performance obligations

The following table includes revenue expected to be recognized in the future related to performance obligations that are unsatisfied or partially unsatisfied at the reporting date.

	2021 US$'000	2020 US$'000
Within one year	**1,190,970**	1,001,557
More than one year	**1,183,247**	864,805
	2,374,217	1,866,362

(h) Other segment information

	IDG		DCG		Total	
	2021 US$'000	2020 US$'000	**2021 US$'000**	2020 US$'000	**2021 US$'000**	2020 US$'000
Depreciation and amortization	**571,606**	562,748	**246,187**	238,554	**817,793**	801,302
Finance income	**13,781**	20,101	**1,274**	2,790	**15,055**	22,891
Finance costs	**133,327**	218,726	**53,376**	19,362	**186,703**	238,088
Additions to non-current assets (Note)	**1,394,699**	919,915	**177,283**	244,487	**1,571,982**	1,164,402

Note: Excluding other non-current assets and including non-current assets acquired through acquisition of subsidiaries.

The total of non-current assets other than financial instruments, deferred income tax assets and post-employment benefit assets (there are no rights arising under insurance contracts) located in Chinese Mainland and other countries is approximately US$5,097,235,000 (2020: US$4,515,808,000) and US$6,323,495,000 (2020: US$6,268,393,000) respectively.

6 OPERATING PROFIT

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

	2021 US$'000	2020 US$'000
Depreciation of property, plant and equipment	**301,483**	276,453
Depreciation of right-of-use assets	**99,795**	103,600
Amortization of intangible assets	**658,740**	589,734
Impairment of intangible assets	**52,606**	–
Employee benefit costs (Note 9)	**5,149,862**	4,446,884
Cost of inventories sold	**48,230,328**	40,097,169
Auditor's remuneration (Note)		
– Audit services	**9,871**	9,952
– Non-audit services	**1,625**	2,615
Rental expenses	**14,361**	15,820
Government grants (Note 27(c))	**(54,623)**	(85,470)
Net foreign exchange loss	**116,046**	92,614
Net loss/(gain) on foreign exchange forward contracts for cash flow hedges reclassified from equity	**255,312**	(142,296)
(Gain)/loss on disposal of property, plant and equipment	**(110,004)**	11,467
Loss on disposal of intangible assets	**1,574**	1,067
Fair value gain on financial assets at FVPL	**(201,597)**	(66,036)
Fair value loss on a financial liability at FVPL	**13,721**	23,826
Dilution gain on interest in an associate	**(31,374)**	–
Gain on deemed disposal of subsidiaries	**(2,964)**	–
Gain on disposal of subsidiaries	**(36,029)**	(12,844)
Gain on disposal of interest in an associate	**-**	(3,922)

Note: Audit services fee of US$2,960,000 and non-audit services fee of US$2,460,000 paid or payable to the Company's auditor for the proposed issuance of Chinese depository receipts was not recognized in profit or loss and will be deducted from equity upon the completion of the issuance of Chinese depository receipts. Included in the above audit services fee, US$8,172,000 (2020: US$8,600,000) is payable to the Company's auditor.

7 FINANCE INCOME AND COSTS

(a) Finance income

	2021 US$'000	2020 US$'000
Interest on bank deposits	**32,788**	40,050
Interest on money market funds	**1,966**	7,800
	34,754	47,850

(b) Finance costs

	2021 US$'000	2020 US$'000
Interest on bank loans and overdrafts	**43,845**	87,859
Interest on convertible bonds	**39,853**	39,488
Interest on notes	**136,983**	90,529
Interest on lease liabilities	**20,005**	17,270
Factoring costs	**136,820**	189,363
Interest on contingent consideration and written put option liabilities	**26,329**	26,556
Others	**4,805**	3,129
	408,640	454,194

8 TAXATION

The amount of taxation in the consolidated income statement represents:

	2021 US$'000	2020 US$'000
Current tax		
– Profits tax in Hong Kong S.A.R. of China	**118,751**	73,957
– Taxation outside Hong Kong S.A.R. of China	**537,973**	398,905
Deferred tax (Note 19)		
– Credit for the year	**(195,525)**	(259,658)
	461,199	213,204

8 TAXATION *(continued)*

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

The Group has been granted certain tax concessions by tax authorities in the Chinese Mainland and overseas whereby the subsidiaries operating in the respective jurisdictions are entitled to tax concessions.

The differences between the Group's expected tax charge, calculated at the domestic rates applicable to the countries concerned, and the Group's tax charge for the year are as follows:

	2021 US$'000	2020 US$'000
Profit before taxation	**1,774,198**	1,017,707
Tax calculated at domestic rates applicable in countries concerned	**576,223**	333,430
Income not subject to taxation	**(517,533)**	(408,883)
Expenses not deductible for taxation purposes	**279,905**	307,631
Recognition/utilization of previously unrecognized temporary differences/tax losses	**(46,216)**	(50,924)
Deferred income tax assets not recognized	**155,670**	32,278
Under/(over)-provision in prior years	**13,150**	(328)
	461,199	213,204

The weighted average applicable tax rate for the year was 32.5% (2020: 32.8%). The decrease is caused by changes in tax concessions and profitability of the Group's subsidiaries in respective countries they are operating.

The tax (charge)/credit relating to components of other comprehensive income is as follows:

	2021			2020		
	Before tax US$'000	**Tax charge US$'000**	**After tax US$'000**	Before tax US$'000	Tax credit US$'000	After tax US$'000
Fair value change on financial assets at FVOCI	**(4,398)**	**(683)**	**(5,081)**	(11,305)	380	(10,925)
Fair value change on cash flow hedges	**14,987**	**-**	**14,987**	35,249	–	35,249
Remeasurements of post-employment benefit obligations (Note 35)	**35,735**	**-**	**35,735**	(46,275)	–	(46,275)
Currency translation differences	**104,133**	**-**	**104,133**	(424,422)	–	(424,422)
Other comprehensive income/(loss)	**150,457**	**(683)**	**149,774**	(446,753)	380	(446,373)
Deferred tax (Note 19)		**(683)**			380	

9 EMPLOYEE BENEFIT COSTS

	2021 US$'000	2020 US$'000
Wages and salaries, including severance and other related costs of US$75,006,000 (2020: nil)	**4,028,934**	3,401,087
Social security costs	**282,753**	266,126
Long-term incentive awards granted (Note 28)	**291,737**	258,610
Pension costs		
– Defined contribution plans	**188,551**	197,318
– Defined benefit plans (Note 35)	**26,157**	21,610
Others	**331,730**	302,133
	5,149,862	4,446,884

The Group contributes to respective local municipal government retirement schemes which are available to all qualified employees in the Chinese Mainland. Contributions to these schemes are calculated with reference to the monthly average salaries as set out by the local municipal government.

The Group participates in various defined contribution schemes, either voluntary or mandatory, for all qualified employees. The assets of those defined contribution schemes are held separately from those of the Group in independently administered funds.

The Group also contributes to certain defined benefit pension schemes, details of which are set out in Note 35.

10 EMOLUMENTS OF DIRECTORS AND HIGHEST PAID INDIVIDUALS

(a) Directors' and senior management's emoluments

Directors' emoluments comprise payments by the Group to directors of the Company in connection with the management of the affairs of the Company and its subsidiaries. The remuneration of each director and the chief executive who is also a director, for the years ended March 31, 2021 and 2020 is set out below:

	2021						
Name of Director	Fees US$'000	Salaries US$'000	Discretionary bonuses (i) US$'000	Long-term incentive awards (ii) US$'000	Retirement payments and employer's contribution to pension schemes US$'000	Other benefits in-kind US$'000	Total US$'000
Executive director							
Mr. Yang Yuanqing (CEO)	-	1,301	5,855	18,448	137	425	26,166
Non-executive directors							
Mr. Zhu Linan	100	-	-	220	-	-	320
Mr. Zhao John Huan	100	-	-	220	-	-	320
Independent non-executive directors							
Mr. Nicholas C. Allen	128	-	-	220	-	-	348
Mr. Nobuyuki Idei	53	-	-	289	-	-	342
Mr. William O. Grabe	135	-	-	220	-	-	355
Mr. William Tudor Brown	120	-	-	220	-	-	340
Mr. Yang Chih-Yuan Jerry	100	-	-	220	-	-	320
Mr. Gordon Robert Halyburton Orr	100	-	-	220	-	-	320
Mr. Woo Chin Wan Raymond	100	-	-	182	-	-	282
Ms. Yang Lan	63	-	-	62	-	-	125
	999	1,301	5,855	20,521	137	425	29,238

10 EMOLUMENTS OF DIRECTORS AND HIGHEST PAID INDIVIDUALS *(continued)*

(a) Directors' and senior management's emoluments *(continued)*

	2020						
Name of Director	Fees US$'000	Salaries US$'000	Discretionary bonuses (i) US$'000	Long-term incentive awards (ii) US$'000	Retirement payments and employer's contribution to pension schemes US$'000	Other benefits in-kind US$'000	Total US$'000
Executive director							
Mr. Yang Yuanqing (CEO)	–	1,270	7,533	15,041	133	686	24,663
Non-executive directors							
Mr. Zhu Linan	98	–	–	204	–	–	302
Mr. Zhao John Huan	98	–	–	204	–	–	302
Independent non-executive directors							
Dr. Tian Suning	74	–	–	178	–	–	252
Mr. Nicholas C. Allen	125	–	–	204	–	–	329
Mr. Nobuyuki Idei	98	–	–	204	–	–	302
Mr. William O. Grabe	135	–	–	204	–	–	339
Mr. William Tudor Brown	101	–	–	204	–	–	305
Ms. Ma Xuezheng	78	–	–	431	–	–	509
Mr. Yang Chih-Yuan Jerry	98	–	–	204	–	–	302
Mr. Gordon Robert Halyburton Orr	98	–	–	204	–	–	302
Mr. Woo Chin Wan Raymond	85	–	–	76	–	–	161
	1,088	1,270	7,533	17,358	133	686	28,068

10 EMOLUMENTS OF DIRECTORS AND HIGHEST PAID INDIVIDUALS *(continued)*

(a) Directors' and senior management's emoluments *(continued)*

Notes:

(i) Discretionary bonuses paid for the two years ended March 31, 2021 and 2020 represent the amounts in connection with the performance bonuses for the two years ended March 31, 2020 and 2019 respectively.

(ii) Details of the long-term incentive program of the Company are set out in Note 28. The fair value of the employee services received in exchange for the grant of the long-term incentive awards is recognized as an expense. The total amount to be amortized over the vesting period is determined by reference to the fair value of the long-term incentive awards at the date of grant. The amounts disclosed above represent the amortized amounts for the two years ended March 31, 2021 and 2020.

(iii) Mr. William O. Grabe has elected to defer his receipt of the cash of director's fee into fully vested share units under the long-term incentive program (Note 28) for the two years ended March 31, 2021 and 2020.

(iv) During the years ended March 31, 2021 and 2020, annual pension payment of US$1.5 million was made to Mr. Liu Chuanzhi, a retired director.

(v) Ms. Yang Lan was appointed as an independent non-executive director on May 15, 2020.

(vi) Mr. Nobuyuki Idei retired from the position of an independent non-executive director on July 9, 2020.

(vii) Dr. Tian Suning retired from the position of an independent non-executive director on July 9, 2019. Ms. Ma Xuezheng passed away and ceased to be an independent non-executive director of the Company on August 31, 2019.

During the year, no retirement benefits, payments or benefits in respect of termination of directors' services were paid or made, directly or indirectly, to the directors; nor any are payable (2020: nil). No consideration was provided to or receivable by third parties for making available directors' service (2020: nil). There are no loans, quasi-loans or other dealings in favour of the directors, their controlled body corporate and connected entities (2020: nil).

No director of the Company had a material interest, directly or indirectly, in any significant transactions, arrangements and contracts in relation to the Company's business to which the Company was or is a party that subsisted at the end of the year or at any time during the year (2020: nil).

10 EMOLUMENTS OF DIRECTORS AND HIGHEST PAID INDIVIDUALS *(continued)*

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include one (2020: one) director whose emoluments are reflected in the analysis presented above. The emoluments of the remaining four (2020: four) individuals during the year are as follows:

	2021 US$'000	2020 US$'000
Basic salaries, allowances, and other benefits-in-kind	**4,590**	4,400
Discretionary bonuses (i)	**17,739**	18,503
Retirement payments and employer's contribution to pension schemes	**4,730**	5,828
Long-term incentive awards	**28,871**	26,094
Others	**1,046**	503
	56,976	55,328

Note:

(i) Discretionary bonuses paid for the two years ended March 31, 2021 and 2020 represent the amounts in connection with the performance bonuses for the two years ended March 31, 2020 and 2019 respectively.

The emoluments fell within the following bands:

	Number of individuals	
	2021	2020
Emolument bands		
US$8,319,678 – US$8,384,171	**1**	2
US$8,706,640 – US$8,771,133	**1**	-
US$9,480,564 – US$9,545,056	**1**	-
US$9,867,525 – US$9,932,018	**-**	1
US$28,699,665 – US$28,764,158	**-**	1
US$30,376,499 – US$30,440,992	**1**	-

11 EARNINGS PER SHARE

(a) Basic

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

	2021	2020
Weighted average number of ordinary shares in issue	**12,024,746,107**	12,014,791,614
Adjustment for shares held by employee share trusts	**(114,835,047)**	(92,013,352)
Weighted average number of ordinary shares in issue for calculation of basic earnings per share	**11,909,911,060**	11,922,778,262

	2021 US$'000	2020 US$'000
Profit attributable to equity holders of the Company	**1,178,307**	665,091
Adjustment for tender premium on repurchase of perpetual securities	**(42,609)**	-
Profit attributable to equity holders of the Company used to determine basic earnings per share	**1,135,698**	665,091

(b) Diluted

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

11 EARNINGS PER SHARE *(continued)*

(b) Diluted *(continued)*

The Group has five (2020: five) categories of potential ordinary shares, namely long-term incentive awards, bonus warrants, put option written on non-controlling interests, convertible bonds and convertible preferred shares. Long-term incentive awards and convertible bonds were dilutive for the years ended March 31, 2021 and 2020. Put option written on non-controlling interests and convertible preferred shares were anti-dilutive for the years ended March 31, 2021 and 2020. Bonus warrants were anti-dilutive for the year ended March 31, 2021 and dilutive for the year ended March 31, 2020. On November 16, 2020, 26,914,000 units of bonus warrants were exercised, the remaining units were expired during the year.

	2021	2020
Weighted average number of ordinary shares in issue for calculation of basic earnings per share	**11,909,911,060**	11,922,778,262
Adjustment for long-term incentive awards	**471,364,397**	233,802,440
Adjustment for bonus warrants	**-**	7,856,832
Adjustment for convertible bonds	**741,902,700**	694,709,646
Weighted average number of ordinary shares in issue for calculation of diluted earnings per share	**13,123,178,157**	12,859,147,180

	2021 US$'000	2020 US$'000
Profit attributable to equity holders of the Company used to determine basic earnings per share	**1,135,698**	665,091
Adjustment for interest on convertible bonds, net of tax	**33,278**	32,972
Profit attributable to equity holders of the Company used to determine diluted earnings per share	**1,168,976**	698,063

12 DIVIDENDS

	2021 US$'000	2020 US$'000
Interim dividend of HK6.6 cents (2020: HK6.3 cents) per ordinary share, paid on December 10, 2020	**102,298**	96,640
Proposed final dividend – HK24.0 cents (2020: HK21.5 cents) per ordinary share	**372,275**	333,262
	474,573	429,902

Notes to the financial statements

13 PROPERTY, PLANT AND EQUIPMENT

	Freehold land and buildings US$'000	Leasehold improvements US$'000	Plant and machinery US$'000	Furniture and fixtures US$'000	Office equipment US$'000	Motor vehicles US$'000	Total US$'000
At April 1 , 2019							
Cost	858,096	479,171	788,336	76,589	650,985	9,736	2,862,913
Accumulated depreciation and impairment losses	109,356	247,627	554,565	57,028	458,640	4,880	1,432,096
Net book amount	748,740	231,544	233,771	19,561	192,345	4,856	1,430,817
Year ended March 31, 2020							
Opening net book amount	748,740	231,544	233,771	19,561	192,345	4,856	1,430,817
Exchange adjustment	(35,966)	(4,187)	(6,161)	(973)	(12,505)	(1,010)	(60,802)
Disposal of subsidiaries	-	-	-	-	(152)	-	(152)
Additions	13,861	11,652	118,532	4,884	95,966	1,768	246,663
Transfers	8,331	43,320	6,386	26,689	446	-	85,172
Disposals	(5,690)	(253)	(13,748)	(1,188)	(5,701)	(225)	(26,805)
Depreciation	(22,586)	(49,482)	(104,489)	(14,983)	(83,565)	(1,348)	(276,453)
Closing net book amount	706,690	232,594	234,291	33,990	186,834	4,041	1,398,440
At March 31, 2020							
Cost	833,471	515,678	837,614	92,798	677,408	8,210	2,965,179
Accumulated depreciation and impairment losses	126,781	283,084	603,323	58,808	490,574	4,169	1,566,739
Net book amount	706,690	232,594	234,291	33,990	186,834	4,041	1,398,440
Year ended March 31, 2021							
Opening net book amount	**706,690**	**232,594**	**234,291**	**33,990**	**186,834**	**4,041**	**1,398,440**
Exchange adjustment	**30,960**	**2,292**	**5,053**	**1,295**	**5,026**	**171**	**44,797**
Acquisition of subsidiaries	**322**	**-**	**-**	**-**	**19**	**7**	**348**
Disposal of subsidiaries	**(7)**	**(206)**	**(207)**	**(27)**	**(2,011)**	**-**	**(2,458)**
Additions	**21,092**	**25,877**	**150,333**	**5,377**	**99,298**	**943**	**302,920**
Transfers	**124,225**	**14,761**	**46,360**	**34,121**	**6,823**	**6**	**226,296**
Disposals	**(71,899)**	**(3,886)**	**(13,110)**	**(301)**	**(5,342)**	**(447)**	**(94,985)**
Depreciation	**(24,920)**	**(53,437)**	**(105,327)**	**(29,863)**	**(86,577)**	**(1,359)**	**(301,483)**
Closing net book amount	**786,463**	**217,995**	**317,393**	**44,592**	**204,070**	**3,362**	**1,573,875**
At March 31, 2021							
Cost	**946,688**	**547,309**	**955,603**	**128,635**	**651,667**	**8,262**	**3,238,164**
Accumulated depreciation and impairment losses	**160,225**	**329,314**	**638,210**	**84,043**	**447,597**	**4,900**	**1,664,289**
Net book amount	**786,463**	**217,995**	**317,393**	**44,592**	**204,070**	**3,362**	**1,573,875**

14 RIGHT-OF-USE ASSETS

	2021 US$'000	2020 US$'000
At the beginning of the year	**812,235**	–
Change in accounting policy	**-**	784,170
Adjusted balance at the beginning of the year	**812,235**	784,170
Exchange adjustment	**37,743**	(32,114)
Acquisition of subsidiaries	**28**	–
Disposal of subsidiaries	**(16)**	–
Additions	**168,750**	218,056
Disposals	**(14,842)**	(44,720)
Depreciation	**(110,476)**	(113,157)
At the end of the year	**893,422**	812,235

15 CONSTRUCTION-IN-PROGRESS

	Buildings under construction		Internal use software		Others		Total	
	2021 US$'000	2020 US$'000	2021 US$'000	2020 US$'000	2021 US$'000	2020 US$'000	2021 US$'000	2020 US$'000
At the beginning of the year	**62,918**	38,056	**228,234**	174,878	**13,089**	19,163	**304,241**	232,097
Exchange adjustment	**15,771**	(21,348)	**7,115**	(13,018)	**(1,394)**	(2,524)	**21,492**	(36,890)
Disposal of subsidiaries	**(36,626)**	-	**-**	-	**-**	-	**(36,626)**	-
Additions	**137,155**	80,002	**277,386**	297,315	**52,077**	40,235	**466,618**	417,552
Transfers	**(155,928)**	(33,792)	**(343,835)**	(230,941)	**(48,348)**	(43,785)	**(548,111)**	(308,518)
At the end of the year	**23,290**	62,918	**168,900**	228,234	**15,424**	13,089	**207,614**	304,241

16 INTANGIBLE ASSETS

(a)

	Goodwill (b) US$'000	Trademarks and trade names (b) US$'000	Internal use software US$'000	Customer relationships US$'000	Patent and technology (c) US$'000	Exclusive right US$'000	Total US$'000
At April 1, 2019							
Cost	4,942,289	1,307,330	1,288,725	1,544,885	1,988,698	48,600	11,120,527
Accumulated amortization and impairment losses	-	38,745	907,345	596,505	1,253,357	-	2,795,952
Net book amount	4,942,289	1,268,585	381,380	948,380	735,341	48,600	8,324,575
Year ended March 31, 2020							
Opening net book amount	4,942,289	1,268,585	381,380	948,380	735,341	48,600	8,324,575
Exchange adjustment	(226,976)	(871)	(12,081)	(5,256)	(7,161)	(2,324)	(254,669)
Additions	-	-	21,888	-	260,243	-	282,131
Transfer from construction-in-progress	-	-	197,515	-	25,831	-	223,346
Disposals	-	-	(196)	-	(871)	-	(1,067)
Amortization	-	-	(151,989)	(141,940)	(292,160)	(3,645)	(589,734)
Closing net book amount	4,715,313	1,267,714	436,517	801,184	721,223	42,631	7,984,582
At March 31, 2020							
Cost	4,715,313	1,304,568	1,467,163	1,528,255	2,269,831	46,159	11,331,289
Accumulated amortization and impairment losses	-	36,854	1,030,646	727,071	1,548,608	3,528	3,346,707
Net book amount	4,715,313	1,267,714	436,517	801,184	721,223	42,631	7,984,582
Year ended March 31, 2021							
Opening net book amount	**4,715,313**	**1,267,714**	**436,517**	**801,184**	**721,223**	**42,631**	**7,984,582**
Exchange adjustment	**120,972**	**4,143**	**33,613**	**11,741**	**3,547**	**4,339**	**178,355**
Acquisition of subsidiaries	**11,106**	**-**	**568**	**156**	**297**	**4,807**	**16,934**
Disposals of subsidiaries	**-**	**-**	**(145)**	**-**	**-**	**-**	**(145)**
Additions	**-**	**-**	**34,905**	**-**	**581,479**	**-**	**616,384**
Transfer from construction-in-progress	**-**	**-**	**252,049**	**-**	**69,766**	**-**	**321,815**
Disposals	**-**	**-**	**(658)**	**-**	**(916)**	**-**	**(1,574)**
Amortization	**-**	**-**	**(190,786)**	**(142,865)**	**(321,848)**	**(3,241)**	**(658,740)**
Impairment	**-**	**-**	**-**	**-**	**(52,606)**	**-**	**(52,606)**
Closing net book amount	**4,847,391**	**1,271,857**	**566,063**	**670,216**	**1,000,942**	**48,536**	**8,405,005**
At March 31, 2021							
Cost	**4,847,391**	**1,308,752**	**1,811,116**	**1,553,325**	**2,835,244**	**55,693**	**12,411,521**
Accumulated amortization and impairment losses	**-**	**36,895**	**1,245,053**	**883,109**	**1,834,302**	**7,157**	**4,006,516**
Net book amount	**4,847,391**	**1,271,857**	**566,063**	**670,216**	**1,000,942**	**48,536**	**8,405,005**

16 INTANGIBLE ASSETS *(continued)*

(a) *(continued)*

Amortization of US$43,154,000 (2020: US$16,127,000), US$11,057,000 (2020: US$8,366,000), US$445,904,000 (2020: US$413,894,000) and US$158,625,000 (2020: US$151,347,000) are included in the 'cost of sales', 'selling and distribution expenses', 'administrative expenses' and 'research and development expenses' in the consolidated income statement respectively.

(b) Impairment tests for goodwill and intangible assets with indefinite useful lives

The carrying amounts of goodwill and trademarks and trade names with indefinite useful lives are presented below:

	China US$ million	AP US$ million	EMEA US$ million	AG US$ million	Mature Market US$ million	Emerging Market US$ million	Total US$ million
At March 31, 2021							
Goodwill							
- PC and Smart Device Business Group ("PCSD")	**1,089**	**683**	**234**	**295**	**-**	**-**	**2,301**
- Mobile Business Group ("MBG")	**-**	**-**	**-**	**-**	**676**	**774**	**1,450**
- DCG	**508**	**159**	**85**	**344**	**-**	**-**	**1,096**
Trademarks and trade names							
- PCSD	**209**	**59**	**107**	**67**	**-**	**-**	**442**
- MBG	**-**	**-**	**-**	**-**	**197**	**263**	**460**
- DCG	**162**	**54**	**31**	**123**	**-**	**-**	**370**
At March 31, 2020							
Goodwill							
- PCSD	1,002	686	215	297	-	-	2,200
- MBG	-	-	-	-	666	799	1,465
- DCG	471	159	77	343	-	-	1,050
Trademarks and trade names							
- PCSD	209	59	103	67	-	-	438
- MBG	-	-	-	-	197	263	460
- DCG	162	54	31	123	-	-	370

16 INTANGIBLE ASSETS *(continued)*

(b) Impairment tests for goodwill and intangible assets with indefinite useful lives *(continued)*

The Group completed its annual impairment test for goodwill allocated to the Group's various CGUs by comparing their recoverable amounts to their carrying amounts as at the reporting date. The recoverable amount of a CGU is determined based on value in use. These assessments use pre-tax cash flow projections based on financial budgets approved by management covering a five-year period with a terminal value related to the future cash flow of the CGU extrapolated using constant projection of cash flows beyond the five-year period. The estimated growth rates adopted do not exceed the long-term average growth rates for the businesses in which the CGU operates.

Future cash flows are discounted at the rate of 10%, 12% and 11% for PCSD, MBG and DCG respectively (2020: 9%, 11% and 10% respectively). The estimated compound annual growth rates used for value-in-use calculations under the five-year financial budgets period are as follows:

	2021			2020		
	PCSD	**MBG**	**DCG**	PCSD	MBG	DCG
China	**-1%**	**N/A**	**16%**	2%	N/A	29%
AP	**-4%**	**N/A**	**20%**	-3%	N/A	22%
EMEA	**-5%**	**N/A**	**17%**	0%	N/A	23%
AG	**-4%**	**N/A**	**24%**	-2%	N/A	29%
Mature Market	**N/A**	**25%**	**N/A**	N/A	30%	N/A
Emerging Market	**N/A**	**19%**	**N/A**	N/A	17%	N/A

Management determined budgeted gross margins based on past performance and its expectations for the market development. The budgeted growth rates are based on management expectations taking into consideration the COVID-19 impact, and where considered appropriate, with adjustments made with reference to industry reports which are more conservative for the purpose of goodwill impairment test. The discount rates are pre-tax and reflect specific risks relating to the relevant segments.

The directors are of the view that there was no impairment of goodwill and trademarks and trade names based on impairment tests performed as at March 31, 2021 (2020: nil).

The Group has performed a sensitivity analysis on key assumptions used for the annual impairment test for goodwill. A reasonably possible change in key assumptions used in the impairment test for goodwill would not cause any CGU's carrying amount to exceed its respective recoverable amount.

(c) At March 31, 2021, patent and technology of US$77,163,000 (2020: US$34,545,000) is under development.

17 INTERESTS IN ASSOCIATES AND JOINT VENTURES

	2021 US$'000	2020 US$'000
Share of net assets		
– Associates	60,618	53,291
– Joint ventures	4,837	7,016
	65,455	60,307

The following is a list of the principal associates and joint ventures:

Company name	Place of incorporation/ establishment	Interest held indirectly 2021	Interest held indirectly 2020	Principal activities
Associates				
北京閃聯雲視信息技術有限公司 (Beijing Shanlian Yunshi Information Technology Limited) (ii)	Chinese Mainland	23.7%	23.7%	Distribution and development of IT technology
茄子技術控股有限公司 (Shareit Technology Holdings Inc.) (ii)	Cayman Islands	38.0%	43.7%	Software development
北京平安聯想智慧醫療信息技術有限公司 (Beijing Lenovo Healthcare Information Technology Ltd.) (ii)	Chinese Mainland	25.4%	25.4%	Development of hospital and regional healthcare information system
Joint ventures				
聯想新視界(北京)科技有限公司 (Lenovo New Vision (Beijing) Technology Co., Ltd.) (ii)	Chinese Mainland	37.6%	37.1%	Software development
聯想教育科技(北京)有限公司 (Lenovo Education Technology (Beijing) Co., Ltd. (ii)	Chinese Mainland	49.0%	49.0%	Talent development in vocational education

Notes:

(i) Majority of the above associates and joint ventures operate principally in their respective places of incorporation or establishment.

(ii) The English name of the company is a direct translation or transliteration of its Chinese registered name.

The following sets out the aggregate amount of the Group's share of associates and joint ventures:

	2021 US$'000	2020 US$'000
Share of losses of associates	27,087	13,381
Share of losses of joint ventures	5,236	1,164
	32,323	14,545

Notes to the financial statements

18 FINANCIAL INSTRUMENTS BY CATEGORY

	Financial assets at amortized cost US$'000	Financial assets at FVPL US$'000	Derivatives used for hedging US$'000	Financial assets at FVOCI (non-recycling) US$'000	Other financial assets at FVOCI (recycling) US$'000	Total US$'000
Assets						
At March 31, 2021						
Financial assets at FVPL	**-**	**805,013**	**-**	**-**	**-**	**805,013**
Financial assets at FVOCI	**-**	**-**	**-**	**84,796**	**-**	**84,796**
Derivative financial assets	**-**	**179**	**118,120**	**-**	**-**	**118,299**
Trade receivables	**-**	**-**	**-**	**-**	**8,397,825**	**8,397,825**
Notes receivable	**78,939**	**-**	**-**	**-**	**-**	**78,939**
Deposits and other receivables	**3,804,465**	**-**	**-**	**-**	**-**	**3,804,465**
Bank deposits	**59,385**	**-**	**-**	**-**	**-**	**59,385**
Cash and cash equivalents	**3,068,385**	**-**	**-**	**-**	**-**	**3,068,385**
	7,011,174	**805,192**	**118,120**	**84,796**	**8,397,825**	**16,417,107**
At March 31, 2020						
Financial assets at FVPL	–	494,807	–	–	–	494,807
Financial assets at FVOCI	–	–	–	56,136	–	56,136
Derivative financial assets	–	–	138,813	–	–	138,813
Trade receivables	–	–	–	–	6,263,012	6,263,012
Notes receivable	11,529	–	–	–	–	11,529
Deposits and other receivables	2,394,352	–	–	–	–	2,394,352
Bank deposits	66,480	–	–	–	–	66,480
Cash and cash equivalents	3,550,990	–	–	–	–	3,550,990
	6,023,351	494,807	138,813	56,136	6,263,012	12,976,119

18 FINANCIAL INSTRUMENTS BY CATEGORY *(continued)*

	Financial liabilities at amortized cost US$'000	Financial liabilities at FVPL US$'000	Derivatives used for hedging US$'000	Total US$'000
Liabilities				
At March 31, 2021				
Trade payables	**10,220,796**	**–**	**–**	**10,220,796**
Notes payable	**885,628**	**–**	**–**	**885,628**
Derivative financial liabilities	**–**	**202**	**35,742**	**35,944**
Other payables and accruals	**10,256,539**	**–**	**–**	**10,256,539**
Lease liabilities	**466,926**	**–**	**–**	**466,926**
Borrowings	**3,694,481**	**303,372**	**–**	**3,997,853**
Deferred consideration	**25,072**	**–**	**–**	**25,072**
Written put option liabilities	**842,776**	**–**	**–**	**842,776**
Others	**463,748**	**–**	**–**	**463,748**
	26,855,966	**303,574**	**35,742**	**27,195,282**
At March 31, 2020				
Trade payables	7,509,724	–	–	7,509,724
Notes payable	1,458,645	–	–	1,458,645
Derivative financial liabilities	–	10,052	63,732	73,784
Other payables and accruals	7,197,906	–	–	7,197,906
Lease liabilities	438,782	–	–	438,782
Borrowings	4,541,773	317,826	–	4,859,599
Deferred consideration	25,072	–	–	25,072
Contingent consideration	–	117,387	–	117,387
Written put option liabilities	802,273	–	–	802,273
Others	62,375	–	–	62,375
	22,036,550	445,265	63,732	22,545,547

19 DEFERRED INCOME TAX ASSETS AND LIABILITIES

Deferred income tax is calculated in full on temporary differences under the liability method using the rates applicable in the respective jurisdictions.

Deferred income tax assets and liabilities are netted off when the taxes relate to the same tax authority and where offsetting is legally enforceable. The following amounts, determined after appropriate offsetting, are shown separately on the consolidated balance sheet:

	2021 US$'000	2020 US$'000
Deferred income tax assets:		
Recoverable within 12 months	**935,870**	745,307
Recoverable after 12 months	**1,408,870**	1,314,275
	2,344,740	2,059,582
Deferred income tax liabilities:		
Settled after 12 months	**(391,258)**	(342,805)
Net deferred income tax assets	**1,953,482**	1,716,777

The movements in the net deferred income tax assets are as follows:

	2021 US$'000	2020 US$'000
At the beginning of the year	**1,716,777**	1,503,223
Reclassification and exchange adjustment	**(2,465)**	(39,459)
Credited to consolidated income statement (Note 8)	**195,525**	259,658
(Charged)/credited to other comprehensive income (Note 8)	**(683)**	380
Credited/(charged) to share-based compensation reserve	**45,774**	(7,025)
Acquisition of subsidiaries	**(1,446)**	–
At the end of the year	**1,953,482**	1,716,777

19 DEFERRED INCOME TAX ASSETS AND LIABILITIES *(continued)*

(a) The movements in deferred income tax assets (prior to offsetting of balances within the same tax jurisdiction), analyzed by major components, during the year are as follows:

	Provisions and accruals US$'000	Tax losses US$'000	Tax depreciation allowance US$'000	Deferred revenue US$'000	Share-based payment US$'000	Others US$'000	Total US$'000
At April 1, 2019	560,203	1,089,351	73,569	109,967	36,517	1,548	1,871,155
Reclassification and exchange adjustments	(21,961)	(8,150)	(3,053)	(2,566)	–	(579)	(36,309)
(Charged)/credited to consolidated income statement	(15,628)	233,598	13,734	44,520	(11,921)	267	264,570
Charged to share-based compensation reserve	–	–	–	–	(7,025)	–	(7,025)
At March 31, 2020	**522,614**	**1,314,799**	**84,250**	**151,921**	**17,571**	**1,236**	**2,092,391**
Reclassification and exchange adjustments	**6,430**	**992**	**318**	**(788)**	**-**	**(151)**	**6,801**
Credited to consolidated income statement	**46,634**	**86,658**	**11,425**	**35,321**	**45,600**	**-**	**225,638**
Credited to share-based compensation reserve	**-**	**-**	**-**	**-**	**45,774**	**-**	**45,774**
At March 31, 2021	**575,678**	**1,402,449**	**95,993**	**186,454**	**108,945**	**1,085**	**2,370,604**

Deferred income tax assets are recognized for deductible temporary differences and tax losses carried forward to the extent that realization of the related tax benefit through the future taxable profits is probable.

19 DEFERRED INCOME TAX ASSETS AND LIABILITIES *(continued)*

(a) *(continued)*

At March 31, 2021, the Group did not recognize deferred income tax assets in respect of deductible temporary differences of approximately US$1,841,623,000 (2020: US$1,247,291,000) and tax losses of approximately US$2,667,943,000 (2020: US$2,420,630,000) that can be carried forward against future taxable income, of which, tax losses of US$1,269,280,000 (2020: US$1,062,078,000) can be carried forward indefinitely. The remaining balances of tax losses will expire as follows:

	2021 US$'000	2020 US$'000
Expiring in		
– 2020	**-**	54,107
– 2021	**321,978**	137,612
– 2022	**185,616**	380,786
– 2023	**297,610**	128,383
– 2024	**79,408**	185,843
– 2025	**175,976**	326,975
– 2026	**250,998**	9,577
– 2027	**17,618**	18,364
– 2028	**3,198**	528
– 2029	**187**	116,377
– 2030	**66,074**	–
	1,398,663	1,358,552

19 DEFERRED INCOME TAX ASSETS AND LIABILITIES *(continued)*

(b) The movements in deferred income tax liabilities (prior to offsetting of balances within the same tax jurisdiction), analyzed by major components, during the year are as follows:

	Intangible valuation US$'000	Undistributed earnings US$'000	Property valuation US$'000	Accelerated tax depreciation US$'000	Others US$'000	Total US$'000
At April 1, 2019	146,830	80,729	2,164	135,935	2,274	367,932
Reclassification and exchange adjustments	(10,737)	466	(427)	13,668	180	3,150
(Credited)/charged to consolidated income statement	(7,825)	599	–	11,399	739	4,912
Credited to other comprehensive income	–	–	–	–	(380)	(380)
At March 31, 2020	**128,268**	**81,794**	**1,737**	**161,002**	**2,813**	**375,614**
Reclassification and exchange adjustments	**(1,447)**	**(768)**	**1,936**	**9,642**	**(97)**	**9,266**
(Credited)/charged to consolidated income statement	**(16,782)**	**17,434**	**-**	**18,999**	**10,462**	**30,113**
Charged to other comprehensive income	**-**	**-**	**-**	**-**	**683**	**683**
Acquisition of subsidiaries	**1,446**	**-**	**-**	**-**	**-**	**1,446**
At March 31, 2021	**111,485**	**98,460**	**3,673**	**189,643**	**13,861**	**417,122**

20 FINANCIAL ASSETS

(a) Financial assets at FVPL

	2021 US$'000	2020 US$'000
At the beginning of the year	**494,807**	449,363
Exchange adjustment	**37,570**	(12,702)
Fair value change recognized in profit or loss	**201,597**	66,036
Additions	**210,661**	91,406
Disposals	**(139,622)**	(99,296)
At the end of the year	**805,013**	494,807
Listed equity securities:		
– In Hong Kong S.A.R. of China	**42,613**	34,345
– Outside Hong Kong S.A.R. of China	**312,451**	43,194
	355,064	77,539
Unlisted equity securities	**449,949**	417,268
	805,013	494,807

20 FINANCIAL ASSETS *(continued)*

(b) Financial assets at FVOCI

	2021 **US$'000**	2020 US$'000
At the beginning of the year	**56,136**	71,486
Exchange adjustment	**4,059**	(1,671)
Fair value change recognized in other comprehensive income	**(4,398)**	(11,305)
Additions	**29,556**	429
Disposals	**(557)**	(2,803)
At the end of the year	**84,796**	56,136
Listed equity securities:		
– In Hong Kong S.A.R. of China	**14,211**	7,845
– Outside Hong Kong S.A.R. of China	**42,703**	16,537
	56,914	24,382
Unlisted equity securities	**27,882**	31,754
	84,796	56,136

Notes to the financial statements

21 INVENTORIES

	2021 US$'000	2020 US$'000
Raw materials and work-in-progress	**4,155,268**	3,571,141
Finished goods	**1,920,660**	1,020,718
Service parts	**304,648**	355,055
	6,380,576	4,946,914

22 RECEIVABLES

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

	2021 US$'000	2020 US$'000
0 – 30 days	**6,301,112**	4,768,436
31 – 60 days	**1,315,788**	878,135
61 – 90 days	**457,658**	192,075
Over 90 days	**468,473**	519,822
	8,543,031	6,358,468
Less: loss allowance	**(145,206)**	(95,456)
Trade receivables – net	**8,397,825**	6,263,012

At March 31, 2021, trade receivables, net of loss allowance, of US$562,648,000 (2020: US$805,741,000) were past due. The ageing of these receivables, based on due date, is as follows:

	2021 US$'000	2020 US$'000
Within 30 days	**332,784**	521,544
31 – 60 days	**95,211**	149,096
61 – 90 days	**53,241**	72,646
Over 90 days	**81,412**	62,455
	562,648	805,741

22 RECEIVABLES *(continued)*

(a) *(continued)*

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

	2021 US$'000	2020 US$'000
At the beginning of the year	**95,456**	100,342
Exchange adjustment	**(4,954)**	(1,059)
Increase in loss allowance recognized in profit or loss	**142,663**	44,423
Uncollectible receivables written off	**(53,366)**	(14,926)
Unused amounts reversed	**(34,593)**	(33,324)
At the end of the year	**145,206**	95,456

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

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

	2021 US$'000	2020 US$'000
Deposits	**16,731**	14,502
Other receivables	**3,787,734**	2,379,850
Prepayments	**1,173,036**	1,164,887
	4,977,501	3,559,239

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

(d) The carrying amounts of trade receivables, notes receivable, deposits and other receivables approximate their fair values. The maximum exposure to credit risk at the balance sheet date is the fair value of each class of receivable mentioned above.

23 BANK DEPOSITS AND CASH AND CASH EQUIVALENTS

	2021 US$'000	2020 US$'000
Bank deposits		
– maturing between three to twelve months	**13,211**	15,930
– restricted bank balances	**46,174**	50,550
	59,385	66,480
Cash and cash equivalents		
– cash at bank and in hand	**3,068,385**	3,028,611
– money market funds	**–**	522,379
	3,068,385	3,550,990
	3,127,770	3,617,470
Maximum exposure to credit risk	**3,127,770**	3,617,470
Effective annual interest rates	**0%-2.75%**	0%-3.75%

24 PAYABLES

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

	2021 US$'000	2020 US$'000
0 – 30 days	**6,824,377**	4,793,837
31 – 60 days	**2,049,369**	1,699,192
61 – 90 days	**949,294**	596,027
Over 90 days	**397,756**	420,668
	10,220,796	7,509,724

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

(c) The carrying amounts of trade payables and notes payable approximate their fair values.

25 PROVISIONS, OTHER PAYABLES AND ACCRUALS

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

	2021 US$'000	2020 US$'000
Accruals	**3,385,903**	2,340,811
Allowance for billing adjustments (i)	**2,464,020**	1,618,374
Contingent consideration (Note 27(a))	**–**	117,387
Written put option liabilities (Note 27(b)(ii))	**324,277**	–
Other payables (ii)	**6,870,636**	4,857,095
Lease liabilities	**133,662**	91,976
	13,178,498	9,025,643

Notes:

(i) Allowance for billing adjustments relates primarily to allowances for future volume discounts, price protection, rebates, and customer sales returns.

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

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

25 PROVISIONS, OTHER PAYABLES AND ACCRUALS *(continued)*

(b) The components of provisions of the Group are as follows:

	Warranty US$'000	Environmental restoration US$'000	Restructuring US$'000	Total US$'000
Year ended March 31, 2020				
At the beginning of the year	976,278	33,297	15,486	1,025,061
Exchange adjustment	(32,815)	626	(91)	(32,280)
Provisions made	824,687	20,126	–	844,813
Amounts utilized	(793,311)	(18,445)	(15,395)	(827,151)
	974,839	35,604	–	1,010,443
Long-term portion classified as non-current liabilities	(258,840)	(32,832)	–	(291,672)
At the end of the year	715,999	2,772	–	718,771
Year ended March 31, 2021				
At the beginning of the year	**974,839**	**35,604**	**-**	**1,010,443**
Exchange adjustment	**42,328**	**(431)**	**-**	**41,897**
Provisions made	**992,112**	**18,172**	**-**	**1,010,284**
Amounts utilized	**(835,397)**	**(21,195)**	**-**	**(856,592)**
	1,173,882	**32,150**	**-**	**1,206,032**
Long-term portion classified as non-current liabilities	**(266,313)**	**(29,339)**	**-**	**(295,652)**
At the end of the year	**907,569**	**2,811**	**-**	**910,380**

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

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

Restructuring costs provision mainly comprises lease termination obligations and employee termination payments, arising from a series of restructuring actions to reduce costs and enhance operational efficiency. The Group records its restructuring costs provision when it has a present legal or constructive obligation as a result of restructuring actions.

26 BORROWINGS

	2021 US$'000	2020 US$'000
Current liabilities		
Short-term loans (a)	**58,190**	2,124,562
Notes (b)	**336,709**	563,249
Convertible bonds (c)	**-**	607,169
Convertible preferred shares (d)	**303,372**	–
	698,271	3,294,980
Non-current liabilities		
Long-term loan (a)	**2,070**	3,079
Notes (b)	**2,673,688**	1,243,714
Convertible bonds (c)	**623,824**	–
Convertible preferred shares (d)	**-**	317,826
	3,299,582	1,564,619
	3,997,853	4,859,599

Notes:

(a) Majority of the short-term and long-term loans are denominated in United States dollars. As at March 31, 2021, the Group has total revolving and short-term loan facilities of US$3,029 million (2020: US$2,834 million) which has been utilized to the extent of US$47 million (2020: US$2,134 million).

(b)

Issue date	Principal amount	Term	Interest rate per annum	Due date	2021 US$'000	2020 US$'000
June 10, 2015	RMB4 billion	5 years	4.95%	June 2020	**-**	563,249
March 16, 2017	US$337 million/ US$500 million	5 years	3.875%	March 2022	**336,709**	498,225
March 29, 2018	US$687 million/ US$750 million	5 years	4.75%	March 2023	**683,982**	745,489
April 24, 2020 and May 12, 2020	US$1 billion	5 years	5.875%	April 2025	**999,199**	–
November 2, 2020	US$1 billion	10 years	3.421%	November 2030	**990,507**	–
					3,010,397	1,806,963

On November 3, 2020, approximately US$163 million in principal amount of the 2022 Notes and approximately US$63 million in principal amount of the 2023 Notes were purchased by the Company. Approximately US$337 million in principal amount of the 2022 Notes and approximately US$687 million in principal amount of the 2023 Notes remain outstanding.

(c) On January 24, 2019, the Company completed the issuance of 5-Year US$675 million convertible bonds bearing annual interest at 3.375% due in January 2024 ("the Bonds") to third party professional investors ("the bondholders"). The proceeds were used to repay previous notes and for general corporate purposes. The bondholders have the right, at any time on or after 41 days after the date of issue up to the 10th day prior to the maturity date, to convert part or all of the outstanding principal amount of the Bonds into ordinary shares of the Company at a conversion price of HK$7.99 per share, subject to adjustments. The conversion price was adjusted to HK$7.13 per share effective on November 28, 2020. The Group expects that it will be able to meet its redemption obligations based on the financial position of the Group.

26 BORROWINGS *(continued)*

(c) *(continued)*

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

The outstanding principal amount of the Bonds is repayable by the Company upon the maturity of the Bonds on January 24, 2024, if not previously redeemed, converted or purchased and cancelled. On January 24, 2021, the bondholders had the right, at the bondholders' option, to require the Company to redeem part or all of the Bonds on January 24, 2021 at their principal amount and US$0.5 million were redeemed. The remaining principal amount of the Bonds has been reclassified to non-current liabilities as a result of the lapse of the redemption option. Assuming full conversion of the Bonds at the adjusted conversion price of HK$7.13 per share, the Bonds will be convertible into 741,902,700 shares.

(d) On June 21, 2019, the Group completed the issuance of 2,054,791 convertible preferred shares through its wholly owned subsidiary, Lenovo Enterprise Technology Company Limited ("LETCL").

The convertible preferred shares are convertible to 20% of the enlarged issued ordinary share capital of LETCL on an as-converted and fully-diluted basis. The holders of the convertible preferred shares will be entitled cash dividends of 4% per annum payable semi-annually on the original subscription price until December 31, 2023. As at March 31, 2021, due to the occurrence of certain specified conditions, the holders of convertible preferred shares have the right to require LETCL to redeem or the Company to purchase all of their convertible preferred shares at the predetermined consideration and the convertible preferred shares have been reclassified to current liabilities. The convertible preferred shares are classified as a financial liability.

The aggregated subscription price of convertible preferred shares was approximately US$300 million. The net proceeds from the issuance were used by LETCL and its subsidiaries towards general corporate funding and capital expenditure of LETCL and its subsidiaries.

Key assumption used to determine the fair value of the convertible preferred shares includes discount rate.

The Group expects that it will be able to meet its redemption obligations based on the financial position of the Group.

The exposure of all the borrowings of the Group to interest rate changes and the contractual repricing dates as at March 31, 2021 and 2020 are as follows:

	2021 US$'000	2020 US$'000
Within 1 year	**698,271**	3,294,980
Over 1 to 2 years	**685,008**	499,234
Over 2 to 5 years	**1,624,067**	1,065,385
Over 5 years	**990,507**	–
	3,997,853	4,859,599

The fair values of the notes and convertible bonds as at March 31, 2021 were US$3,215 million and US$1,140 million respectively (2020: US$1,848 million and US$656 million respectively). The carrying amounts of other borrowings are either at fair value or approximate their fair values as the impact of discounting is not significant.

26 BORROWINGS *(continued)*

Total bank facilities of the Group are as follows:

	Total facilities		Utilized amounts	
	2021 US$'000	2020 US$'000	**2021 US$'000**	2020 US$'000
Revolving loans	**2,000,000**	1,800,000	**-**	1,800,000
Short-term loans	**1,028,706**	1,033,800	**46,958**	333,800
Foreign exchange contracts	**12,022,799**	9,278,064	**11,975,409**	9,221,635
Other trade finance facilities	**2,002,760**	2,547,270	**1,637,437**	2,046,845
	17,054,265	14,659,134	**13,659,804**	13,402,280

All borrowings are unsecured and the effective annual interest rates at March 31, 2021 and 2020 are as follows:

	United States dollar	
	2021	2020
Short-term loans	**1.72%-5.85%**	1.66%-5.84%
Convertible bonds	**6.15%**	6.15%

27 OTHER NON-CURRENT LIABILITIES

	2021 US$'000	2020 US$'000
Deferred consideration (a)	**25,072**	25,072
Written put option liabilities (b)	**518,499**	802,273
Lease liabilities	**333,264**	346,806
Environmental restoration (Note 25(b))	**29,339**	32,832
Government incentives and grants received in advance (c)	**66,234**	51,938
Others	**463,748**	62,375
	1,436,156	1,321,296

27 OTHER NON-CURRENT LIABILITIES *(continued)*

Notes:

(a) Pursuant to the completion of business combinations, the Group is required to pay in cash to the respective sellers contingent consideration with reference to certain performance indicators as written in the respective agreements with the sellers; and deferred consideration. Accordingly, current and non-current liabilities in respect of the fair value of contingent consideration and present value of deferred consideration have been recognized. The contingent consideration is subsequently re-measured at its fair values as a result of change in the expected performance at each balance sheet date, with any resulting gain or loss recognized in the consolidated income statement. Deferred consideration is subsequently carried at amortized cost.

The contingent consideration to Fujitsu Limited ("Fujitsu") was paid in May 2020 (Note 25(a)). As at March 31, 2021, the potential undiscounted amount of future payment in respect of the deferred consideration that the Group could be required to make to the respective seller under such arrangement is as follows:

Joint venture with NEC Corporation	US$25 million

(b) (i) Pursuant to the joint venture agreement entered into between the Company and Fujitsu, the Company and Fujitsu are respectively granted call and put options which entitle the Company to purchase from Fujitsu and Development Bank of Japan ("DBJ"), or Fujitsu and DBJ to sell to the Company, the 49% interest in FCCL. Both options will be exercisable following the fifth anniversary of the date of completion. The exercise price for the call and put options will be determined based on the fair value of the 49% interest as of the day of exercising the option. FCCL will pay to its shareholders by way of dividends in their respective shareholding proportion in a range of FCCL's profits available for distribution under applicable law in respect of each financial year during the term of the joint venture agreement, after making transfers to reserves and provisions.

(ii) During the year ended March 31, 2019, Hefei Zhi Ju Sheng Bao Equity Investment Co., Ltd ("ZJSB") acquired the 49% interest in a joint venture company ("JV Co") from Compal Electronics, Inc. The Company and ZJSB respectively own 51% and 49% of the interest in the JV Co. Pursuant to the option agreement entered into between a wholly owned subsidiary of the Group and Hefei Yuan Jia Start-up Investment LLP ("Yuan Jia"), which holds 99.31% interest in ZJSB, the Group and Yuan Jia are respectively granted call and put options which entitle the Group to purchase from Yuan Jia, or Yuan Jia to sell to the Group, the 99.31% interest in ZJSB. The call and put options will be exercisable at any time after August 31, 2022 and August 31, 2021 respectively. The exercise price for the call and put options will be determined in accordance with the joint venture agreement, and up to a maximum of RMB2,300 million (approximately US$351 million). As at March 31, 2021, the written put option liabilities to Yuan Jia has been reclassified to current liabilities as it may fall due for settlement within the next twelve months.

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

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

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

28 SHARE CAPITAL

	2021		2020	
	Number of shares	**US$'000**	Number of shares	US$'000
Issued and fully paid:				
Voting ordinary shares:				
At the beginning of the year	**12,014,791,614**	**3,185,923**	12,014,791,614	3,185,923
Issue of warrant shares	**26,914,000**	**17,990**	–	–
At the end of the year	**12,041,705,614**	**3,203,913**	12,014,791,614	3,185,923

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

Long-term incentive program

A performance-related long-term incentive program was approved on May 26, 2005 for the purpose of rewarding and motivating directors, executives and top-performing employees of the Company and its subsidiaries (the "Participants"). The long-term incentive program is designed to enable the Company to attract and retain the best available personnel, and encourage and motivate Participants to work towards enhancing the value of the Company and its shares by aligning their interests with those of the shareholders of the Company.

The Company also approved a share-based compensation package for non-executive directors.

Under the long-term incentive program, the Company may grant awards, at its discretion, using any of the two types of equity-based compensation: (i) share appreciation rights and (ii) restricted share units, which are described below:

(i) Share Appreciation Rights ("SARs")

An SAR entitles the holder to receive the appreciation in value of the Company's share price above a predetermined level.

(ii) Restricted Share Units ("RSUs")

An RSU equals to the value of one ordinary share of the Company. Once vested, an RSU is converted to an ordinary share.

Under the two types of compensation, the Company reserves the right, at its discretion, to settle the award in cash or ordinary shares of the Company.

28 SHARE CAPITAL *(continued)*

Long-term incentive program *(continued)*

Movements in the number of units of award granted during the year and their related weighted average fair values are as follows:

	Number of units	
	SARs	RSUs
Outstanding at April 1, 2019	989,503,512	600,379,592
Granted during the year	767,102,217	298,713,376
Vested during the year	(549,532,751)	(325,175,587)
Cancelled during the year	(38,222,743)	(36,788,134)
Outstanding at March 31, 2020	**1,168,850,235**	**537,129,247**
Granted during the year	**777,991,660**	**395,749,492**
Vested during the year	**(766,516,032)**	**(358,490,323)**
Cancelled during the year	**(72,718,578)**	**(35,268,323)**
Outstanding at March 31, 2021	**1,107,607,285**	**539,120,093**
Average fair value per unit (HK$)		
– At March 31, 2020	0.74	5.12
– At March 31, 2021	**0.71**	**4.69**

The fair values of the SARs awarded under the long-term incentive program were calculated by applying a Black-Scholes pricing model. For the year ended March 31, 2021, the model inputs were the fair value (i.e. market value) of the Company's shares at the grant date, taking into account the expected volatility of 32.82 percent (2020: 28.83 percent), expected dividends during the vesting periods of 4.75 percent (2020: 6.03 percent), contractual life of 4.4 years (2020: 4.4 years), and a risk-free interest rate of 0.39 percent (2020: 1.72 percent).

The remaining vesting periods of the awards under the long-term incentive program as at March 31, 2021 ranged from 0.15 to 2.84 years (2020: 0.15 to 2.89 years).

29 PERPETUAL SECURITIES

In March 2017, the Group issued a total of US$850 million perpetual securities through its wholly owned subsidiary, Lenovo Perpetual Securities Limited ("the issuer"). The net proceeds amounted to approximately US$842 million. The securities are perpetual, non-callable in the first 5 years and entitle the holders to receive distributions at a distribution rate of 5.375% per annum in the first 5 years, floating thereafter and with a fixed step up margin, payable semi-annually in arrears, cumulative and compounding. As the perpetual securities do not contain any contractual obligation to pay cash or other financial assets pursuant to the terms and conditions of the issue; in accordance with HKAS 32, they are classified as equity and for accounting purpose regarded as part of non-controlling interests.

In April 2017, the Group issued an additional US$150 million perpetual securities under the same terms, which are fungible with and form a single series with the aforementioned US$850 million perpetual securities.

On November 3, 2020, approximately US$819 million in principal amount of the perpetual securities were purchased and cancelled by the issuer pursuant to a tender offer made by the issuer on October 22, 2020, and the remaining approximately US$181 million in principal amount of the perpetual securities were redeemed and cancelled on December 10, 2020.

30 BALANCE SHEET AND MOVEMENT OF RESERVES OF THE COMPANY

(a) Balance sheet of the Company

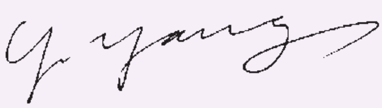
	At March 31	
	2021 **US$'000**	2020 US$'000
Non-current assets		
Property, plant and equipment	**1,398**	785
Right-of-use assets	**561**	2,081
Intangible assets	**425**	609
Interest in an associate	**1,887**	1,887
Investments in subsidiaries	**9,676,753**	9,137,538
Financial assets at FVPL	**35,633**	45,628
Financial assets at FVOCI	**15,080**	11,851
Other non-current assets	**-**	22,500
	9,731,737	9,222,879
Current assets		
Derivative financial assets	**179**	–
Deposits, prepayments and other receivables	**292,028**	242,929
Amounts due from subsidiaries	**6,802,788**	6,893,599
Cash and cash equivalents	**185,150**	12,198
	7,280,145	7,148,726
Total assets	**17,011,882**	16,371,605

30 BALANCE SHEET AND MOVEMENT OF RESERVES OF THE COMPANY *(continued)*

(a) Balance sheet of the Company *(continued)*

	At March 31	
	2021 US$'000	2020 US$'000
Share capital	**3,203,913**	3,185,923
Reserves (Note 30(b))	**1,565,116**	1,580,951
Total equity	**4,769,029**	4,766,874
Non-current liabilities		
Borrowings	**3,297,512**	1,243,714
Amount due to a subsidiary	**-**	1,000,000
Deferred income tax liabilities	**1,345**	1,106
Other non-current liabilities	**25,579**	26,472
	3,324,436	2,271,292
Current liabilities		
Derivative financial liabilities	**202**	10,052
Other payables and accruals	**91,269**	171,843
Borrowings	**336,709**	3,255,188
Amounts due to subsidiaries	**8,490,237**	5,896,356
	8,918,417	9,333,439
Total liabilities	**12,242,853**	11,604,731
Total equity and liabilities	**17,011,882**	16,371,605

On behalf of the Board



Yang Yuanqing
Chairman and Chief Executive Officer

Zhu Linan
Director

30 BALANCE SHEET AND MOVEMENT OF RESERVES OF THE COMPANY *(continued)*

(b) Movement of reserves of the Company

The changes in the reserves of the Company during the years ended March 31, 2021 and 2020 are as follows:

	Investment revaluation reserve US$'000	Share-based compensation reserve US$'000	Exchange reserve US$'000	Other reserves US$'000	Retained earnings US$'000	Total US$'000
At April 1, 2019	(19,642)	304,516	10,204	79,557	1,014,943	1,389,578
Profit for the year	–	–	–	–	644,256	644,256
Other comprehensive loss	(3,931)	–	–	–	–	(3,931)
Total comprehensive (loss)/ income for the year	(3,931)	–	–	–	644,256	640,325
Vesting of shares under long-term incentive program	–	(275,551)	–	–	–	(275,551)
Share-based compensation	–	258,610	–	–	–	258,610
Dividends paid	–	–	–	–	(432,011)	(432,011)
At March 31, 2020	**(23,573)**	**287,575**	**10,204**	**79,557**	**1,227,188**	**1,580,951**
Profit for the year	**-**	**-**	**-**	**-**	**562,621**	**562,621**
Other comprehensive income	**3,280**	**-**	**-**	**-**	**-**	**3,280**
Total comprehensive income for the year	**3,280**	**-**	**-**	**-**	**562,621**	**565,901**
Vesting of shares under long-term incentive program	**-**	**(472,153)**	**-**	**-**	**-**	**(472,153)**
Share-based compensation	**-**	**291,737**	**-**	**-**	**-**	**291,737**
Settlement of bonus through long-term incentive program	**-**	**34,444**	**-**	**-**	**-**	**34,444**
Redemption of convertible bonds	**-**	**-**	**-**	**(57)**	**56**	**(1)**
Dividends paid	**-**	**-**	**-**	**-**	**(435,763)**	**(435,763)**
At March 31, 2021	**(20,293)**	**141,603**	**10,204**	**79,500**	**1,354,102**	**1,565,116**

31 SIGNIFICANT RELATED PARTY TRANSACTIONS

(a) The Group had the following significant related party transactions in the normal course of business during the year:

	2021 US$'000	2020 US$'000
閃聯信息技術工程中心有限公司 (IGRS Engineering Lab Limited) (an associate) (i) – Purchase of goods	**7,186**	15,152
異能者（南京）電子科技有限公司 (Yinengzhe (Nanjing) Electronic Technology Limited) (an associate) (i) – Sale of goods	**2,700**	–

Note:

(i) The English name of the company is a direct translation or transliteration of its Chinese registered name.

(b) Key management compensation

Details on key management compensation are set out in Note 10.

32 CAPITAL COMMITMENTS

Apart from disclosed elsewhere in these financial statements, on March 31, 2021 and 2020, the Group had the following other capital commitments:

	2021 US$'000	2020 US$'000
Contracted but not provided for:		
– Property, plant and equipment	**131,073**	66,182
– Intangible assets	**2,927**	2,749
– Investment in financial assets	**7,578**	14,799
	141,578	83,730

33 CONTINGENT LIABILITIES

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

34 RECONCILIATION OF PROFIT BEFORE TAXATION TO NET CASH GENERATED FROM OPERATIONS

	2021 US$'000	2020 US$'000
Profit before taxation	**1,774,198**	1,017,707
Share of losses of associates and joint ventures	**32,323**	14,545
Finance income	**(34,754)**	(47,850)
Finance costs	**408,640**	454,194
Depreciation of property, plant and equipment	**301,483**	276,453
Depreciation of right-of-use assets	**99,795**	103,600
Amortization of intangible assets	**658,740**	589,734
Impairment of intangible assets	**52,606**	–
Share-based compensation	**291,737**	258,610
(Gain)/loss on disposal of property, plant and equipment	**(110,004)**	11,467
Loss on disposal of intangible assets	**1,574**	1,067
Dilution gain on interest in an associate	**(31,374)**	–
Gain on deemed disposal of subsidiaries	**(2,964)**	–
Gain on disposal of subsidiaries	**(36,029)**	(12,844)
Gain on disposal of interest in an associate	**–**	(3,922)
Fair value change on bonus warrants	**(1,138)**	(20,856)
Fair value change on financial instruments	**(1,201)**	(12,378)
Fair value change on financial assets at FVPL	**(201,597)**	(66,036)
Fair value change on a financial liability at FVPL	**13,721**	23,826
Dividend income	**(1,897)**	(6,411)
Increase in inventories	**(1,481,367)**	(1,526,131)
(Increase)/decrease in trade receivables, notes receivable, deposits, prepayments and other receivables	**(3,646,837)**	674,050
Increase in trade payables, notes payable, provisions, other payables and accruals	**6,789,649**	1,128,570
Effect of foreign exchange rate changes	**(289,309)**	149,161
Net cash generated from operations	**4,585,995**	3,006,556

Notes to the financial statements

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

(a) Reconciliation of financing liabilities

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

Financing liabilities	2021 US$'000	2020 US$'000
Short-term loans – current	**58,190**	2,124,562
Long-term loan – non-current	**2,070**	3,079
Notes – current	**336,709**	563,249
Notes – non-current	**2,673,688**	1,243,714
Convertible bonds – current	**-**	607,169
Convertible bonds – non-current	**623,824**	–
Convertible preferred shares – current	**303,372**	–
Convertible preferred shares – non-current	**-**	317,826
Lease liabilities – current	**133,662**	91,976
Lease liabilities – non-current	**333,264**	346,806
	4,464,779	5,298,381
Short-term loans – variable interest rates	**39,672**	2,123,571
Short-term loans – fixed interest rates	**18,518**	991
Long-term loan – fixed interest rates	**2,070**	3,079
Notes – fixed interest rates	**3,010,397**	1,806,963
Convertible bonds – fixed interest rates	**623,824**	607,169
Convertible preferred shares – fair value	**303,372**	317,826
Lease liabilities – fixed interest rates	**466,926**	438,782
	4,464,779	5,298,381

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

(a) Reconciliation of financing liabilities *(continued)*

	Short-term loans current US$'000	Long-term loan non-current US$'000	Notes Current US$'000	Notes non-current US$'000	Convertible bonds current US$'000	Convertible bonds non-current US$'000	Convertible preferred shares current US$'000	Convertible preferred shares non-current US$'000	Lease liabilities current US$'000	Lease liabilities non-current US$'000	Total US$'000
Financing liabilities as at April 1, 2019	1,166,907	-	786,136	1,836,264	-	590,506	-	-	-	-	4,379,813
Change in accounting policy	-	-	-	-	-	-	-	-	77,903	331,441	409,344
Proceeds from borrowings	4,089,791	3,079	-	-	-	-	-	-	-	-	4,092,870
Repayments of borrowings	(3,135,800)	-	-	-	-	-	-	-	-	-	(3,135,800)
Repayments of notes	-	-	(786,244)	-	-	-	-	-	-	-	(786,244)
Transfer	-	-	581,389	(581,389)	602,983	(602,983)	-	-	91,422	(91,422)	-
Issue of convertible preferred shares	-	-	-	-	-	-	-	300,000	-	-	300,000
Principal elements of lease payments	-	-	-	-	-	-	-	-	(130,993)	-	(130,993)
Dividends paid	-	-	-	-	-	-	-	(6,000)	-	-	(6,000)
Foreign exchange adjustments	-	-	(18,770)	(13,548)	-	-	-	-	(370)	(863)	(33,551)
Other non-cash movements	3,664	-	738	2,387	4,186	12,477	-	23,826	54,014	107,650	208,942
Financing liabilities as at March 31, 2020	**2,124,562**	**3,079**	**563,249**	**1,243,714**	**607,169**	**-**	**-**	**317,826**	**91,976**	**346,806**	**5,298,381**
Proceeds from borrowings	**4,925,628**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**4,925,628**
Repayments of borrowings	**(7,005,300)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(7,005,300)**
Repayment of notes	**-**	**-**	**(565,643)**	**(225,912)**	**-**	**-**	**-**	**-**	**-**	**-**	**(791,555)**
Repurchase of convertible preferred shares	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(16,575)**	**-**	**-**	**(16,575)**
Redemption of convertible bonds	**-**	**-**	**-**	**-**	**-**	**(500)**	**-**	**-**	**-**	**-**	**(500)**
Transfer	**1,009**	**(1,009)**	**336,709**	**(336,709)**	**(619,537)**	**619,537**	**303,372**	**(303,372)**	**107,474**	**(107,474)**	**-**
Issue of notes	**-**	**-**	**-**	**2,003,500**	**-**	**-**	**-**	**-**	**-**	**-**	**2,003,500**
Issuing costs of notes	**-**	**-**	**-**	**(14,383)**	**-**	**-**	**-**	**-**	**-**	**-**	**(14,383)**
Principal elements of lease payments	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(165,150)**	**-**	**(165,150)**
Acquisition of a subsidiary	**1,770**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1,770**
Dividends paid	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(11,600)**	**-**	**-**	**(11,600)**
Foreign exchange adjustments	**292**	**-**	**2,058**	**-**	**-**	**-**	**-**	**-**	**13,907**	**5,474**	**21,731**
Other non-cash movements	**10,229**	**-**	**336**	**3,478**	**12,368**	**4,787**	**-**	**13,721**	**85,455**	**88,458**	**218,832**
Financing liabilities as at March 31, 2021	**58,190**	**2,070**	**336,709**	**2,673,688**	**-**	**623,824**	**303,372**	**-**	**133,662**	**333,264**	**4,464,779**

35 RETIREMENT BENEFIT OBLIGATIONS

	2021 US$'000	2020 US$'000
Pension obligation included in non-current liabilities		
Pension benefits	**401,699**	430,272
Post-employment medical benefits	**30,206**	28,114
	431,905	458,386
Expensed in consolidated income statement		
Pension benefits (Note 9)	**26,157**	21,610
Post-employment medical benefits	**894**	1,389
	27,051	22,999
Remeasurements for:		
Defined pension benefits	**(37,211)**	45,937
Post-employment medical benefits	**1,476**	338
	(35,735)	46,275

The Group's largest pension liabilities are now in Germany. The Group operates a sectionalized plan that has both defined contribution and defined benefit features in Germany, including benefits based on a final pay formula. This plan is closed to new entrants. The defined benefit plan for Motorola Mobility in Germany contains no employees, only a large number of retirees and former employees with benefits which have vested, but where payment will be deferred until they retire.

The Group continues to maintain significant pension liabilities in Japan, where a cash balance benefit is provided for substantially all employees.

In the US, the defined benefit plan is closed to new entrants, and now covers only less than 1.0% of employees. There is also a supplemental defined benefit plan that covers certain executives.

The Group also operates final salary defined benefit plans in a number of countries as a result of past acquisitions.

The Group's major plans are valued by qualified actuaries annually using the projected unit credit method.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income in the period in which they arise.

35 RETIREMENT BENEFIT OBLIGATIONS *(continued)*

(a) Pension benefits

The amounts recognized in the consolidated balance sheet are determined as follows:

	2021 US$'000	2020 US$'000
Present value of funded obligations	**641,174**	629,242
Fair value of plan assets	**(444,172)**	(396,192)
Deficit of funded plans	**197,002**	233,050
Present value of unfunded obligations	**204,697**	197,222
Liability in the consolidated balance sheet	**401,699**	430,272
Representing:		
Pension benefits obligation	**401,699**	430,272

The principal actuarial assumptions used are as follows:

	2021	2020
Discount rate	**0.3%-2.5%**	0.5%-2.0%
Future salary increases	**0%-3.0%**	0%-4.5%
Future pension increases	**0%-2.0%**	0%-2.5%
Life expectancy for male aged 60	**25**	25
Life expectancy for female aged 60	**26**	28

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is:

	Impact on defined benefit obligation		
2021	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate	**0.5%**	**Decrease by 7.3%**	**Increase by 8.3%**
Salary growth rate	**0.5%**	**Increase by 0.5%**	**Decrease by 1.1%**
Pension growth rate	**0.5%**	**Increase by 6.9%**	**Decrease by 6.5%**
Life expectancy	**1 year**	**Increase by 1.9%**	**Decrease by 2.0%**

Notes to the financial statements

35 RETIREMENT BENEFIT OBLIGATIONS *(continued)*

(a) Pension benefits *(continued)*

	Impact on defined benefit obligation		
2020	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate	0.5%	Decrease by 7.7%	Increase by 8.7%
Salary growth rate	0.5%	Increase by 1.0%	Decrease by 0.9%
Pension growth rate	0.5%	Increase by 8.0%	Decrease by 7.2%
Life expectancy	1 year	Increase by 2.0%	Decrease by 2.0%

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the pension liability recognized within the consolidated balance sheet.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous year.

(b) Post-employment medical benefits

The Group operates a number of post-employment medical benefit schemes, principally in the US. The method of accounting, assumptions and the frequency of valuations are similar to those used for defined benefit pension schemes.

The US plan (Lenovo Future Health Account Plan) is currently an unfunded plan, and benefits to eligible retirees and dependents will be made through general assets.

As post-employment medical benefits plan made no agreements on future benefit level changes, the changes in future medical cost trend rates have no effect on the liabilities for post-employment medical benefits.

The amounts recognized in the consolidated balance sheet are determined as follows:

	2021 US$'000	2020 US$'000
Present value of funded obligations	**-**	27,414
Fair value of plan assets	**-**	(468)
Deficit of funded plans	**-**	26,946
Present value of unfunded obligations	**30,206**	1,168
Liability in the consolidated balance sheet	**30,206**	28,114

35 RETIREMENT BENEFIT OBLIGATIONS *(continued)*

(c) Additional information on post-employment benefits (pension and medical)

Plan assets of the Group comprise:

	2021			2020		
	Quoted US$'000	**Unquoted US$'000**	**Total US$'000**	Quoted US$'000	Unquoted US$'000	Total US$'000
Pension plan						
Equity instruments						
Information technology	**2,610**	**-**	**2,610**	2,472	–	2,472
Energy	**270**	**-**	**270**	199	–	199
Manufacturing	**2,675**	**-**	**2,675**	2,503	–	2,503
Others	**10,240**	**-**	**10,240**	8,099	–	8,099
	15,795	**-**	**15,795**	13,273	–	13,273
Debt instruments						
Government	**108,187**	**-**	**108,187**	65,074	–	65,074
Corporate bonds (investment grade)	**79,419**	**-**	**79,419**	59,022	–	59,022
Corporate bonds (Non-investment grade)	**55,083**	**-**	**55,083**	38,205	–	38,205
	242,689	**-**	**242,689**	162,301	–	162,301
Others						
Property	**-**	**16,595**	**16,595**	–	11,667	11,667
Qualifying insurance policies	**-**	**76,232**	**76,232**	–	59,801	59,801
Cash and cash equivalents	**12,092**	**-**	**12,092**	20,777	–	20,777
Investment funds	**-**	**32,813**	**32,813**	–	19,170	19,170
Structured bonds	**-**	**42,356**	**42,356**	–	104,833	104,833
Others	**-**	**5,600**	**5,600**	–	4,370	4,370
	12,092	**173,596**	**185,688**	20,777	199,841	220,618
	270,576	**173,596**	**444,172**	196,351	199,841	396,192
Medical plan						
Cash and cash equivalents	**-**	**-**	**-**	468	–	468

The long term strategic asset allocations of the plans are set and reviewed from time to time by the plans' trustees taking into account the membership, liability profile and the liquidity requirements of the plans.

The weighted average duration of the defined benefit obligation is 16.0 years.

35 RETIREMENT BENEFIT OBLIGATIONS *(continued)*

(c) Additional information on post-employment benefits (pension and medical) *(continued)*

Expected maturity analysis of undiscounted pension and post-employments medical benefits:

At March 31, 2021	Less than a year US$'000	Between 1-2 years US$'000	Between 2-5 years US$'000	Over 5 years US$'000	Total US$'000
Pension benefits	27,731	32,706	92,479	819,398	972,314
Post-employment medical benefits	1,303	1,446	5,158	34,527	42,434
Total	29,034	34,152	97,637	853,925	1,014,748

Pension and medical plan assets do not include any of the Company's ordinary shares or US real estate occupied by the Group (2020: nil).

Reconciliation of fair value of plan assets of the Group:

	Pension		Medical	
	2021 US$'000	2020 US$'000	**2021 US$'000**	2020 US$'000
Opening fair value	**396,192**	346,348	**468**	1,453
Exchange adjustment	**29,379**	9,148	**1**	(1)
Interest income	**3,050**	4,568	**20**	46
Remeasurements:				
Experience gain/(loss)	**6,314**	11,487	**(118)**	(11)
Contributions by the employer	**26,326**	38,385	**447**	34
Contributions by plan participants	**1,698**	1,130	**-**	–
Benefits paid	**(18,787)**	(14,874)	**(818)**	(1,053)
Closing fair value	**444,172**	396,192	**-**	468
Actual return on plan assets	**9,364**	16,055	**(98)**	35

Contributions of US$22,660,000 are estimated to be made for the year ending March 31, 2022.

35 RETRIEMENT BENEFIT OBLIGATIONS *(continued)*

(c) Additional information on post-employment benefits (pension and medical) *(continued)*

Reconciliation of movements in present value of defined benefit obligation of the Group:

	Pension		Medical	
	2021 US$'000	2020 US$'000	**2021 US$'000**	2020 US$'000
Opening defined benefit obligation	**826,464**	754,071	**28,582**	27,976
Exchange adjustment	**42,417**	5,527	**170**	(103)
Current service cost	**22,733**	17,555	**453**	530
Past service cost	**(925)**	–	**-**	–
Interest cost	**6,223**	9,085	**461**	905
Remeasurements:				
Loss/(gain) from changes in demographic assumptions	**188**	3,377	**(22)**	25
(Gain)/loss from changes in financial assumptions	**(31,747)**	53,641	**1,424**	307
Experience loss/(gain)	**662**	406	**(44)**	(5)
Contributions by plan participants	**896**	359	**-**	–
Benefits paid	**(22,216)**	(17,095)	**(818)**	(1,053)
Curtailment loss/(gain)	**1,176**	(462)	**-**	–
Closing defined benefit obligation	**845,871**	826,464	**30,206**	28,582

During the year, benefits of US$3,429,000 were settled directly by the Group (2020: US$2,221,000).

Summary of pensions and post-retirement medical benefits of the Group:

	2021 US$'000	2020 US$'000	2019 US$'000	2018 US$'000	2017 US$'000
Present value of defined benefit obligation	**876,077**	855,046	782,047	750,470	674,647
Fair value of plan assets	**444,172**	396,660	347,801	336,988	304,440
Deficit	**431,905**	458,386	434,246	413,482	370,207
Actuarial (gains)/losses arising on plan assets	**(6,196)**	(11,476)	(3,639)	(5,962)	6,620
Actuarial (gains)/losses arising on plan liabilities	**(29,539)**	57,751	29,280	25,759	(49,398)
	(35,735)	46,275	25,641	19,797	(42,778)

35 RETIREMENT BENEFIT OBLIGATIONS *(continued)*

(c) Additional information on post-employment benefits (pension and medical) *(continued)*

The amounts recognized in the consolidated income statement are as follows:

	Pension		Medical	
	2021 US$'000	2020 US$'000	**2021 US$'000**	2020 US$'000
Current service cost	**22,733**	17,555	**453**	530
Past service cost	**(925)**	–	**–**	–
Interest cost	**6,223**	9,085	**461**	905
Interest income	**(3,050)**	(4,568)	**(20)**	(46)
Curtailment loss/(gain)	**1,176**	(462)	**–**	–
Total expense recognized in the consolidated income statement	**26,157**	21,610	**894**	1,389

36 PRINCIPAL SUBSIDIARIES

The following includes the principal subsidiaries directly or indirectly held by the Company and, in the opinion of the directors, are significant to the results of the year or form a substantial portion of the net assets of the Group. The directors consider that giving details of other subsidiaries would result in particulars of excessive length.

Company name	Place of incorporation/ establishment	Issued and fully paid up capital	Percentage of issued share capital held 2021	Percentage of issued share capital held 2020	Principal activities
Held directly:					
聯想(北京)有限公司 (Lenovo (Beijing) Limited)[1] (wholly foreign-owned enterprise)	Chinese Mainland	HK$175,481,300	**100%**	100%	Manufacturing and distribution of IT products and provision of IT services
聯想(上海)有限公司 (Lenovo (Shanghai) Co., Ltd.)[1] (wholly foreign-owned enterprise)	Chinese Mainland	HK$10,000,000	**100%**	100%	Distribution of IT products and provision of IT services

36 PRINCIPAL SUBSIDIARIES *(continued)*

Company name	Place of incorporation/ establishment	Issued and fully paid up capital	Percentage of issued share capital held 2021	2020	Principal activities
Held indirectly:					
Fujitsu Client Computing Limited	Japan	JPY400,000,000	**51%**	51%	Manufacturing and distribution of IT products
聯寶(合肥)電子科技有限公司 (LCFC (Hefei) Electronics Technology Co., Ltd.)[1] (wholly foreign-owned enterprise)	Chinese Mainland	US$265,000,000	**51%**	51%	Manufacturing and distribution of IT products
Lenovo (Asia Pacific) Limited	Hong Kong S.A.R. of China	HK$3,045,209,504.92	**100%**	100%	Investment holding and distribution of IT products
北京聯想軟件有限公司 (Beijing Lenovo Software Limited)[1] (wholly foreign-owned enterprise)	Chinese Mainland	HK$5,000,000	**100%**	100%	Provision of IT services and distribution of IT products
Lenovo (Australia & New Zealand) Pty Limited	Australia	AUD45,860,993.40	**100%**	100%	Distribution of IT products
Lenovo (Belgium) BV	Belgium	EUR639,099.20	**100%**	100%	Investment holding and distribution of IT products
聯想(北京)信息技術有限公司 (Lenovo (Beijing) Information Technology Limited)[1] (wholly foreign-owned enterprise)	Chinese Mainland	US$272,300,000.00	**100% (iv)**	100% (iv)	Investment holding and distribution of IT products
聯想(北京)電子科技有限公司 (Lenovo (Beijing) Electronic Technology Limited)[1]	Chinese Mainland	RMB150,000,000	**100%**	100%	Provision of IT services and distribution of IT products
Lenovo (Canada) Inc.	Canada	CAD100	**100%**	100%	Distribution of IT products
Lenovo Computer Limited	Hong Kong S.A.R. of China	HK$2	**100%**	100%	Procurement agency and distribution of IT products
Lenovo (Danmark) ApS	Denmark	DKK126,000	**100%**	100%	Distribution of IT products

36 PRINCIPAL SUBSIDIARIES *(continued)*

Company name	Place of incorporation/ establishment	Issued and fully paid up capital	Percentage of issued share capital held 2021	2020	Principal activities
Lenovo (Deutschland) GmbH	Germany	EUR25,100	**100%**	100%	Distribution of IT products
Lenovo Enterprise Solutions (Singapore) Pte. Ltd.	Singapore	SGD55,958,592	**100%**	100%	Manufacturing and wholesaling of computers, computer hardware and peripheral equipment
Lenovo Enterprise Solutions LLC	Japan	JPY50,000,000	**100%**	100%	Distribution of IT products
Lenovo Enterprise Technology Company Limited	Hong Kong S.A.R. of China	US$1,200,000,010 ordinary shares and US$299,999,486 convertible preferred shares	**100% (iv)**	100% (iv)	Investment holding and distribution of IT products
Lenovo (France) SAS	France	EUR1,837,000	**100%**	100%	Distribution of IT products
Lenovo HK Services Limited	Hong Kong S.A.R. of China	HK$2	**100%**	100%	Provision of business planning, management, global supply chain, finance, and administration support services
Lenovo Global Technology (Asia Pacific) Limited	Hong Kong S.A.R. of China	US$128,924.89	**100%**	100%	Investment holding and distribution of IT products
Lenovo Global Technology HK Limited	Hong Kong S.A.R. of China	US$10,000,001	**100%**	100%	Procurement agency and distribution of IT products
Lenovo Global Technology (Hong Kong) Distribution Limited	Hong Kong S.A.R. of China	US$1	**100%**	100%	Distribution of IT products

36 PRINCIPAL SUBSIDIARIES *(continued)*

Company name	Place of incorporation/ establishment	Issued and fully paid up capital	Percentage of issued share capital held 2021	2020	Principal activities
Lenovo Global Technologies International Limited	Hong Kong S.A.R. of China	US$137,872,637	**100%**	100%	Investment holding and intellectual properties
Lenovo Global Technology (United States) Inc.	United States	US$10	**100%**	100%	Provision of IT services and distribution of IT products
Lenovo (Hong Kong) Limited	Hong Kong S.A.R. of China	HK$74,256,023	**100%**	100%	Distribution of IT products
惠陽聯想電子工業有限公司 (Lenovo (Huiyang) Electronic Industrial Co., Ltd.)[1] (wholly foreign-owned enterprise)	Chinese Mainland	HK$31,955,500	**100%**	100%	Manufacturing and distribution of IT products
Lenovo (India) Private Limited	India	INR8,607,471,514	**100%**	100%	Manufacturing and distribution of IT products
聯想信息產品(深圳)有限公司 (Lenovo Information Products (Shenzhen) Co. Ltd.)[1] (limited liability company (wholly-owned entity))	Chinese Mainland	RMB643,966,800	**100%**	100%	Manufacturing and distribution of IT products
Lenovo (Israel) Ltd.	Israel	ILS132,853.12	**100%**	100%	Distribution of IT products
Lenovo (Italy) S.r.l	Italy	EUR100,000	**100%**	100%	Distribution of IT products
Lenovo Japan LLC	Japan	JPY100,000,000	**95.10% (v)**	95.10% (v)	Distribution of IT products
Lenovo Korea LLC	Korea	KRW3,580,940,000	**100%**	100%	Wholesale and retail trade of computer, peripheral equipment and software
Lenovo Mexico, S. de R.L. de C.V.	Mexico	MXN3,426,638,114	**100%**	100%	Distribution of IT products

Notes to the financial statements

36 PRINCIPAL SUBSIDIARIES *(continued)*

Company name	Place of incorporation/ establishment	Issued and fully paid up capital	Percentage of issued share capital held 2021	2020	Principal activities
摩托羅拉移動通信技術有限公司 (Motorola Mobile Communication Technology Ltd.)[1] 前稱"聯想移動通信科技有限公司" (formerly known as "Lenovo Mobile Communication Technology Ltd.")[1] (foreign-investment enterprise wholly-owned entity)	Chinese Mainland	RMB187,500,000	**100%**	100%	Manufacturing and distribution of IT products and provision of IT services
摩托羅拉(武漢)移動技術通信有限公司 (Motorola (Wuhan) Mobility Technologies Communication Company Limited)[1] 前稱"聯想移動通信(武漢)有限公司" (formerly known as "Lenovo Mobile Communication (Wuhan) Limited")[1] (foreign-investment enterprise wholly-owned entity)	Chinese Mainland	RMB60,000,000	**100%**	100%	Manufacturing of mobile products
聯想凌拓科技有限公司 (Lenovo NetApp Technology Limited)[1] (Chinese-foreign equity joint venture)	Chinese Mainland	US$10,000,000	**51% (iv)**	51% (iv)	Delivering IT products and data management solution
Lenovo PC HK Limited	Hong Kong S.A.R. of China	HK$2,377,934,829.50 ordinary shares and HK$1,000,000 non-voting deferred shares	**100%**	100%	Procurement agency and distribution of IT products
Lenovo PC International Limited	Hong Kong S.A.R. of China	HK$4,758,857,785	**100%**	100%	Intellectual properties
Lenovo (Schweiz) GmbH	Switzerland	CHF2,000,000	**100%**	100%	Manufacturing and distribution of IT products
Lenovo (Singapore) Pte. Ltd.	Singapore	SGD4,920,639,596.44	**100%**	100%	Manufacturing and wholesaling of computers, computer hardware and peripheral equipment

36 PRINCIPAL SUBSIDIARIES *(continued)*

Company name	Place of incorporation/ establishment	Issued and fully paid up capital	Percentage of issued share capital held 2021	2020	Principal activities
Lenovo (South Africa) (Pty) Limited	South Africa	ZAR177,500	**100%**	100%	Distribution and marketing of IT products
Lenovo (Spain), S.L.	Spain	EUR37,475,456.40	**100%**	100%	Distribution of IT products
Lenovo (Sweden) AB	Sweden	SEK200,200	**100%**	100%	Distribution of IT products
聯想系統集成(深圳)有限公司 (Lenovo Systems Technology Company Limited)[1] (limited liability company (wholly-owned entity))	Chinese Mainland	RMB263,407,660	**100%**	100%	Manufacturing and distribution of IT products
Lenovo Technology (United Kingdom) Limited	United Kingdom	GBP8,629,510	**100%**	100%	Distribution of IT products
Lenovo Technology B.V.	Netherlands	EUR20,000	**100%**	100%	Distribution of IT products
Lenovo Technology Sdn. Bhd.	Malaysia	MYR1,000,000	**100%**	100%	Retail sale of computers, computer equipment and supplies
Lenovo Tecnologia (Brasil) Ltda	Brazil	BRL4,424,321,818	**100%**	100%	Manufacturing and distribution of IT products
Lenovo (Thailand) Limited	Thailand	THB252,000,000	**100%**	100%	Distribution of IT products as well as mobile phone, smartphone and tablet, server and storage
Lenovo (United States) Inc.	United States	US$1	**100%**	100%	Distribution of IT products
Lenovo (Venezuela), SA	Venezuela	VEB717,184,632	**100%**	100%	Distribution of IT products

36 PRINCIPAL SUBSIDIARIES *(continued)*

Company name	Place of incorporation/ establishment	Issued and fully paid up capital	Percentage of issued share capital held 2021	2020	Principal activities
聯想(西安)有限公司 (Lenovo (Xian) Limited)[1] (Chinese-foreign equity joint venture)	Chinese Mainland	RMB10,000,000	**100%**	100%	Provision of IT services and distribution of IT products
LLC "Lenovo (East Europe/Asia)"	Russia	RUB1,910,000	**100%**	100%	Distribution and marketing of IT products
Medion AG	Germany	EUR48,418,400	**80.08% (iii)**	79.84% (iii)	Retail and service business for consumer electronic products and complementary digital services
Motorola Mobility Comércio de Produtos Eletronicos Ltda.	Brazil	BRL756,663,401	**100%**	100%	Distribution of communication products, developer, owner, licensor and seller of communications hardware and software
Motorola Mobility International Sales LLC	United States	-	**100%**	100%	Holding company
Motorola Mobility LLC	United States	-	**100%**	100%	Developer, owner, licensor and seller of communications hardware and software
NEC Personal Computers, Ltd.	Japan	JPY500,000,000	**95.10% (v)**	95.10% (v)	Manufacturing and distribution of IT products
深圳聯想海外控股有限公司 (Shenzhen Lenovo Overseas Holdings Limited)[1] (wholly-foreign owned enterprise)	Chinese Mainland	US$776,822,799.24	**100%**	100%	Investment management

36 PRINCIPAL SUBSIDIARIES *(continued)*

Company name	Place of incorporation/ establishment	Issued and fully paid up capital	Percentage of issued share capital held 2021	2020	Principal activities
Shimane Fujitsu Limited	Japan	JPY450,000,000	**51%**	51%	Manufacturing and distribution of IT products
Stoneware, Inc.	United States	US$1	**100%**	100%	Development and distribution of IT products
陽光雨露信息技術服務(北京)有限公司 (Sunny Information Technology Service, Inc.)[1] (Chinese-foreign equity joint venture)	Chinese Mainland	RMB50,000,000	**100%**	100%	Maintenance of electronic equipment (including repair services for computer hardware and software systems), and provision of IT outsourcing and systems integration services

Notes:

(i) All the above subsidiaries operate principally in their respective places of incorporation or establishment.

(ii) All the Chinese Mainland subsidiaries are limited liability companies. They have adopted December 31 as their financial year end date for statutory reporting purposes. For the preparation of the consolidated financial statements, financial statements of these Chinese Mainland subsidiaries for the years ended March 31, 2020 and 2021 have been used.

(iii) Medion AG is a publicly traded German stock corporation listed on the Frankfurt am Main stock exchange. The percentage of issued capital held is equivalent to approximately 86.77% (2020: 86.52%) excluding treasury shares.

(iv) At March 31, 2021, the Group held 100% in the ordinary shares of LETCL, the immediate holding company of Lenovo (Beijing) Information Technology Limited and intermediate holding company of Lenovo NetApp Technology Limited. 1,917,805 convertible preferred shares issued by LETCL remain outstanding and held by independent third parties, please refer to Note 26(d) for details.

(v) At March 31, 2020 and 2021, the Group held 95.10% in the ordinary shares of Lenovo NEC Holdings B.V., the immediate holding company of Lenovo Japan LLC and NEC Personal Computers, Ltd., while the remaining 4.90% ordinary shares and 42,700 deferred shares of Lenovo NEC Holdings B.V. were held by NEC Corporation.

(vi) The company whose English name ends with a "1" is a direct transliteration of its Chinese registered name.

36 PRINCIPAL SUBSIDIARIES *(continued)*

Material non-controlling interests

Set out below is the summarized financial information of FCCL. The amounts disclosed are before inter-company eliminations.

	2021 US$'000	2020 US$'000
Revenue	**2,939,273**	3,350,163
Profit for the year	**152,433**	186,148
Other comprehensive (loss)/income	**(7,454)**	3,019
Total comprehensive income	**144,979**	189,167
Net assets		
Non-current assets	**168,974**	160,151
Current assets	**1,197,049**	1,112,946
Current liabilities	**(748,828)**	(795,108)
Non-current liabilities	**(59,051)**	(61,580)
	558,144	416,409
Cash flows		
Net cash generated from operating activities	**113,417**	118,644
Net cash used in investing activities	**(25,453)**	(50,953)
Net cash used in financing activities	**(6,861)**	(3,881)
Effect of foreign exchange rate changes	**(6,184)**	2,020
Cash and cash equivalents at the beginning of the year	**163,376**	97,546
Cash and cash equivalents at the end of the year	**238,295**	163,376

37 APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the board of directors on May 27, 2021.

COMPANY

Lenovo Group Limited
23rd Floor, Lincoln House, Taikoo Place
979 King's Road, Quarry Bay
Hong Kong

PRINCIPAL AGENT, REGISTRAR AND TRANSFER AGENT

Citibank, N.A., London Branch
Citigroup Centre
Canada Square
Canary Wharf
London E14 5LB
United Kingdom

TRUSTEE

Citicorp International Limited
20/F, Citi Tower, One Bay East
83 Hoi Bun Road, Kwun Tong
Kowloon
Hong Kong

LEGAL ADVISERS TO THE COMPANY

As to English and Hong Kong law

Cleary Gottlieb Steen & Hamilton (Hong Kong)
37th Floor, Hysan Place
500 Hennessy Road
Hong Kong

LEGAL ADVISERS TO THE MANAGERS AND THE TRUSTEE

As to English law

Clifford Chance
27/F Jardine House
One Connaught Place
Hong Kong

INDEPENDENT AUDITOR

Price waterhouse Coopers
Certified Public Accountants
Registered Public Interest Entity Auditor
22nd Floor, Prince's Building
Central
Hong Kong