Lenovo Group Limited 2022/23 Annual Report

HKD COUNTER STOCK CODE 992
RMB COUNTER STOCK CODE 80992

Smarter technology for all

Lenovo

About Lenovo

Lenovo is a US$62 billion revenue global technology powerhouse, ranked #171 in the Fortune Global 500, employing 77,000 people around the world, and serving millions of customers every day in 180 markets. Focused on a bold vision to deliver smarter technology for all, Lenovo has built on its success as the world's largest PC company by further expanding into growth areas that fuel the advancement of 'New IT' technologies (client, edge, cloud, network, and intelligence) including server, storage, mobile, software, solutions, and services. This transformation together with Lenovo's world-changing innovation is building a more inclusive, trustworthy, and smarter future for everyone, everywhere. To find out more visit https://www.lenovo.com, and read about the latest news via our StoryHub.

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Smarter accelerates remote working.

Toyota

To run their 3D CAD applications, Toyota's design engineers were reliant on high-performance workstations installed at the company's offices- limiting their ability to work from home or collaborate with other departments. By switching to a virtual desktop infrastructure (VDI) that runs the applications on a GPU-enabled hyperconverged infrastructure based on Lenovo ThinkAgile HX3320 appliances and Nutanix Cloud Platform, Toyota enabled its designers to work from anywhere, boosting productivity and enabling the company to respond quickly and effectively when the coronavirus pandemic hit.

"The merit of HCI is that we can build an environment in a very short period of time, and the pandemic truly demonstrated that. Lenovo made significant efforts to procure and deliver the hardware quickly, which was really helpful."

Mr. Masanobu Takahisa
DX Promotion Division, Toyota

Solution components hardware

Hardware

- Lenovo ThinkAgile HX3520

Software

- Nutanix Cloud Platform

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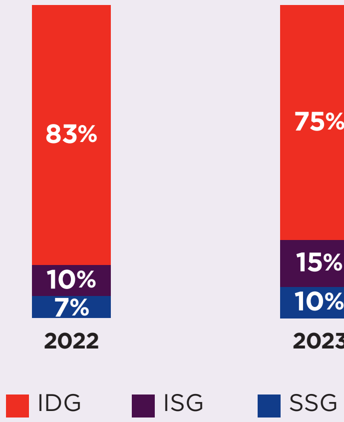
Financial highlights

For the year ended March 31	2023 US$ million	2022 US$ million	Year-on-year Change
Group Results			
Revenue	**61,947**	71,618	(14)%
Gross profit	**10,501**	12,049	(13)%
Gross profit margin (%)	**17.0**	16.8	0.2 pts
Operating expenses	**(7,832)**	(8,968)	(13)%
Expense-to-revenue ratio (%)	**12.6**	12.5	0.1 pts
EBITDA	**4,358**	4,714	(8)%
Pre-tax income	**2,136**	2,768	(23)%
Pre-tax income margin (%)	**3.4**	3.9	(0.5) pts
Profit attributable to equity holders of the Company	**1,608**	2,030	(21)%
EPS — basic (US cents)	**13.50**	17.45	(3.95)
EPS — diluted (US cents)	**12.74**	15.77	(3.03)
Interim dividend per share (HK cents)	**8**	8	–
Final dividend per share (HK cents)[1]	**30**	30	–
Total dividend per share (HK cents)	**38**	38	–
Cash and Working Capital			
Bank deposits and cash and cash equivalents	**4,321**	4,023	7%
Total borrowings	**(3,955)**	(3,421)	16%
Net cash	**366**	602	(236)
Cash conversion cycle (days)	**(2)**	10	(12)

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

Revenue Analysis by Business Group*

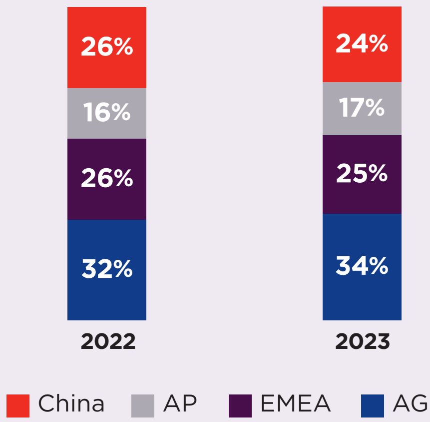
for the year ended March 31



* Revenue before eliminations

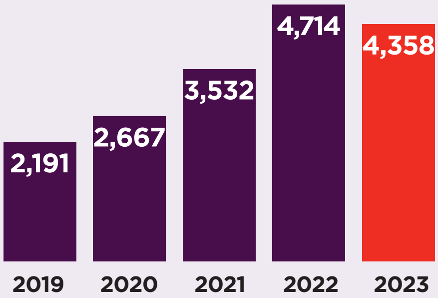
Revenue Analysis by Geography

for the year ended March 31



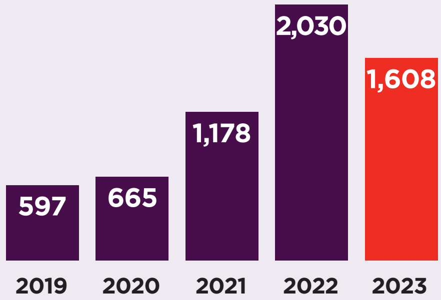
EBITDA

for the year ended March 31 (US$ million)



Profit Attributable to Equity Holders of the Company

for the year ended March 31 (US$ million)



Smarter turns science fiction into reality.

UNC Blue Sky Innovations

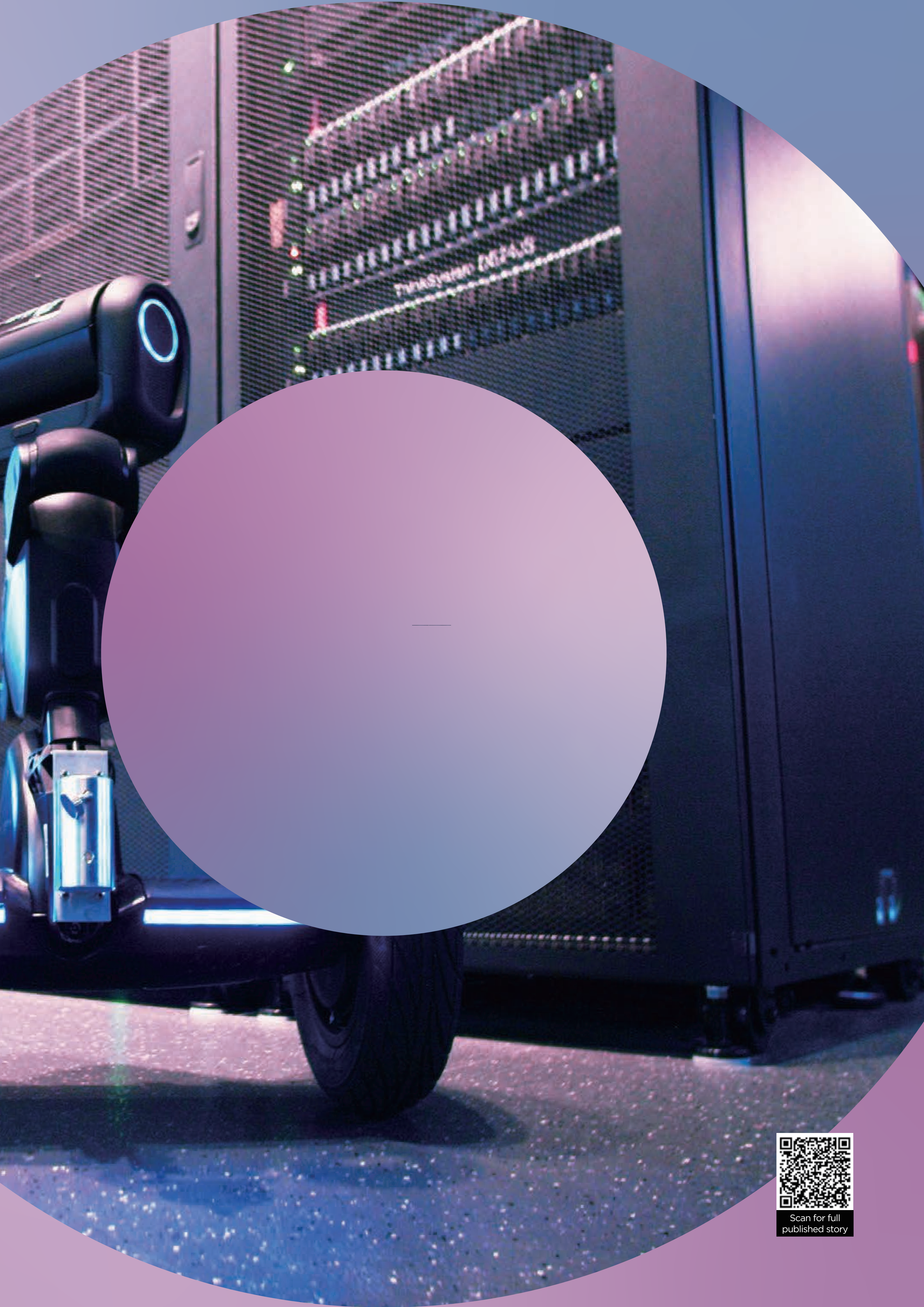
As more and more companies line up to occupy digital spaces in the emerging metaverse, Blue Sky Innovations, a North Carolina-based tech incubator, is striving to keep digital spaces, and digital faces, accessible and cost effective. Blue Sky faces the challenges that come with their ambitious goals with the help of Lenovo technology, and the resources at the Lenovo AI Innovations Lab.

Volumetric capture is a video capture technique that records a three-dimensional space and is typically accomplished with a large and expensive rig comprised of many different cameras capturing the subject at all different angles. These separate feeds are then reassembled into a single digital object — typically through powerful computers. This technology is used across industries from filmmaking to video game development, but with the advent of the metaverse, volumetric capture has many interesting new applications. Blue Sky, in keeping with their human centered philosophy, sought ways to make this process more accessible and cost effective.

With exciting steps already being made in the field of volumetric capture, members of both Blue Sky, and Lenovo teams expressed excitement about the possibilities opened up by the collaboration, and by the limitless applications of AI in solving humanity's greatest challenges.

"Our innovation lab and Lenovo share a common mission. We need to have really smart technology, and we need to make it available to everyone. Lenovo gets that!"

Steven King
Chief Innovation Officer, UNC Blue Sky Innovations



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Chairman & CEO statement

Our hard work over the past three years has elevated Lenovo to a new height not only in revenue, profitability and cash position, but also in our strategic direction.

As we close the fiscal year, it's time to reflect upon the numerous challenges that Lenovo and the entire ICT companies have been managing, and the solid execution results and strategic breakthroughs we have delivered despite the tough market and all the uncertainties in the macro context.

Broadly speaking, global businesses were operating in a high inflation, high interest rate environment with exchange rate fluctuation and geopolitical tensions. For our industry, the past fiscal year also marked a turning point from a fast expansion period to a post-pandemic, post hypergrowth era. It was a test not only for a company's operational resilience to navigate a challenging time, but also for its strategic foresights to emerge out of this period stronger than ever, ready to win for the future.

Delivering Solid Results with Diversified Engines and Operational Excellence

I'd like to report that Lenovo delivered the most solid results we could reasonably hope for amid the ICT industry contraction phase in the past fiscal year.

Despite the broad market decline, we maintained a strong net margin comparable with the previous year and remain committed to doubling it in the medium term. This is a remarkable achievement. Our operational excellence keeps purchasing cost low with our global scale, ensures high productivity through inhouse manufacturing, turns inventory into cash fast through strong channel partnerships, and keeps a high efficiency of the entire company through strong expense management.

Our diversified engines in solutions, services and infrastructure demonstrated strong momentum and achieved hypergrowth in the past fiscal year. They not only helped offset the PC market decline, but also told a stellar growth story in themselves. Solutions and Services Group (SSG) continued to deliver double-digit growth with over 20% operating margin. Infrastructure Solutions Group (ISG) grew over 30% year on year at significant premium to market. As a result, we have dramatically increased the percentage of non-PC business in our revenue mix, which marks an important milestone in our transformation from a device or hardware company to a solution and service company.

And in PC market, the consumer demand for smart devices has been accelerating over the last three years, leading to channel overstock and then inventory correction. As a result, the PC shipments of the entire industry, including Lenovo, declined year on year, especially during the second half of the fiscal year. But Lenovo still outperformed the PC market in shipment and maintained our leadership position and industry leading profitability.

We believe the PC shipment has nearly bottomed by now, based on the activation number which reflects the real demand, as well as the channel inventory level, which has almost returned to the pre-pandemic level. From this point, the PC market is about to resume its year-on-year growth, as early as the second half of 2023. And Lenovo is ready to capture that growth from a position of strengths.

Chairman & CEO statement

Enhancing Competitiveness to Capture Future Opportunities

As we enter the post-pandemic, post hypergrowth phase of our industry cycle, I believe our hard work over the past three years has elevated Lenovo to a new height not only in revenue, profitability and cash position, but also in our strategic direction. Going forward, we will continue to focus on the following areas.

First, we will accelerate our journey from a device or hardware company to a solution and service company. It all starts with providing total solutions to customers to solve industry specific pain points. And in this process, we will leverage our TruScale brand to boost Lenovo's presence in the highly promising aaS market. Meanwhile, we will build more horizontal solutions including digital workplace, edge/AI, hybrid cloud, TruScale and sustainability solutions and embed them into vertical industries. Ultimately, these efforts will help steadily increase the percentage of solutions and services in our overall revenue mix.

Second, we will keep driving our investment in New IT. Lenovo has been the first one in the industry to define our vision of New IT, the technology architecture that includes client devices, edge computing, cloud computing, network and artificial intelligence. It differentiates from traditional IT which features on-prem data center and applications. Going forward, we are committed to doubling our R&D investment around New IT in medium term. Today, one in every five of Lenovo employees works in R&D or innovation, and we continue to bring innovative technology, products and solutions to the market, including rollable PC, Yoga Book 9i, ThinkPhone, ThinkReality VRX, extreme performance ThinkStation, new generation ThinkSystem, ThinkAgile, ThinkEdge, as well as smart space solutions such as ThinkSmart One, all launched last year, and many more in our pipeline.

Third, we will continue to leverage and optimize our unique "Global Sourcing, Local Delivery" model. Globally, we have access to advantageous resources, attract talent and build partnerships. And locally, we stay agile and flexible to serve customers' needs. In supply chain, our global scale helps us secure key components. In manufacturing, we have our own factories to ensure capacity and uninterrupted supplies. In marketing, we use a "Global Might Local Fight" approach to build Lenovo's global brand equity while generating local influence and demand in key markets. This is a strong core competency that Lenovo has built over years and will continue to make a big difference in the future.

And finally, we will maximize the advantages of One Lenovo. Today, customers need not just products but total solutions. Lenovo has all the pieces, including devices, infrastructure, solutions and services to serve their needs. And we will continue to leverage our existing platform and processes, build on our existing core competencies to grow adjacent business. The capabilities we've built with our core business are now the best soil that nurtures our new, diversified growth businesses. As One Lenovo, we are sharing the same vision, executing the same strategy, operating on the same platform, and building the same culture, in every business, every region, and every team.

Building a Smarter Future for All

Our solid results and clear strategic directions have prepared us well to navigate the current market headwinds, a challenging economy and numerous macro uncertainties. I firmly believe in the long-term opportunities driven by global digital and intelligent transformation. It is our strategic foresights and operational resilience that will help us transcend the industry cycle more smoothly than competition.

Beyond business success, our ultimate goal is to use technology to help solve humanity's greatest challenges. We have made important progress including having our net-zero target by 2050 validated by Science Based Target initiative (SBTi). It's our commitment that everything we do must serve the purpose of making life better, work more productive, society more equitable and inclusive, and our planet more sustainable.

To that end, let's make the new fiscal year a new chapter in our journey of building a smarter future for all.

Yuanqing Yang
Chairman & CEO
Lenovo

Yang Yuanqing
Chairman and Chief Executive Officer

Gao Lan
Senior Vice President,
Human Resources

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

Liu Jun
Executive Vice President and
President of the China Geography

Lenovo management team

Yong Rui
Senior Vice President
and Chief Technology Officer

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

Qiao Jian

Senior Vice President
and Chief Strategy Officer
and Chief Marketing Officer

Laura G. Quatela

Senior Vice President and
Chief Legal and Corporate
Responsibility Officer

Luca Rossi

Executive Vice President and
President of the Intelligent
Devices Group

Che Min (Jammi) Tu

Senior Vice President and
Group Operations Officer

Wong Wai Ming

Executive Vice President
and Chief Financial Officer

Ken Wong

Executive Vice President
and President of the
Solutions & Services Group

Matthew Zielinski

Executive Vice President and
President of the International
Sales Organization

Smarter puts need for speed in software development.

Siemens digital industries

Siemens is a global technology company and a leader in factory automation, with 45 million automation systems installed around the world. To test its 10 million lines of code faster and accelerate software development cycles, Siemens deployed a hyperconverged infrastructure solution based on Lenovo ThinkAgile VX Series, speeding up overall product development by 33% with some of the 60,000 test cases running 50% faster. With low storage latency under 1 ms and parallel software build processes, Siemens has achieved 3x faster development cycles.

"We have substantially increased the productivity of our software development and testing teams, by about 33%. And by clearly documenting our solution architecture and the decision-making process, we can share our insights with other departments to help increase performance and standardization across the company."

Ronny hopf

Head of Production Machine Automation Development House Chemnitz, Siemens Digital Industries

Hardware
- Lenovo ThinkAgile VX
- Certified Nodes
- Lenovo ThinkSystem SR650 and SR630 servers
- Lenovo ThinkSystem DE2000H
- Hybrid Storage Array

Software
- VMware HCI Kit Advanced
- VMware Sphere Enterprise Plus
- VMware vSAN
- Advanced, Veeam Backup 8 Replication

Services
- Lenovo Premier Support
- Lenovo Professional Services

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Management's discussion & analysis

Business review and outlook

Highlights

During the fiscal year ended March 31, 2023, Lenovo's (the Group) structural growth engines, including its Infrastructure Solutions Group (ISG), and Solutions and Services Group (SSG), set multiple performance records, thanks to its resilient and well-executed transformation strategy. The ISG segment delivered significant profit improvement, building on high-end applications, including Artificial Intelligence, and portfolio expansion in high-margin products. SSG spearheaded the Group's Service-led Transformation by expanding its value-added solutions for its broad client base. The growth engines' combined revenue and operating profit increased by 31 percent and 24 percent, respectively. Intelligent Devices Group (IDG) remained a strong sector leader, not only in market share, but also in profitability despite a 21 percent setback in revenue due to sector-wide pressures ranging from excessive channel inventory and conservative customer spending to exchange rate fluctuations.

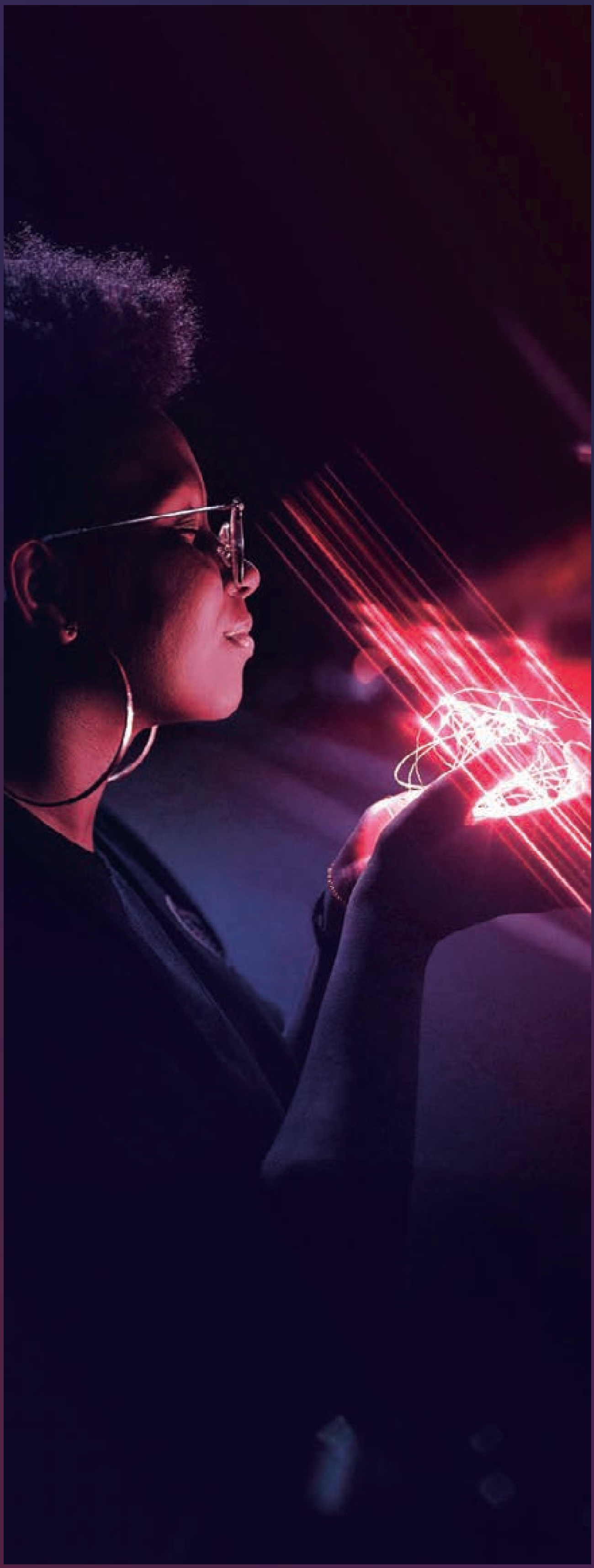
On one hand, non-PC businesses grew 7 percent and made up nearly 40 percent of the combined revenue of the three business groups, 7 percentage points higher year-on-year. On the other hand, persistent macro headwinds weighted on PC operations and led to a 14 percent decline, to US$61.9 billion, in Group revenue, within which, currency conversion alone resulted in a negative impact of 5 percent. Profit attributable to equity holders declined by 21 percent, to US$1.6 billion, or down 10 percent excluding a one-time restructuring and other charges. The decline of non-HKFRS (non-Hong Kong Financial Reporting Standards) net income was smaller at 13 percent.

Management's decisive actions throughout the year further streamlined its operating expense structure, maintaining a high level of agility and resilience, and better transcending the cycle. The Group made one-time restructuring and other charges of US$249 million, among various other actions, to deliver annual run-rate group expense savings of about US$850 million. In spite of macro headwinds, additional investments were made to upgrade and differentiate the Group's technology and services, which are vital to ensuring long-term success of its growth engines, business transformation, and ESG initiatives; R&D (Research & Development) spend increased 6 percent year-on-year.

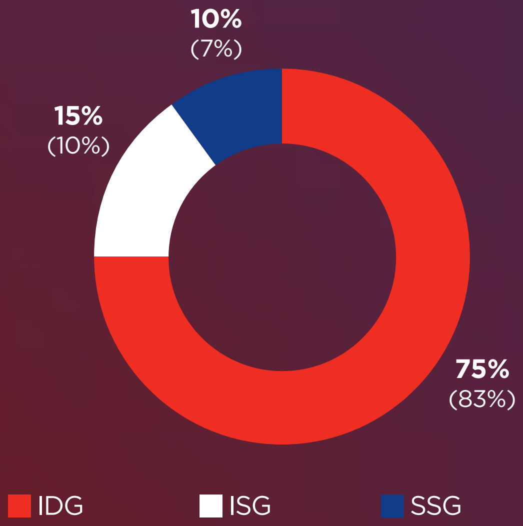
With prudent working capital management, the Group improved its cash conversion cycle by 12 days to negative 2 days year-on-year. Inventory reduced steadily, with year-end balance shrinking over US$1.9 billion. The Group was recognized for its ESG performance with numerous accolades, including a Gold award for Sustainable Companies and Organizations at the Best Corporate Governance and ESG Awards. MSCI upgraded the company's ESG rating to AAA while EcoVadis recognized the Group's excellence in sustainable procurement with an Outstanding Program Leadership Award. The Group was the first in the PC and smartphone sectors to have its 2050 net-zero greenhouse gas emissions target validated by the Science Based Targets initiative. The Group made significant effort to facilitate gender equality and was listed in Bloomberg's Gender-Equality Index. Lenovo was also featured as a leader in climate change and water security by CDP.

Group Financial Performance

Notwithstanding market challenges, improving profitability remains the Group's medium-term priority. Profitability, including gross margin and operating margin, reached an 18-year high on strengths of ISG and SSG, which helped mitigate the impact on profitability from smaller scale PC operations. Group operating margin remained robust as ISG and SSG built on their momentum in capturing market share, allowing the two business segments to deliver record-breaking revenues, at growth rates of 37 and 22 percent year-on-year respectively. The resilient global Digital Transformation cycle, coupled with New IT demand and the Group's investment in innovation, including its ESG initiatives, played a critical role in achieving these milestones. While bolstering non-PC business growth, persistent macro challenges and pressure to clear excess channel inventory led to a 24 percent year-on-year decline in IDG segment profit. Despite healthy growth in Group operating margin, net margin decreased by 23 basis points year-on-year as the company continued to face various macro challenges, including but not limited to rising finance costs.



Revenue by business group* (%)



* revenue before eliminations

Management's discussion & analysis

Performance by Business Group

Intelligent Devices Group (IDG)

Revenue of IDG, consisting of the PC, tablet, smartphone, and other smart device businesses, declined 21 percent year-on-year but remained markedly higher than FY2019/20 pre-COVID levels. Operating profit for the fiscal year under review declined by 24 percent. Despite the significant revenue decline, segment profit margin of 7.3 percent was down 31 basis points year-on-year, and remained significantly above pre-COVID levels owing to operational excellence and a favorable mix shift to enable higher margin sales.

During the year under review, excess channel inventory intensified business challenges amid falling sell-in demand and currency headwinds. Sell-in activity was compromised by channel inventory clearance. Nevertheless, Group sell-out data, or actual sales to end users, suggested a more moderate decline in end demand and, simultaneously, greater gain in market share. The Group's PC business remained number one by market share even as it made significant progress on reducing channel inventory towards the end of the year.

IDG made great progress in seizing growth opportunities beyond PC products. Non-PC sales made up 19 percent of IDG's revenue, up 0.4 percentage points year-on-year. Our smartphone revenue declined from overall market demand weakness. Nevertheless, it outperformed in multiple markets such as EMEA and AP by a notable margin. Smartphone business has also remained profitable for three consecutive years with an increasing 5G mix. IDG also ramped up its efforts in developing scenario-based solutions, including Smart Collaboration, Smart Office and Smart Home, which delivered double-digit growth year-on-year.

The essence of IDG's long-term growth strategy lies in investing in innovations, and developing strong products and new solutions, while further levelling up operational excellence to benefit from future recovery. Investments in innovation have yielded positive results and revenues from its accessories business, as well as its Smart Collaboration and visual stand-alone solutions.

Infrastructure Solutions Group (ISG)

During the year under review, ISG revenue grew by 37 percent to a record US$9.8 billion, marking the third consecutive record-setting year and positioning ISG as one of the world's fastest-growing infrastructure solution providers. Operating profit surged to a new high of US$98 million. Growth was supported by an enriched product portfolio and design-in projects, as well as customer acquisitions and industry partnerships.

Such achievement was built on years of investment in creating a full-stack portfolio with broad customer coverage and a unique, fully integrated ODM+ (Original Design and Manufacturing) business model, which drives significant progress in new product areas. By product, revenue of server and software set records, with year-on-year growth between 25 to 30 percent. Storage revenue more than tripled while ThinkEdge, the Group's state-of-art edge product, sales increased more than 1.7 times year-on-year. ISG's market share, by revenue, in the global storage market nearly doubled year-on-year in 2022, according to third party statistics. ISG is also capturing emerging opportunities in Artificial Intelligence (AI) Powered server and Edge, as well as hybrid cloud. While AI server shipments remain small, its high average selling price bodes well for overall revenue increase. In 2022, ISG's global server market share by revenue climbed 1 spot from the previous year. Eyeing the strong growth potential in Edge computing, ISG expanded its Edge offerings, which includes the industry's most GPU-rich purpose-built Edge design. Well-supported by these strategic initiatives, both Cloud Service Provider (CSP) and Enterprise & Small-and-medium Business (ESMB) revenues grew at strong double-digit rates to record levels.

Solutions and Services Group (SSG)

Customers increasingly looked for end-to-end solutions across hardware, software and services, as well as subscription-based, well-supported pay-as-you-go models. SSG's continued focus on the "New IT" segment within the trillion-dollar market delivered strong financial results, demonstrating the Group's commitment to its Service-led Transformation.

Revenue and operating profit grew 22 percent and 16 percent year-on-year to US$6.7 billion and US$1.4 billion respectively. SSG's operating margin of 20.9 percent topped all business groups. Deferred Revenue rose 2 percent year-on-year to a high of US$3.0 billion. In August 2022, the Group strengthened its service capabilities and expanded SSG's footprint through the acquisition of Lenovo PCCW Solutions Limited (formerly known as PCCW Lenovo Technology Solutions Limited)

SSG's solid performance was underlined by strengths in its three business segments. Managed Services capitalized on surging demand for as-a-service solutions, with revenue growing 67 percent year-on-year. Project & Solution Services revenue rose 13 percent year-on-year on buoyant demand for vertical solutions. Along with a record penetration rate, Attached and Support Services revenue increased 14 percent year-on-year.

Geographic Performance

Lenovo is a global business operating in over 180 markets. In Americas, the Group experienced a 9 percent year-on-year decrease in sales. ISG revenue nearly doubled year-on-year, driven by a ramp-up in new orders and an enriched product portfolio. ISG's strong performance and SSG's moderate growth in the region partially offset IDG's weakness in the PC sector as it faced headwinds from inflation, weaker economic activity and channel inventory reductions.

In Asia Pacific (excluding China), Group revenue decreased by 10 percent. SSG, including its subsidiary, LPS (Lenovo PCCW Solutions), reported robust revenue growth, driven by key project wins. ISG also reported double-digit growth in the region, attributable to strengths in both the CSP and ESMB segments. IDG's revenue fell with continued PC channel inventory digestion as well as currency depreciation against the US dollar for most of the year.

Revenue in China declined 19 percent year-on-year, affected by the country's COVID containment measures in the first half of the fiscal year and sluggish economic growth. The business segments, including PC and infrastructure businesses, experienced declining market demand. Nevertheless, SSG delivered strong revenue growth, driven by as-a-Service and vertical solutions.

The Europe-Middle East-Africa (EMEA) market reported a revenue decline of 16 percent year-on-year. The region's weakness mainly stemmed from IDG's operation as it faced macro headwinds, channel inventory reduction and persistent geopolitical conflicts. Both ISG and SSG reported double-digit growth on strong share gains.

Outlook

Prevailing global macro uncertainties and external challenges could extend well into future periods. The strengthening US dollar exacerbated the conversion impact as the majority of Group revenue is denominated in non-US dollar currencies. During the fiscal year under review, currency conversion alone created a negative impact of 5 percent on its top line. Rising interest rates also led to a year-on-year increase of 69 percent on the Group's net financing cost. The Group took swift actions to optimize its expense structure and mitigate these external pressures in order to continue pursuing its medium-term goal of doubling net margin.

Meanwhile, there is also a clear shift in IT spending mix, empowering Digitalization, which will create strategic opportunities in Digital, Cloud Infrastructure and Service-led Transformations. These catalysts, coupled with the Group's investments in innovation and its global footprint, are key to expanding its operating margin and maintaining largely flat net margins year-on-year.

The Group will continue to invest in innovation, and high-value added products and components, while fostering the development of "New IT" architecture within the "Client-Edge-Cloud-Network-Intelligence" framework. The Group unveiled a solid product and solution lineup at the Consumer Electronics Show (CES) in January 2023 as well as at other technology events globally. The group won a total of 129 awards for various products at CES alone. On a product level, Yoga Book 9i won a total of 50 awards in the year, a record for any single product. Infrastructure saw an expansion to its end-to-end edge portfolio, which included the new ThinkEdge SE10 edge client device, capable of capturing analog and digital data at the far edge. At the same time, Lenovo Open Cloud Automation 2.6 and XClarity edge-to-cloud orchestration were announced. The Group also partnered with a leading semiconductor supplier on vehicle computing, a space where the company can leverage its capabilities in large-scale, standardized, and complex computing systems.

Management's discussion & analysis

The PC market might stabilize sooner than many expected in 2023, and at the same time, IDG will continue to drive efficiency in its lean operations, maintain healthy cash generation, and invest in innovation. IDG will lead the global race in device innovation by enhancing features for hybrid working, gaming, entertainment and ESG designs. Scenario-based solutions, including Smart Collaboration and Smart Home Devices, continue to grow at a stable pace. Meanwhile, the total available market of the global PC sector may regress to pre-COVID levels in the short-term but could remain at a level structurally higher than the pre-pandemic period in the long-term with the growing popularity of a digital life centered around the PC. The commercial upgrade cycle and the trend of premiumization will help IDG drive premium-to-market growth. Its smartphone business will focus on portfolio expansion and differentiation to take advantage of accelerated 5G adoption. IDG will further invest to score wins in non-PC areas, including fast-growing accessories and work collaboration solutions. The Group strives to reinforce its number one position in the PC sector, with leading profitability, and accelerate growth in non-PC and adjacent areas through innovation.

ISG has built industry-leading end-to-end infrastructure solutions and expanded to full-stack offerings including server, storage, and software. The ESMB segment will also capitalize on growth opportunities in AI Powered Edge, hybrid cloud, High Performance Computing, and solutions for the Telco/communication sectors. For the CSP segment, ISG has a unique ODM+ business model to address the growing demand for vertically integrated supply chains. The business will continue to diversify its customer base and capture new accounts through design-wins across technology platforms. The approach will achieve an optimal balance between general purpose and customized offerings, while ensuring the appropriate scale and an efficient cost structure to enable revenue growth and profitability expansion.

For SSG, global interest rate hikes and economic uncertainties have led to more cautious spending and a prolonged deal conversion cycle in the near-term. However, mega trends of digital transformation, infrastructure upgrades with strong demand for hybrid cloud, as well as remote work and collaboration will continue to drive IT spending in the long run. The IT talent shortage in most enterprises will translate into additional demand for outsourced services, presenting an opportunity for professional consulting, deployment, and managed services. Enterprise users will also have greater incentives to explore Asset Recovery Services to monetize and recoup the value of their end-of-life assets. SSG will continue to broaden its service offerings, which includes digital workplace, hybrid cloud and sustainability services, while protecting its core business with product-related services, as well as strengthening channel tools and cooperation with business partners. Given its strong growth outlook, SSG will further enhance its financial contribution to the Group.

Strategic Highlights

The Group continues to be the leader and enabler of Intelligent Transformation, helping clients navigate a more complex world with its vision of bringing smarter technology to all. Strong innovation, which goes hand-in-hand with the pursuit of profitability growth, will further elevate its competitiveness in next-generation product design and solutions.

Leveraging its Services business as a structural growth engine, the Group will strengthen its end-to-end service solutions, in particular, its TruScale as-a-Service portfolio, to address customer pain points in hybrid work, multi-cloud management, as well as cybersecurity.

As a responsible corporate, the Group prides itself on setting high standards and making every effort to mitigate environmental impact as the business advances towards its goal of net zero emissions by 2050. To capitalize on growing ESG awareness, management will broaden its sustainability initiatives to incorporate innovative ESG features, such as a CO2 offset service, into the Group's services to help customers meet their ESG goals.

Corporate strategy highlights

Guided by the mission to be the leader and enabler of intelligent transformation, Lenovo Group has been firmly driving “3S” strategy (Smart IoT, Smart Infrastructure, Smart Verticals) by implementing “Service-led Transformation” and “Tech-powered Innovation”. In the past year, we have achieved critical transformation milestone despite of challenging macro environment, and delivered solid performance thanks to our strategic foresight and operational excellence.

FY2022/23 was a challenging year for ICT market, and unfavorable macro environment have touted market confidence throughout the year, especially for device market. However, our strategic foresight guided us to build solutions, services, and infrastructure into our diversified growth engines, and helped us capture the growth opportunities of digital and intelligent transformation. As a result, our Non-PC business enjoyed strong growth and reached record 40% of group revenue in second half of year, which marked an important milestone. We also took proactive actions to manage the challenges and build critical capabilities to win in future

We have achieved great success In Smart Verticals. SSG has delivered high growth with high margin, and established our presence to compete in “as a Service” market with our TruScale brand and on-demand services.

Smart infrastructure continues benefiting from the ICT infrastructure upgrade and increasing demand for computing power. ISG has been a high growth engine with consecutive profitability, thanks to strong competitiveness of our ODM+ model and operational excellence.

Smart IOT has become critical to address customer’s shifting need from device to space. IDG has not only maintained PC #1 market position, but also delivered strong performance for non-PC smart devices and smart space solutions.

Looking ahead, we believe there are still opportunities to capture despite that macro challenges will persist in near term. Mega trends of Digital transformation and Infrastructure upgrade will continue driving IT spending. We are confident that our well-designed strategy and operational excellence will help us transcend the cycle.

Human resources

By the end of FY2022/23, the Group had a headcount of approximately 77,000 worldwide. The Group implements remuneration policy, bonus, employee share purchase plan and long-term incentive scheme with reference to the performance of the Group and individual employees. The Group also provides benefits such as insurance, medical and retirement funds to employees to sustain competitiveness of the Group.

Management's discussion & analysis

Material risks of the Group

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

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

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

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

Risk Description	Key Risk Mitigations
Strategic Risks	
Competition	
The Group operates in a highly competitive industry which faces rapid changes in market trends, customer and consumer preferences and constantly evolving technological advances in hardware performance, software features, services, and other tech offerings. It faces aggressive product and price competition from new entrants and existing competitors. *Customer Engagement* In this competitive environment, brand recognition and awareness and good customer experiences are important success factors to the Group. Failure to engage and resonate with customers may adversely affect the Group's results through loss of customer loyalty or damaged brand reputation from bad publicity. *Innovation* Technology is advancing at a fast pace with constant improvement in product offerings and the creation of new technology disruptors. Failure to innovate and respond effectively to changes in market trends or customer and consumer preferences through timely launches of new products, or through competitive prices, could harm the Group's competitive position. *Business Transformation* As the scale and breadth of its business and operations expand, the Group faces risks associated with implementing its strategic initiatives. Sub-optimal allocation of resources in areas like innovation, marketing and services delivery may result in the inability to meet the desired strategic outcomes, such as to effectively counter competitive pressures.	The Group actively monitors its competitive environment and market trends. It maintains its competitive position through commitments to innovate and build a broad product and services portfolio, grow its brand name, and drive customer-experience transformations to differentiate the Group and gain market share and recognition. The Group's Service-led Transformation supports the long term 3S strategy (Smart IoT, Smart Infrastructure and Smart Verticals) to protect and drive profitability in the business. It is focused on its mission to be the leader and enabler of Intelligent Transformation. The Group's strategic planning process incorporates prioritization and focus on strategic objectives to guide effective and efficient allocation of resources required to execute plans.

Risk Description	Key Risk Mitigations
Strategic Risks	
Mergers and Acquisitions (M&A) As part of the Group's business transformation and long-term growth strategy, it may acquire or make investments in companies and businesses or enter into strategic alliances and joint ventures. The Group faces external risks such as an uncertain economic outlook, as a result of higher inflation, rising interest rates, volatile capital markets, geopolitical and regulatory uncertainty, and other challenges associated with potential acquisitions. The Group's due diligence process may fail to identify significant issues, resulting in overly optimistic financial forecasts and valuation. It may also not fully realize all of the anticipated synergies/benefits of its acquisitions, which may result in lower than expected revenue, and earnings, or an impairment of goodwill or intangible assets.	The Group adopts a cautious and conservative approach and drives a rigorous due diligence process to ensure assets are appropriately valued and approved in accordance with the M&A approval process. Post-acquisition reviews are conducted periodically to monitor the performance of these investments. See "Notes to the financial statements" (page 222 and pages 240 to 241) and "Key audit matters" (page 180)
Complex External Global Conditions The Group operates globally and, as such, its results may be impacted by global and regional changes in macro-economic, geopolitical, and social conditions, regulatory environments, natural catastrophic events, public health issues, etc. Adverse economic conditions may result in postponements of or decreases in spending and investment, affecting the Group's sales. When combined with other external conditions like geopolitical or regulatory environments, multifaceted challenges may arise in many areas of its business, such as M&A (see aforesaid discussion on "Mergers and Acquisitions"), or supply chain management (see discussion on "Supply Chain Management). These external factors are beyond its control and may affect the ability or ease of doing business with customers and/or suppliers, increasing the cost of operations and uncertainty of its financial performance.	The Group has diversified its geographic sources of revenue and profit to reduce its dependency on any single country or region. It vigilantly monitors its external environment, including geo-political developments, and adapts its strategies to address shifting dynamics in the regions and countries in which it operates. It conducts sensitivity and scenario analysis to position the Group for a better outcome.

Risk Description	Key Risk Mitigations
Legal, Regulatory & Compliance Risk	
The Group operates globally and must comply with the regulatory and legal requirements of the jurisdictions where it conducts business. These include, but are not limited to laws on • Anti-Bribery and Corruption • Import/Export Practices • Privacy and Data Protection • Competitive Practices • Environmental, Social and Governance (ESG) The regulatory and legal compliance environment is complex and constantly changing. New or changes in regulations may affect the ability or ease of doing business with customers and/or suppliers, thereby increasing the cost of operations. Non-compliance by the Group may result in financial penalties, loss of reputation and/or the inability to continue all or part of its operations in the affected jurisdictions. The Group's legal related risks are assessed on a periodic basis. Examples of risks evaluated include: • The risk that representatives of the Group, including its employees or agents, intentionally or inadvertently bribe a government official or other third parties in violation of applicable anti-bribery and corruption laws and regulations.	The Group actively manages risks associated with conducting business in a complex regulatory environment. The Legal department, in partnership with various stakeholders within the Group, effectively manage and oversee implementation of the control framework relating to the mitigation of these risks, Examples include: • Development and maintenance of our robust ethics and compliance culture through its sound policies, procedures, and training to personnel on Lenovo's Code of Conduct ("Code") • Implementation of the Group's Whistleblowing and Investigations Policy outlining the process by which concerns, and potential misconduct are raised, reviewed, and investigated • Effective contract management of the Group's business relations • Robust privacy, security, and data protection policies, processes, and training to responsibly collect, process, use, retain, sharing, transfer, and safeguard proprietary, confidential, and personal data of Lenovo, its customers, and employees. • Continuous monitoring of changes in the legal and regulatory environment to ensure compliance with applicable laws and regulations.

Risk Description	Key Risk Mitigations
Legal, Regulatory & Compliance Risk	
• The risk that employee behavior inconsistent with Code of Conduct could lead to conflicts of interest, embezzlement, or other fraud causing excessive cost, reputational harm, or compliance issues. • The risk that there are violations by the Group or its agents of trade laws, or of U.S., Chinese or other country trade restrictions. • The risk that there are instances of non-compliant collection, processing, use, retention, sharing, cross-border transfer, and protection of proprietary, confidential, and personal (customer, supplier, employee), user or device-identifiable data, leading to violations of applicable privacy, security, and data protection laws and regulations. • The risk that the company will enter a joint venture or merger & acquisition that may substantially lessen competition.	

Risk Description	Key Risk Mitigations
Operational Risks	
Supply Chain Management	
The Group's supply chain is highly complex, involving a broad base of suppliers and various manufacturing sites around the world (both Group and third party owned). Its ongoing success is dependent on the smooth running of all aspects of its operations, including but not limited to demand forecasting, manufacturing resources planning, order fulfilment, and inventory management. Geographically, the supply chain spans many countries, but there may be supply or production concentration in certain locations, countries, or regions within a country. The Group also has multiple tiers of suppliers. Given the Group's wide range of products, some products may be reliant on a few component suppliers. The disruption of the supply of any of its products, component parts, systems or services may affect product availability and customer satisfaction. Potential disruption may be caused by many factors. These factors include damage to its own or its suppliers' manufacturing facilities or logistics hubs from catastrophic events, natural disasters, a pandemic or other local or global health issue, a supplier's financial failure, unfavorable business, political or economic factors, cyber-attack, etc. Substantial recovery expenditure or prolonged recovery time could be required. If the Group is unable to source alternative supplies during the period of shortage at favorable pricing, its revenues, profitability, and competitive position may be adversely affected.	The Group actively manages risks inherent to its complex supply chain. It utilizes cost and operational analysis to understand potential impacts. On-going efforts are made to optimize its efficiency. It manages concentration risks through broad supplier sourcing (i.e., limiting sole/single sources), and diversification of its production footprint globally. The Group builds physical resilience into its own manufacturing locations by investing in risk engineered improvements on an on-going basis, especially in key locations. It conducts disaster recovery planning to minimize impact of regional catastrophes or natural disasters and ensures business continuity plans are in place.

Risk Description	Key Risk Mitigations
Operational Risks	
The Group's complex supply chain may also result in exposure to hidden and uncontrollable risks typically driven by Environmental, Social and Governance (ESG) factors, such as natural resource depletion, human rights abuses, or labor practices. For example, the legal and regulatory standards of certain countries in which its indirect suppliers operate may be less robust and therefore not sufficient to meet the regulatory standards of other countries which it sells to. Non-compliance by any supplier, whether direct or indirect, may harm the Group's reputation and supply chain operations, or cause the loss of license to operate. With ESG becoming more of a customer differentiator in their purchasing decisions, the Group may also lose customers who look closely at their suppliers' compliance to codes of conduct, environmental impact, and responsible sourcing of materials.	The Group is committed to ESG across its end-to-end supply chain process. It has systems in place, supported by contractual requirements, to help ensure that suppliers comply with all applicable labor, environmental, health and safety, and ethics standards. The Group works with the electronics industry on supply chain issues through its Responsible Business Alliance (RBA) membership. It also encourages the RBA standard to be used across multiple tiers of its suppliers and maintain compliance through independent audits. Since FY2021/22, the Group has further enhanced the company's supply chain due diligence practices with the deployment of EcoVadis' ESG Risk Management Platform which has been integrated into Lenovo's supplier management practices. This integration will support year-on-year improvements by assessing suppliers, identifying risks, recommending improvements, and providing progress reports.
Product Quality	
The Group offers products and services that are complex. Failure to maintain an effective quality management system, including within the Group's research & development activities, its manufacturing facilities, and its supply chain, may have a material adverse effect on its business and operations, brand image and customer loyalty. Addressing quality issues can be expensive and may result in product recalls, production interruption, additional warranty, repair, replacement, and other costs and adversely affect the Group's financial results. The Group may also face product liability claims from its customers or distributors if the use of its products results in bodily injury, property damage or other loss, regardless of whether it is at fault. It may have to spend significant resources and time to defend itself in product liability legal proceedings. Successful assertion of product liability claims may require it to pay significant monetary damages.	The Group is continuously working towards improving its processes and procedures. Its Quality Management System, (QMS) routinely passes both internal and external audits and complies with ISO 9001:2015. This enables the Group's operations to run more efficiently, increase customer satisfaction and communicate to potential customers that it has robust quality processes. Its Environmental Management System (EMS) complies with ISO 14001:2015 and certified to be suitable, adequate, and effective in support of its products, site locations and supply chain operations. The Group is both ISO 9001 and ISO 14001 certified by DEKRA outside of China and in China by the Electronics Standardization Institute (CESI). It is committed to maintaining certifications for QMS and EMS to ensure it meets customer, investor, and employee Environment, Social and Governance (ESG) responsibilities.

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

Risk Description	Key Risk Mitigations
Operational Risks	
Information, Product & Cyber Security	
The Group may be impacted negatively if it sustains cyber-attacks, data security breaches or similar incidents that lead to exposure, loss of data or misuse of proprietary and confidential data, disruption in its operations or damage to its reputation. The Group manages and stores various types of proprietary and confidential information, including sensitive categories relating to its operations and its customers and employees. In addition, the Group's cloud computing business routinely processes, stores, and transmits substantial amounts of data for its customers, including sensitive customer proprietary and personally identifiable information. The Group may be subject to attack from hackers and other malicious software programs that attempt to penetrate its networks and exploit security vulnerabilities in its systems or products. Hardware, operating system software, product software and applications that the Group produces or procures from third parties may contain "bugs" or similar threats that may unexpectedly interfere with the operation of the system or may present unidentified security risks. The Group may be required to notify regulators of security incidents or vulnerabilities found in its products. Breaches of the Group's security measures and misappropriation of sensitive proprietary and confidential data about the Group and its customers and employees, if not effectively managed in a timely manner, may lead to loss of customer confidence, negative impact to reputation, disruption in business operations, exposure to potential litigation and liability and result in a loss of revenue and increased cost.	The Group will continue to invest in the following: (a) Development and maintenance of a robust cybersecurity risk governance and compliance program along with a security culture program through sound policies, robust incident response plans and processes, and business continuity programs as well as training of its employees around vital data security and data protection practices. (b) Enhancements to cybersecurity controls and information security, product security and privacy awareness through a continuous risk evaluation and improvement process. (c) Compliance with mandatory privacy and security standards and protocols imposed by law, regulation, industry standards, or contractual obligations. (d) Policies and processes to ensure hardware, operating system software, product software and applications that the Group produces or procures from third parties protects and uses customer data responsibly.

Risk Description	Key Risk Mitigations
Operational Risks	
The Group is subject to laws and regulations in countries where it operates relating to the collection, use, cross-border transfer, and security of customer, supply chain and employee data. The Group needs to conduct normal business activities which includes the collection, use, cross-border transfer, and retention of personal or other data pursuant to these activities. The Group may be required to notify individuals or regulators of a data security breach. An increasing number of customers are inquiring about the industry standards that the Group complies with. These pertain to whether the Group's security controls are in place, operating effectively and are in compliance with regulatory and industry standards. The Group's inability to demonstrate compliance with such standards may adversely affect the Group's ability to participate in a bid.	
Human Capital Management	
The Group may face disruption in labor market and intense competition for skilled and experienced workers due to fast-changing market dynamics and an increasingly diversified business landscape. For ongoing success, and to support growth through the Group's "3S" strategy, it must continue to attract, develop, retain and motivate high-performing and diverse talent across the enterprise while ensuring smooth transitions throughout the ongoing business transformation. The Group is committed to talent diversity and inclusion. In a highly competitive labor market, the Group may face challenges in implementing its initiatives to expand diversity outreach efforts to engage talents. This may adversely affect the Group's competitive position, employer brand and regulatory compliance.	The Group continuously enhances its employer brand in alignment with its intelligent transformation to attract talent with the requisite new skills and experience. It has a corporate wide workforce planning process to help the Group meet business demands and achieve strategic goals. It continuously invests in talent and leadership development programs to build talent capability and accelerate the internal movement of top talent, ensuring the strength of the leadership pipeline. The Group also continuously reviews and updates its compensation strategies to ensure that its compensation and benefits programs are performance driven, competitive, and flexible to support an increasingly diverse business landscape and employee population. The Group proactively incorporate diversity and inclusion initiatives such as hiring and promoting women, people of color and people with disabilities, and pay equity audits. It continues to develop the Group's equal employment opportunity programs, policies, and procedures.

Risk Description	Key Risk Mitigations
Financial Risks	
As the Group operates globally, significant, or prolonged economic instability or financial market deterioration may materially and adversely impact the Group's financial condition. The Group is exposed to a variety of financial risks, such as foreign currency risk, cash flow risk, credit risk and liquidity risks.	The Group has put in place a financial risk management program that seeks to minimize the potential adverse impact of the financial markets on the Group's financial performance. For more analysis, see "Notes to the financial statements" (pages 213 to 221)
Cash & Liquidity, Credit Management	
Adverse economic conditions or other external conditions may impede customers' ability to continue paying for goods and services. The Group may experience lower revenue resulting in less cash flow, along with delayed or default in receivables collection. Trade credit insurance capacity may be reduced or withdrawn as insurers actively manage their risk exposures. This may result in an increase in the Group's uninsured losses. Volatility in the financial markets may cause reduction in funding opportunities.	The Group closely monitors market developments, reviews collection performance, and bolsters collection capabilities. It also has formal credit policies designed to appropriately manage credit risk. It proactively works with broker and credit insurers to maintain credit insurance coverage to weather adverse economic conditions. The Group also closely monitors the financial market environment and funding opportunities.
Tax Management	
Due to the international nature of its business, the Group faces continuous changes in local and international tax rules and regulations. There may be ambiguity in how such rules and regulations should be applied to its operations. Changes in tax rules and regulations may also affect the Group's tax position and the value of tax assets and liabilities carried in the balance sheet. The value of deferred tax assets depends principally on the business generating sufficient taxable profits to utilise these tax benefits. It may be necessary for some of the deferred tax assets to be reduced with corresponding charges to the income statement if there is significant adverse change in the projected taxable profits of the business.	The Group carefully monitors both business developments and the global tax environment to make sure rules and regulations are applied appropriately and risks are mitigated where possible. See "Notes to the financial statements" (pages 222 to 223) and "Key audit matters" (page 181)

Environment

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

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

Lenovo's locations included in the EMS scope are audited internally as well as externally by certification bodies. Our EMS focus areas include:

- Climate change mitigation programs
- Environmentally conscious products program and its focus on the energy efficiency and design for environment principles
- Environmentally preferred materials programs to drive the use of recycled, recyclable, and renewable materials in our products and packaging and support a transition to a circular economy
- Environmentally sound operations at our manufacturing facilities
- Global supply chain environmental programs

Through Lenovo's ISO 14001:2015 EMS program, we conduct a Significant Environmental Aspect (SEA) evaluation at least annually. This process evaluates the significant or material environmental aspects while identifying risks and opportunities that may impact the business or operations. To manage the SEAs, we establish relevant environmental objectives and targets with Key Performance Indicators addressing site operations, products, and global supply chain functions. The objectives and targets are monitored and measured for progress semi-annually as part of Lenovo's ISO 14001:2015 Environmental Management System. Lenovo's performance against the FY2022/23 environmental objectives and targets will be published on our website.

Climate change

Governance	At Lenovo, we recognize that climate change is a serious threat and as such, we address it at the highest levels of our organization. At least annually the Board of Directors is briefed on climate strategy and progress towards our climate change mitigation goals. Lenovo's Chief Legal and Corporate Responsibility Officer provides executive leadership for Lenovo's Environmental, Social and Governance (ESG) position, including climate change programs. In addition, the ESG Executive Oversight Committee (EOC) provides strategic direction and facilitates the coordination of ESG efforts across Lenovo, including the company's climate change strategy. The ESG EOC is comprised of senior management from across the business and functional areas and is chartered to promote a culture that encourages strong ESG performance, including compliance and leadership activities.

Strategy	Lenovo identified physical as well as transition climate-related risks and opportunities that can impact our business strategy and financial planning. These include, for example, regulations, technology, reputation, consumer behavior, or extreme weather events. To start understanding how our identified physical and transition risks and opportunities could impact our overall business, Lenovo performed exploratory climate-related scenario analysis by using the GeSI-CDP Scenario Analysis Toolkit which is based on the Task Force on Climate-related Financial Disclosures requirements and guidance on scenario analysis. The results helped to identify gaps, including financial implications and the involvement of cross-function teams. Lenovo's Climate and Energy Policy forms the foundation of our climate change strategy that focuses on five key areas where we can demonstrate influence in driving emissions reductions and support for a global transition to a low-carbon economy: — internal operations — energy suppliers and their operational emissions — supply chain — customers — government, non-profit organizations, and the public in support of the transition to a low-carbon economy
Risk Management	Climate change risks and opportunities are identified and evaluated as part of the scope of two main processes within Lenovo's business management system. These include our global risk registration process as part of our Enterprise Risk Management (ERM) and the annual Significant Environmental Aspect (SEA) evaluation. Additionally, Lenovo considers climate change as part of the ESG reporting materiality assessment. These processes help us to identify climate-related risks and significant climate-related opportunities.
Metrics and Targets	We established near-term science-based emissions reduction targets, which were validated by the Science Based Targets initiative (SBTi) in June 2020 and again in January 2023. Our scope 1 and 2 emissions reduction targets are consistent with limiting warming to 1.5°C, the most ambitious goal of the Paris Agreement, and our scope 3 emissions reduction targets meet ambitious criteria in accordance with the Science Based Targets initiative (SBTi) methodology and are in line with current best practices. We annually disclose our scope 1, 2, and 3 emissions and progress towards our emission reduction targets in our ESG Report. Our long-term emissions reduction targets have been validated against SBTi's Corporate Net-Zero Standard, and Lenovo is committed to achieving net-zero greenhouse gas emissions by 2050.

Management's discussion & analysis

Lenovo has been committed to reducing its greenhouse gas emissions for more than a decade, and is committed to following climate science, standardizing our measurements, and seeking ongoing validation for our targets and progress. Lenovo has been deliberate about not making a net-zero claim until one could be aligned with a global scientific standard. Lenovo supported the development of a standard aligned with the latest climate science and was selected to road test the Science Based Targets initiative (SBTi) Net-Zero Standard before it was launched in October 2021. Lenovo also performed an initial financial and feasibility study to size the next steps to support a path to net-zero by 2050. In March 2022, Lenovo signed the SBTi Commitment Letter pledging to set net-zero targets, including a long-term science-based target. Lenovo has responded to the SBTi's urgent call for corporate climate action by committing to align with 1.5°C and net-zero through the Business Ambition for 1.5°C campaign and we became part of the United Nations Framework Convention on Climate Change (UNFCCC) Race to Zero campaign. In January 2023, Lenovo announced its commitment to achieving net-zero greenhouse gas emissions by 2050 after validation of emissions reduction targets by SBTi.

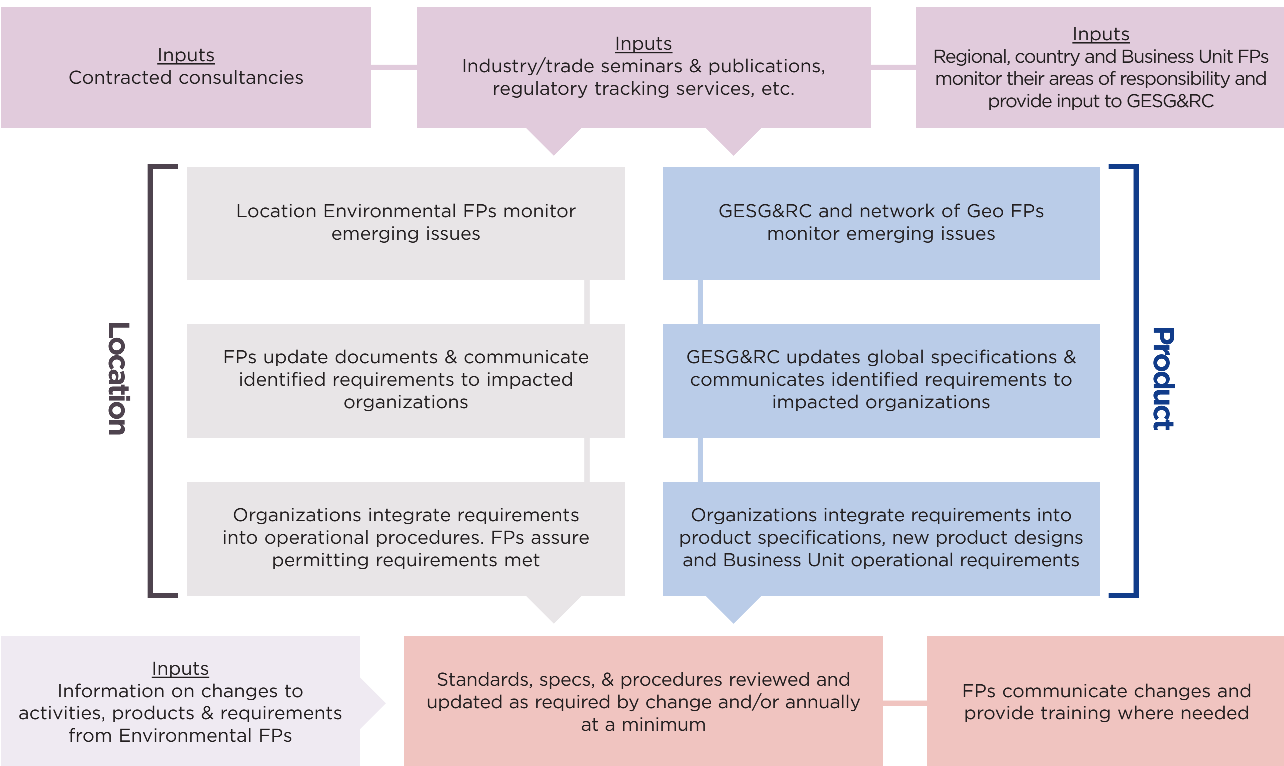
For more information about our identification process and assessment of climate-related risks and opportunities, metrics, and actions to address climate change, please read our response to the CDP Climate Change questionnaire available at www.cdp.net.

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

Compliance with environmental laws and regulations

Lenovo actively engages with a wide variety of stakeholders to safeguard compliance with applicable laws and regulations where our products are marketed and sold. The Global ESG and Regulatory Compliance (GESG&RC) Organization supports a culture of compliance by

Process for establishing, monitoring, and maintaining environmental compliance



working with a global network of focal points (FP) in the geographies, development organizations, and key functional areas, as well as with external partners. We use reliable and established processes that conform with the latest applicable laws and regulations and ensure overall effectiveness. The diagram above details the process for ensuring environmental compliance for our products and practices.

Lenovo and its business partners obtain the environmental and regulatory certifications that are required to legally sell its products where they are marketed and sold. Lenovo relies on internal and external subject matter experts, third-party labs, internal tools and processes to evaluate and confirm product compliance before shipment. Areas of review include but are not limited to, electromagnetic compatibility (EMC), environmental, safety, technology and trade controls, and wireless.

Ethics and compliance with relevant laws and regulations

Lenovo is committed to conducting business legally, ethically, and with integrity. Lenovo's Code of Conduct ("Code") mandates compliance with applicable laws in markets where it conducts business. Its policies strongly support ethical and responsible business practices, which include areas such as anti-bribery and corruption, data privacy, and intellectual property. Our Ethics and Compliance Office (ECO) oversees the ethics and compliance function across the organization and strives to promote a culture that is committed to implementing these values. The ECO works in partnership with business units across the globe to promote legal and ethical operations. The ECO is committed to raising awareness about the importance of ethical and compliant business practices to Lenovo and serves a critical role in providing employees with the information, resources, and training they need to make informed ethical decisions. The ECO oversees Lenovo's Code, which establishes clear expectations for employee compliance with Lenovo's policies related to lawful and ethical business conduct. Lenovo's Code reflects our culture of trust and integrity and holds employees accountable for their behavior and helps employees determine when and where to seek advice. Lenovo's Code, policies, and related awareness and training materials are provided on the intranet and through periodic communications.

The ECO is supported by the following committees:

Board Committees

- The **Audit committee** is annually briefed by the ECO on matters including the adequacy of resources for ESG reporting
- The **Nomination and governance committee** oversees the corporate policies and practices about governance and compliance with legal and regulatory requirements

Other Committees

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

Business practices

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

Anti-bribery and corruption

Lenovo has zero tolerance for bribery and corruption. Lenovo complies with the anti-bribery and corruption laws of the countries in which we conduct business. Lenovo's Global Anti-Bribery and Corruption Policy and along with our Global Gift, Entertainment, Corporate Hospitality and Travel Policy reinforce provisions in the Code and provide additional guidance regarding compliance with global anti-bribery and corruption laws and regulations. The policies stress that Lenovo will not directly or indirectly solicit, offer, promise, authorize, provide, or accept anything of value to any person, including government officials, to influence action, inaction or to secure an improper advantage as defined by applicable laws.

Anti-competitive practices and fair competition

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

Intellectual property

Lenovo values intellectual property as it innovates for the future. Lenovo expects employees to protect intellectual property and to respect the intellectual property rights of other companies and individuals. Lenovo secures its intellectual property by using patents, copyrights, trademarks, confidential information, related contract rights, and other applicable forms of legal protection.

Trade compliance

Lenovo is committed to complying with all applicable international trade laws to protect Lenovo's ability to import and export its products without limitation. Lenovo complies with Customs and Import Controls, Export Controls, Economic Sanctions, and Anti-boycott provisions implemented by government authorities in the locations it does business.

Privacy & data protection

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

- Monitoring privacy and data protection regulatory trends, advising senior leadership, and improving Lenovo's privacy and data protection practices
- Harmonizing global privacy and data protection requirements into a corporate-wide set of guiding privacy principles intended to drive how Lenovo handles personal, device and certain other identifiable information, including developing and updating Lenovo privacy policies and procedures
- Providing contractual support to ensure that risks associated with any dataflows are covered by appropriate contractual terms; includes assisting the Lenovo Legal Center of Excellence (COE) in its efforts to apply contract templates and improve privacy and security-focused contract exhibits
- Providing early input to product development teams by incorporating privacy checkpoints into formal product development plans, including privacy impact assessments, and conducting pre-launch privacy compliance reviews of products, software, websites, marketing programs, internal systems, and vendor relationships
- Publishing transparent website and product privacy statements that describe Lenovo's data practices and choices for users
- Responding to requests from individuals to access, review, correct, amend, or delete their personal information
- Coordinating Lenovo's response to law enforcement and other government requests for personally identifiable data
- Developing and delivering privacy-focused training programs and working closely with the Chief Security Office (CSO), Corporate Infrastructure Security Office (CISO), and product security teams to timely identify and respond to information incidents
- Maintaining an internal Global Privacy & Data Protection Program website for the Lenovo Community that serves as a resource containing policies, training, news, analysis, and additional guidance on a host of privacy and data protection areas of concern

Raising questions or concerns

Lenovo is committed to fostering a speak up culture, where employees, contractors, and business partners are encouraged to speak up on anything that appears unethical, illegal, or suspicious. Lenovo has established clear processes and various reporting channels for raising questions or reporting concerns. Employees are encouraged to raise concerns to their managers, Human Resources, the ECO, Internal Audit, or the Legal Department about any potential issues including, but not limited to, those known about or suspected:

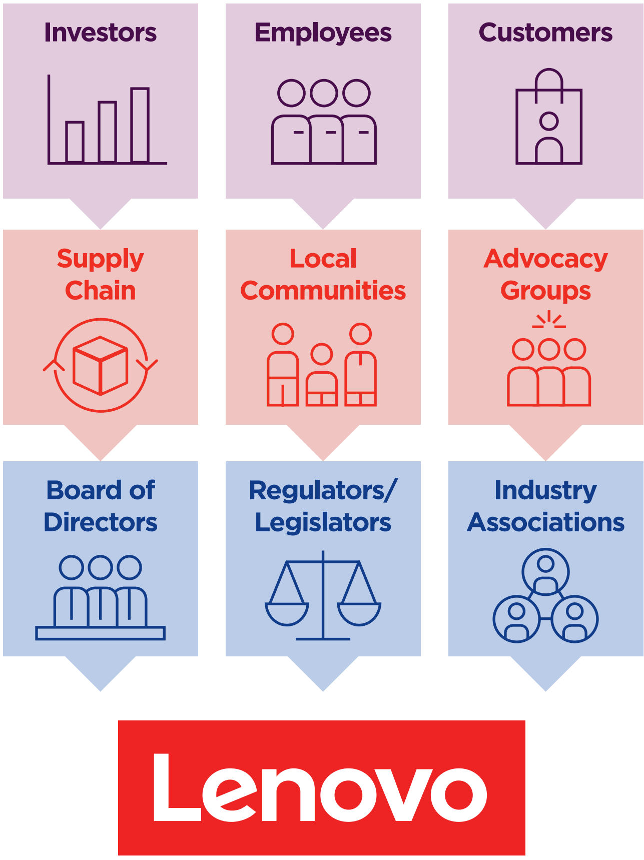
- Fraud by or against the Company
- Bribery or Corruption
- Unethical business conduct
- Violation of legal or regulatory requirements
- Substantial and specific danger to health and safety
- Violation of the Company's corporate policies and guidelines, particularly the Code of Conduct

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

Lenovo takes all allegations and concerns seriously. Lenovo maintains a Whistleblowing and Investigations Policy outlining the process by which concerns can be raised, are reviewed, and are investigated. Lenovo also has an oversight body, the Investigations Oversight Committee, to ensure concerns raised are appropriately investigated and addressed.

Stakeholder engagement

Lenovo actively manages its relationships with customers, employees, suppliers, investors, regulators, members of the communities in which it operates, and other stakeholders who may be impacted by the organization's performance and whose actions can affect the organization's value. Direct and indirect stakeholder engagement is conducted through regular business practices or through interactions that target key stakeholders.



Stakeholder engagement is facilitated in several ways, including:

- Direct customer interaction via market surveys and focus groups
- Employee surveys and focused training
- Supplier audits, conferences, and quarterly business reviews
- Regular webinars and meetings with industry trade groups on regulatory and other issues
- Community partnerships in Lenovo's priority markets
- Social media, StoryHub, press release, webcast
- Responding to investors, analysts, and non-governmental organization (NGO) surveys and inquiries

Lenovo also engages with stakeholders through targeted campaigns that support our social investment objectives that include but are not limited to:

- Love on Global Month of Service: September 2022 marked Lenovo's sixth annual Love on Global Month of Service, engaging employees in 73 offices around the world to make a positive impact in their communities. Projects aligned to Lenovo Foundation's mission to empower underrepresented populations with access to technology and STEM education. Despite the ongoing Covid-19 pandemic, the employee volunteer event grew by number of volunteers, hours volunteered, and beneficiaries in 2022.
- Lenovo Foundation TransforME grant round: the Foundation's FY2022/23 grant round helped to address the technology skills gap by providing a total of US$1 million to organizations working to train adults in skills like data analytics, software development, and IT support. The grant round's focus area contributed to Lenovo philanthropy's goal to transform 1 million lives by 2025 through technology ownership and skills training.

In addition to these and other formal stakeholder interactions, we collaborate with industry associations on an ad-hoc basis as needed. The external perspectives provide opportunities to adopt best practices and knowledge that may help to assess our commitments and progress in key ESG-related areas.

With operations and supply chains that extend around the world, we are uniquely positioned to support the global collective impact of business by aligning our practices to a sustainable and inclusive future. Since 2009, Lenovo has continued its role as a signatory supporter to the United Nations Global Compact (UNGC), a globally recognized platform that provides a blueprint for businesses that want to achieve a more sustainable future for all. As a business participant in the UNGC, we embrace the inspiration to demonstrate continuous improvements by aligning our operations and practices with the ten principles of the UNGC. The principles promote a value system that supports the fundamental responsibilities in the areas of human rights, labor, environment, and anti-corruption in the markets where we operate.

As we strive to integrate these values and principles wherever we conduct business, we are also making meaningful contributions to people and the planet and setting the stage for long-term success. This dedication begins at the top with the support and endorsement of our Chairman and CEO, Mr. Yang Yuanqing. Lenovo is proud to be recognized by professionals and prominent programs worldwide as we demonstrate leadership in corporate ESG practices. The information below contains a selection of Lenovo's FY2022/23 ESG achievements. A detailed review of Lenovo's FY2022/23 ESG performance is published in our ESG Report.

Management's discussion & analysis

Key ESG recognitions and accomplishments

Environmental

Lenovo ranked among BCG's Top 50 Innovative Companies for second year in a row. In 2022, for the first time, the question revolved specifically around the importance of climate and sustainability (C&S) in innovation and Lenovo ranked 24th, up one place from 2021.

Lenovo was recognized at the leadership level (A-) from CDP for its efforts in climate change, water security, and supplier engagement. CDP (formerly known as the Carbon Disclosure Project) assesses companies on the comprehensiveness of climate and water disclosures, awareness and management of environmental risks, and demonstration of best practices associated with environmental leadership, such as setting ambitious and meaningful targets.

Lenovo maintained its highest-ever rating and the best overall industry score for the IT industry in the 2022 Hang Seng Corporate Sustainability Index, receiving an AA+ rating for the second year in a row.

Social

Lenovo was included in the 2023 Bloomberg Gender-Equality Index, a framework that applies an internationally standardized approach to measure performance in female leadership, gender pay parity and inclusive culture, and distinguishes companies supporting gender equality through policy development, representation, and transparency. As a member of the United Nations Global Compact, Lenovo committed to the UN Women's Empowerment Principles in 2022.

Lenovo was recognized as a top-scoring company (90%) and "Best Workplace for Disability Inclusion" in the 2022 Disability Equality Index. The index recognizes companies for demonstrating leading disability inclusion practices and committing to an inclusive culture. These factors are validated through visible support from company leadership, accessible workplace and employment practices, community engagement initiatives, and supplier diversity programs.

In 2022, Lenovo worked with Workplace Pride to advance LGBTQ+ inclusion through two initiatives. The first was signing the Declaration of Amsterdam in May 2022, confirming its commitment to fostering an inclusive workplace for its LGBTQ+ employees. Then, Lenovo worked with Workplace Pride to benchmark their efforts, and was subsequently recognized as the most improved company on their LGBTQ+ inclusion index. For the sixth consecutive year, Lenovo was included in the Human Rights Campaign (HRC) Foundation's 2023 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.

Governance

Lenovo was awarded gold and named one of Hong Kong's most sustainable companies by The Hong Kong Institute of Certified Public Accountants (HKICPA)'s 2022 Best Corporate Governance and ESG Awards. This is the tenth consecutive year Lenovo has received awards from the HKICPA.

In July 2022 Lenovo successfully completed inaugural offering of US$625 million green bond as part of a US$1.25 billion dual-tranche Rule 144A/Regulation S bond offering. Lenovo's green bond was included in the Bloomberg MSCI Green Bond Index, one of the most important global benchmarks for institutional ESG funds.

In 2022, Lenovo received a rating of AAA (on a scale of AAA-CCC) in the MSCI ESG Ratings assessment.

DISCLAIMER STATEMENT

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Organizational development, talent and culture

We are Lenovo

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

Employment performance and compensation

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

Organizational & talent management

"Integrity, Learning Ability, Persistence and Ambition are not only the fundamental for success in career development, but also the compulsory talent requirement in Lenovo. Only if you have these four elements you can grow up into big tree!" – Yuanqing Yang

Lenovo uses Tree model to vividly describe our talent concept. The sky above the growing big tree symbolizes lofty ambitions; the Leaves represent learning ability, continuously acquiring new knowledge and mastering new skills; the Trunk represents persistence, tenacity and perseverance; the Root represents fundamental of human being – integrity.

Lenovo's long-term organization and talent strategy remains steadily focused on hiring and engaging world-class talent, building global organization and talent capabilities, and fostering an inclusive environment where people can thrive at their full potential.

Training & development

We have enhanced our management and leadership development program to provide support for managers during their leadership progression at Lenovo by offering specific training experiences, for example Executive Director Accelerator Program (EDAP), Executive Presence Workshop (EPW), Director Leadership Enhancement Program (DLEP), Manager Leadership Enhancement Program (MLEP), Women Leadership Development Program (WLDP) etc at key points in their careers. Instructor-led professional development courses and forums are made available throughout the year for all employees, in addition to rich online learning resources provided on demand via our global learning management system – Grow@Lenovo. Courses focusing on intelligent transformation are available on Grow@Lenovo for employees to learn anytime anywhere. Besides formal training, Lenovo's 70-20-10 approach to employee development recognizes that employees learn through three distinct types of experiences: on-the-job training and assignments (70%), developmental coaching, reverse coaching and mentoring relationships (20%), and coursework and training (10%). Lenovo also places a high priority on executive leaders development, bringing senior leaders together once a year to share best practices, learn from external experts and drive strategic alignment across the enterprise through Global Leadership Team (GLT) and Lenovo Executive Accelerator Program (LEAP).

Financial Highlights

Results

For the year ended March 31	**2023 US$'000**	2022 US$'000
Revenue	**61,946,854**	71,618,216
Gross profit	**10,501,092**	12,048,975
Gross profit margin	**17.0%**	16.8%
Operating expenses	**(7,832,269)**	(8,968,406)
Operating profit	**2,668,823**	3,080,569
Other non-operating income/(expenses) — net	**(532,836)**	(312,838)
Profit before taxation	**2,135,987**	2,767,731
Profit for the year	**1,680,831**	2,145,332
Profit attributable to equity holders of the Company	**1,607,722**	2,029,818
Earnings per share attributable to equity holders of the Company (US cents)		
— Basic	**13.50**	17.45
— Diluted	**12.74**	15.77
EBITDA	**4,357,630**	4,713,854
Non-HKFRS operating profit	**2,942,317**	3,196,613
Non-HKFRS profit before taxation	**2,422,408**	2,895,136
Non-HKFRS profit for the year	**1,925,189**	2,231,472
Non-HKFRS profit attributable to equity holders of the Company	**1,878,347**	2,163,965
Dividend per ordinary share (HK cents)		
— Interim dividend	**8**	8
— Proposed final dividend	**30**	30

Management's discussion & analysis

For the year ended March 31, 2023, the Group achieved total sales of approximately US$61,947 million. When compared to last year, profit attributable to equity holders for the year decreased by US$422 million to approximately US$1,608 million, gross profit margin rose 0.2 percentage points to 17 percent. While basic and diluted earnings per share were US13.50 cents and US12.74 cents respectively, representing a decrease of US3.95 cents and US3.03 cents.

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

Analysis of operating expenses by function for the years ended March 31, 2023 and 2022 is as follows:

	2023 US$'000	2022 US$'000
Selling and distribution expenses	**(3,285,126)**	(3,746,290)
Administrative expenses	**(2,311,771)**	(2,944,234)
Research and development expenses	**(2,195,329)**	(2,073,461)
Other operating income/(expenses) — net	**(40,043)**	(204,421)
	(7,832,269)	(8,968,406)

Operating expenses for the year decreased by 13 percent as compared with last year. Employee benefit costs decreased by US$613 million mainly due to decrease in performance-based bonus and sales commissions, partly offset by recognition of severance and related costs. The Group announced resource actions and incurred severance and related costs of US$209 million to further enhance efficiency and competitiveness in view of industrial challenges. Advertising and promotional expenses reduced by US$285 million due to expense optimization. During the year, the Group recorded fair value gain from strategic investments amounted to US$203 million (2022: US$135 million), reflecting the change in value of the Group's portfolio. Net exchange loss decreased by US$39 million resulting from currency fluctuations.

Key expenses by nature comprise:

	2023 US$'000	2022 US$'000
Depreciation of property, plant and equipment	**(198,415)**	(174,298)
Depreciation of right-of-use assets	**(131,697)**	(122,485)
Amortization of intangible assets, excluding internal use software	**(477,100)**	(469,727)
Impairment of intangible assets	**(895)**	(31,434)
Impairment of property, plant and equipment	**–**	(10,189)
Employee benefit costs, including	**(4,249,368)**	(4,862,484)
— *long-term incentive awards*	***(336,128)***	*(368,921)*
— *severance and related costs*	***(208,546)***	–
Rental expenses	**(9,407)**	(15,257)
Net foreign exchange loss	**(118,024)**	(156,981)
Advertising and promotional expenses	**(845,827)**	(1,131,244)
Legal, professional and consulting expenses	**(315,197)**	(211,906)
Information technology expenses, including	**(385,020)**	(364,440)
— *amortization of internal use software*	***(212,157)***	*(197,807)*
Increase in loss allowance of trade receivables	**(122,832)**	(90,311)
Unused amounts of loss allowance of trade receivables reversed	**101,226**	101,273
Research and development related laboratory testing, services and supplies	**(378,083)**	(540,716)
Loss on disposal of property, plant and equipment	**(6,195)**	(2,265)
Loss on disposal of intangible assets	**(442)**	(8,399)
Loss on disposal of construction-in-progress	**(1,138)**	–
Fair value gain on financial assets at fair value through profit or loss	**203,395**	135,075
Fair value loss on a financial liability at fair value through profit or loss	**(3,209)**	(12,618)
Gain on disposal of subsidiaries	**–**	32,303
Dilution gain on interest in associates	**2,146**	–
Gain on disposal of interest in associates	**1,293**	–
Others	**(897,480)**	(1,032,303)
	(7,832,269)	(8,968,406)

Other non-operating income/(expenses) — net for the years ended March 31, 2023 and 2022 comprise:

	2023 US$'000	2022 US$'000
Finance income	**141,667**	56,458
Finance costs	**(657,704)**	(362,384)
Share of losses of associates and joint ventures	**(16,799)**	(6,912)
	(532,836)	(312,838)

Finance income mainly represents interest on bank deposits.

Finance costs for the year increased by 81 percent as compared with last year due to increase in market interest rate and issuance of notes and convertible bonds during the year. The increase is mainly attributable to the increase in factoring cost of US$239 million, interest on bank loans and overdrafts of US$26 million and interest on notes of US$34 million.

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

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

	2023		2022	
	Revenue US$'000	**Operating profit US$'000**	Revenue US$'000	Operating profit US$'000
IDG	**49,371,447**	**3,598,415**	62,310,410	4,737,823
ISG	**9,755,596**	**98,084**	7,140,055	6,703
SSG	**6,663,397**	**1,391,752**	5,441,528	1,195,386
Total	**65,790,440**	**5,088,251**	74,891,993	5,939,912
Eliminations	**(3,843,586)**	**(1,208,064)**	(3,273,777)	(1,001,478)
	61,946,854	**3,880,187**	71,618,216	4,938,434
Unallocated:				
Headquarters and corporate income/(expenses) — net		**(1,087,716)**		(1,506,022)
Restructuring costs		**(208,546)**		–
Depreciation and amortization		**(548,852)**		(648,775)
Impairment of intangible assets		**-**		(31,434)
Finance income		**100,214**		34,504
Finance costs		**(154,532)**		(171,751)
Share of losses of associates and joint ventures		**(20,888)**		(6,912)
(Loss)/gain on disposal of property, plant and equipment		**(721)**		914
Fair value gain on financial assets at fair value through profit or loss		**174,077**		135,075
Fair value loss on a financial liability at fair value through profit or loss		**(3,209)**		(12,618)
Gain on disposal of subsidiaries		**-**		32,303
Dilution gain on interest in associates		**2,146**		–
Gain on disposal of interest in an associate		**1,190**		–
Dividend income		**2,637**		4,013
Consolidated profit before taxation		**2,135,987**		2,767,731

Headquarters and corporate income/(expenses) — net for the year comprise various expenses, after appropriate allocation to business groups, of US$1,088 million (2022: US$1,506 million) such as employee benefit costs, legal, professional and consulting expenses, and research and technology expenses. The drop is primarily in relation to the decrease in employee benefit costs as a result of decreased performance-based bonus and long-term incentive awards and decrease in net foreign exchange loss as compared with last year.

Use of non-HKFRS measure

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

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

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

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

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

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

— Lenovo incurs restructuring and other charges that are (i) costs associated with restructuring plans which are related to employee separation from service; and (ii) other charges, which include non-recurring costs for assets write off that are arising from restructuring and distinct from ongoing operation costs. Lenovo excludes these restructuring and other charges for the purposes of calculating the non-HKFRS measure to facilitate a more meaningful evaluation of Lenovo's current operating performance and comparisons to operating performance in other periods.

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

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

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

Year ended March 31, 2023

	Operating profit US$'000	Profit before taxation US$'000	Profit for the year US$'000	Profit attributable to equity holders US$'000
As reported	**2,668,823**	**2,135,987**	**1,680,831**	**1,607,722**
Non-HKFRS adjustments				
Net fair value changes on financial assets at fair value through profit or loss	**(203,395)**	**(203,395)**	**(168,090)**	**(139,501)**
Amortization of intangible assets resulting from mergers and acquisitions	**217,394**	**220,550**	**174,076**	**174,076**
Mergers and acquisitions related charges	**10,782**	**20,553**	**20,553**	**20,553**
Restructuring and other charges	**248,713**	**248,713**	**217,819**	**215,497**
Non-HKFRS	**2,942,317**	**2,422,408**	**1,925,189**	**1,878,347**

Year ended March 31, 2022

	Operating profit US$'000	Profit before taxation US$'000	Profit for the year US$'000	Profit attributable to equity holders US$'000
As reported	3,080,569	2,767,731	2,145,332	2,029,818
Non-HKFRS adjustments				
Net fair value changes on financial assets at fair value through profit or loss	(135,075)	(135,075)	(121,998)	(73,991)
Amortization of intangible assets resulting from mergers and acquisitions	251,119	251,119	196,777	196,777
Mergers and acquisitions related charges	–	11,361	11,361	11,361
Non-HKFRS	3,196,613	2,895,136	2,231,472	2,163,965

Financial Position

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

Non-current assets	2023 US$'000	2022 US$'000
Property, plant and equipment	**2,006,457**	1,636,629
Right-of-use assets	**659,360**	839,233
Construction-in-progress	**638,047**	510,211
Intangible assets	**8,267,114**	8,066,785
Interests in associates and joint ventures	**438,267**	339,547
Deferred income tax assets	**2,467,281**	2,527,955
Financial assets at fair value through profit or loss	**1,233,969**	1,104,408
Financial assets at fair value through other comprehensive income	**66,178**	64,572
Other non-current assets	**202,531**	424,241
	15,979,204	15,513,581

Property, plant and equipment

Property, plant and equipment comprise mainly the Group's freehold land and buildings, leasehold improvements, plant and machinery, furniture and fixtures, office equipment, operating lease assets and motor vehicles. The 23 percent increase is mainly attributable to the Group's investments in plant and machinery, office equipment, operating lease assets and transfer of completed assets from construction-in-progress to cope with business growth, partly offset by current year depreciation.

Right-of-use assets

Right-of-use assets comprise mainly the land use rights in respect of the manufacturing sites and headquarters in the Mainland of China ("Chinese Mainland"), and leases of land and buildings for manufacturing sites and offices. The 21 percent decrease is mainly attributable to the transfer of legal interest in land use rights under a joint operation arrangement to a joint venture, current year depreciation and exchange adjustments, partly offset by lease renewals and new leases entered into during the year.

Construction-in-progress

Construction-in-progress comprise mainly the Group's investments in manufacturing sites and office buildings, internal use software and research and development laboratories. Internal use software mainly comprises online platform development and system enhancement for business operations. The 25 percent increase is mainly attributable to further investment in internal use software and buildings under construction during the year, which is partly offset by transfer of completed assets to property, plant and equipment and intangible assets.

Intangible assets

Intangible assets comprise goodwill and other intangible assets including trademarks and trade names, customer relationships, patents and technology, internal use software and exclusive rights. The 2 percent increase is mainly due to increase in goodwill and intangible assets arising from acquisition of Lenovo PCCW Solutions Limited and its subsidiaries, additional investments in patents and technology and transfer from construction-in-progress of completed internal use software and patents and technology to cope with the growth of business, partly offset by current year amortization and exchange adjustments.

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

Interests in associates and joint ventures

Interests in associates and joint ventures increased by 29 percent, which is mainly attributable to the acquisition of an associate, PCCW Network Services Limited, and additional investments in joint ventures, partly offset by the share of losses of associates and joint ventures during the year.

Deferred income tax assets

Deferred income tax assets amounted to US$2,467 million as at year end, representing a decrease of 2 percent over last year, which is mainly attributable to tax losses and temporary differences in relation to share-based payment; provisions and accruals; tax depreciation allowance; and deferred revenue, in the normal course of business. Deferred income tax assets are recognized to the extent that realization of the related tax benefit through future taxable profits is probable.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss increased by 12 percent during the year, which is mainly attributable to additional investments and net fair value gain recognized, partly offset by disposal of certain financial assets and exchange adjustments.

Financial assets at fair value through other comprehensive income

Financial assets at fair value through other comprehensive income increased by 2 percent during the year, which is mainly attributable to additional investments.

Current assets	2023 US$'000	2022 US$'000
Inventories	**6,371,858**	8,300,658
Trade and notes receivables	**7,940,378**	11,289,547
Derivative financial assets	**37,460**	113,757
Deposits, prepayments and other receivables	**3,945,153**	5,014,292
Income tax recoverable	**324,756**	255,809
Bank deposits	**71,163**	92,513
Cash and cash equivalents	**4,250,085**	3,930,287
	22,940,853	28,996,863

Inventories

The Group's inventories comprise raw materials and work-in-progress, finished goods and service parts where raw materials and work-in-progress accounted for more than 56 percent of total inventories. The Group's inventory purchase and production plan are primarily based on expectations on market demand. The 23 percent decrease is mainly attributable to the lower raw materials inventory level which is in response to the softened market demand and ease of industry-wide component shortage.

Trade and notes receivables

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

Derivative financial assets

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

Deposits, prepayments and other receivables

Deposits, prepayments and other receivables mainly comprise amounts due from subcontractors for components sold in the ordinary course of business and other tax receivables. The decrease of 21 percent is mainly attributable to the drop in amounts due from subcontractors as a result of decrease in business activities in the fourth quarter of current year over the corresponding period of last year.

Cash and cash equivalents

The 8 percent increase is mainly attributable to cash generated from operating activities, proceeds from issue of notes and convertible bonds, and sale of financial assets at fair value through profit or loss, partly offset by acquisition of subsidiaries, capital expenditure, interests acquired in associates and a joint venture, repayments of notes, repurchase of convertible bonds, dividend payment, contribution to employee share trusts, purchase of financial assets at fair value through profit or loss and repurchase of convertible preferred shares during the year. The growth of business and working capital management enables the Group to maintain sufficient cash to meet operational, financing and investing needs.

Total equity	**2023 US$'000**	2022 US$'000
Share capital	**3,282,318**	3,203,913
Reserves and others	**2,764,703**	2,190,788
	6,047,021	5,394,701

Total equity

Increase in share capital is attributable to the issue of 86,424,677 ordinary shares as part of the purchase consideration for acquisitions of Lenovo PCCW Solutions Limited and PCCW Network Services Limited during the year. Reserves and others increased from US$2,191 million to US$2,765 million which is mainly due to profit for the year, share-based compensation credited to reserves and issue of convertible bonds, partly offset by exchange adjustments, payment of final dividends, contribution to employee share trusts, vesting of shares under long-term incentive program and repurchase of convertible bonds.

Non-current liabilities	2023 US$'000	2022 US$'000
Borrowings	**3,683,178**	2,633,348
Warranty provision	**196,037**	242,776
Deferred revenue	**1,389,427**	1,459,582
Retirement benefit obligations	**257,244**	340,542
Deferred income tax liabilities	**431,688**	406,759
Other non-current liabilities	**822,105**	1,274,001
	6,779,679	6,357,008

Borrowings

Borrowings (classified as non-current) increased by US$1,050 million which is mainly attributable to the issuance of the 2028 Notes and the 2032 Notes at a total principal amount of US$1,250 million and the issuance of US$675 million 2029 Convertible Bonds, partly offset by the repurchase of 2024 Convertible Bonds at a principal amount of US$455 million, and reclassification of the remaining US$220 million principal amount from non-current to current as it will be due within the next 12 months after the year end.

Warranty provision

The Group records warranty liabilities at the time of sale for the estimated costs that will be incurred under its basic limited warranty. The specific warranty terms and conditions vary depending upon the product and the country in which it was sold, but generally includes technical support, repair parts and labour associated with warranty repair and service actions. The period ranges from one to three years. The Group revalues its estimates on a quarterly basis to assess the adequacy of its recorded warranty liabilities and adjusts the amounts as necessary. The 19 percent decrease is mainly attributable to the decrease in business activities during the year.

Deferred revenue

Deferred revenue (classified as non-current) primarily relates to the Group's unfulfilled performance obligations over extended warranty services at the reporting date for which consideration has been received.

Retirement benefit obligations

The Group operates various pension schemes. The schemes are generally funded through payments to insurance companies or trustee-administered funds, determined by periodic actuarial calculations. The Group has both defined benefit and defined contribution plans. The 24 percent decrease is mainly due to loss from changes in actuarial assumptions and exchange adjustments with corresponding impact in equity.

Deferred income tax liabilities

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

Other non-current liabilities

Other non-current liabilities mainly comprise liabilities arising from long-term lease liabilities, deferred consideration and government incentives and grants received in advance. The 35 percent decrease is mainly due to the reclassification of written put option granted to Fujitsu Limited ("Fujitsu") from non-current to current as it will be exercisable within the next 12 months after the year end.

Current liabilities	2023 US$'000	2022 US$'000
Trade and notes payables	**9,772,934**	13,184,831
Derivative financial liabilities	**62,499**	127,625
Other payables and accruals	**12,932,781**	15,744,911
Provisions	**1,021,041**	980,112
Deferred revenue	**1,581,952**	1,440,022
Income tax payable	**450,534**	493,312
Borrowings	**271,616**	787,922
	26,093,357	32,758,735

Trade and notes payables

The decrease in trade and notes payables by 26 percent is mainly attributable to the lower raw materials inventory level which is in response to the softened market demand and ease of industry-wide component shortage situation.

Derivative financial liabilities

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

Other payables and accruals

Other payables and accruals mainly comprise the obligations to pay for finished goods that have been acquired in the ordinary course of business from subcontractors; allowance for billing adjustments relating primarily to allowance for future volume discounts, price protection, rebates, and customer sales returns; accruals for salaries, commission and bonus and lease liabilities. The 18 percent decrease is the combined effect of decrease in payables to subcontractors and allowance for billing adjustments together with drop in accruals for commission and bonus, driven by the decrease in business activities during the year, partly offset by the transfer of written put option granted to Fujitsu from non-current to current as it will be exercisable within the next 12 months after the year end.

Provisions

Provisions comprise warranty provision (due within one year), environmental restoration and restructuring provisions. The 4 percent increase is driven by the restructuring provision made, partly offset by the decrease in warranty provision driven by the decrease in revenue during the year and exchange adjustments.

Deferred revenue

Deferred revenue (classified as current) primarily relates to the Group's unfulfilled performance obligations over extended warranty services at the reporting date for which consideration has been received. The 10 percent increase is driven by the increase in attached services and reclassification from non-current to current during the year.

Borrowings

Borrowings (classified as current) decreased by 66 percent, which is mainly due to the repayment of 2023 Notes and partly offset by the reclassification of the 2024 Convertible Bonds at a principal amount of US$220 million from non-current to current as it will be due within the next 12 months after the year end.

Capital expenditure

The Group incurred capital expenditure of US$1,578 million (2022: US$1,284 million) during the year ended March 31, 2023, mainly for the acquisition of property, plant and equipment, additions to construction-in-progress and intangible assets. The higher capital expenditure incurred in the current year is mainly attributable to more investments in patents and technology and plant and machinery.

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.

Liquidity and Financial Resources

At March 31, 2023, total assets of the Group amounted to US$38,920 million (2022: US$44,511 million), which were financed by equity attributable to owners of the Company of US$5,588 million (2022: US$4,991 million), other non-controlling interests (net of put option written on non-controlling interests) of US$459 million (2022: US$404 million), and total liabilities of US$32,873 million (2022: US$39,116 million). At March 31, 2023, the current ratio of the Group was 0.88 (2022: 0.89).

At March 31, 2023, bank deposits and cash and cash equivalents totaling US$4,321 million (2022: US$4,023 million) analyzed by major currency are as follows:

	2023 **%**	2022 %
US dollar	**33.7**	37.2
Renminbi	**24.9**	27.3
Japanese Yen	**7.5**	6.0
Euro	**5.3**	4.1
Australian dollar	**1.2**	2.7
Other currencies	**27.4**	22.7
Total	**100.0**	100.0

The Group adopts a conservative policy to invest the surplus cash generated from operations. At March 31, 2023, 87 (2022: 92) percent of cash are bank deposits, and 13 (2022: 8) percent are investments in liquid money market funds of investment grade.

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

The Group has the following banking facilities:

Type	Date of agreement	Principal amount US$ million	Term	Utilized amount at March 31, 2023 US$ million	2022 US$ million
Revolving loan facility	March 28, 2018	1,500	5 years	**N/A**	-
Revolving loan facility	May 12, 2020	300	5 years	**-**	-
Revolving loan facility	May 14, 2020	200	5 years	**-**	-
Revolving loan facility	July 4, 2022	2,000	5 years	**-**	N/A

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

Credit facilities	Total available amount at March 31, 2023 US$ million	2022 US$ million	Drawn down amount at March 31, 2023 US$ million	2022 US$ million
Trade lines	**4,970**	4,053	**3,454**	2,813
Short-term money market facilities	**1,838**	1,154	**54**	54
Forward foreign exchange contracts	**9,428**	12,522	**9,384**	12,447

Apart from the above facilities, notes and convertible bonds issued by the Group and outstanding at March 31, 2023 are as follows. Further details of borrowings are set out in Note 26 to the Financial Statements.

	Issue date	Principal amount	Term	Interest rate/ dividend per annum	Due date	Use of proceeds
2024 Convertible Bonds	January 24, 2019	US$220 million	5 years	3.375%	January 2024	For repayment of previous Notes and general corporate purposes
2025 Notes	April 24, 2020 and May 12, 2020	US$1 billion	5 years	5.875%	April 2025	For repayment of previous Notes and general corporate purposes
2030 Notes	November 2, 2020	US$929 million	10 years	3.421%	November 2030	For repurchase of perpetual securities and previous Notes
2028 Notes	July 27, 2022	US$625 million	5.5 years	5.831%	January 2028	For repayment of previous Notes and general corporate purposes
2032 Notes	July 27, 2022	US$610 million	10 years	6.536%	July 2032	For financing of eligible projects under the Green Finance Framework
2029 Convertible Bonds	August 26, 2022	US$675 million	7 years	2.5%	August 2029	For repayment of previous convertible bonds and general corporate purposes

Net cash position and gearing ratio of the Group at March 31, 2023 and 2022 are as follows:

	2023 US$ million	2022 US$ million
Bank deposits and cash and cash equivalents	**4,321**	4,023
Borrowings		
— Short-term loans	**57**	58
— Long-term loan	**-**	1
— Notes	**3,146**	2,676
— Convertible bonds	**752**	641
— Convertible preferred shares	**-**	45
Net cash position	**366**	602
Total equity	**6,047**	5,395
Gearing ratio (Borrowings divided by total equity)	**0.65**	0.63

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

The Group adopts a consistent hedging policy for business transactions to reduce the risk of currency fluctuation arising from daily operations. At March 31, 2023, the Group had commitments in respect of outstanding forward foreign exchange contracts amounting to US$9,486 million (2022: US$12,447 million). The Group's forward foreign exchange contracts are either used to hedge a percentage of future transactions which are highly probable, or used as fair value hedges for identified assets and liabilities.

Smarter manufacturers with sustainability at heart.

What if there was a smart factory where heat from servers in the production house is rerouted to keep the manufacturing space warm? Which piped in fresh air to cool the servers rather than energy-inefficient air conditioning? A factory in the size of seven full-sized football pitches which produces energy from solar panels on the roof?

What if there was a factory with sustainability at its heart?

There is: the new Lenovo factory in Budapest, Hungary, where the latest innovation is being used to advance Lenovo's efforts against climate change.

And there couldn't be a more important moment for this factory to be built. With the importance of sustainability front of mind for so many, Lenovo is constantly reaffirming its vision for net-zero emissions, ensuring an emissions reduction approach aligned to the latest climate science.

More customer stories page

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Corporate governance principles and structure

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

Compliance with corporate governance code

Throughout the financial year ended March 31, 2023 ("FY2022/23"), the Company has 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 Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules"), and where appropriate, met the recommended best practices in the CG Code, with the exception that the roles of the chairman of the Board (the "Chairman") and the chief executive officer of the Company (the "CEO") have not been segregated as required by code provision C.2.1 of the CG Code.

The Board has reviewed the organization human resources planning of the Group and is of the opinion that the vesting of the roles of Chairman and CEO in Mr. Yang Yuanqing ("Mr. Yang") is appropriate and beneficial to the Group as it provides consistency of the strategy execution and stability of the operations of the Group. The Board comprising a vast majority of independent non-executive directors meets regularly on a quarterly basis to review the operations of the Group led by Mr. Yang.

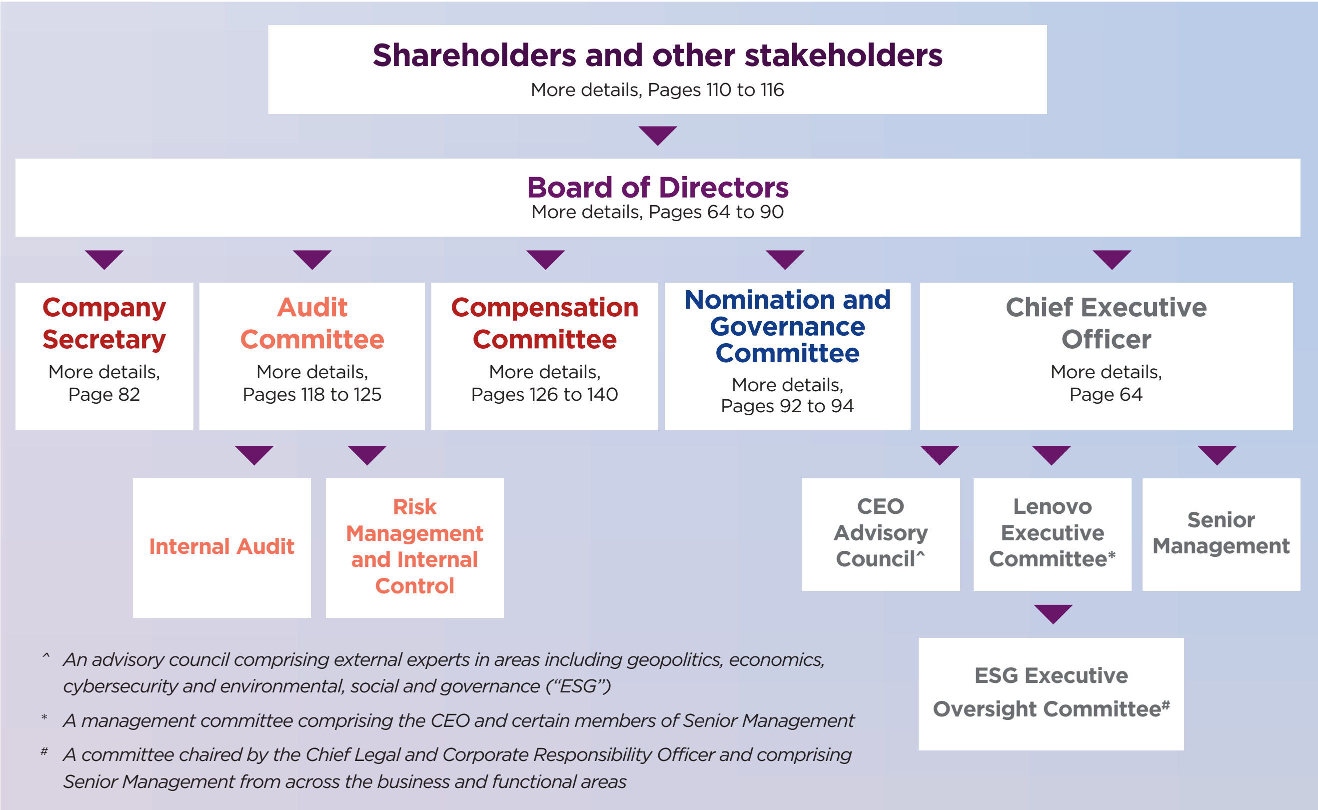
The Board also appointed Mr. William O. Grabe as the lead independent director (the "Lead Independent Director") with broad authorities and responsibilities. Among other responsibilities, the Lead Independent Director serves as chairman of the nomination and governance committee (the "Nomination and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

In relation to the recommended best practices in the CG Code, the Company published quarterly financial results and business reviews in addition to interim and annual results. Quarterly financial results enhanced the shareholders' ability to assess the performance, financial position and prospects of the Company. The quarterly financial results were also prepared using the accounting standards consistent with the policies applied to the interim and annual financial statements.

Corporate governance report

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

Governance structure



Key matters reserved to the Board decision

The Board has adopted a schedule of key matters relating to strategy, finance and governance which are for decision by the Board. The table on page 83 sets out these key matters reserved by the Board for decision.

Board committees structure

The Board has delegated authority for its key governance functions to three main committees, namely Audit Committee, Compensation Committee and Nomination Governance Committee (the "Board Committees"), with the responsibilities outlined on page 91. Details of the activities and decisions taken by these committees during the year are shown in the relevant committees' reports.

CEO, Lenovo Executive Committee and delegated authorities

The CEO manages the business in line with the strategy agreed by the Board and is accountable to it. Details of the responsibilities of CEO are set out on page 64.

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

The ESG Executive Oversight Committee is chartered to promote a culture that encourages strong Lenovo ESG performance, including compliance and leadership activities, which is chaired by the Chief Legal and Corporate Responsibility Officer and provides strategic direction and facilitates the coordination of ESG efforts across the Company, including proposing recommendations for the effective management of ESG programs.

The CEO Advisory Council advises the CEO and Senior Management on strategic and operational issues in key areas including geopolitics, economics, cybersecurity and ESG.

Corporate culture

"We Are Lenovo" is Lenovo's culture and the way Lenovo work together as one team. "We do what we say. We own what we do. We wow our customers." is the essence of Lenovo's culture. The cultural values are the guiding principles for all Lenovo employees to collaborate and excel together by implementing strategies in achieving Lenovo's vision and mission (the "Purpose").

Our culture	
We are Lenovo	We do what we say. We own what we do. We wow our customers.
Purpose	**Value**
VISION Smarter technology for all	Serving our customers
	Innovation
MISSION Be the leader and enabler of intelligent transformation	Entrepreneurship
	Teamwork with integrity & trust
Strategy	
3S (Smart IoT, Smart Infrastructure, Smart Vertical) Strategy	

Throughout FY2022/23, Lenovo continued to enhance the culture engagement initiatives globally through employees' culture stories sharing, Big Bang Forums and Innovation Series, which helped employees to embrace Lenovo's culture values in their day-to-day work and make business impact to support service-led transformation. Employees could learn skills related to the culture values on Grow@Lenovo learning platform.

To ensure the alignment of Lenovo's culture, vision, mission, values and strategy, Board meeting is held every quarter. In FY2022/23, the Board reviewed annual achievements and discussed the development of next year corporate strategy in February 2023. Further, reports from the CEO and Chief Financial Officer (the "CFO") ("CEO and CFO Report") are submitted and presented to the Board in quarterly Board meetings to monitor and evaluate the progress of critical strategic initiatives and the quarterly performance of Lenovo.

For more information about Lenovo's culture and the 3S Strategy with strategic achievements during FY2022/23, please refer to Lenovo's "Explore Career Opportunities" website, the "Chairman & CEO statement" and "Management's discussion & analysis" sections of this annual report respectively.

Corporate governance report

Leadership

Board roles

As of the date of this annual report, there are 11 Board members consisting of one executive director, two non-executive directors and eight independent non-executive directors. The Board has a coherent framework with clearly defined responsibilities and accountabilities designed to safeguard and enhance long-term shareholder values and provide a robust platform to realise the strategy of the Group. A summary of responsibilities of leadership of the Company and those of the Lead Independent Director is given in the diagram below.

Chairman

Mr. Yang Yuanqing N

- Leads the Board in the strategy determination and the objectives achievement
- Leads the Board to align Lenovo culture with its vision, mission, values and strategy and ensures that all directors acting with integrity, lead by example, and promoting the desired culture
- Provides leadership and manages the Board to ensure that all directors are properly briefed on issues arising at Board meetings and receive adequate, complete and reliable information in a timely manner
- Approves the agendas for Board meetings, taking full account of the issues and concerns of Board members
- Facilitates and encourages active engagement of Board members by drawing on directors' skills, experience and knowledge
- Ensures good corporate governance practices and procedures are established and effective communications with shareholders and other stakeholders

Lead independent director

Mr. William O. Grabe C N

- Serves as chairman of the Nomination and Governance Committee meeting and/or the Board meeting whenever considering (i) the combined roles of Chairman and CEO; and (ii) assessment of the performance of Chairman and/or CEO
- Calls and chairs meeting(s) with all independent non-executive directors without management and executive director present at least once a year on such matters as are deemed appropriate and provides feedbacks to Chairman and/or CEO
- Serves a key role in the Board evaluation process
- Responds directly to shareholders and other stakeholders' questions and comments being directed to the Lead Independent Director or to the independent non-executive directors as a group, when appropriate
- Ensures his availability for consultation and direct communication, when appropriate, if requested by major shareholders

Non-executive directors

Independent non-executive directors:
Mr. William O. Grabe C N
Mr. William Tudor Brown A C
Mr. Yang Chih-Yuan Jerry
Mr. Gordon Robert Halyburton Orr A C
Mr. Woo Chin Wan Raymond A
Ms. Yang Lan N
Ms. Cher Wang Hsiueh Hong
Professor Xue Lan N

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

- Participate in Board meetings to bring an independent judgement on issues of strategy, policy, performance, accountability, resources, key appointments and standards of conduct
- Take the lead where potential conflicts of interests arise
- Scrutinise the Group's performance in achieving agreed corporate goals and objectives, and monitor performance reporting
- Make a positive contribution to the development of the Group's strategy and policies through independent, constructive and informed comments
- Ensure to align Lenovo culture with its vision, mission, values and strategy, and ensures that all directors acting with integrity, lead by example, and promoting the desired culture. Such culture should instil and continually reinforce across Lenovo values of acting lawfully, ethically and responsibly
- Engage with Senior Management and other relevant parties to ensure that various concerns and issues relevant to the management and oversight of business and operations of the Company and the Group are properly addressed

Chief executive officer

Mr. Yang Yuanqing N

- Formulates and recommends the strategy of the Group to the Board
- Executes the strategy agreed by the Board
- Makes and implements operational decisions and manages the business day-to-day
- Leads the business and the management team

Key

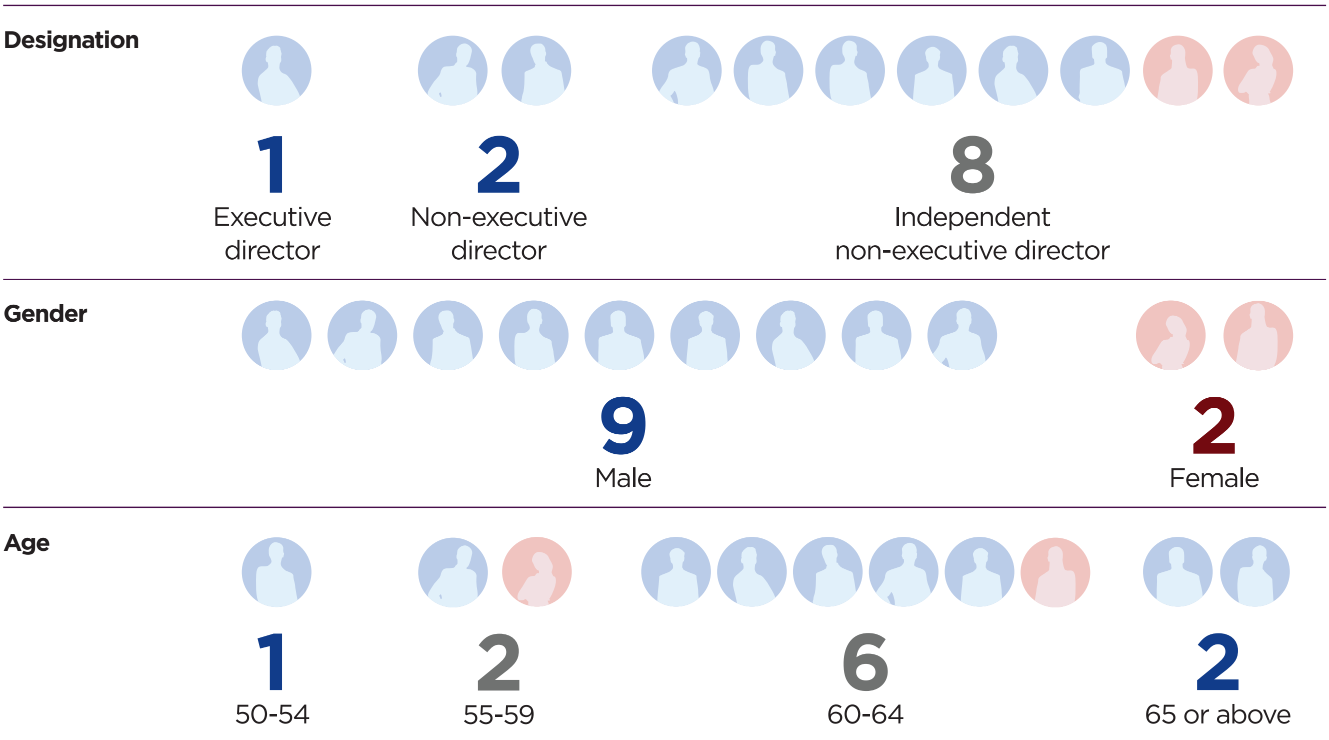
A Audit Committee
C Compensation Committee
N Nomination and Governance Committee
Committee Chairman

Board composition and diversity

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

The Board adopted a board diversity policy (the "Board Diversity Policy") aiming to set out the Company's commitment to fostering a corporate culture that embraces diversity on the Board. A summary of the Board Diversity Policy including the views and measurable objectives is set out on page 69 of this annual report.

The following diagram illustrates the composition and diversity profile of the Board as at the date of this annual report while the detailed biographies of the directors are set out on pages 149 to 153 of this annual report.



Corporate governance report

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Legal/Regulatory & compliance

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Marketing/Advertising/Research and Development (R&D)

4

Investor relations

3

Information technology industry

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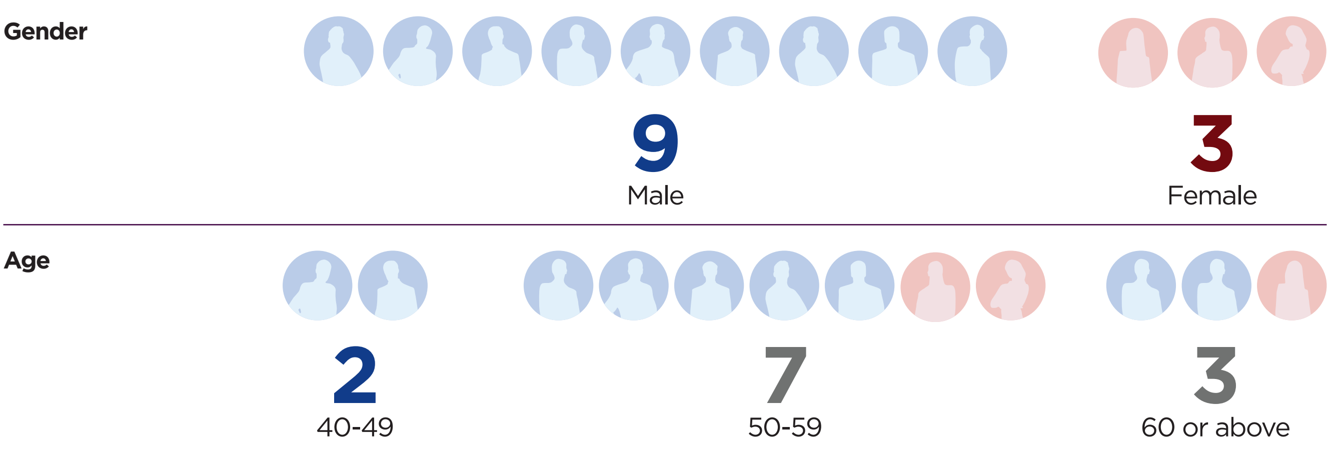
Senior management composition



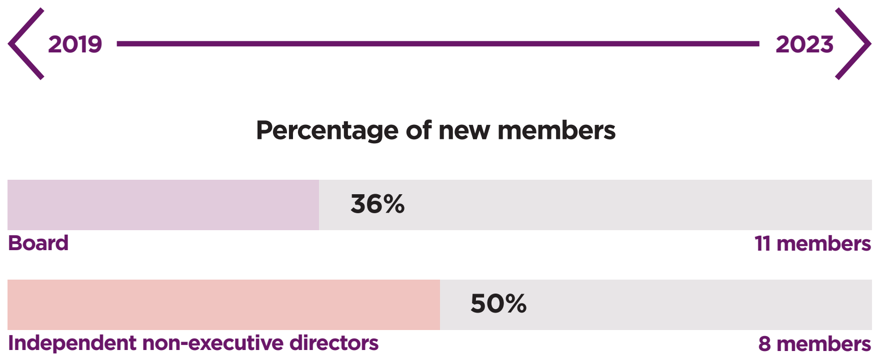
Key features of the Board composition	
Diversity	The Board has a balance of gender, ethnicity, cultural background and skills with a mix of regional and industry experience.
Independence	The current composition of the Board exceeds the requirements under rules 3.10 and 3.10A of the Listing Rules, as more than two-thirds of its members are independent non-executive directors, thus exhibiting a strong independent element which enhances independent judgement.
	Mr. William O. Grabe, an independent non-executive director of the Company was appointed as the Lead Independent Director for enhancing corporate governance of the Company. The roles and responsibilities of the Lead Independent Director are set out on page 64 of this annual report.
Relationship among directors	Mr. Zhu Linan and Mr. Zhao John Huan, non-executive directors of the Company, also serve on the board of directors of Legend Holdings Corporation, which held approximately 33.94% of the total number of shares in issue of the Company as of March 31, 2023 according to the interest as recorded in the register maintained under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO"). The details are set out on page 115 of this annual report and pages 161 to 162 under Directors' report of this annual report.
	To the best knowledge of the Board members, there is no other relationship among the members of the Board as of the date of this annual report except for the relationships (including financial, business, family, and other material and relevant relationships) as mentioned in this annual report and in the biographies of directors set out on pages 149 to 153 of this annual report.

Corporate governance report

Refreshment of the Board

The Board's diversity and independence are enhanced by refreshing the composition of the Board. As part of Lenovo's continuing efforts to refresh the Board, the Board has appointed two additional independent non-executive directors with solid experience, fresh ideas and different skills in FY2022/23. The appointment enhances the strong independent element of the Board and further adds value to the Board from the balance of skills, knowledge, experience and diversity perspectives. The diagram below shows how the Board has been refreshed since January 2019.

Over the period from January 2019 to May 2023



Workforce diversity

As a global technology leader, assembling a diverse workforce that achieves its full potential through an inclusive culture is fundamental to Lenovo's competitive success. Working toward a gender balanced workforce is core to Lenovo's diversity. While FY2022/23 data shows a 37% female global workforce and industry-leading 29% female representation in technical roles, Lenovo has chosen to focus its global target on increasing representation of female executives. After meeting and exceeding 2020 executive representation targets (20% representation target, 21% percent achieved), Lenovo has established new goals to further advance our global female executive representation. The new target aims to reach 27% female executive representation by 2025 and is led by Lenovo's Diversity and Inclusion Board, chaired by the Chief Diversity Officer.

To achieve its global female executive representation goal, Lenovo recognizes that it must foster a strong pipeline of diverse talent. It provides several career development programs to create that pipeline through learning, sponsorship, and mentorship programs in partnership with its employee resource groups, business leaders, and Human Resource teams. The Women's Leadership Development Program to develop female executive talent is the longest-running program of its kind at Lenovo and graduated its seventh cohort of high potential female talents in 2023.

Board diversity policy

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

The Board believes that a key success factor of an effective Board is that it comprises a range and balance of skills, experience, knowledge and independence, with individuals that work as a team. The adoption of Board Diversity Policy is to ensure that diversity in its broadest sense continues to remain a feature of the Board. All Board appointments are made on merit, in the context of the skills, experience and gender diversity, the Board as a whole requires being effective. The details of the appointment process are disclosed on page 70 of this annual report respectively.

The Nomination and Governance Committee has been delegated with the responsibilities for the review of the Board Diversity Policy, among others, the implementation and effectiveness thereof, on an annual basis. During FY2022/23, the Nomination and Governance Committee reviewed the below measurable objectives and the progress in achieving these objectives:

Measurable objectives		Progress for achieving objectives
Objective 1	Consider candidates for appointment as independent non-executive directors from a wide pool of candidates with different backgrounds, skills, experience and perspectives that would complement the existing Board and preferably add gender diversity	• In FY2022/23, the Board has appointed two directors, including one female and one male independent non-executive director pursuant to the Nomination Policy and the Board Diversity Policy • For FY2022/23, the female representation at Board level was about 18.18% (i.e. two female directors out of eleven directors). It is targeted to reach 20% female Board by FY2025/26 to further promote diversity of the Board • On-going search for appropriate candidates to be appointed as independent non-executive directors and to add diversity to the existing Board • In the ordinary course of the Board succession process
Objective 2	Report annually against the objectives and other initiatives taking place within the Company which promote diversity	• The Board evaluation process includes an assessment of the Board's diversity helping to objectively consider the Board composition and effectiveness • FY2023/24 and ongoing
Objective 3	Report annually on the outcome of the composition and structure of the Board as well as any issues and challenges the Board is facing when considering the diverse make-up of the Company	• Make use of the Board evaluation process as an important means of monitoring the progress • Remain committed to getting the right balance of the composition of the Board and work towards understanding and managing some of the challenges the Company faces in the global information technology sector, particularly in internet, mobile, data center, software, services and solutions, telecommunications, artificial intelligence and clouds areas • FY2023/24 and ongoing

Nomination, appointment and election

Nomination policy

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

Nomination and appointment process

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

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

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

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

Evaluation of the Board composition and establishment of desired criteria for prospective directors

Identification of candidates

Evaluation of suitability of candidates

Meeting with candidates

Final deliberation by the Nomination and Governance Committee

Recommendation to the Board for approval

Succession

The Nomination and Governance Committee regularly reviews the structure, size and composition (balance of skills, knowledge, experience and diversity of perspectives) required of the Board and makes recommendations to the Board as appropriate. The Board has satisfied itself that the appropriate plan has been in place for orderly succession to the Board as well as procedures to ensure an appropriate balance of skills on the Board and its committees. The Board and the Nomination and Governance Committee have regularly discussed and reviewed Board composition and succession planning during the year and this will continue in the FY2023/24.

Ms. Cher Wang Hsiueh Hong and Professor Xue Lan were appointed as independent non-executive directors of the Company on June 20, 2022.

Tenure

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

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

The Company agreed that the independence of directors is an important principle of the Company. In line with the best practices on corporate governance, the Board adopted the principle that each term of an independent non-executive director of the Company shall not be more than three years and shall, subject to re-election by shareholders at any subsequent annual general meeting of the Company, be renewable for additional three-year terms up to a total of nine years. At the recommendation of the Nomination and Governance Committee, the Board may invite an independent non-executive director to serve for an additional three-year term extending up to a total of 12 years subject to re-election at any subsequent annual general meeting of the Company.

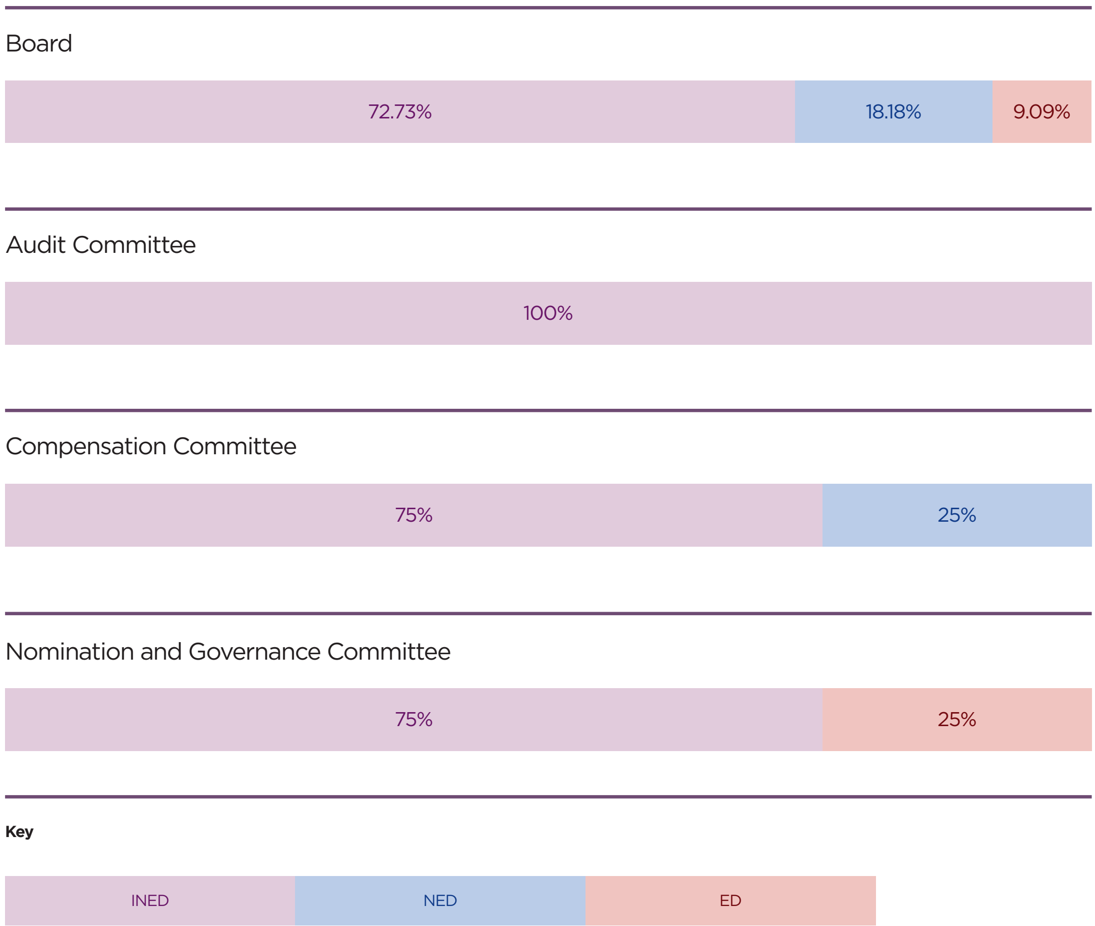
Tenure of Board members

Independence

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

Each of the independent non-executive directors has made a confirmation of independence pursuant to rule 3.13 of the Listing Rules. On May 23, 2023, the Nomination and Governance Committee conducted an annual review of the independence of all independent non-executive directors of the Company for FY2022/23. Having taken into account the factors as set out in rule 3.13 of the Listing Rules in assessing the independence of independent non-executive directors, the Nomination and Governance Committee (with the relevant committee member abstaining from voting on the resolutions concerning his/her own independence) concluded that all of the independent non-executive directors satisfied the criteria of independence as set out in the Listing Rules. The diagram below shows the independence weighting of the Board and the Board Committees as of March 31, 2023 and the date of this annual report.

Independence weighting



In addition, the Nomination and Governance Committee affirmed that all independent non-executive directors of the Company provided a strong independent element on the Board, were free from any business or other relationship which could materially interfere with the exercise of their judgement, and remained independent for FY2022/23.

Independence assessment
Before and on appointment
• Nomination and Governance Committee will evaluate the suitability of the candidates, including an assessment of their independence • Upon appointment, the director is required to confirm with the Stock Exchange his/her independence having regard to the criteria under rule 3.13 of the Listing Rules
Ongoing process
• Each of the independent non-executive directors is required to inform the Stock Exchange and the Company as soon as practicable if there is any change in his/her own personal particulars that may affect his/her independence • The independent non-executive directors are required to confirm with the Company whether he/she has any financial, business, family or other material/relevant relationship with each other on a semi-annual basis • All directors have continuing duty to update the Company on any changes to their other appointments which will be reviewed by the Company
Annual assessment
• Each of the independent non-executive directors is required to confirm with the Company his/her independence having regard to the criteria under rule 3.13 of the Listing Rules • Nomination and Governance Committee assesses and reviews the independence of independent non-executive directors annually

Mechanisms for ensuring independent views and input

Pursuant to the Listing Rules, mechanism(s) should be established to ensure independent views and input are available to the Board. Having reviewed the implementation and effectiveness and taking into account the following channels, it was considered that the Company had in place mechanisms which remain effective to ensure a strong independent element on the Board:

- The Board comprises a vast majority of eight independent non-executive directors representing more than two-thirds of the Board.
- The appointment of Lead Independent Director with broad authorities and responsibilities, among others, calls and chairs meetings with all independent non-executive directors without management and executive director present at least once a year. During FY2022/23, the Lead Independent Director met all other independent non-executive directors without management at executive sessions held after the board meetings and committee meetings, where applicable.
- All independent non-executive directors share their views and opinions through regular quarterly meetings at which heads of core divisions and particular business units would be invited to join such meetings and business segments performance from core business divisions are presented.
- Independent non-executive directors are authorised to seek independent professional advice at the Company's expense, to perform their responsibilities if necessary.
- The Chairman has one-to-one meeting with each independent non-executive director who shares their views with the Chairman directly.

Conflicts of interest

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

- The Board deals with each appointment on its individual merit and takes into consideration all the circumstances.
- Prior to taking additional responsibilities or external appointments, directors are obliged to ensure that they will be able to meet the time commitment expected of them in their role at the Company and do not have any potential conflicts that may arise when taking up a position with another company.
- Decisions regarding transactions with directors and their related parties are always dealt with by other directors, such as matter regarding the remuneration of executive director is handled by the Compensation Committee.
- Under the Articles of Association, directors are also required to declare their direct or indirect interests, if any, in any proposal, transaction, arrangement or contract that is significant in relation to the Company's business and the director's interest or his/her associate's interest or the interest of the entity connected with the director is material.

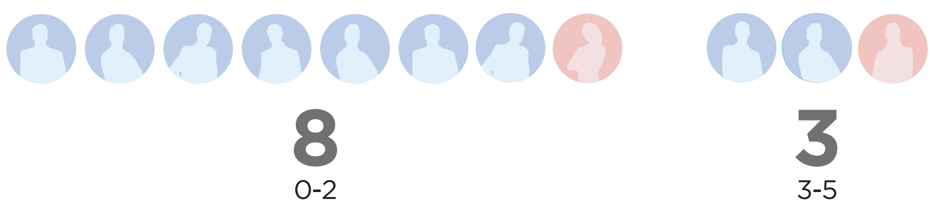
All potential conflicts of interest will be recorded, which are reviewed on an annual basis by the Nomination and Governance Committee to ensure that the procedures are working effectively.

Commitments

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

With respect to those directors who stand for election or re-election at the forthcoming annual general meeting (the "2023 Annual General Meeting"), all of their directorships held in listed public companies in the past three years are also set out in the circular accompanying the notice of the 2023 Annual General Meeting.

Directorship with other listed public companies



Share ownership

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

Directors' securities transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules from time to time and devised based on the principles of the Model Code a comprehensive and operative company policy to govern securities transactions by directors of the Company. All directors of the Company have confirmed, after specific enquiry, their compliance with the required standard during FY2022/23.

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

Induction and continuous professional development

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

Induction program

For new directors

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

For new Board committee members

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

On appointment

Receiving director's induction handbook

to ensure that the director has a proper understanding of the operations, business and governance policies of the Company

Attending briefing/training by external lawyer

to ensure the director is fully aware of the responsibilities as a director under statute and common law, the Listing Rules, applicable legal requirements and other regulatory requirements

Following appointment

Meeting with Chairman, directors and Senior Management from across the business

to ensure that the director has a proper understanding of the culture and the operations of the Group

Attending briefing and presentation from Senior Executives and visit to business operations

to ensure that the director has a proper understanding of the operations of the Group and its development

Attending continuous professional development program

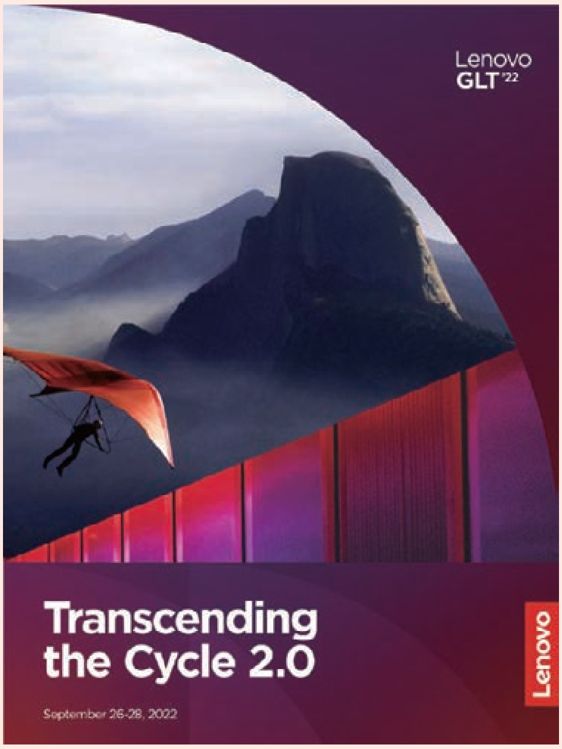
to ensure that the director keeps abreast of new laws, regulations and/or developments in business that are relevant to the roles as a director of the Company

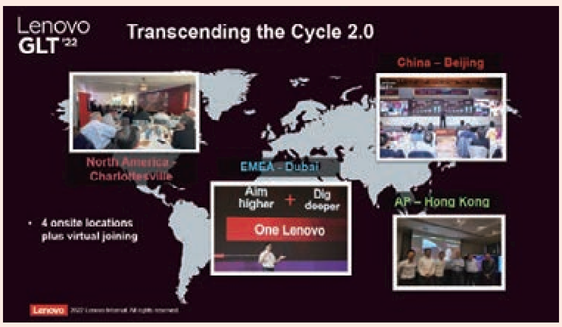
Continuous professional development program

As part of the continuous professional development program, the Board members from time to time receive presentations from Senior Executives on significant business matters. Financial plans, including budgets and forecasts, updates on corporate strategy and ESG issues are regularly reviewed and discussed at Board meetings. The Company would arrange appropriate visits and seminars covering the Group's operations, the industry and governance matters for directors to facilitate their understanding of the Group's businesses and have a better awareness of the risks associated with the Group's operations. Many trainings and activities were held in hybrid way, i.e. face-to-face and virtually, directors could attend them in person or online. In FY2022/23, the Company had arranged the following activities and provided regulatory updates to the directors of the Company to refresh their knowledge and skills.

Events

In order to enhance greater interaction between Board members and Senior Management, the Company arranged directors to attend the Global Leadership Team ("GLT") annual meeting. The GLT meeting was launched virtually and face-to-face in Beijing, China, Hong Kong S.A.R. of China, Dubai, and Charlottesville, the United States on September 26-28, 2022, with plenary sessions and breakout sessions in the three days. This year's theme was "Transcending the Cycle 2.0", dividing into three parts, "Advancing 3S Strategy", "Accelerating Service-Led & One Lenovo" and "Leading Transformation". It presented an excellent opportunity for Lenovo's leaders on the one hand to work together, share ideas, identify challenges and, most importantly, have deep-dive discussions and develop solutions on these specified topics; and on the other hand, to foster cross-functional networking.

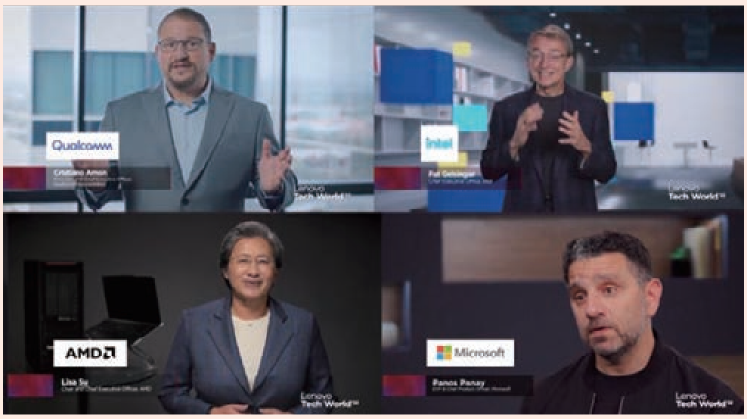




Corporate governance report

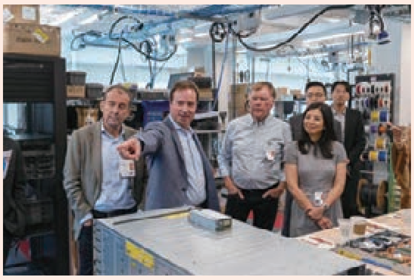
On October 18, 2022, the Company launched 2022 Lenovo Tech World virtually and invited directors to join. Tech World was created to showcase Lenovo's innovation and provided a glimpse into the technology being developed in laboratories. It included keynotes, demonstrations and content-rich discussions and breakout sessions. The story theme this year was "Smarter Technology Empowering a Changing World", covering industry changes and customers needs, Lenovo innovations and newsmakers on these streams, IDG — "From Devices to Spaces" , ISG — "From Computer to Computing", SSG — "From Traditional IT to Digital Industries" and ESG — "From Human to Planet".

The participants included directors, customers, the executives within the technology industry from around the world.



Site visit

On August 9, 2022, taking the opportunity of the first quarter Board meeting held in Lenovo Morrisville campus, directors, CEO Advisory Council members and Senior Management joined a campus tour, which they visited various laboratories, with products demonstrations, manufacturing, innovations, ESG, and customers' services showcases and presentations.



During the third quarter Board meeting held in East Palo Alto, California on February 16, 2023 (PST), directors were provided an on-site IDG and ISG products demonstration.

Corporate governance report

Industry congress

Lenovo operates in an industry which is rapidly changing in terms of market trends, consumer preferences and technologies. In order to keep directors updated with the latest technologies and products development in the industry, the Company invited directors to attend 2023 Consumer Electronic Show (the "CES") in Las Vegas and 2023 Mobile World Congress (the "MWC") in Barcelona. These two events provided the best product reviews, product demonstrations and displays that showcase the technologies of the Company and also those of other players in the market.

Experts briefings and seminars

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

During FY2022/23, the Company arranged external and in-house experts briefings and seminars for directors on topics such as share price strategy, impacts of COVID-19, public relations/government relations in China, geo-economics/politics and regulatory updates.

Regulatory updates

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

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

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

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

In addition to directors' attendance at meetings and review of relevant materials provided by Senior Management during FY2022/23, the professional trainings attended by the directors are set out as follows:

Name of directors / Type of training	Reading regulatory updates/Company policies	Attending experts briefing/seminar/conference relevant to the Company's business or director's duties
Executive director		
Mr. Yang Yuanqing	✓	✓
Non-executive directors		
Mr. Zhu Linan	✓	✓
Mr. Zhao John Huan	✓	✓
Independent non-executive directors		
Mr. 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 (appointed as an independent non-executive director on June 20, 2022)	✓	✓
Professor Xue Lan (appointed as an independent non-executive director on June 20, 2022)	✓	✓

Remuneration of directors and senior management

A formal and transparent procedure for fixing the remuneration packages of directors and Senior Management is in place. Details of remuneration policies, remuneration payable to senior management and other relevant information are set out in the Compensation Committee report of this annual report on pages 126 to 140.

Company secretary

The Company Secretary is responsible for facilitating the Board process, as well as communications among Board members with shareholders and management. During FY2022/23, Mr. Mok Chung Fu, Eric ("Mr. Mok") has retired as the Company Secretary with effect from November 3, 2022. Subsequent to Mr. Mok's retirement, Ms. Lam Ngan Ling ("Ms. Lam") has been appointed as the Company Secretary. For FY2022/23, Ms. Lam undertook appropriate professional training to update her skills and knowledge.

Effectiveness

Board's responsibilities and delegation

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

The Company has a formal schedule of matters specifically reserved to the Board and those delegated to management. The management is responsible for the daily operations and administration function of the Group under the leadership of the CEO. The Board has given clear directions to management as to the matters that must be approved by the Board before decisions are made on behalf of the Company or entering into any commitments on behalf of the Group. The types of decisions to be delegated by the Board to management include implementation of the strategy and direction determined by the Board, operation of the Group's businesses, preparation of financial statements and operating budgets, and compliance with applicable laws and regulations. These arrangements will be reviewed periodically to ensure that they remain appropriate to the Company's needs. A list of Senior Management and their biographies are set out on pages 153 to 156 of this annual report.

<table>
<tr><th colspan="2">Key matters reserved for Board approval</th></tr>
<tr><th>Group strategy and management</th><th>Financial</th></tr>
<tr><td>Formulation of the Group's strategy and long-term objectives
Approval of changes to capital structure
Approval of major capital and equity transactions
Approval of major disposals and acquisitions</td><td>Approval of the Group's financial statements and results announcements
Recommendation on appointment or re-appointment of external auditor
Recommendation or declaration of dividend
Monitoring the Group's businesses against plan and budget</td></tr>
<tr><th>Board membership and committees</th><th>Corporate governance and sustainability</th></tr>
<tr><td>Appointment to the Board
Setting the terms of reference of Board Committees</td><td>Review the performance of Board and its committees
Approval of shareholder communications, circular and notices of meetings
Review ESG practices of the Group and approval of ESG report of the Company
Review and/or approval of certain policies of the Group, including:
Nomination Policy
Board Diversity Policy
Dividend policy (the "Dividend Policy")
Continuous disclosures policy (the "Continuous Disclosures Policy")
Shareholders communication policy (the "Shareholders Communication Policy")
Lenovo Whistleblowing and Investigations Policy
Lenovo Anti-Bribery and Corruption Policy
Mechanisms to ensure independent views and input are available to the Board</td></tr>
</table>

Corporate governance report

Board process

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

Board meetings

Regular Board meetings

Meeting dates are set two years in advance

- To facilitate maximum attendance of directors

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

- To review financial performance, strategy and operations

Meeting agenda and notice

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

Dispatch Board papers to directors

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

Other Board meetings

Other Board meetings

- To consider ad hoc matters

Convene Board meetings

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

Dispatch Board papers to directors

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

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

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

Other key features of Board process	
Timely updates and discussion	The directors are supplied in a timely manner with all relevant documentation and financial information to assist them in discharge of their duties. Monthly updates of the financial performance of the Company are furnished to the Board between regular Board Meetings.
	In addition to standing agenda items, there may be discussions on "deep-dive" topics. During FY2022/23, "deep-dive" presentations included the Group's specific strategy, business units and functions. In addition to the quarterly regular Board (earnings) meetings, generally, board meetings focusing on the Group's strategy may be held on one to two day(s) before regular Board (earnings) meetings, or a strategy session would be included in the Board (earnings) meetings. During FY2022/23, one Board meeting on strategy and three with earnings and strategy sessions combined were held.
	Senior Management are invited to attend Board meetings, where appropriate, to report on matters relating to their areas of responsibility, and also to brief and present details to the directors on recommendations submitted for the Board's consideration. Additional information or clarification may be required to be furnished, particularly with respect to complex and technical issues tabled to the Board.
	The Company has established the Continuous Disclosure Policy and its implementation guideline on monitoring, reporting and disseminating inside information. The critical concerns of the Group's operations and developments are communicated and addressed to the Board in a timely manner.
Executive sessions	As a good corporate governance practice, separate executive sessions were arranged for (i) the Chairman to meet with independent non-executive directors in the absence of management; and (ii) the Lead Independent Director to meet with other independent non-executive directors in the absence of executive director and management to discuss matters relating to any issue or matters such persons would like to raise. At the request of the Lead Independent Director, other directors may be invited to attend this session to answer questions from independent non-executive directors.

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

Board activities

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

The diagram below shows the key areas of focus for the Board, which appear as items on the Board's agenda at relevant times throughout FY2022/23. Concentrated discussion of these items assists the Board in making the most appropriate decision based on the long-term opportunities for the business.

Financial and operational performance

- CEO and CFO Reports
- Financial and operational updates
- Annual budget
- Treasury items

Strategy and risks

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

Governance and sustainability

- Review and discussion of the practices of governance and sustainability matters
- Updates on ESG matter and review ESG report
- Board and Board Committees' effectiveness review
- Board diversity and succession planning
- Board Committees' reports

Others

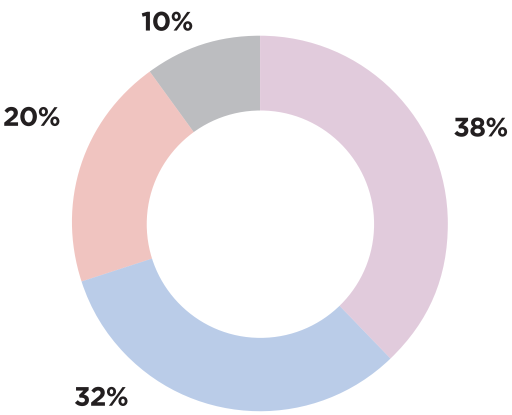
- Update on corporate matters such as changes in organization structure, Senior Management and the Company Secretary
- R&D planning
- COVID-19 impacts
- Government relations and trade updates
- Employee engagement survey
- Ad hoc projects

Corporate governance report

Main activities during FY2022/23

During FY2022/23, a total of six Board meetings were held, of which four Board meetings were primarily to review quarterly business performance and strategy execution (including three combined with strategy session), one Board meeting focused on reviewing strategy in the business or other relevant areas, one for seeking the directors' approval on an ad hoc project. Given the geographical spread of the Group's businesses, the Company holds face-to-face meetings in Hong Kong S.A.R. of China, Morrisville and Palo Alto, the United States with video conferencing option. The below chart provides and overview of how the Board allocated its agenda time during the year.

Allocation of agenda time



	FY2022/23	FY2021/22
Financial & operational performance	**38%**	32%
Strategic matters	**32%**	33%
Governance, sustainability, training & Board Committees' reports	**20%**	24%
Other matters (including ad hoc projects and human resources matters)	**10%**	11%

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

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

The main matters and areas that the Board reviewed and considered at its six meetings (including one specific meeting focusing on strategy) during FY2022/23 were as follows:

	2022				2023
	May	**June**	**August**	**November**	**February**
Financial and operational performance					
• CEO and CFO Report	■		■	■	■
• Results announcement	■		■	■	■
• Annual/interim report	■			■	
• Final/interim dividend	■			■	
• Annual general meeting items, among others, general mandate to buy back shares and to issue shares, re-election of directors and notice of annual general meeting	■				
• Re-appointment of external auditor	■				
• FY2023/24 budget plan					■
Strategic items					
• Expert speaker sharing	■		■	■	
• Corporate strategy					■
• Research and development planning			■		
Governance and sustainability					
• Reports from Audit Committee	■		■	■	■
• Report from Nomination and Governance Committee	■			■	

Corporate governance report

	2022				2023
	May	June	August	November	February
• Report from Compensation Committee	■			■	■
• Report from CEO Advisory Council	■			■	
• Sustainability Update	■		■		
• ESG Report			■		
• Board composition, diversity and Board evaluation report (if any)	■			■	
• GLT and Tech World Debrief				■	
Human Resources					
• Organization human resources planning	■				
• Employee engagement survey				■	
Ad hoc project		■			■
Executive session	■		■	■	■

Board committees

As at the date of this annual report, the Company has preserved the Board Committees set out below with defined terms of reference, which are posted on the Company's website and Hong Kong Exchanges and Clearing Limited's website (the "HKEx's website"). The terms of reference of the Board Committees refer to those set out in the CG Code prevailing from time to time.

Board of Directors

Key responsibilities

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

Audit Committee

Key responsibilities

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

Compensation Committee

Key responsibilities

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

Nomination and Governance Committee

Key responsibilities

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

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

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

Audit Committee

The Audit Committee is delegated by the Board to perform its duties within its terms of reference. Details of the Audit committee, including its membership, responsibilities and work done during FY2022/23, are summarized in the Audit Committee report as stated on pages 118 to 125 of this annual report.

Compensation Committee

The Compensation Committee is delegated by the Board to perform its duties within its terms of reference. Details of the Compensation Committee, including its membership, responsibilities and work done during FY2022/23, are summarized in the Compensation Committee report as stated on pages 126 to 140 of this annual report.

Nomination and Governance Committee

Membership

The Nomination and Governance Committee (defined as "Committee" in this section) of the Board of the Company comprises the following members during FY2022/23 and as at the date of this annual report:

Mr. Yang Yuanqing
(Chairman)
Chairman, CEO and executive director

Mr. William O. Grabe
(Member)
Independent non-executive director and Lead Independent Director

Ms. Yang Lan
(Member)
Independent non-executive director

Professor Xue Lan
(appointed as a member of the Committee on August 10, 2022)
(Member)
Independent non-executive director

More information on the skills and experience of the members of the Committee is available in the directors' biographies set out on pages 149 to 153 of this annual report.

In addition to the members, the regular attendees at the Committee's meetings include:

Chief Legal and Corporate Responsibility Officer

Company Secretary

Responsibilities

The Committee is delegated by the Board with responsibilities to perform its duties within its terms of reference, among others, the following:

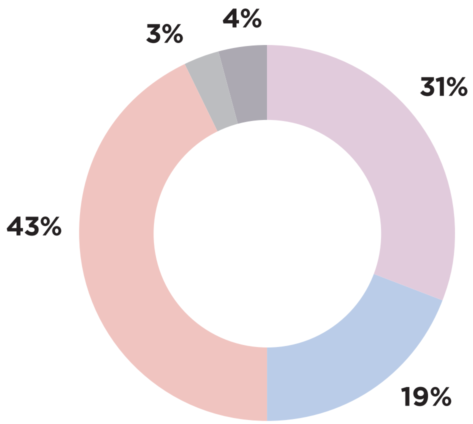
- Reviewing the composition of the Board and Board committees to ensure they are properly constituted and balanced in terms of skills, experience and diversity;
- Making recommendation to the Board on succession planning for directors and CEO;
- Assessing the performance of the Chairman and/or CEO and making proposals to the Compensation Committee;
- Reviewing and assessing the independence of Independent non-executive directors pursuant to the requirements under the Listing Rules;
- Monitoring corporate governance issues and developments to ensure that the Company is in line with the international best practices;
- Reviewing the policies and practices on corporate governance, and the compliance with legal and regulatory requirements of the Company;
- Reviewing and determining the director induction and continuous professional development programs; and
- Reviewing and monitoring the Board and Board Committees' evaluation and the progress of the implementation actions.

Key features

- The Committee's terms of reference which clearly deal with its membership, authority, duties and frequency of meetings are published on the Company's website and HKEx's website.
- The Committee is provided with sufficient resources to perform its duties.
- The Committee is authorised to obtain outside legal or other independent professional advice in performing its duties at the Company's expense.
- Chief Legal and Corporate Responsibility Officer and Company Secretary are invited to attend the Committee meetings in order to provide insight and enhance the Committee's awareness of corporate governance issues and developments.
- The chairman of the Committee being also the Chairman and CEO, is required to excuse himself from the agenda items relating to succession planning of the Chairman and/or CEO and the assessment of performance of the Chairman and/or CEO.

Main activities during FY2022/23

In FY2022/23, the Committee held two meetings, with all members in attendance at each meeting. The attendance records of the Committee's members are disclosed in page 97 in this annual report and the chart below provides an overview of how the Committee allocated its agenda time during FY2022/23.



	FY2022/23	FY2021/22
Board and Board Committees' compositions	**31%**	29%
Assessment of performance of the Chairman and CEO	**19%**	18%
Corporate governance	**43%**	37%
Board and Board Committees' evaluation and follow-up actions	**3%**	12%
Others	**4%**	4%

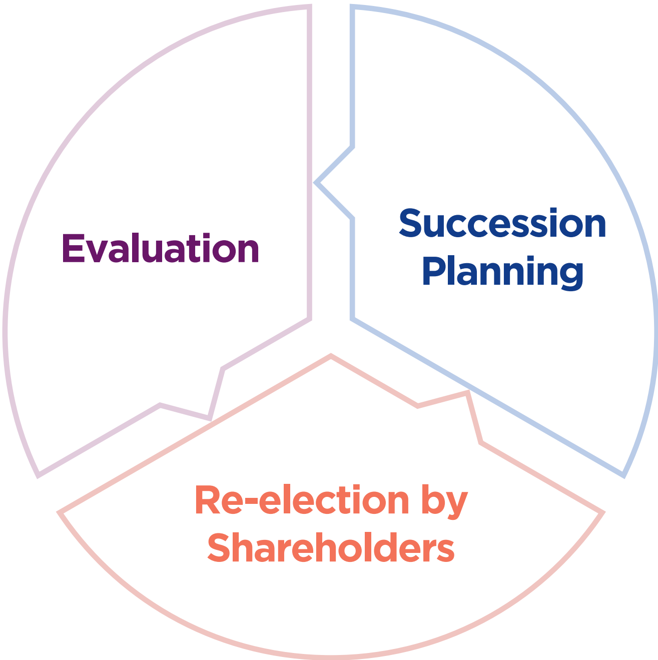
Corporate governance report

The main matters and areas that the Committee reviewed and considered during FY2022/23 were as follows:

		May	November
Board and Board Committees' compositions	• Reviewed, discussed and recommended (if any) to the Board on the composition of the Board and Board Committees, among others, female representation of the Board, appointment of members of the Board and Board Committees.	■	■
	• Discussed the requirements of candidates and identified potential candidates as new board members from the perspectives of gender, skills, knowledge, qualifications and experience (if any).	■	■
	• Discussed and set the numerical target and timeline for achieving gender diversity of the Board.	■	
	• Reviewed and discussed the progress against Board diversity targets.	■	■
Assessment of the performance of the Chairman and CEO	• Assessed the performance of the Chairman and CEO for FY2021/22 and provided recommendation to the Compensation Committee.	■	
	• Reviewed the arrangement of same person acting as Chairman and CEO.	■	■
Corporate governance	• Reviewed corporate governance disclosures in 2021/22 annual report and 2022/23 interim report.	■	■
	• Reviewed and assessed the independence of independent non-executive directors and affirmed the Committee's view over their independence.	■	
	• Reviewed and discussed the continuous professional development programs for the directors of the Company.	■	■
	• Reviewed the policies and practices on corporate governance, including but not limited to Board Diversity Policy, Dividend Policy, Nomination Policy and Shareholders Communication Policy, and the compliance with legal and regulatory requirements of the Group.	■	■
Board and Board committees' evaluation	• Discussed and followed-up on the matters relating to the Board evaluation.	■	

Board and Board Committees' effectiveness review

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



Succession planning

The Board is ultimately responsible for succession planning for directorships and key management roles. During FY2022/23, the Board and the Nomination and Governance Committee have discussed and reviewed Board composition and succession planning to ensure that the successors for key roles are identified and their performance are also assessed.

Evaluation

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

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

Corporate governance report

The evaluation covered:

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

Evaluation process

The evaluation process involves the following three stages:

Stage 1

Determine the scope
- Board and its Committees

Determine the approach
- Conducted by completing a comprehensive questionnaire

Stage 2

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

Stage 3

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

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

Evaluation results

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

Re-election by shareholders

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

Board meetings, Board Committee meetings and general meeting

The following diagram illustrates the number of the Board, Board Committee meetings and general meeting held during FY2022/23.

Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
		B									
	B(S)										
	B(E)			B(E&S)			B(E&S)			B(E&S)	
	AC			AC			AC			AC	
	CC						CC			CC	
	NGC						NGC				
			AGM								

Key

B(S)	Board meeting (Strategy session)	CC	Compensation Committee meeting
B(E)	Board meeting (Earnings session)	NGC	Nomination and Governance Committee meeting
B	Board meeting (Special)	AGM	Annual General Meeting
AC	Audit Committee meeting		

Directors' attendance

During FY2022/23, the overall attendance rate of directors at Board and Board Committee meetings was about 97% (2021/22: 98%). Details of the attendance of each director at the Board meeting, Board Committee meetings and general meeting (attended/held) during FY2022/23 are set out in below table:

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

Notes:

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

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

(3) The Company held the Annual General Meeting on July 26, 2022.

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

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

(6) Ms. Cher Wang Hsiueh Hong and Professor Xue Lan were appointed as independent non-executive directors of the Company on June 20, 2022 and three Board meetings were held after the appointment

(7) Professor Xue Lan was appointed as a member of the Nomination and Governance Committee on August 10, 2022 and one Nomination and Governance Committee meeting was held after the appointment.

Accountability and audit

Financial reporting

The Board acknowledges its responsibility for presenting a balanced, clear and comprehensive assessment of the Group's performance, position and prospects. The Board is also responsible for the preparation of financial statements for each financial year which gives a true and fair view of the state of affairs of the Group on going concern basis while the external auditor's responsibilities to shareholders are set out in the Independent Auditor's Report on pages 179 to 183 of this annual report.

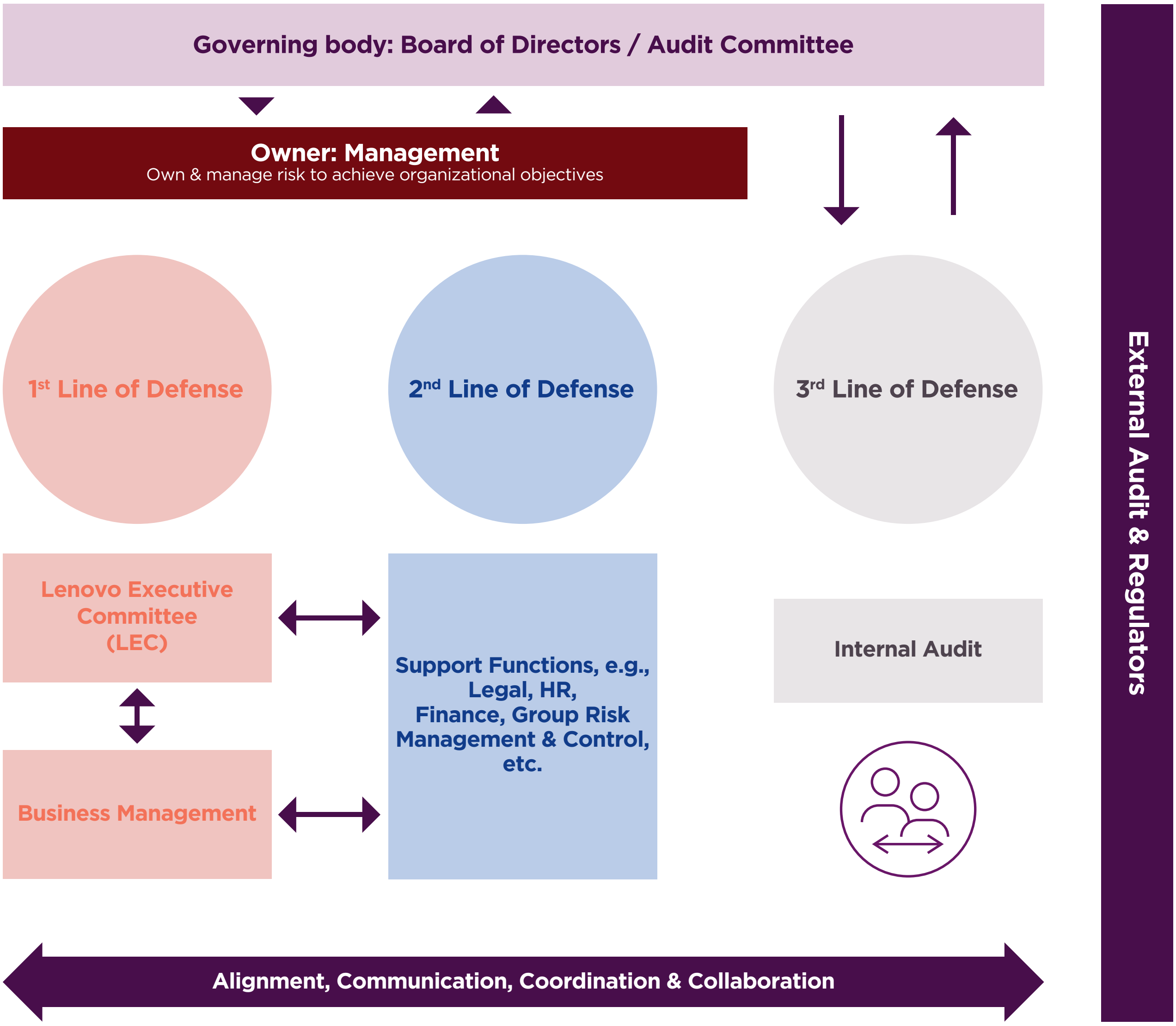
The practices of the Company on the timeline for publication of financial results and the related reports are set out below:

Annual results
• Announce within two months
• Publish the annual report within 15 days following the annual results announcement
Interim results
• Announce within about 1.5 months
• Publish the interim report within 15 days following the interim results announcement
Quarterly results
• Announce within about eight weeks following quarter end, depending on timing of festive holidays

Risk management and internal control

At Lenovo, risk is defined as a potential action, event or circumstance that could impact the Company's ability, favorably or unfavorably, to meet its business strategies and objectives. Risk is an inherent part of doing business and must be understood and managed properly for the Company's sustained business success.

In line with the commitment to deliver sustainable business value, Lenovo adopts a comprehensive risk management and internal control framework to proactively manage risks, based on the "Three Lines of Defense" model. This framework is governed by Lenovo's Board of Directors with support from the Audit Committee to monitor key business risks and the design and operating effectiveness of the Company's risk management and internal controls systems to manage these risks.



Corporate governance report

Governance & Oversight	Board	Responsible for overall governance of Lenovo's risk management and internal control systems.
		Oversees and monitors the effectiveness of the risk management and internal control systems through delegation to the Audit Committee, and through discussions with Management on the Company's strategies and plans.
	Audit Committee	Delegated by the Board with responsibility to assess the effectiveness of risk management and internal control systems.
		Receives regular reports from Management and Internal Audit that provide insight into the operation of the Company's risk management and control systems.
		Reviews the adequacy and effectiveness of the internal audit function, including its audit plans and scope.
		Reviews the Company's enterprise risk management approach, including processes to identify, assess and report key risks, related mitigation activities and action plans.
First Line – Own & manage risk to achieve organizational objectives	Lenovo Executive Committee	Sets overall tone and expectations for identifying, mitigating, and monitoring significant business risks across Lenovo.
		Responsible for the design, implementation, and review of Lenovo's risk management framework.
		Ensures that key risks are highlighted to the Audit Committee, along with the status of any actions taken to enhance risk management.
		Establishes group wide policies and guidelines where appropriate.
	Business Management	Identifies and prioritizes risks, implements mitigation measures, and monitors execution of mitigation measures within span of responsibility.
		Appoints Risk Management & Control (RMC) liaisons to work in close collaboration with Group RMC.
		Provides quarterly management disclosure and financial certifications as part of the Company's quarter close process.

Second Line – Support Functions	Group Risk Management & Control (RMC)	Supports Senior Management through design, implementation, review and update of Lenovo's risk management framework.
		Coordinates the risk identification and assessment process, and provides periodic reports on enterprise risk, mitigation activities and plans to the Audit Committee.
		Conducts risk management projects to drive continuous improvement.
	Support Functions such as Legal, HR, Finance	Provides expertise, support, monitoring, and insight to Management on risk related matters.
Third Line – Independent Assurance	Internal Audit (IA)	Supports the Audit Committee through independent, objective assurance, advisory and internal investigation services designed to add value and improve Lenovo's operations.
		Uses risk-based approach to determine if Lenovo's system of risk management, control, compliance, and governance processes, as designed and represented by Management, are adequate and functioning effectively.
		Conducts independent investigations regarding certain types of fraud allegations or violations of Lenovo's Code of Conduct ("the Code") and other company policies.

This risk management and internal control framework is designed to manage rather than eliminate the risk of failure to achieve business objectives, and as such, provides reasonable (rather than absolute) assurance against material misstatement or loss. It serves to improve communication of identified risks with management, measure the impact of the identified risk and facilitate the implementation of coordinated mitigating measures.

In addition to the Three Lines of Defense model, the Company also leverages the Committee of Sponsoring Organizations of the Treadway Commission (COSO) framework in managing risks. This framework is comprised of the following key components:

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

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

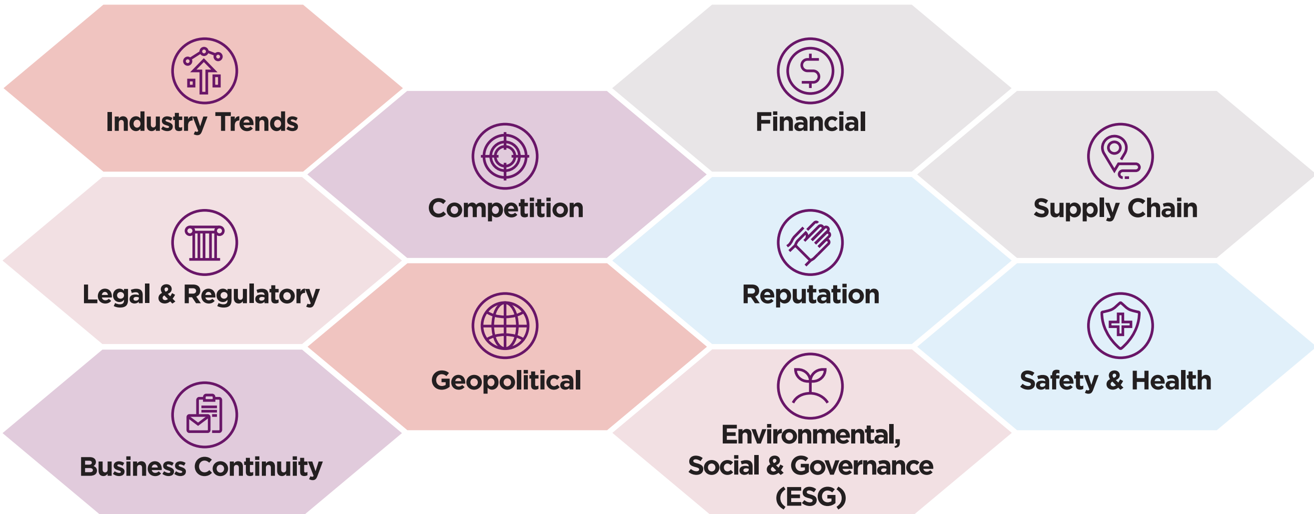
Control Activities: Policies and procedures are implemented to ensure organizational objectives and risk-mitigation activities are effectively implemented.

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

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

Risk assessment

Lenovo's Board and Management recognizes that risk management is the responsibility of everyone within Lenovo, and that risk is best managed when business functions take responsibility and are accountable for risk management. Lenovo's enterprise-wide risk management program is designed to enable effective and efficient identification of, and management's visibility into, critical enterprise risks. It also facilitates the incorporation of risk considerations into decision making. Rather than a separate and standalone process, risk assessment is incorporated as part of Lenovo's planning processes across all major functions of the Company. During planning, all business functions are required to identify and assess material risks that may impact the achievement of business objectives. Many aspects of risks are considered such as:



Through this program, management develops a holistic portfolio of the Company's enterprise risks by facilitating business and function risk assessments, performing targeted risk assessments and incorporating information regarding specific categories of risk gathered from the various Lenovo organizations. Management then develops risk response plans for risks categorized as needing management focus and response and monitors other identified risk focus areas. Management provides regular reports on the risk portfolio and risk response efforts to Senior Management and to the Audit Committee.

Within this framework, management is responsible for setting the appropriate tone from the top, performing risk assessments as noted above, and owning the design, implementation and maintenance of internal control. Other teams such as Finance, Legal, and Human Resources provide assistance and expertise to management to assist it in undertaking its responsibilities. The Board and the Audit Committee oversee the actions of management and monitor the effectiveness of the established controls, assisted by assurance provided by the external and internal auditors.

Details of some of these risks may be found under "Material risks of the Group" on pages 22 to 31.

Internal control activities & monitoring

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

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

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

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

Lenovo has zero tolerance for bribery and corruption. Lenovo complies with the anti-bribery and corruption laws of the countries where it conducts business. Lenovo's Global Anti-Bribery and Corruption Policy along with the Global Gift, Entertainment, Corporate Hospitality and Travel Policy reinforce provisions in the Code and provide additional guidance regarding compliance with global anti-bribery and corruption laws and regulations. The policies stress that Lenovo will not directly or indirectly solicit, offer, promise, authorize, provide, or accept anything of value to any person, including government officials, to influence action, inactions or to secure an improper advantage as defined by applicable laws.

To help employees understand these requirements, training on anti-bribery and corruption is provided. In FY2022/23, 97% of Lenovo's computer-based employees completed the assigned anti-bribery and corruption mandatory eLearning course. In addition, 21 facilitator-led sessions focused on anti-bribery and corruption basics and case studies were provided to over 11,000 China-based employees of the Company. Lenovo also provides Code training to new employees, which includes anti-bribery and corruption topics. The Board of Directors and Senior Leadership Team are provided a facilitator-led training session on anti-bribery and corruption. Bribery and corruption risks are also evaluated as part of Lenovo's Enterprise Risk Management Program risk assessment to ensure Lenovo's internal controls effectively address and mitigate bribery and corruption risk to the enterprise.

Lenovo recognizes that a culture of compliance where employees feel empowered to report concerns is necessary to the success of the Company's internal control system. Lenovo provides employees with confidential and anonymous methods for raising concerns or reporting suspected misconduct, as permitted by applicable law. This is codified in Corporate Policy Number 24 titled Lenovo Whistleblowing and Investigations Policy. The policy outlines the process by which concerns can be raised, are reviewed, and are investigated. Lenovo is committed to maintaining the confidentiality of reports, investigating all alleged misconduct, and non-retaliation. Lenovo does not tolerate retaliation against any employee, consultant or contractor for reporting an issue or raising a concern believed to be true, cooperating with an investigation or audit, or refusing to participate in activities that violate the Code, laws or company policies. Lenovo also has an oversight body, the Investigation Oversight Committee, to ensure concerns raised are appropriately investigated and addressed.

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

Additionally, as part of Lenovo's commitment to financial integrity, all relevant senior executives regularly verify the accuracy and completeness of the quarterly financial statements and confirm compliance with key internal controls.

Inside information

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

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

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

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

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

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

Risk management oversight

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

- Independent and objective assessment of Lenovo's system of internal controls;
- Guidance to Lenovo stakeholders for improving risks management;
- Proactive support to improve Lenovo's control posture; and
- Independent investigations regarding certain allegations of fraud and violations of the Code and other company policies.

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

In selecting the audits to perform each year, Internal Audit performs a risk assessment using information collected from process owners, the enterprise risk management team, senior executives, the external auditor and the Board along with an analysis of prior audit issues and other data. Internal Audit develops an audit plan that prioritizes areas with significant risks or deemed to be strategic in nature to the business. The audit plan is reviewed by the Audit Committee, which is also provided quarterly updates on the performance of the plan and key findings. As necessary throughout the year, the audit plan will be modified to reflect emerging risks or changes to business plans. Ad hoc reviews of areas of concern identified by management or the Audit Committee may also be performed. During FY2022/23, Internal Audit issued multiple reports covering all significant operational and financial units worldwide. Internal Audit regularly monitors the status of management action plans resulting from audit findings to ensure completion and reports progress each quarter to the Audit Committee.

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

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

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

External auditor

Independence of external auditor

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

During FY2022/23, PwC provided audit and non-audit services to the Group.

Remuneration of external auditor

The fees paid or payable to PwC for audit and non-audit services for FY2022/23 and the comparative figures for the financial year ended March 31, 2022 are as follows:

Nature of services	2023 US$ million	2022 US$ million
Audit services	**9.7**	9.0
Non-audit services		
— Tax	**0.2**	0.1
— Advisory	**0.2**	0.3
— Other services	**0.7**	0.3
Total	**10.8**	9.7

Investor relations

Communications with investors

Lenovo is devoted to providing transparent and clear communications with investors and analysts to help them form a better understanding of the Group's business development and future prospects.

Shareholders communication policy

Lenovo Shareholders Communication Policy is in place to ensure that the investment community is provided with timely and equal access to fair, balanced and understandable information on the Company's financial performance, corporate strategies and ESG initiatives. The policy also sets forth various communication channels through which the Investor Relations ("IR") team and Senior Management can conduct ongoing dialogs with investors and analysts on business strategy and also address market concerns about the Company. The policy can be accessed through Lenovo's Investor Relations website (https://investor.lenovo.com/en/ir/shareholder_communication_policy.pdf).

Investor engagement and communications

Investors and analysts can have direct communication with the Chairman and CEO, the CFO and other Senior Management on a quarterly basis through effective communication channels set out in the Shareholders Communication Policy. These include investor conferences, non-deal roadshows, one-on-one/group meetings, and company visits. The investor relations team is also poised to provide relevant public information to investors and analysts to support the appropriate valuation of the Company's equity.

During FY2022/23, the Company held around 600 meetings with institutional investors and analysts, mainly from the Asia Pacific region, UK, Europe and North America. Some key channels during FY2022/23 are highlighted below:

Quarterly IR communications

Results announcements

The Group's Senior Management team presented the annual and quarterly earnings results through webcasts, conference calls, social media, and face-to-face meetings with international and domestic shareholders, investors, and analysts. The various communication channels enhanced the capital market's understanding with regard to the Company's business strategy, development tactics, and competitive edge.

Expert access call series

The quarterly Expert Access series this year provided the investment community with more insight into the technology sector and the latest developments. Each quarter, the IR team designates a specific topic based on investors' appetites, and invites experts from different business groups to give a talk.

Post-Results Non-Deal Roadshows and Key Investor Meetings

Every quarter, the IR Team and senior management attend a Non-Deal Roadshows (NDR) to meet with current and potential investors. In FY2022/23, Lenovo arranged physical NDRs in the US and mainland China to meet with investors and analysts from those regions. Other virtual NDRs were also arranged with investors from the UK, Europe, other parts of Asia etc.

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

Communications on ESG initiatives

To foster understanding of the Company's ESG initiatives by the investment community, Lenovo conducts active communication with ESG rating agencies and funds, with ESG mandates regularly and upon request.

Investor conferences

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

Investor conferences attended in FY2022/23

Date	Conference	Location
2022		
Jun 1	CGS-CIMB 9th Annual China Smartphone Corporate Day	Virtual
Jun 6–7	Merrill Lynch 2022 Asia Conference	Virtual
Jun 8–9	Nomura Investment Forum Asia 2022	Virtual
Jun 16–17	Morgan Stanley China Hardware Tech Corporate Day	Virtual
Jun 20	UBS Taiwan Virtual Conference 2022	Virtual
Jun 22, 24	Morgan Stanley Virtual Asia BEST Conference	Virtual
Aug 29–30	Nomura Virtual China Investor Forum 2022	Virtual
Aug 31–Sep 1	Morgan Stanley Virtual Asia TMT Conference 2022	Virtual
Sep 5	23rd Credit Suisse Asian Technology Conference	Virtual
Sep 8	Jefferies Asia Forum	Virtual
Sep 13, 15	29th Annual CITIC CLSA Flagship Investors' Forum	Virtual
Nov 7–9	Merrill Lynch 2022 China Conference	Virtual
Nov 14–15	J.P. Morgan 2022 Global TMT Conference	Virtual
Nov 16–17	Morgan Stanley Twenty-First Annual Asia Pacific Summit	Virtual
2023		
Mar 15–16	Merrill lynch 2023 APAC TMT Conference	Taipei

Effectiveness of the Shareholders communication policy

The Company's Shareholders Communication Policy has set out clear guidelines and standards in relation to communicating with the investment community. During FY2022/23, the Company received a variety of awards from different organizers in recognition of its efforts to facilitate open and effective communication. The Company was included as a constituent stock on the Hang Seng Index — Hong Kong's benchmark stock gauge — in March 2022, demonstrating the market's confidence in Lenovo, which is built on the Company's continuous open communication strategies.

Market recognition

- The Chamber of Hong Kong Listed Companies and the Hong Kong Baptist University — 2022 Hong Kong Corporate Governance ESG Awards in Category for Hang Seng Index Constituent Companies — Awards of Excellence in Corporate Governance
- Community Investment and Inclusion Fund Social Capital Builder Awards — SC • ESG Awards for Excellence (Information Technology)
- HKICPA Best Corporate Governance & ESG Awards 2022 — Gold Award in the Most Sustainable Companies and Organizations (MSCO) Section (H-share Companies and Other Mainland Enterprises Category)
- The 2022 HKMA Hong Kong Sustainability Award — Certificate of Excellence (Large Organization Category)
- HKIRA 8th Investor Relations Awards — Certificate of Excellence
- The 2022 HKMA Best Annual Reports
  - ➢ Excellence Award for H Share & Red Chip Entries
  - ➢ Excellence Award in Environmental, Social and Governance Reporting
- Quam IR Awards 2021
  - ➢ Sustainable Development Category — Platinum
  - ➢ Sustainable Development Category — The Best Report of the Year
- BDO ESG Awards 2022—Best in Reporting Awards — Large Market Capitalisation
- New Fortune Best IR Hong Kong Listed Company
- International Financing Review Asia's Issuer of the Year 2022 — The Asset Asian Awards — Best Green Bond

Index recognition

Lenovo has always been well recognized by the capital markets and the Company is currently a constituent stock of many indices. Below are some of the key ones (in alphabetical order):

- Bloomberg China Large & Mid Cap Price Return Index USD
- Bloomberg ESG Score Universe
- Bloomberg World Index
- Bloomberg World Large & Mid Cap Price Return Index
- Bloomberg World Large, Mid & Small Cap Price Return Index
- BOCI China International Index
- CICC Hong Kong High Dividend Yield Index
- FTSE Asia ex Japan RIC Capped Net of Tax Index
- Goldman Sachs ActiveBeta Emerging Markets Equity Index
- Hang Seng China Enterprises Index
- Hang Seng Composite Index
- Hang Seng Composite Industry Index — Information Technology
- Hang Seng Index
- Hang Seng TECH Index
- iSTOXX PPF Responsible SDG Emerging Markets USD (Net Return)
- JPM iDex Asia — Semi and Hardware Index
- Morningstar Emerging Markets Target Market Exposure PAB Select NR USD
- Morningstar Global Markets Large-Mid Cap NR EUR
- MSCI IR and SD ACWI ex US (NJD) USD Price Return Index
- S&P BOCHK China HK Greater Bay Area Net Zero 2050 Climate Transition (HKD)
- S&P Global BMI (US Dollar)

IR webpage, newsletters and social media

A regularly updated IR website (https://investor.lenovo.com/en/global/home.php) provides easy access to the public with information about the Company, including the Company's financial reports, results announcements and other statutory publications, presentation materials, press releases, major corporate news, financial calendars and dividend announcements. IR' contact details can also be found on the page for those wish to contact the IR team.

Investor relations contact details

Ms. Jenny Lai, Vice President in Investor Relations
Lenovo Group Limited
23rd Floor, Lincoln House, Taikoo Place,
979 King's Road, Quarry Bay,
Hong Kong SAR, China
Telephone: (852) 2590 0228
Facsimile: (852) 2516 5384
Email: ir@lenovo.com

Shareholders can also request to be added to the Company's investor database to receive newsletters and news of major corporate developments sent out by the IR team on a regular basis, or simply follow Lenovo Investor Relations.

Please search WeChat ID: Lenovo_IR or scan the below QR code

Follow us & stay tuned

Search Lenovo_IR OR

Scan the QR code below

in WeChat app

You can also follow other Lenovo channels at:

Lenovo values comments from shareholders and analysts. Some renowned analysts would be invited to the Company's Board meeting and communicate directly with Board members on their market views of Lenovo and market outlook. The IR team also conveys messages to the Board on a quarterly basis on information including sell-side consensus, the target price of the Company's shares, report summaries and questions and feedback collected from meetings with the investment community.

Shareholders

Communications with shareholders

The Company is committed to safeguard shareholders' interests and believes that effective communication with shareholders and other stakeholders is essential for enhancing investor relations and investor understanding of the business performance and strategies of the Group. To achieve this, the Company has established the Shareholders Communication Policy setting out various formal channels of communication with shareholders and other stakeholders for ensuring fair disclosure and comprehensive and transparent reporting of the Company's performance and activities. The Nomination and Governance Committee of the Company reviews the Shareholders Communication Policy on an annual basis and considers that the Shareholders Communication Policy was properly implemented during FY2022/23 and was effective with these multiple channels in place to promote two-way communication and active engagement with shareholders.

Communication channels with shareholders and other stakeholders

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

Constructive use of the general meetings

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

The Company arranges a question and answer session in the annual general meeting for shareholders and media to communicate directly with Chairman and Senior Management.

2022 Annual General Meeting

The annual general meeting of the Company held on July 26, 2022 (the "2022 Annual General Meeting") was a hybrid meeting, at which shareholders of the Company could attend in person or through an online platform with live video broadcast where they could cast vote and submit questions in real-time. It provided an opportunity for shareholders to express their views and exercise their voting rights amid the special circumstances. The 2022 Annual General Meeting was attended by, among others, the Chairman of the Board and the CEO and the Chairmen of Board Committees, the Lead Independent Director, the Chief Financial Officer, and representatives of the external auditor, PwC, to answer questions raised by shareholders at the meeting.

Corporate governance report

Separate resolutions were proposed on each issue, including the re-election of individual retiring directors. The voting results of the following matters resolved at the 2022 Annual General Meeting are available on the Company's website (https://investor.lenovo.com/en/publications/news.php) and HKEx's website (www.hkexnews.hk).

Matters resolved at the 2022 Annual General Meeting Note
Receipt of the audited consolidated financial statements and the reports of the directors and the independent auditor
Declaration of final dividend
Re-election of retiring directors and authorization of the Board to fix directors' fees
Re-appointment of PwC as the Company's auditor and authorization of the Board to fix auditor's remuneration
Granting of the general mandate to issue shares not exceeding 20% of the aggregate number of shares in issue
Granting the general mandate to buy back shares not exceeding 10% of the aggregate number of shares in issue
Extending the general mandate to the directors to issue new shares by adding the number of shares bought back

Note: The full text of the resolutions is set out in the notice of the 2022 Annual General Meeting

2023 annual general meeting

Similar to the arrangement of 2022 Annual General Meeting, the 2023 Annual General Meeting will be a hybrid meeting and held on July 20, 2023. Details of the 2023 Annual General Meeting will be set out in the notice of the 2023 Annual General Meeting, which constitutes part of a circular to shareholders and will be sent together with this annual report.

Shareholders' rights

Procedures for convening a general meeting

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

Procedures for putting forward proposals at an annual general meeting

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

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

Constitutional documents

Rights of the shareholders are also provided under the Articles of Association. During FY2022/23, there are no changes in the Articles of Association. An up to date consolidated version of the Articles of Association is available on the Company's website and the HKEx's website.

Dividend policy

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

Shareholding structure

Shareholding structure as of March 31, 2023

According to the register of members of the Company as of March 31, 2023, there were 727 registered shareholders of whom 98.07% had their registered addresses in Hong Kong S.A.R. of China and the remaining in Mainland China, United Kingdom, Canada, Singapore and Macau S.A.R. of China. Based on the best available data from an external research company, the shareholders comprised institutions, private investors, related parties including substantial shareholders, directors and employees of the Company and others.

(i) Details of shareholders by category as of March 31, 2023 are as follows:

Type	Number of shares held	Percentage of the total number of shares in issue
Institutions	4,670,215,080	38.51%
Private investors	1,007,695,255	8.31%
Related parties	5,192,864,257	42.82%
Others including brokers, custodians and nominees etc.	1,257,355,699	10.36%
Total	**12,128,130,291**	**100.00%**

(ii) Details of institutional shareholders by domicile as of March 31, 2023 are as follows:

Domicile	Number of institutional Shareholders	Percentage of total number of institutional Shareholders	Number of shares held	Percentage of the total number of shares in issue
Hong Kong S.A.R. of China	68	12.50%	719,916,925	5.94%
United Kingdom and Ireland	65	11.95%	642,525,776	5.30%
Europe (excluding United Kingdom and Ireland)	154	28.30%	637,647,515	5.26%
America	153	28.13%	2,133,338,379	17.59%
Asia (excluding Hong Kong S.A.R. of China)	91	16.73%	512,424,532	4.22%
Rest of World	13	2.39%	24,361,953	0.20%
Subtotal of institutional shareholders	**544**	**100.00%**	**4,670,215,080**	**38.51%**

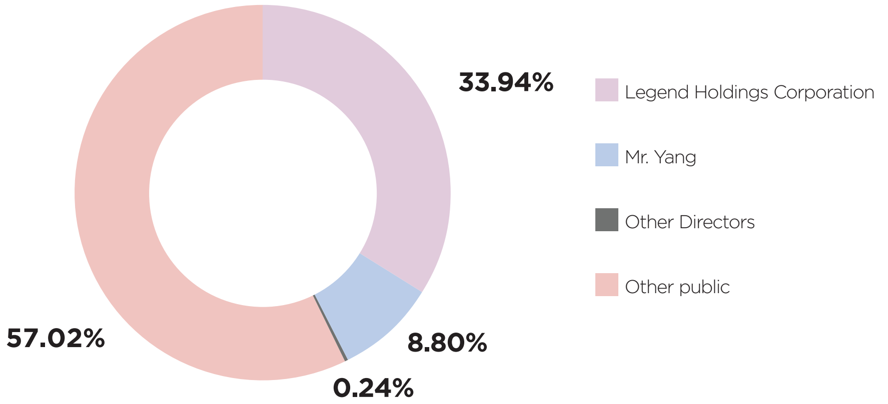
Remarks:

(i) A board lot size comprises 2,000 shares.

(ii) According to the addresses registered/shown on the register of members of the Company.

(iii) 75.78% of all the issued Shares were held through HKSCC Nominees Limited.

Shareholding structure according to the interest disclosed under the SFO as of March 31, 2023



Remarks:

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

(ii) The approximate percentage of shareholding is calculated on the basis of 12,128,130,291 shares of the Company in issue as of March 31, 2023.

Key shareholders information

Listing information

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

Market capitalization and public float

As at March 31, 2023, the market capitalization of listed shares of the Company was approximately HK$103.09 billion, based on the total number of 12,128,130,291 issued shares of the Company and the closing price of HK$8.50 per share.

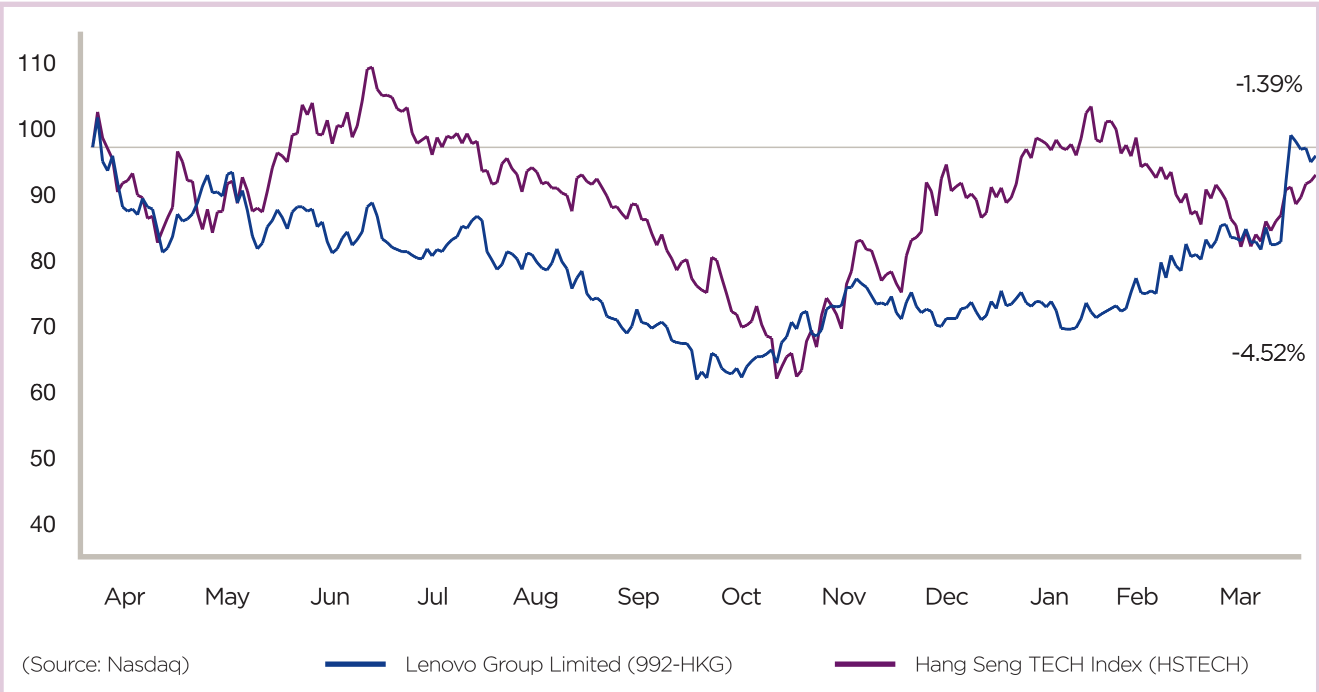
The daily average number of traded shares was approximately 49.47 million shares over an approximate free float of 7,210.38 million shares in the financial year 2022/23. The highest closing price for the share was HK$9.04 per share on April 4, 2022 and the lowest was HK$5.35 per share on September 29, 2022.

Ordinary Shares (as at March 31, 2023)	
Listing	Stock Exchange
Stock code[Note]	992
Board lot size	2,000 shares
Ordinary shares outstanding as of March 31, 2023	12,128,130,291 shares
Free float	Approximately 7,210.38 million shares
Market capitalization as of March 31, 2023	HK$103.09 billion (approximately US$13.13 billion)

Note : Following the launch of Hong Kong Dollar – Renminbi Dual Counter Model by the Stock Exchange on June 19, 2023, the Company's shares will also be traded in Renminbi (RMB) with stock code (80992) under the RMB counter . For further details, please refer to the Company's announcements dated April 27, 2023 and June 6, 2023.

Lenovo's share price from April 1, 2022 to March 31, 2023

During FY2022/23, Lenovo's share price outperformed Hang Seng TECH Index (HSTECH) by over 3.48 percentage points, which is illustrated in below chart:



American Depositary Receipts Level I Program	
Ordinary share to ADR	20:1
Stock code	LNVGY
Basic Earnings per Share	
Basic earnings per share for FY2022/23	US13.50 cents
Dividend per Share	
Dividend per ordinary share for FY2022/23	
— Interim	HK8.0 cents
— Final[Note]	HK30.0 cents
Financial Calendar 2022/23 (Hong Kong Time)	
First Quarter Results Announcement	August 10, 2022
Interim Results Announcement	November 3, 2022
Third Quarter Results Announcement	February 17, 2023
Annual Results Announcement	May 24, 2023
2023 Annual General Meeting	July 20, 2023

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

Note: Subject to shareholders' approval at the 2023 Annual General Meeting.

Audit committee report

The Audit Committee

The audit committee (the "Audit Committee") of the board of directors (the "Board") of Lenovo Group Limited (the "Company") has been established since 1999. During the financial year ended March 31, 2023 ("FY2022/23") and as at the date of this annual report, the Audit Committee is comprised of the following members:

Mr. Woo Chin Wan Raymond
(Chairman)
Independent Non-executive Director

Mr. William Tudor Brown
(Member)
Independent Non-executive Director

Mr. Gordon Robert Halyburton Orr
(Member)
Independent Non-executive Director

Mr. Woo, being the chairman of the Audit Committee, has appropriate professional qualifications and experience in accounting or related financial management expertise as required under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). More information on the skills and experience of the members of Audit Committee may be found in the directors' biographies set out on pages 149 to 153 of this annual report.

In addition to the members, regular attendees at the Audit Committee are:

- Chief Financial Officer
- Chief Legal and Corporate Responsibility Officer
- Chief Auditor
- Vice President - Treasury
- Vice President - Investor Relations
- Vice President - Group Controller
- Group Chief Accountant
- Company Secretary
- Representatives of external auditor

Responsibilities

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

Audit Committee
Main areas of oversight

Financial Reporting

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

Risk Management and Internal Control

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

External Audit

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

Others

- Tax and treasury matters
- Key litigation and legal exposures
- Compliance with ethical rules and concerns
- Adequacy of resources for ESG reporting

Audit committee report

Key Features

- The Audit Committee's terms of reference which clearly deal with its membership, authority, duties and frequency of meetings are published on the websites of the Company and Hong Kong Exchanges and Clearing Limited.
- The Audit Committee meets with external auditor, Chief Financial Officer, Chief Legal and Corporate Responsibility Officer, Chief Auditor and management of the accounting and financial reporting functions of the Company at least four times a year at quarterly intervals and is provided with sufficient resources to perform its duties.
- The Audit Committee is authorised to obtain outside legal or other independent professional advice in performing its duties at the Company's expense.
- Separate executive sessions were arranged for the Audit Committee to meet with external auditor, Chief Auditor and Chief Legal and Corporate Responsibility Officer in the absence of management to discuss matters relating to any issues arising from the audit and any other matters such persons would like to raise.
- Other management from the business is also invited to attend certain meetings from time to time in order to provide insight and enhance the Audit Committee's awareness of key issues and developments.
- External auditor, Chief Auditor and Chief Legal and Corporate Responsibility Officer have direct access to the Audit Committee should they wish to raise any concerns outside formal meetings.
- In addition to standing agenda items, the Audit Committee may also request to discuss on particular "deep-dive" topics.
- The chairman will report back to the Board after each of the Audit Committee meetings on its decisions or recommendations.
- The Company Secretary will circulate a list of follow-up actions together with the minutes of the last meeting to management and the Audit Committee within a reasonable time after such meeting is held.

Main activities during FY2022/23

The work of the Audit Committee follows an agreed annual work plan and principally falls under three main areas: financial reporting; risk management and internal control; the oversight of external audit and the management of the Company's relationship with PwC, the external auditor. The timetable of the Audit Committee for FY2022/23 is set out in the below diagram.

Specific items

	May	August	November	February
Annual/Interim/Quarterly results				
• reports to the Audit Committee from Chief Financial Officer, Chief Legal and Corporate Responsibility Officer, Chief Auditor and external auditor	■	■	■	■
• results announcement	■	■	■	■
• annual report incorporating directors' report, corporate governance report and financial statements	■			
• interim report			■	
Review of enterprise risk management ("ERM")	■		■	
Review of the performance and independence of external auditor	■			
Review of annual agenda of the Audit Committee	■			
Meeting with external auditor in the absence of management	■		■	
Meeting with Chief Auditor and Chief Legal and Corporate Responsibility Officer in the absence of management	■		■	■
Review of the Ethics and Compliance program of the Group including the whistleblowing arrangements				■
Review of adequacy of resources, staff qualifications and experience, training programmes and budget of the accounting, internal audit, financial reporting function and ESG performance and reporting		■		■
Recommendations to the board				
• annual/interim/quarterly results, annual/interim report and related results announcement	■	■	■	■
• re-appointment of external auditor	■			

Standing items

Financial Reporting

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

Risk Management and Internal Control

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

External Audit

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

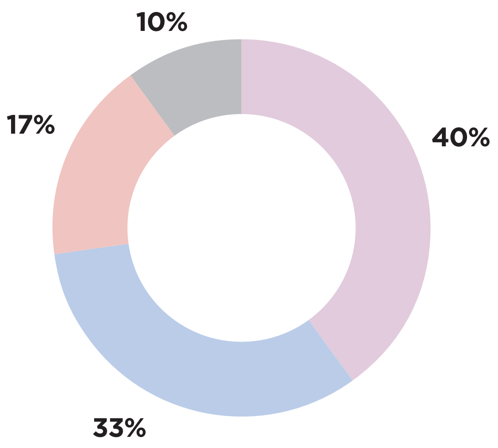
Others

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

Audit committee report

In FY2022/23, the Audit Committee held four meetings, with all members in attendance at each meeting. The attendance record of the Audit Committee's members is set out in the Corporate governance report on page 97 and the chart below shows how the Audit Committee allocated its agenda time during FY2022/23.

Allocation of agenda time



	FY2022/23	FY2021/22
Financial reporting	40%	40%
Risk management and internal control and compliance	33%	36%
Tax, ESG compliance, cybersecurity and other matters	17%	14%
External audit	10%	10%

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

Financial reporting

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

- Reviewed and recommended to the Board for approval of financial results of the Company and its subsidiaries (collectively, the "Group") after discussion with the management and external auditor for:
  - (a) audited annual results of the Group for the year ended March 31, 2022, together with the related annual results announcement and the annual report incorporating the directors' report and corporate governance report;
  - (b) unaudited interim results of the Group for the six months ended September 30, 2022, together with the related interim results announcement and the interim report; and
  - (c) unaudited quarterly results of the Group for the three months ended June 30, 2022 and for the nine months ended December 31, 2022, together with its respective results announcements;
- Received reports from and met with external auditor and internal auditor to discuss the scope of their review and findings;
- Reviewed the impairment assessment of goodwill and other intangible assets with indefinite useful lives; and
- Reviewed and discussed with management on significant judgements and key assumptions together with presentational and disclosure issues associated with accounting standards and interpretive guidance affecting the Group's financial statements and financial results announcements; items reviewed and discussed included:
  - (a) net current liabilities position and deferred income tax assets;
  - (b) the accounting treatment for strategic business developments;
  - (c) the accounting treatment for material transactions and projects;
  - (d) the accounting treatment on the Group's goodwill; and
  - (e) the accounting provisions and treatments for indirect tax receivables, inventories, and employees benefit plans.

Risk management and internal control

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

- Discussed the yearly internal audit plan of the Group to ensure adequate scope, coverage over the activities of the Group and the resource requirements of internal audit to carry out its functions;
- Reviewed the effectiveness of the internal control system (including the adequacy of resources, staff qualification and experience, training programmes and budget of the Group's internal audit, accounting and financial reporting function, as well as those relating to ESG performance and reporting) operating in the Group and reviewed the corrective actions taken by management;
- Reviewed half-yearly the ERM of the Group including ERM approach, enterprise risk universe, external environmental scan, risk assessment, top risks, mitigation activities and actions and next steps;
- Reviewed the summary of the management letter point of the Group and reviewed the actions/ processes undertaken by the Group;
- Reviewed the updates of data privacy, product security and cybersecurity, major security risks and the strategy and actions taken/to be taken by the Group; and
- Reviewed the risk assessment of litigation cases of the Group.

External audit

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

- Reviewed and considered the external auditor's statutory audit scope and results for FY2021/22, including the letter of representation to be given by the Board in respect of the financial year ended March 31, 2022;
- Reviewed and considered the external auditor's audit plan and scope for FY2022/23;
- Reviewed the auditor's report for the financial year ended March 31, 2022 together with the key audit matters and related audit procedures;
- Assessed the external auditor's independence and objectivity including a review of the non-audit services provided by the external auditor;
- Evaluated the performance of PwC and recommended to the Board for approval of the re-appointment of PwC as the external auditor of the Group for the financial year ended March 31, 2022; and
- Reviewed the annual reporting of continuing connected transactions provided by the external auditor.

Others

During FY2022/23, the Audit Committee also reviewed, among others :

- the reports from Chief Legal and Corporate Responsibility Officer regarding key litigation and other legal matters of the Group;
- the Ethics and Compliance program including the ethics training, Lenovo Anti-Bribery & Corruption Policy and Lenovo Whistleblowing & Investigations Policy of the Group for employees to raise concerns about possible improprieties in financial reporting, internal control or other matters, and the enhancements to this program;
- updates on ESG compliance;
- updates on tax model;
- the Audit Committee report for incorporating into the annual report for FY2021/22; and
- the annual agenda of the Audit Committee for FY2022/23.

Review of FY2022/23 financial results

At the meeting held on May 23, 2023, the Audit Committee:

- reviewed the key accounting judgements and policies adopted by the Group and confirmed that these are appropriate. The significant areas of judgement identified by the Audit Committee, in conjunction with management and the external auditor, together with a number of other areas that the Audit Committee deemed to be significant in the context of the consolidated financial statements of the Group for FY2022/23 are set out in the Independent Auditor's Report on pages 179 to 183;
- after discussion with management and the external auditor, and having considered the Group's financial position, the Audit Committee satisfied that the Group and the Company had adequate resources to continue in operational existence for the foreseeable future and confirmed to the Board that it was appropriate for the consolidated financial statements of the Group for FY2022/23 to be prepared on a going concern basis; and
- reviewed the consolidated financial statements of the Group for FY2022/23 in conjunction with the narrative sections of this annual report. The Audit Committee was satisfied that, taken as a whole, this annual report was present a balanced, clear and comprehensible assessment of the Group's performance, position and prospects.

Based on the reviews and discussions referred to above, the Audit Committee recommended to the Board the approval of the audited consolidated financial statements of the Group for FY2022/23 together with the related annual results announcement and this annual report incorporating the directors' report and corporate governance report.

Review of risk management and internal control systems

The Group's internal control system covers every activity and transaction. Within this framework, management performs periodic enterprise wide risk assessments and continuously monitors and reports the progress of actions plans to address the key risks. Further information about the risk management and internal control framework and control processes are set out in the Corporate governance report on pages 99 to 104.

Based on the information and confirmation received from management, external auditor and internal auditor, the Audit Committee concluded that for FY2022/23, the Group's risk management and internal control systems were adequate and effective. The Audit Committee also confirmed that the Group had, in FY2022/23, satisfactorily complied with the code provisions on risk management and internal control as set forth in the Corporate Governance Code and Corporate governance report in Appendix 14 to the Listing Rules.

Recommendation for re-appointment of the external auditor

The Audit Committee recognizes the importance of maintaining the independence of the external auditor. Consistent with its terms of reference, the Audit Committee has evaluated PwC's qualifications, performance, and independence, including that of the lead audit partner. The Company has established a policy pursuant to which non-audit services equal to or above US$320,000, provided by the external auditor must be pre-approved by the Audit Committee. This policy is more fully described in the Corporate governance report on page 105. The Audit Committee has concluded that provision of the non-audit services described in that section was compatible with maintaining the independence of PwC. In addition, PwC has provided the Audit Committee an independence statement confirming that for FY2022/23 and thereafter to the date of this annual report, they are independent of the Group in accordance with the independence requirements of the Hong Kong Institute of Certified Public Accountants.

Based on the review and discussions referred to above, the Audit Committee was satisfied with the external auditor's work, its independence and objectivity, and therefore recommended to the Board the re-appointment of PwC as the Group's external auditor for the financial year ending March 31, 2024 for shareholders' approval at the forthcoming annual general meeting to be held on July 20, 2023.

Priorities for FY2023/24

Looking ahead, the priorities of the Audit Committee for the FY2023/24 are:

- To stay focused on high standard financial accounting and reporting, audit quality, effective risk management and internal control;
- To stay updated on the developments and impacts of cybersecurity, digital transformation and ESG; and
- To remain vigilant on the impacts of the business conditions on the Group under ongoing geopolitical and macroeconomic impacts.

Compensation committee report

The Compensation Committee

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

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

Mr. William Tudor Brown
(Chairman)
Independent Non-executive Director

Mr. William O. Grabe
(Member)
Independent Non-executive Director and Lead Independent Director

Mr. Gordon Robert Halyburton Orr
(Member)
Independent Non-executive Director

Mr. Zhao John Huan
(Member)
Non-executive Director

More information on the skills and experience of the members of the Compensation Committee may be found in the directors' biographies set out on pages 149 to 153 of this annual report.

In additional to the members, regular attendees at the Compensation Committee are:

- Chairman of the Board and CEO
- Executive Director of Executive Compensation and Equity Programs, and Global Mobility
- Senior Vice President of Human Resources
- Vice President of Compensation and Benefits
- Representatives of independent HR Consultant Firm

Responsibilities

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

- Establish a formal and transparent procedure for developing compensation policy for all Directors and senior management;
- Approve the amount and forms of compensation to be provided to all Directors and senior management;
- Review the incentive compensation arrangements to determine whether they encourage excessive risk-taking, and evaluate compensation policies and practices that could mitigate any such risk, and also encourage pay for performance;
- Evaluate the need for, and provisions of severance arrangements for our senior management;
- Review and approve matters relating to the share schemes; and
- Review the recommendation from independent professional adviser on the compensation of Non-executive Directors.

Key Features
The Compensation Committee's terms of reference which clearly deal with its membership, authority, duties and frequency of meetings are published on the websites of the Company and Hong Kong Exchanges and Clearing Limited.
The Compensation Committee meets with management and external independent professional adviser on a timely basis and is provided with sufficient resources to perform its duties.
The Compensation Committee is authorised to obtain outside independent professional advice in performing its duties at the Company's expense.
The Compensation Committee shall ensure that no director is involved in deciding his or her own individual compensation.
Separate executive sessions were arranged for the Compensation Committee to meet with its independent consultant in the absence of executive director and management to discuss matters relating to any issues and any other matters such persons would like to raise.
The chairman will report back to the Board after each of the Compensation Committee meeting regarding decisions or recommendations.

Summary of work in FY2022/23

In the financial year ended March 31, 2023 ("FY2022/23"), the Compensation Committee held three meetings, with all members in attendance at each meeting. The attendance record of the Compensation Committee's members is set out in the Corporate governance report on page 97.

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

Review of company and market information

- Reviewed overall compensation strategy;
- Reviewed and approved the peer group for the CEO and senior management, and Non-executive Directors;
- Reviewed the market positioning for the compensation of CEO and senior management including pay levels and mix;
- Reviewed the compensation and remuneration trends and regulatory developments in technology industry;

Compensation program

- Reviewed the CEO pay and performance evaluation process;
- Reviewed and approved FY2022/23 Performance Bonus plan;
- Reviewed and approved FY2022/23 Long Term Incentive ("LTI") plan, including key plan features such as award vehicles, performance metrics, grant and vesting schedules, and LTI budget for the entire company;
- Reviewed and approved FY2022/23 target compensation level, and actual incentive pay-out for Chairman and CEO, and senior management;
- Reviewed the holding power and share ownership positions of both senior management and Non-executive Directors;
- Reviewed the analysis and recommendations from an independent consultant on FY2022/23 Non-executive Directors' fee arrangement;
- Reviewed Employee Stock Purchase Program;
- Reviewed and approved changes to Long Term Incentive Program ("LTI Program") administration matters;

Others

- Reviewed the Compensation Committee report for incorporating into the annual report for FY2021/22; and
- Reviewed and approved the annual agenda of the Compensation Committee for FY2022/23.

Compensation committee report

Compensation policy

Overall principles

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

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

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

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

Pay competitively within the defined market
Reflect the unique status of the local market where the executive is located, so as to enable the Company to attract and retain talent

Flexibility
Adjust to diverse businesses and talent markets

Balance short and long-term focus
Drive both short- and long-term performance of the Company

Support effective corporate governance practices

Non-executive directors

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

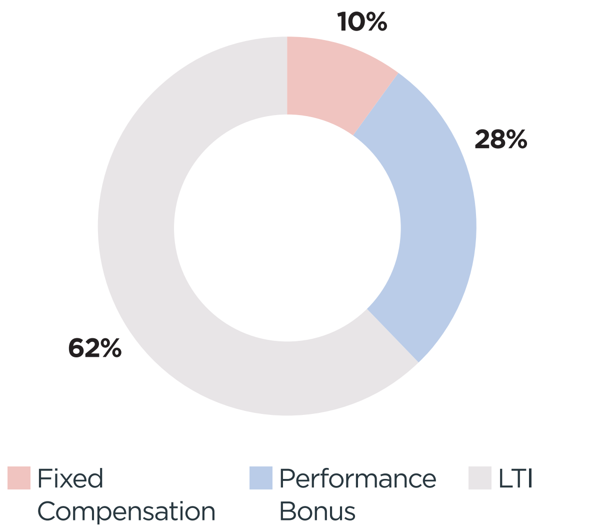
Chairman/CEO and senior management

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

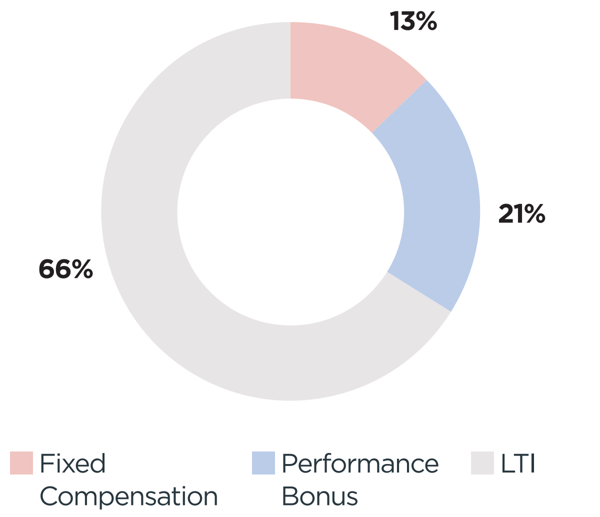
The compensation structure of Lenovo's Chairman/CEO and senior management consists of base salaries, allowances, performance-based bonuses, LTI, retirement benefits, and benefits-in-kind. These components and their mix are described below.

The Chairman/CEO pay mix chart reflects FY2022/23 emoluments disclosed in note 10 to the financial statements. The senior management pay mix chart reflects average FY2022/23 emolument including accounting cost of the LTI awards.

Chairman / CEO pay mix



Senior Management pay mix (average)



Fixed compensation

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

Performance bonus

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

LTI Program

The Company operates a LTI Program which was adopted by the Company in 2005 and amended in 2008, 2016 and 2022 respectively. The purpose of the LTI Program is to attract, retain, reward and motivate executive and Non-executive Directors, senior management, consultants and selected top-performing employees of the Company and its subsidiaries (the "Participants"), while reinforcing direct alignment with shareholders' interests. Unless terminated earlier by the Company, the LTI Program will be valid and effective for a term of 10 years commencing on the date of the adoption at the shareholders' meeting held on July 9, 2019.

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

(i) Share Appreciation Rights ("SARs")

SARs entitle the holder to receive the appreciation in value of the Company's share price above a predetermined level. SARs are typically subject to a vesting schedule of up to three years. Once vested, plan participants will be given up to seven years from SAR grant date to exercise the units, subject to change if the individual leave the company. The exercise price is set as the closing share price on each grant date, and SAR value per unit is determined based on Black Scholes valuation model, with inputs including closing price on grant date, share price volatility and average dividend yield in the last three years, risk-free rate applicable to the vesting period etc. The Company reserves the right to settle any awards under the SAR Program in cash or in ordinary shares at its discretion. The Company has created and funded a trust to pay shares to eligible recipients.

(ii) Restricted share units ("RSUs")

RSU is equivalent to the value of one ordinary share of the Company which eligible recipients receive RSU at nil consideration. The grant price is set as the 10-day average closing price prior to grant date. RSUs are typically subject to a vesting schedule of up to three years. Once vested, RSU is converted to an ordinary share, or its cash equivalent. Dividends are typically not paid on RSUs before vesting date.

The Company reserves the right to settle any awards under the RSU Program in cash or in ordinary shares at its discretion. The Company has created and funded a trust to pay shares to eligible recipients.

There is no specific limit on the maximum number of SARs and RSUs which may be granted to each participant under the SAR and RSU plans. The RSU program shall be valid within its term until termination by the Board. The validity and enforceability of any awards made before the date of termination shall not be affected by such termination.

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

In FY2022/23, the program continues to operate through purchasing existing shares from the market, and the Company did not issue any new shares under the program.

Retirement benefits

The Company operates a number of retirement schemes for its employees, including executive directors and senior management. These schemes are reviewed regularly and are intended to deliver benefit levels that are consistent with local market practices. Details of the retirement schemes are set out in the directors' report on pages 162 to 165.

General employees

By end of this financial year, the Group had a headcount of approximately 77,000 worldwide.

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

Total compensation for general employees = **Fixed compensation** + **Performance bonus** + **RSUs**

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

Remuneration reviews

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

FY2022/23 non-executive directors review

In May 2022, the Compensation Committee engaged an independent international compensation consulting firm to conduct an analysis of the compensation package of the Non-executive Directors. Based on the assessment, it was recommended to maintain the current cash retainer and annual equity grant value for board services of Non-Executive Directors and Independent Non-Executive Directors, and at the same time, increase the annual cash retainer for the chairpersons of Audit Committee and Compensation Committee by US$7,500 and US$5,000 to US$35,000 and US$25,000 respectively to stay competitive among Lenovo's peer companies. Final recommendations as subsequently approved by the Board (comprising executive director of the Company only) based on the delegation from shareholders of the Company are summarized in the table below:

Compensation element	FY2022/23 (US$)	FY2021/22 (US$)
Cash retainer	**100,000 (approximately HK$780,000)**	100,000
LTI award	**240,000 (approximately HK$1,872,000)**	240,000
Total remuneration	**340,000 (approximately HK$2,652,000)**	340,000

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

Based on the recommendation above, the chairperson of the Audit Committee of the Company received an additional cash payment equal to US$35,000 (approximately HK$273,000), while the chairperson of the Compensation Committee received an additional cash payment equal to US$25,000 (approximately HK$195,000), and the Lead Independent Director received an additional cash payment equal to US$35,000 (approximately HK$273,000) per year.

Further details of the compensation of the Non-executive Directors are included in note 10 to the financial statements. SAR and RSU awards outstanding for Non-executive Directors as of March 31, 2023 under this scheme are presented in the "Long-Term Incentive Scheme" section of this report.

FY2022/23 chairman/CEO and senior management review

Fixed compensation

As a part of its annual review process, the Compensation Committee engaged an independent international compensation consulting firm, Mercer, to review base salary, and Target Total Direct Compensation for the Chairman/CEO and senior management in May 2022.

Based on the assessment, it is recommended to maintain the base salary for the Chairman/CEO at RMB 9,516,804 (approximately US$1,390,338) . Base salaries for senior management increased by 3.3% on average to align with market movement in respective countries.

Compensation committee report

Performance bonus

Chairman/CEO and senior management's FY2022/23 performance bonus pay-outs were approved at the May 2023 Compensation Committee meeting. Final bonus pay-outs for Chairman/CEO and senior management were determined based on overall pre-tax income, total revenue, services and software revenue, and customer experience delivered in FY2022/23 as well as individual performance.

LTI Program

The most recent full cycle of LTI awards including both SARs and RSUs was made in June 2022. Selected executives, including the Chairman/CEO and senior management, received LTI awards based on Company's and individual's performance during FY2022/23. The next cycle of LTI awards including SARs and RSUs is expected to be in June 2023.

Employee Share Purchase Plan

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

Same as prior years, the Plan is operated through purchasing existing shares from the market, and the Company did not issue any new shares under this plan.

Remuneration of senior management

The remuneration of senior management fell within the following bands for the year ended March 31, 2023:

Remuneration bands	Number of senior management
US$3,000,000 to US$6,000,000	6
US$6,000,001 to US$9,000,000	2
US$9,000,001 to US$12,000,000	3
US$12,000,001 to US$15,000,000	1

Emoluments of directors for FY2022/23 and five highest paid individuals

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

FY2022/23 employees review

Fixed compensation

Each year, management conducts a market review to ensure fixed compensation changes are aligned and competitive with market trends. The review incorporates input from several external survey providers and formal assessments of individual performance.

Performance bonus

Performance bonus for general employees is based on individual performance and performance of their respective business unit or "Performance Groups". For FY2022/23, there were a total of approximately 125 different Performance Units within the Company each with its unique performance metrics and targets, which consist of a financial component, services and software component and a customer experience component. For FY2022/23 performance bonus, mid-year progress payment was made for general employees in December 2022, and full payment based on annual business outcomes will be trued-up in June 2023 based on approved final bonus funding.

Final bonus payout = **Target bonus** × **Performance unit score** × **Individual performance modifier**

LTI Program

For FY2022/23, 23.1% of eligible employees received an award under the LTI Program.

Compensation committee report

Long-Term Incentive Program

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

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

Name	Award type	Date of grant (mm.dd.yyyy)	Effective price (HK$)	Closing price of the shares immediately before the date the awards were granted (HK$)	The fair value of awards at the date of grant (HK$)	Weighted average closing price of the shares immediately before the dates the awards were exercised or vested (HK$)	As at April 1, 2022 (unvested)
Mr. Yang Yuanqing	SAR	06.01.2015	12.29	–	–	–	–
	SAR	06.01.2016	4.90	–	–	7.260	–
	SAR	08.31.2017	4.95	–	–	–	–
	SAR	06.01.2018	4.00	–	–	–	–
	SAR	06.03.2019	5.79	–	–	–	6,620,929
	SAR	06.01.2020	4.22	–	–	–	31,686,690
	SAR	06.20.2022	7.34	7.19	54,042,386	–	–
	RSU	06.03.2019	5.79	–	–	7.470	1,297,040
	RSU	06.01.2020	4.22	–	–	6.965	7,823,443
	RSU	06.01.2021	9.50	–	–	7.740	3,871,508
	RSU	06.01.2021	9.50	–	–	7.297	10,350,200
	RSU	06.20.2022	7.54	7.19	37,606,217	–	–
	RSU	06.20.2022	7.54	7.19	81,063,581	–	–
Mr. Zhu Linan	SAR	08.26.2015	7.49	–	–	7.780	–
	SAR	09.02.2016	5.38	–	–	7.340	–
	SAR	09.06.2017	4.74	–	–	7.340	–
	SAR	08.17.2018	4.39	–	–	7.340	–
	RSU	09.19.2019	5.48	–	–	6.070	109,543
	RSU	09.01.2020	5.01	–	–	6.500	237,251
	RSU	08.18.2021	7.73	–	–	6.890	241,806
	RSU	09.14.2022	6.257	6.34	1,883,789	–	–
Mr. Zhao John Huan	SAR	08.26.2015	7.49	–	–	–	–
	SAR	09.02.2016	5.38	–	–	7.280	–
	SAR	09.06.2017	4.74	–	–	–	–
	SAR	08.17.2018	4.39	–	–	–	–
	RSU	09.19.2019	5.48	–	–	6.070	109,543
	RSU	09.01.2020	5.01	–	–	6.500	237,251
	RSU	08.18.2021	7.73	–	–	6.890	241,806
	RSU	09.14.2022	6.257	6.34	1,883,789	–	–
Mr. William O. Grabe	SAR	08.26.2015	7.49	–	–	–	–
	SAR	09.02.2016	5.38	–	–	7.350	–
	SAR	09.06.2017	4.74	–	–	–	–
	SAR	08.17.2018	4.39	–	–	–	–
	RSU	09.19.2019	5.48	–	–	6.070	109,543
	RSU	09.01.2020	5.01	–	–	6.500	237,252
	RSU	08.18.2021	7.73	–	–	6.890	241,806
	RSU	09.14.2022	6.257	6.34	1,883,789	–	–
	RSU (Deferral)	07.04.2022	7.455	7.33	264,913	7.330	–
	RSU (Deferral)	09.14.2022	6.257	6.34	264,909	6.340	–
	RSU (Deferral)	11.29.2022	6.490	6.20	263,637	6.200	–
	RSU (Deferral)	03.07.2023	7.166	7.52	264,941	7.520	–

Number of units						
New grant during the year	Vested during the year	Exercised during the year	Lapsed during the year (vested)	As at March 31, 2023 (unvested)	Total outstanding as at March 31, 2023 *(Note 1)*	Vesting period (mm.dd.yyyy)
–	–	–	12,703,664	–	–	06.01.2016 – 06.01.2019
–	–	83,472,471	–	–	–	06.01.2017 – 06.01.2019
–	–	–	–	–	45,893,773	06.01.2018 – 06.01.2020
–	–	–	–	–	39,305,643	06.01.2019 – 06.01.2021
–	6,620,929	–	–	–	79,451,149	06.03.2020 – 06.03.2022
–	25,349,352	–	–	6,337,338	76,048,055	06.01.2021 – 06.01.2023
30,705,901	–	–	–	30,705,901	30,705,901	06.01.2024 – 06.01.2026
–	1,297,040	–	–	–	–	06.03.2020 – 06.03.2022
–	6,258,754	–	–	1,564,689	1,564,689	06.01.2021 – 06.01.2023
–	3,871,508	–	–	–	–	06.01.2022
–	6,037,618	–	–	4,312,582	4,312,582	06.01.2022 – 06.01.2024
4,987,562	–	–	–	4,987,562	4,987,562	06.20.2025
10,751,138	–	–	–	10,751,138	10,751,138	06.01.2024 – 06.01.2026
–	–	403,970	–	–	–	08.14.2016 – 08.14.2018
–	–	205,253	–	–	–	08.19.2017 – 08.19.2019
–	–	636,877	–	–	–	08.21.2018 – 08.21.2020
–	–	1,125,232	–	–	–	08.17.2019 – 08.17.2021
–	109,543	–	–	–	–	09.19.2020 – 09.19.2022
–	118,625	–	–	118,626	118,626	09.01.2021 – 09.01.2023
–	80,602	–	–	161,204	161,204	08.18.2022 – 08.18.2024
301,069	–	–	–	301,069	301,069	09.14.2023 – 09.14.2025
–	–	–	403,970	–	–	08.14.2016 – 08.14.2018
–	–	615,761	–	–	–	08.19.2017 – 08.19.2019
–	–	–	–	–	955,316	08.21.2018 – 08.21.2020
–	–	–	–	–	1,125,232	08.17.2019 – 08.17.2021
–	109,543	–	–	–	–	09.19.2020 – 09.19.2022
–	118,625	–	–	118,626	118,626	09.01.2021 – 09.01.2023
–	80,602	–	–	161,204	161,204	08.18.2022 – 08.18.2024
301,069	–	–	–	301,069	301,069	09.14.2023 – 09.14.2025
–	–	–	403,970	–	–	08.14.2016 – 08.14.2018
–	–	615,761	–	–	–	08.19.2017 – 08.19.2019
–	–	–	–	–	955,316	08.21.2018 – 08.21.2020
–	–	–	–	–	1,125,232	08.17.2019 – 08.17.2021
–	109,543	–	–	–	–	09.19.2020 – 09.19.2022
–	118,626	–	–	118,626	118,626	09.01.2021 – 09.01.2023
–	80,602	–	–	161,204	161,204	08.18.2022 – 08.18.2024
301,069	–	–	–	301,069	301,069	09.14.2023 – 09.14.2025
35,535	35,535	–	–	–	–	Note 2
42,338	42,338	–	–	–	–	Note 2
40,622	40,622	–	–	–	–	Note 2
36,972	36,972	–	–	–	–	Note 2

Compensation committee report

Long-Term Incentive Program *(continued)*

Name	Award type	Date of grant (mm.dd.yyyy)	Effective price (HK$)	Closing price of the shares immediately before the date the awards were granted (HK$)	The fair value of awards at the date of grant (HK$)	Weighted average closing price of the shares immediately before the dates the awards were exercised or vested (HK$)	As at April 1, 2022 (unvested)
Mr. William Tudor Brown	SAR	08.26.2015	7.49	–	–	–	–
	SAR	09.02.2016	5.38	–	–	7.520	–
	SAR	09.06.2017	4.74	–	–	7.520	–
	SAR	08.17.2018	4.39	–	–	8.120	–
	RSU	09.19.2019	5.48	–	–	6.070	109,543
	RSU	09.01.2020	5.01	–	–	6.500	237,252
	RSU	08.18.2021	7.73	–	–	6.890	241,806
	RSU	09.14.2022	6.257	6.34	1,883,789	–	–
Mr. Yang Chih-Yuan Jerry	SAR	08.26.2015	11.07	–	–	–	–
	SAR	08.26.2015	7.49	–	–	7.840	–
	SAR	09.02.2016	5.38	–	–	7.280	–
	SAR	09.06.2017	4.74	–	–	–	–
	SAR	08.17.2018	4.39	–	–	–	–
	RSU	09.19.2019	5.48	–	–	6.070	109,543
	RSU	09.01.2020	5.01	–	–	6.500	237,252
	RSU	08.18.2021	7.73	–	–	6.890	241,806
	RSU	09.14.2022	6.257	6.34	1,883,789	–	–
Mr. Gordon Robert Halyburton Orr	SAR	11.16.2015	7.25	–	–	–	–
	SAR	09.02.2016	5.38	–	–	7.200	–
	SAR	09.06.2017	4.74	–	–	–	–
	SAR	08.17.2018	4.39	–	–	–	–
	RSU	09.19.2019	5.48	–	–	6.070	109,543
	RSU	09.01.2020	5.01	–	–	6.500	237,252
	RSU	08.18.2021	7.73	–	–	6.890	241,806
	RSU	09.14.2022	6.257	6.34	1,883,789	–	–
Mr. Woo Chin Wan, Raymond	RSU	09.19.2019	5.48	–	–	6.070	119,460
	RSU	09.01.2020	5.01	–	–	6.500	237,251
	RSU	08.18.2021	7.73	–	–	6.890	241,806
	RSU	09.14.2022	6.257	6.34	1,883,789	–	–
Ms. Yang Lan	RSU	09.01.2020	5.01	–	–	6.500	208,489
	RSU	08.18.2021	7.73	–	–	6.890	241,806
	RSU	09.14.2022	6.257	6.34	1,883,789	–	–
	RSU	09.26.2022	6.094	5.87	588,747	–	–
Ms. Cher Wang Hsiueh Hong	RSU	11.15.2022	6.31	6.65	1,878,506	–	–
Professor Xue Lan	RSU	09.14.2022	6.257	6.34	1,883,789	–	–

Note 1: Total outstanding number of units includes vested but unexercised SAR units, and unvested SAR units or unvested RSU units.

Note 2: A distribution with respect to these RSUs shall be awarded on the first business day of the quarter following the earlier of the date of cessation of directorship with the Company and an unforeseeable emergency.

Note 3: Exercise period for SARs is seven years from the date of grant.

Number of units						
New grant during the year	Vested during the year	Exercised during the year	Lapsed during the year (vested)	As at March 31, 2023 (unvested)	Total outstanding as at March 31, 2023 *(Note 1)*	Vesting period (mm.dd.yyyy)
–	–	–	403,970	–	–	08.14.2016 – 08.14.2018
–	–	615,761	–	–	–	08.19.2017 – 08.19.2019
–	–	955,316	–	–	–	08.21.2018 – 08.21.2020
–	–	1,125,232	–	–	–	08.17.2019 – 08.17.2021
–	109,543	–	–	–	–	09.19.2020 – 09.19.2022
–	118,626	–	–	118,626	118,626	09.01.2021 – 09.01.2023
–	80,602	–	–	161,204	161,204	08.18.2022 – 08.18.2024
301,069	–	–	–	301,069	301,069	09.14.2023 – 09.14.2025
–	–	–	37,202	–	–	11.06.2015 – 11.06.2017
–	–	403,970	–	–	–	08.14.2016 – 08.14.2018
–	–	615,761	–	–	–	08.19.2017 – 08.19.2019
–	–	–	–	–	955,316	08.21.2018 – 08.21.2020
–	–	–	–	–	1,125,232	08.17.2019 – 08.17.2021
–	109,543	–	–	–	–	09.19.2020 – 09.19.2022
–	118,626	–	–	118,626	118,626	09.01.2021 – 09.01.2023
–	80,602	–	–	161,204	161,204	08.18.2022 – 08.18.2024
301,069	–	–	–	301,069	301,069	09.14.2023 – 09.14.2025
–	–	–	224,107	–	–	09.18.2016 – 09.18.2018
–	–	400,000	–	–	215,761	08.19.2017 – 08.19.2019
–	–	–	–	–	955,316	08.21.2018 – 08.21.2020
–	–	–	–	–	1,125,232	08.17.2019 – 08.17.2021
–	109,543	–	–	–	–	09.19.2020 – 09.19.2022
–	118,626	–	–	118,626	118,626	09.01.2021 – 09.01.2023
–	80,602	–	–	161,204	161,204	08.18.2022 – 08.18.2024
301,069	–	–	–	301,069	301,069	09.14.2023 – 09.14.2025
–	119,460	–	–	–	–	09.19.2020 – 09.19.2022
–	118,625	–	–	118,626	118,626	09.01.2021 – 09.01.2023
–	80,602	–	–	161,204	161,204	08.18.2022 – 08.18.2024
301,069	–	–	–	301,069	301,069	09.14.2023 – 09.14.2025
–	104,245	–	–	104,244	104,244	09.01.2021 – 09.01.2023
–	80,602	–	–	161,204	161,204	08.18.2022 – 08.18.2024
301,069	–	–	–	301,069	301,069	09.14.2023 – 09.14.2025
96,611	–	–	–	96,611	96,611	09.26.2023 – 09.26.2025
297,703	–	–	–	297,703	297,703	11.15.2023 – 11.15.2025
301,069	–	–	–	301,069	301,069	09.14.2023 – 09.14.2025

Long-Term Incentive Program *(continued)*

The movements in the share awards of other eligible participants during the financial year are as follows:

Category of participants	Award type	Financial year of award grant date	Effective price (HK$)	Closing price of the shares immediately before the date the awards were granted (HK$)	The fair value of awards at the date of grant (HK$)
Five highest paid individuals (excluding one director, who is the CEO of the Group)	SAR	16/17	4.79–4.90	–	–
	SAR	17/18	4.95	–	–
	SAR	18/19	4.00	–	–
	SAR	19/20	5.79	–	–
	SAR	20/21	4.22	–	–
	SAR	21/22	9.45	–	–
	SAR	22/23	7.13–7.63	7.29–7.74	85,610,912
	RSU	19/20	5.79	–	–
	RSU	20/21	4.22	–	–
	RSU	21/22	9.50	–	–
	RSU	22/23	7.62–7.65	7.29–7.74	170,987,732
Other eligible participants — Employees	SAR	16/17	4.90–5.03	–	–
	SAR	17/18	4.74–4.95	–	–
	SAR	18/19	4.00–5.40	–	–
	SAR	19/20	5.23–5.91	–	–
	SAR	20/21	4.22–7.01	–	–
	SAR	21/22	9.45	–	–
	SAR	22/23	7.63	7.74	339,831,396
	RSU	18/19	4.00	–	–
	RSU	19/20	5.23–6.24	–	–
	RSU	20/21	4.22–10.27	–	–
	RSU	21/22	7.45–9.50	–	–
	RSU	22/23	5.84–7.78	5.46–7.74	2,432,343,865
Other eligible participants — consultants (certain CEO Advisory Council members (excluding an Independent Non-executive Director))	SAR	15/16	7.49	–	–
	RSU	19/20	5.48	–	–
	RSU	20/21	5.01	–	–
	RSU	21/22	7.73	–	–
	RSU	22/23	6.09	5.87	3,139,988

Note 1: Vesting period for SARs and RSUs is between the first and the third anniversary of the grant date.

Note 2: Exercise period for SARs is seven years from the date of grant.

	Number of units					
Weighted average closing price of the shares immediately before the dates the awards were exercised or vested (HK$)	As at April 1, 2022 (unvested)	New grant during the year	Vested during the year	Exercised during the year	Cancelled during the year (unvested)	As at March 31, 2023 (unvested)
6.34	–	–	–	11,907,777	–	–
7.13	–	–	–	28,694,814	–	–
6.78	–	–	–	17,511,602	–	–
7.32	7,671,627	–	7,671,627	25,231,054	–	–
6.84	33,492,582	–	26,792,710	23,859,754	–	6,699,872
–	41,038,466	–	23,054,001	–	5,295,989	12,688,476
–	–	47,881,508	–	–	–	47,881,508
7.47	1,502,873	–	1,502,873	–	–	–
6.97	8,269,319	–	6,615,120	–	–	1,654,199
7.46	17,282,875	–	11,911,911	–	–	5,370,964
–	–	22,371,776	–	–	–	22,371,776
7.29	–	–	–	23,926,349	–	–
7.52	–	–	–	50,105,566	–	–
7.68	–	–	–	60,269,733	–	–
7.80	41,112,624	–	40,641,823	96,082,816	470,801	–
7.44	208,968,187	–	159,729,386	146,819,440	5,825,855	43,412,946
–	203,496,937	–	113,206,590	–	15,216,261	75,074,086
–	–	186,720,547	171,779	–	2,800,582	183,748,186
7.74	7,080	–	7,080	–	–	–
7.33	22,973,158	–	22,653,345	–	319,813	–
6.97	103,347,300	–	76,510,060	–	3,557,535	23,279,705
7.41	217,064,401	–	134,651,568	–	7,158,006	75,254,827
6.96	–	320,802,401	1,424,941	–	8,188,998	311,188,462
7.59	–	–	–	403,970	–	–
7.29	69,587	–	69,587	–	–	–
7.29	118,626	–	118,626	–	–	–
7.29	120,903	–	120,903	–	–	–
–	–	515,259	–	–	–	515,259

Other shareholder oriented features

Share ownership guidelines

Lenovo maintains share ownership guidelines for selected executives, including the Chairman/CEO and senior management. The guidelines help to align executives with shareholders and focus executives on the long-term performance of Lenovo by requiring certain levels of share ownership. The guidelines (expressed as a multiple of base salary) vary by role and level and are expected to be achieved within five years of becoming an eligible executive. If the guidelines are not achieved, executives are required to retain a minimum portion of vested shares delivered through Lenovo's incentive plans until the guidelines are met. The guidelines are then expected to be maintained throughout the executives' remaining employment. As of financial year end, 83% of executives covered by the guidelines have achieved the targeted level of ownership, and with the upcoming annual LTI grant in FY2023/24, at least 90% of executives covered by the guidelines will achieve the targeted level of ownership. Additionally, the Non-executive Directors are subject to similar guidelines, six of them are in full compliance, and the rest are still within the 5-year share ownership guidelines building up period.

Claw back policy

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

Directors' report

The directors of Lenovo Group Limited (the "Company") submit their report together with the audited consolidated financial statements of the Company and its subsidiaries (collectively the "Group") for the year ended March 31, 2023.

Principal business and geographical analysis of operations

The principal activity of the Company is investment holding. The activities of its principal subsidiaries are set out in note 35 to the financial statements.

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

Business review

A discussion and analysis of the activities as required by Schedule 5 to the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), including a fair review of the business and a discussion of the principal risks and uncertainties facing the Group, particulars of important events affecting the Group that have occurred since the end of the financial year 2022, and an indication of likely future development in the Group's business, can be found in the "Five-Year financial summary", "Chairman & CEO statement" and "Management's discussion & analysis" sections of this annual report. These discussions form part of this directors' report.

Results and appropriations

The results of the Group for the year are set out in the consolidated income statement on page 184 of this annual report.

The state of affairs of the Group and of the Company as at March 31, 2023 is set out in the consolidated balance sheet on pages 186 and 187 of this annual report and the balance sheet of the Company in note 29(a) to the financial statements respectively.

The cash flows of the Group for the year are set out in the consolidated cash flow statement on pages 188 and 189 of this annual report.

An interim dividend of HK8.0 cents (2022: HK8.0 cents) per ordinary share of the Company ("Share"), amounting to a total of approximately US$123.6 million (2022: approximately US$123.8 million), was paid to shareholders during the year.

The Board has resolved to recommend the payment of a final dividend of HK30.0 cents per Share for the year ended March 31, 2023 (2022: HK30.0 cents). Subject to shareholders' approval at the forthcoming annual general meeting of the Company to be held on July 20, 2023 ("AGM"), the proposed final dividend will be payable on August 10, 2023 to the shareholders whose names appear on the register of members of the Company on or about July 28, 2023.

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

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

Latest time to lodge transfer documents for registration	4:30 p.m. on July 13, 2023
Closure of register of members	From July 14 to July 20, 2023
Record date	July 14, 2023

Results and appropriations *(continued)*

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

Latest time to lodge transfer documents for registration	4:30 p.m. on July 27, 2023
Closure of register of members	July 28, 2023
Record date	July 28, 2023

During the above closure periods, no transfer of Shares will be registered. To be eligible to attend and vote at the AGM, and to qualify for the proposed final dividend, all properly completed transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's share registrar, Tricor Abacus Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not later than the aforementioned latest times.

Five-year financial summary

A summary of the results for the year and of the assets and liabilities of the Group as at March 31, 2023 and for the last four financial years are set out on page 287 of this annual report.

Distributable reserves

As at March 31, 2023, the distributable reserves of the Company amounted to US$1,659,991,000 (2022: US$1,579,344,000).

Bank borrowings

Particulars of bank borrowings as at March 31, 2023 are set out in note 26 to the financial statements.

Donations

Charitable and other donations made by the Group during the year amounted to US$20,910,000 (2022: US$14,688,000).

Share capital

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

Convertible bonds issued

On August 26, 2022, the Company issued US$675,000,000 2.50% convertible bonds due 2029 (the "2029 Convertible Bonds"), which are listed on the Stock Exchange of Hong Kong Limited ("Stock Exchange" or "HKSE"), to professional investors. The issue price was 100% of the principal amount of the 2029 Convertible Bonds. The 2029 Convertible Bonds are convertible into the Shares at an initial conversion price at HK$9.94 per Share (subject to adjustments). The market price of the Shares on August 18, 2022, being the closing price of the Shares on the date on which the terms of the 2029 Convertible Bonds were determined, was HK$6.99 per Share.

The net proceeds from the issuance of the 2029 Convertible Bonds after deducting underwriting commissions and offering expenses were approximately US$664,000,000 and were intended to be used for (i) partial repurchase (the "Partial Repurchase") of US$455,000,000 in aggregate principal amount of the US$675,000,000 3.375% convertible bonds due 2024 which was issued on January 24, 2019 to professional investors (the "2024 Convertible Bonds") and (ii) general corporate purposes. As at March 31, 2023, the Company had utilised the entire net proceeds from the issuance of the 2029 Convertible Bonds in accordance with the intentions previously disclosed.

Convertible bonds issued *(continued)*

The issuance of the 2029 Convertible Bonds and the Partial Repurchase allow the Company to extend its debt maturity profile and provide the Company with additional funds at lower funding cost for general corporate purposes.

The 2029 Convertible Bonds, assuming full conversion at the adjusted conversion price of HK$9.80 per Share, are convertible into 539,896,683 Shares (the "2029 Conversion Shares"), representing (i) approximately 4.45% of the issued share capital of the Company as at March 31, 2023; and (ii) approximately 4.26% of the issued share capital of the Company, as enlarged by the issuance of the 2029 Conversion Shares (assuming there will be no other changes in the share capital of the Company).

The 2024 Convertible Bonds, assuming full conversion at the adjusted conversion price of HK$6.51 per Share, are convertible into 264,428,379 Shares (the "2024 Conversion Shares"), representing (i) approximately 2.18% of the issued share capital of the Company as at March 31, 2023; and (ii) approximately 2.13% of the issued share capital of the Company, as enlarged by the issuance of the 2024 Conversion Shares (assuming there will be no other changes in the share capital of the Company).

There had not been any conversion of the 2024 Convertible Bonds and the 2029 Convertible Bonds, and no redemption right had been exercised by the Company since the issuance of the 2024 Convertible Bonds and the 2029 Convertible Bonds for the financial year ended March 31, 2023. As at March 31, 2023, the total outstanding principal amount of the 2029 Convertible Bonds and the 2024 Convertible Bonds were US$675,000,000 and US$219,500,000, respectively.

Convertible bonds issued *(continued)*

Assuming the 2024 Convertible Bonds and the 2029 Convertible Bonds were fully exercised on March 31, 2023, the shareholding of the Company immediately before and after the full exercise of the Bonds are set out below for illustration purposes:

Shareholders	Shareholding immediately before exercise of any of the 2024 Convertible Bonds and the 2029 Convertible Bonds		Upon full conversion of the 2024 Convertible Bonds and the 2029 Convertible Bonds at their respective adjusted conversion prices	
	Number of Shares	Approximate % of the total issued share capital	Number of Shares	Approximate % of the total issued share capital
Legend Holdings Corporation[1]	2,867,636,724	23.64%	2,867,636,724	22.17%
Right Lane Limited[2]	257,400,000	2.12%	257,400,000	1.99%
Legion Elite Limited[3]	480,900,000	3.97%	480,900,000	3.72%
Sureinvest Holdings Limited[4]	622,804,000	5.14%	622,804,000	4.82%
Directors of the Company[5]	165,705,511	1.37%	165,705,511	1.28%
Subscribers of the 2024 Convertible Bonds and the 2029 Convertible Bonds	–	–	804,325,062	6.22%
Other public shareholders	7,733,684,056	63.76%	7,733,684,056	59.80%
Total	12,128,130,291	100.00%	12,932,455,353	100.00%

Notes:

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

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

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

(4) Sureinvest Holdings Limited ("Sureinvest"), a company incorporated in the British Virgin Islands and an investment holding company held as to approximately 87% by Mr. Yang Yuanqing, 4.66% by Mr. Wong Wai Ming (chief financial officer of the Company) and 8.34% by eight other individuals, respectively.

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

Based on the cash and cash equivalents as at March 31, 2023 and the cash flow from operating activities of the Company, the Company has the ability to meet its redemption obligation under the 2024 Convertible Bonds and the 2029 Convertible Bonds.

Convertible bonds issued *(continued)*

The analysis of the Company's share price at which it would be equally financially advantageous for the relevant bondholders to convert the 2024 Convertible Bonds and the 2029 Convertible Bonds based on their implied rate of return at a range of dates in the future is as follows:

2024 Convertible Bonds

Conversion date	Company's share price HK$	Implied rate of return of bondholders
September 30, 2023	6.51	3%

2029 Convertible Bonds

Conversion date	Company's share price HK$	Implied rate of return of bondholders
September 30, 2023	8.24	23%
March 31, 2024	8.35	16%

Please refer to note 26 to the financial statement and the announcements of the Company dated August 17, 2022, August 18, 2022, August 26, 2022 and August 29, 2022 for further details about the 2029 Convertible Bonds.

Debentures issued

On July 27, 2022, the Company issued US$625,000,000 6.536% notes due 2032 (the "2032 Notes") and US$625,000,000 5.831% notes due 2028 (the "2028 Notes"). Both the 2032 Notes and the 2028 Notes are listed on the Stock Exchange. The aggregate net proceeds from the issuance of the 2032 Notes and the 2028 Notes after deducting underwriting commissions and certain estimated expenses were approximately US$1,238,274,000.

The Company used 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 eligible green projects, such as green buildings and renewable energy projects, in accordance with the Company's green finance framework.

The net proceeds of the issuance of the 2028 Notes were partially used to purchase an aggregate principal amount of US$200,000,000 of the Company's US$750,000,000 4.750% notes due 2023 (the "2023 Notes") in accordance with the terms of the tender offer announced by the Company on July 18, 2022, and the remaining for working capital purposes. The 2023 Notes are listed on the Stock Exchange. Details as to the aggregate principal amount of the 2023 Notes purchased by the Company, as well as the aggregate principal amount of the 2023 Notes outstanding, are set out in the announcement of the Company dated July 28, 2022 regarding the settlement of the tender offer.

During the financial year ended March 31, 2023, the Company has repurchased (i) US$15,000,000 in aggregate principal amount of the 2032 Notes; and (ii) approximately US$71,000,000 in aggregate principal amount of its US$1,000,000,000 3.421% notes due 2030 issued on November 2, 2020. For further details, please refer to note 26 to the financial statement.

Save for the above, there has not been any issuance, purchase, redemption or cancellation of debentures by the Company during the financial year ended March 31, 2023.

Equity-linked agreements

No equity-linked agreements were entered into during the year, save for the Long-Term Incentive Program described in this report.

Subsidiaries, associates and joint ventures

Particulars of the Company's principal subsidiaries, associates and joint ventures as at March 31, 2023 are set out in notes 35 and 17 to the financial statements respectively.

Management contracts

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

Major customers and suppliers

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

The largest supplier	16%
Five largest suppliers combined	35%

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

Directors' report

Purchase, sale or redemption of the company's listed securities

Save as disclosed above and the respective trustee of the long-term incentive program and the employee share purchase plan of the Company purchased a total of 252,323,609 shares from the market for award to employees upon vesting, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended March 31, 2023. Details of these program and plan are set out under sections headed "LTI Program" and "Employee Share Purchase Plan" in the Compensation Committee Report on page 129 and page 132 respectively of this annual report.

Directors

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

Chairman and executive director

Mr. Yang Yuanqing

Non-executive directors

Mr. Zhu Linan
Mr. Zhao John Huan

Independent non-executive directors

Mr. 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 (appointed on June 20, 2022)
Professor Xue Lan (appointed on June 20, 2022)

In accordance with article 107 of the Company's articles of association, Mr. Yang Yuanqing, Mr. Zhu Linan, Mr. William O. Grabe and Ms. Yang Lan will retire by rotation at the AGM and, being eligible, have offered themselves for re-election.

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

The list of directors who have served on the boards of directors of the subsidiaries of the Company during the year ended March 31, 2023 or during the period from April 1, 2023 to the date of this report is available on the Company's website (https://investor.lenovo.com/en/publications/list_directors.php).

Biography of directors and senior management

Honorary Chairman

Mr. Liu Chuanzhi, 79, has been the Honorary Chairman and Senior Advisor of the Company since November 3, 2011. Mr. Liu is the founder of the Group and held the positions of executive director, non-executive director and chairman of the Board at different times from 1993 until his resignation from the Board on November 3, 2011. As our Honorary Chairman, Mr. Liu is not a director or an officer of the Company or of any subsidiary of the Company, and does not have any management role in the Company or any of its subsidiaries. He graduated from the Radar Navigation Department of People's Liberation Army Institute of Telecommunication Engineering (中國人民解放軍軍事電信工程學院雷達導航系) (now known as Xidian University) in China in 1966 and has substantial experiences in corporate management. Mr. Liu was the honorary chairman of the board of directors and senior advisor of Legend Holdings (HKSE listed) which holds substantial interests in the issued shares of the Company.

Biography of directors

Chairman and executive director

Mr. Yang Yuanqing, 58, 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 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 more than 30 years of experience in the field of ICT industry. Under his leadership, Lenovo has become not only a leading global PC company, but also built diversified growth engines including servers, storage, smartphones, as well as digital and intelligent solutions and services. Mr. Yang holds a Master's degree from the Department of Computer Science at the University of Science and Technology of China, and a Bachelor's degree in Computer Science and Engineering from Shanghai Jiao Tong University. Mr. Yang is currently an independent director of Baidu, Inc. (NASDAQ and HKSE listed) and Taikang Insurance Group Inc.

Non-executive directors

Mr. Zhu Linan, 60, 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 of Legend Holdings (HKSE listed) with effect from January 1, 2020 and prior to that, he was executive director, president and member of the executive committee of Legend Holdings, a company holding substantial interests in the issued shares of the Company. He was a non-executive director of CAR Inc. (delisted from the HKSE on July 8, 2021).

Biography of directors and senior management *(continued)*

Biography of directors *(continued)*

Non-executive directors *(continued)*

Mr. Zhao John Huan, 60, 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 of Legend Holdings (HKSE listed) 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, 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 金涌投資有限公司 (formerly known as "International Elite Ltd.") (all HKSE listed), a non-executive director of Zoomlion Heavy Industry Science and Technology Co., Ltd. 中聯重科股份有限公司 (HKSE and Shenzhen Stock Exchange listed).

Mr. Zhao was previously the chairman of the board and non-executive director of Hospital Corporation of China Limited (HKSE listed), a non-executive director of Eros STX Global Corporation (NYSE listed), Shanghai Jin Jiang International Hotels Company Limited 上海錦江國際酒店股份有限公司 (Shanghai Stock Exchange listed), ENN Natural Gas Co., Ltd. 新奧天然氣股份有限公司 (Shanghai Stock Exchange listed), and Simcere Pharmaceutical Group Limited (HKSE listed).

Independent non-executive directors

Mr. William O. Grabe, 85, 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 a director of QTS Realty Trust, Inc. (previously listed on NYSE). He formerly served as a managing director and advisory 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 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 ("LSE") 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 and development programme since 1984.

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

Biography of directors *(continued)*

Independent non-executive directors *(continued)*

Mr. Yang Chih-Yuan Jerry, 54, 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 was appointed Chair of the Board of Trustee of Stanford University for a two-year term starting July 1, 2021.

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 is currently an independent director of Workday Inc. (NASDAQ listed) and Alibaba Group Holding Limited (NYSE and HKSE listed).

Mr. Gordon Robert Halyburton Orr, 60, was re-designated as an independent non-executive director of the Company on September 1, 2016. Prior to that, he was a non-executive director of the Company since 2015. He holds a Master of Arts degree in Engineering Science from Oxford University, United Kingdom and a Master of Business Administration degree from Harvard University.

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

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

Mr. Woo Chin Wan Raymond, 68, has been an independent non-executive director of the Company since February 22, 2019. Mr. Woo is a retired partner of Ernst & Young ("EY"). Before his retirement in June 2015, he had held various senior positions with EY in the Greater China area. He was a director and the general manager of EY Hua Ming CPA, a member of EY's Greater China Leadership Team, and the managing partner of EY's Greater China Operations. He has more than 30 years of professional experience, specializing in audit, corporate restructuring, IPO, risk management, and mergers and acquisitions. Mr. Woo is a Canadian Chartered Accountant and a Hong Kong Certified Public Accountant. He obtained his master's degree in Business Administration from York University (Canada) in 1982. Mr. Woo is currently an independent non-executive director of Bank of Communications Co., Ltd. (HKSE listed).

Biography of directors and senior management *(continued)*

Biography of directors *(continued)*

Independent non-executive directors *(continued)*

Ms. Yang Lan, 55, 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 programmes and integrated marketing in film & television, education, women’s community, publishing and location-based entertainment and sports across Mainland China, Hong Kong S.A.R. of China and the United States, while Sun Culture Foundation is a non-profit organization aiming to improve education and promote philanthropy. Ms. Yang obtained her bachelor’s degree in English Language & Literature from Beijing Foreign Studies University, China in 1990 and her master’s degree in International Affairs from Columbia University, the United States of America in 1996.

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

Ms. Cher Wang Hsiueh Hong, 64, was appointed as an independent non-executive director of the Company on June 20, 2022. Ms. Wang is the co-founder and chairwoman of HTC Corporation 宏達國際電子股份有限公司 (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 co-founded HTC Corporation in 1997, which is a multinational electronics innovation company developing products, solutions and platforms in mobile and immersive technologies and supplying worldwide. Ms. Wang also founded VIA Technologies, Inc. 威盛電子股份有限公司 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., 大眾電腦股份有限公司 and helped drive the business unit into the lucrative motherboard market.

Ms. Wang is currently a director of Formosa Plastics Corporation 台灣塑膠工業股份有限公司, Xander International Corporation 建達國際股份有限公司 and VIA Labs, Inc. 威鋒電子股份有限公司 (representing VIA Technologies, Inc.) (all Taiwan Stock Exchange listed).

Biography of directors *(continued)*

Independent non-executive directors *(continued)*

Professor Xue Lan, 63, was appointed as an independent non-executive director of the Company on 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. He is the Dean of Schwarzman College and the Dean of Institute for AI International Governance (I-AIIG) of Tsinghua University. He also serves as a director of China Institute for Science and Technology Policy, and a co-director of Global Institute for Sustainable Development Goals at Tsinghua University. He is a co-convener of the Discipline Evaluation Group (Public Administration) of the Academic Degrees Committee of the State Council. He is also an Adjunct Professor of Engineering and Public Policy at Carnegie Mellon University, a non-resident Senior Fellow of the Brookings Institution, a board member of the Sustainable Development Solutions Network (SDSN) Association, and a member of the United Nations Committee of Experts on Public Administration (CEPA).

Prof. Xue is currently an independent non-executive director of SenseTime Group Inc. (HKSE listed) and Neusoft Corporation 東軟集團股份有限公司 (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) 中國科學學與科技政策研究會, the chair of the National Expert Committee on New Generation of Artificial Intelligence Governance 國家新一代人工智能治理專業委員會 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 長春光學精密機械學院 (currently known as Changchun University of Science and Technology 長春理工大學) 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.

Biography of senior management

Ms. Gao Lan, 57, 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, Ms. Gao held several Vice President roles leading the HR functions of many teams, including Emerging Markets Group, APLA & China Geography, People & Organization Capability and HR Strategy & Operations. Before joining the Group, Ms. Gao held senior positions in HR in various multinational companies. Ms. Gao holds a bachelor degree of science from Nankai University, studied M.Phil. degree from Cambridge University in the UK, completed human resource management course at the Western Management Institute of Beijing and the Leadership Excellence for Business HR Program at Stanford University in the US.

Mr. He Zhiqiang, 60, joined the Group in 1986 and is currently the Senior Vice President of the Company and President of 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 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.

Biography of directors and senior management *(continued)*

Biography of senior management *(continued)*

Mr. Liu Jun, 54, 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, Global Supply Chain, 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 a 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, 55, 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, and human resources, 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, 65, joined the Group in October 2016 as a Senior Vice President and the Chief Legal and Corporate Responsibility 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, 50, 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.

Biography of senior management *(continued)*

Dr. Yong Rui, 53, joined the Group in 2016 as Senior Vice President and 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 Bachelor of Science degree from Southeast University, his Master of Science degree from Tsinghua University, and his PhD from University of Illinois at Urbana-Champaign (UIUC).

Mr. Kirk Skaugen, 52, is the Executive Vice President of the Company and President of the Infrastructure Solutions Group (ISG) since November 2016. He is a member of Lenovo Executive Committee. In this capacity, Mr. Skaugen leads the end-to-end data center, edge and smarter infrastructure businesses including Hyperscale & Cloud, High Performance Computing & Artificial Intelligence, Software Defined Infrastructure, Edge Computing/IOT, Telecommunications, Enterprise, Government and Small/Medium Business including Lenovo's server, storage, software, and services business units. He is responsible for P&L, strategic planning, 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. Under Mr. Skaugen's leadership, Lenovo ranks #1 in performance, quality, and reliability for x86 servers. Since 2018, Lenovo has become the #1 provider of global supercomputers.

Prior to joining Lenovo, Mr. Skaugen worked at Intel for 24 years where in his most recent positions he led the Data Center Group and Client Computing Groups as Senior Vice President. As head of Client Computing, Mr. Skaugen was responsible for Intel's largest revenue and profit contributor including Intel's PC, tablet, and phone businesses. As leader of the Data Center Group, he grew the business from $6 billion to over $10 billion in three years while expanding Intel from a server-only focus to an end-to-end data center provider. Mr. Skaugen holds a Bachelor of Science in Electrical Engineering from Purdue University and was recognized as "Electrical Engineer Alumnus of the Year" in 2014. He also serves as a member of the Purdue Business School Dean's Advisory Council.

Mr. Che Min (Jammi) Tu, 51, joined the Group in 2012 and is currently the Senior Vice President and Group Operations Officer, 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.

Biography of directors and senior management *(continued)*

Biography of senior management *(continued)*

Mr. Ken Wong, 49, is currently the Executive Vice President and the President of Solutions and Services Group (SSG) of the Company and has become a member of Lenovo Executive Committee since 2015. SSG was established in April 2021, as President of SSG and Executive Vice President of Lenovo, Mr. Wong is tasked with driving Lenovo to transform from the world's largest PC and laptop company into a leader in global IT solutions and services. SSG's enriched product portfolio, including support services, managed services, and projects' vertical solutions and services, empower clients to encounter the most pressing IT and business challenges.

Previously, Mr. Wong had led Lenovo Asia Pacific PCs and Smart Devices business for five years, where he successfully developed the business to the number one position. From 2016 to 2021, he was chairman of NEC Lenovo Japan Group. From 2018 to 2021, he was also chairman of Fujitsu Client Computing Limited, where he remains a director of the company. Mr. Wong was responsible for driving the development and implementation of Lenovo's global corporate strategy, directly reporting to Chairman and CEO of the Company Mr. Yang Yuanqing.

In the past 20 years, in the technology industry, Mr. Wong has accumulated substantial management experience in various core areas of business strategy and operation, covering product operations, services, sales, and marketing. Mr. Wong graduated from The University of Hong Kong with a Bachelor of Engineering in Computer Science. He also holds an Executive MBA jointly awarded by The University of Hong Kong, Columbia University, and the London Business School.

Mr. Wong Wai Ming, 65, 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, 44, 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.

Directors' service contracts

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

Directors' material interests in transactions, arrangements or contracts

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

Directors' indemnities and insurance

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

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

Directors' interests

As at March 31, 2023, the interests and short positions of the directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register maintained by the Company under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") in the Listing Rules were as follows:

Directors' interests *(continued)*

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

Name of director	Interests in shares/ underlying shares *(Note 1)*	Capacity and number of shares/ underlying shares held: Personal interests	Corporate interests	Aggregate long position	Approximate percentage of interests *(Note 2)*
Mr. Yang Yuanqing	Ordinary shares	151,651,406	622,804,000 *(Note 3)*	774,455,406	
	Share awards	293,020,492	-	293,020,492	
				1,067,475,898	8.80%
Mr. Zhu Linan	Ordinary shares	3,086,300	-	3,086,300	
	Share awards	580,899	-	580,899	
				3,667,199	0.03%
Mr. Zhao John Huan	Ordinary shares	1,757,280	-	1,757,280	
	Share awards	2,661,447	-	2,661,447	
				4,418,727	0.04%
Mr. William O. Grabe	Ordinary shares	3,409,209	-	3,409,209	
	Share awards	2,661,447	-	2,661,447	
				6,070,656	0.05%
Mr. William Tudor Brown	Ordinary shares	1,684,054	-	1,684,054	
	Share awards	580,899	-	580,899	
				2,264,953	0.02%
Mr. Yang Chih-Yuan Jerry	Ordinary shares	1,729,799	-	1,729,799	
	Share awards	2,661,447	-	2,661,447	
				4,391,246	0.04%
Mr. Gordon Robert Halyburton Orr	Ordinary shares	1,422,139	-	1,422,139	
	Share awards	2,877,208	-	2,877,208	
				4,299,347	0.04%
Mr. Woo Chin Wan Raymond	Ordinary shares	676,233	-	676,233	
	Share awards	580,899	-	580,899	
				1,257,132	0.01%
Ms. Yang Lan	Ordinary shares	289,091	-	289,091	
	Share awards	663,128	-	663,128	
				952,219	0.01%
Ms. Cher Wang Hsiueh Hong	Ordinary shares	-	-	-	
	Share awards	297,703	-	297,703	
				297,703	0.00%
Professor Xue Lan	Ordinary shares	-	-	-	
	Share awards	301,069	-	301,069	
				301,069	0.00%

Directors' interests *(continued)*

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

Name of director	Name of associated corporations	Long position/ short position	Capacity/ nature of interests	Number and class of shares/ underlying shares/ registered capital held	Approximate percentage of interests *(Note 4)*
Mr. Yang Yuanqing	SHAREit Technology Holdings Inc.	Long position	Interest of corporation controlled	4,996,633 series A preferred shares	16.06%
	北京平安聯想智慧醫療信息技術有限公司 (formerly known as 北京聯想智慧醫療信息技術有限公司)	Long position	Beneficial owner	registered capital of RMB2,400,000	1.25%
	北京聯想雲科技有限公司	Long position	Beneficial owner	registered capital of RMB1,199,900	5.74%
	北京聯想雲計算有限公司	Long position	Beneficial owner	registered capital of RMB2,000,100	5.74%
	國民認證科技(北京)有限公司	Long position	Beneficial owner	registered capital of RMB1,097,144	3.29%
	廣東聯想懂的通信有限公司 (formerly known as 深圳聯想懂的通信有限公司)	Long position	Beneficial owner	registered capital of RMB2,584,615	2.04%
	新陽光(天津)技術服務有限公司	Long position	Beneficial owner	registered capital of RMB157,500	0.32%
	聯想教育科技(北京)有限公司	Long position	Beneficial owner	registered capital of RMB1,000,000	2.00%
	陽光雨露信息技術服務(北京)有限公司	Long position	Interest of corporation controlled	registered capital of RMB157,500	0.32%
	鼎道智聯(北京)科技有限公司	Long position	Beneficial owner	registered capital of RMB2,100,000	1.40%
	聯晟智達(海南)供應鏈管理有限責任公司	Long position	Beneficial owner	registered capital of RMB490,918	1.50%

Directors' interests *(continued)*

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

Notes:

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

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

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

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

Save as disclosed above, as at March 31, 2023, none of the directors or chief executive of the Company or their associates had any interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register maintained by the Company under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Directors' rights to acquire shares or debentures

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

Details of the movements in the share awards for the year ended March 31, 2023 are set out under the section headed "Long-Term Incentive Scheme" in the Compensation Committee Report and in the note 28 to the financial statements.

Save as disclosed in the sections headed "Directors' interests" of this report, and "Long-Term Incentive Program" of the Compensation Committee Report, at no time during the year ended March 31, 2023 was the Company or a specified undertaking of the Company a party to any arrangements to enable the directors of the Company to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate.

Substantial shareholders' and other persons' interests

As at March 31, 2023, the following persons (other than the directors and chief executive of the Company as disclosed above) had interests or short positions in the shares and/or underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO:

Name	Long position/ Short position	Capacity and number of shares/ underlying shares held: Beneficial owner	Capacity and number of shares/ underlying shares held: Corporate interests	Aggregate long/short positions	Approximate percentage of interests *(Note 1)*
Legend Holdings Corporation	Long position	2,867,636,724	1,249,299,867 *(Note 2)*	4,116,936,591	33.94%
Right Lane Limited	Long position	257,400,000	991,899,867 *(Note 3)*	1,249,299,867	10.30%
Legion Elite Limited	Long position	480,900,000	510,999,867 *(Note 4)*	991,899,867	8.17%
Sureinvest Holdings Limited	Long position	622,804,000	–	622,804,000 *(Note 5)*	5.14%
BlackRock, Inc.	Long position	–	642,587,239	642,587,239	5.30%
	Short position	–	3,102,000	3,102,000 *(Note 6)*	0.03%

Notes:

1. The percentages were complied based on the 12,128,130,291 ordinary shares of the Company in issue as at March 31, 2023.

2. Pursuant to the corporate substantial shareholder notice filed by Legend Holdings on March 22, 2023, out of these 1,249,299,867 shares corporate interest held by Legend Holdings, 257,400,000 shares are directly held by Right Lane, a direct wholly-owned subsidiary of Legend Holdings ; 480,900,000 shares are held by Legion Elite, a wholly-owned subsidiary of Right Lane; and 510,999,867 shares are held by Union Star Limited ("Union Star"), a corporation of which more than one-third of its voting power at general meetings is held by Legion Elite and thus Legion Elite is deemed to have interests in those 510,999,867 shares of the Company held by Union Star under the SFO.

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

4. Pursuant to the corporate substantial shareholder notice filed by Legion Elite on March 22, 2023, 510,999,867 shares are held by Union Star, a controlled corporation of Legion Elite and hence, Legion Elite is deemed to have interest in those 510,999,867 shares under the SFO.

5. Mr. Yang Yuanqing holds more than one-third of the voting power at general meetings of Sureinvest. Accordingly, Mr. Yang is deemed to have interests in those 622,804,000 shares of the Company held by Sureinvest under the SFO.

6. The interests include underlying shares as follows:–

Name	Cash settled unlisted equity derivatives: Long position	Cash settled unlisted equity derivatives: Short position
BlackRock, Inc.	5,928,000	3,102,000
	Listed derivatives – Convertible instruments: Long position	**Listed derivatives – Convertible instruments: Short position**
	1,397,333	–

Substantial shareholders' and other persons' interests *(continued)*

Save as disclosed above, as at March 31, 2023, no other persons (other than the directors and chief executive of the Company, whose interests are set out in the above section headed "Directors' interests") had any interests or short positions in the shares and/or underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO.

Retirement scheme arrangements

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

Defined benefit pensions plans

Chinese Mainland — Retirement Schemes

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

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

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

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

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

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

For the year ended March 31, 2023, an amount of US$1,386,797 was charged to the consolidated income statement with respect to the qualified and non-qualified plans.

Retirement scheme arrangements *(continued)*

Defined benefit pensions plans *(continued)*

United States of America ("US") — Lenovo Pension Plan *(continued)*

The principal results of the most recent actuarial valuation of the plan at March 31, 2023 were the following:

- The actuarial valuation was prepared by Fidelity. The actuaries involved are fully qualified under the requirements of US law.
- The actuarial method used was the Projected Unit Credit Cost method and the principal actuarial assumptions were:

—	Discount rate:	4.80%
—	Expected return on plan assets:	3.60%
—	Future salary increases:	N/A

- The qualified plan was 65% funded at the actuarial valuation date.
- There was a net liability of US$25,918,047 under the qualified plan for this reason at the actuarial valuation date.

Japan — Pension Plan

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

For the year ended March 31, 2023, an amount of JPY1,034,323,606 was charged to the consolidated income statement with respect to this plan.

The principal results of the most recent actuarial valuation of the plan at March 31, 2023 were the following:

- The actuarial valuation was prepared by JP Actuary Consulting Co., Ltd.. The actuaries involved are fully qualified under the requirements of Japanese law.
- The actuarial method used was the Projected Unit Credit Cost method and the principal actuarial assumptions were:

—	Discount rate:	1.70%–1.90%
—	Expected return on plan assets:	1.40%
—	Future salary increases:	Age-group based

- The plan was 80% funded at the actuarial valuation date.
- There was a net liability of JPY5,984,488,752 under this plan at the actuarial valuation date.

Retirement scheme arrangements *(continued)*

Defined benefit pensions plans *(continued)*

Germany — pension plan

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

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

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

For the year ended March 31, 2023, an amount of EUR3,386,729 was charged to the consolidated income statement with respect to this plan.

The principal results of the most recent actuarial valuation of the plan at March 31, 2023 were the following:

- The actuarial valuation was prepared by Kern, Mauch & Kollegen (Motorola Mobility valuation prepared by Willis Towers Watson). The actuaries involved are fully qualified under German law.
- The actuarial method used was the Projected Unit Credit Cost method and the principal actuarial assumptions were:

— Discount rate:	3.70%
— Future salary increases:	Age-group based
— Future pension increases:	2.25%–2.50%

- The plans were 39% funded at the actuarial valuation date.
- There was a net liability of EUR94,282,368 under this plan at the actuarial valuation date.

Retirement scheme arrangements *(continued)*

Defined contribution plans

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

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

US Lenovo Executive Deferred Compensation Plan

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

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

United Kingdom ("UK") — Lenovo Stakeholders Plan

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

Canada — Defined Contribution Pension Plan

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

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

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

Continuing connected transactions

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

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

During the year, the Group conducted the following continuing connected transactions with NEC Corporation and its associates, which subsequently were not considered as continuing connected transactions. Details of such transactions are set out as follows:

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

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

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

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

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

During the year, JVCo became an insignificant subsidiary of the Company and pursuant to the Listing Rules, NEC was not considered as a connected person of the Company. Accordingly, the transactions between NEC Group with the Company, the JVCo and other members of JVCo Group contemplated under the CCT Agreements would no longer constitute connected transactions of the Company and such transactions would not be further subject to the disclosure pursuant to Chapter 14A of the Listing Rules. The Company would keep monitoring JVCo's financials for assessing whether JVCo might constitute a significant subsidiary of the Company and subject to any disclosure as required under the Listing Rules in the future.

Continuing connected transactions *(continued)*

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

Details of the CCT Agreements are set out below:

Supply Agreement

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

NEC Fielding Agreement

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

Continuing connected transactions *(continued)*

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

NESIC Agreement

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

NEC Newco Brand Licence Agreement and Ancillary Agreements

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

Continuing connected transactions *(continued)*

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

Transitional Services Agreement

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

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

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

Continuing connected transactions *(continued)*

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

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

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

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

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

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

On January 16, 2023, FCCL exercised its option to extend the term of the Fujitsu Trademark and Brand License Agreement (the "Agreement") to May 2, 2026 by providing a notice of extension to Fujitsu and on March 31, 2023, the annual caps of the Agreement were set for the three financial years ending March 31, 2024, 2025 and 2026. On March 31, 2023, the terms of Transitional Services Agreement, Secondment Agreement, the Manufacturing Agreement (FIT) and Sales and Distribution Agreement (the "Other Renewed Fujitsu CCT Agreements", together with the Agreement the "Renewed Fujitsu CCT Agreements") were extended to May 2, 2024 by entering into side letters between FCCL and the respective parties to the Other Renewed Fujitsu CCT Agreements and the annual caps of the Other Renewed Fujitsu CCT Agreements were set for the financial year ending March 31, 2024. Details of the renewal of the Renewed Fujitsu CCT Agreements are set out in the announcement dated March 31, 2023.

Save as the renewal of the Renewed Fujitsu CCT Agreements, which form part of the Fujitsu CCT Agreements, on March 31, 2023, other agreements forming the remaining part of the Fujitsu CCT Agreements were not renewed.

Continuing connected transactions *(continued)*

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

Details of the Fujitsu CCT Agreements are set out below:

Transitional Services Agreement

Date:	May 2, 2018 with side letter entered on March 31, 2023
Parties:	FCCL and Fujitsu
Services provided/received:	Transitional services provided by Fujitsu to FCCL and vice versa including research and development of hardware and software, sales and marketing, information technology support, development and management, customer care support, quality control, manufacturing support, supply chain management, procurement and corporate management.
Term:	Commenced from May 2, 2018 and expired on May 2, 2023. In light of mutual development needs and goals, the Company and Fujitsu have extended the Transitional Services Agreement by entering into a side letter dated March 31, 2023 to extend the term of the Transitional Services Agreement to May 2, 2024. The term may be extended under the same terms and conditions by mutual agreement between the parties.
Annual cap:	Expenses incurred from the use of services provided by Fujitsu to FCCL: 1/4/2018 – 31/3/2019: JPY21,300 million (approximately US$195 million)[Note 1] 1/4/2019 – 31/3/2020: JPY21,300 million (approximately US$195 million)[Note 1] 1/4/2020 – 31/3/2021: JPY21,300 million (approximately US$195 million)[Note 1] 1/4/2021 – 31/3/2022: JPY21,300 million (approximately US$195 million)[Note 1] 1/4/2022 – 31/3/2023: JPY21,300 million (approximately US$195 million)[Note 1] 1/4/2023 – 31/3/2024: JPY9,306 million (approximately US$71.1 million)[Note 3] Incomes generated for services to Fujitsu by FCCL: 1/4/2018 – 31/3/2019: JPY1,300 million (approximately US$12 million)[Note 1] 1/4/2019 – 31/3/2020: JPY1,300 million (approximately US$12 million)[Note 1] 1/4/2020 – 31/3/2021: JPY1,300 million (approximately US$12 million)[Note 1] 1/4/2021 – 31/3/2022: JPY1,300 million (approximately US$12 million)[Note 1] 1/4/2022 – 31/3/2023: JPY1,300 million (approximately US$12 million)[Note 1] 1/4/2023 – 31/3/2024: JPY647 million (approximately US$4.9 million)[Note 3]

Continuing connected transactions *(continued)*

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

Secondment Agreement

Date:	May 2, 2018 with side letter entered on March 31, 2023
Parties:	FCCL and Fujitsu
Services provided/received:	Secondment by Fujitsu to FCCL of certain employees of Fujitsu.
Term:	Commenced from May 2, 2018 and expired on May 2, 2023. In light of mutual development needs and goals, the Company and Fujitsu have extended the Secondment Agreement by entering into a side letter dated March 31, 2023 to extend the term of the Secondment Agreement to May 2, 2024.
Revised Annual cap:	Expenses incurred from the use of services provided by Fujitsu to FCCL: 1/4/2018 – 31/3/2019: JPY6,500 million (approximately US$60 million)[Note 2] 1/4/2019 – 31/3/2020: JPY7,350 million (approximately US$67 million)[Note 2] 1/4/2020 – 31/3/2021: JPY8,350 million (approximately US$76 million)[Note 2] 1/4/2021 – 31/3/2022: JPY8,350 million (approximately US$76 million)[Note 2] 1/4/2022 – 31/3/2023: JPY8,350 million (approximately US$76 million)[Note 2] 1/4/2023 – 31/3/2024: JPY240 million (approximately US$1.8 million)[Note 3]

Services Agreement

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

Continuing connected transactions *(continued)*

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

Manufacture Agreement (FPE)

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

Continuing connected transactions *(continued)*

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

Manufacture Agreement (FIT)

Date:	May 2, 2018 with side letter entered on March 31, 2023
Parties:	FCCL and Fujitsu Isotec Limited ("FIT")
Services provided/received:	FIT agreed to provide manufacturing services to FCCL. FCCL agreed to provide component sourcing services to FIT.
Term:	Commenced from May 2, 2018 and expired on May 2, 2023. In light of mutual development needs and goals, the Company and Fujitsu have extended the Manufacturing Agreement (FIT) by entering into a side letter dated March 31, 2023 to extend the term of the Manufacturing Agreement (FIT) to May 2, 2024. The term may be extended under the same terms and conditions by mutual agreement between the parties.
Revised Annual cap:	Expenses incurred from the use of services provided by FIT to FCCL: 1/4/2018 – 31/3/2019: JPY53,200 million (approximately US$488 million)(Note 1) 1/4/2019 – 31/3/2020: JPY55,700 million (approximately US$511 million)(Note 1) 1/4/2020 – 31/3/2021: JPY49,200 million (approximately US$451 million)(Note 1) 1/4/2021 – 31/3/2022: JPY50,800 million (approximately US$466 million)(Note 1) 1/4/2022 – 31/3/2023: JPY52,400 million (approximately US$481 million)(Note 1) 1/4/2023 – 31/3/2024: JPY1,200 million (approximately US$9.2 million)(Note 3) Incomes generated for services to FIT by FCCL: 1/4/2018 – 31/3/2019: JPY22,000 million (approximately US$202 million)(Note 2) 1/4/2019 – 31/3/2020: JPY27,500 million (approximately US$250 million)(Note 2) 1/4/2020 – 31/3/2021: JPY31,250 million (approximately US$284 million)(Note 2) 1/4/2021 – 31/3/2022: JPY31,250 million (approximately US$284 million)(Note 2) 1/4/2022 – 31/3/2023: JPY31,250 million (approximately US$284 million)(Note 2) 1/4/2023 – 31/3/2024: JPY600 million (approximately US$4.6 million)(Note 3)

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

Sales and Distribution Agreement

Date:	May 2, 2018 with side letter entered on March 31, 2023
Parties:	FCCL and Fujitsu
Services provided/received:	FCCL agreed to supply Fujitsu-branded products and such other products as agreed between the parties and services to Fujitsu.
Term:	Commenced from May 2, 2018 and expired on May 2, 2023. In light of mutual development needs and goals, the Company and Fujitsu have extended the Sales and Distribution Agreement by entering into a side letter dated March 31, 2023 to extend the term of the Sales and Distribution Agreement to May 2, 2024. The term may be extended under the same terms and conditions by mutual agreement between the parties.
Annual cap:	Incomes generated for services to Fujitsu by FCCL: 1/4/2018 – 31/3/2019: JPY333,800 million (approximately US$3,062 million)(Note 1) 1/4/2019 – 31/3/2020: JPY337,600 million (approximately US$3,097 million)(Note 1) 1/4/2020 – 31/3/2021: JPY325,600 million (approximately US$2,987 million)(Note 1) 1/4/2021 – 31/3/2022: JPY336,000 million (approximately US$3,083 million)(Note 1) 1/4/2022 – 31/3/2023: JPY346,700 million (approximately US$3,181 million)(Note 1) 1/4/2023 – 31/3/2024: JPY278,077 million (approximately US$2,125.9 million)(Note 3)

Fujitsu Trademark and Brand License Agreement

Date:	May 2, 2018 with a notice of extension on January 16, 2023
Parties:	FCCL and Fujitsu
Services provided/received:	Fujitsu granted FCCL licenses to use Fujitsu name and trademarks.
Term:	Commenced from May 2, 2018 and expired on May 2, 2023. In light of mutual development needs and goals, FCCL has exercised its option to extend the term of the Fujitsu Trademark and Brand License Agreement to May 2, 2026 by providing a notice of extension to Fujitsu on January 16, 2023. The term may be extended under the same terms and conditions by mutual agreement between the parties.
Revised Annual cap:	Royalty payable to Fujitsu: 1/4/2018 – 31/3/2019: JPY500 million (approximately US$5 million)(Note 2) 1/4/2019 – 31/3/2020: JPY605 million (approximately US$6 million)(Note 2) 1/4/2020 – 31/3/2021: JPY685 million (approximately US$6 million)(Note 2) 1/4/2021 – 31/3/2022: JPY685 million (approximately US$6 million)(Note 2) 1/4/2022 – 31/3/2023: JPY685 million (approximately US$6 million)(Note 2) 1/4/2023 – 31/3/2024: JPY680 million (approximately US$5.2 million)(Note 3) 1/4/2024 – 31/3/2025: JPY685 million (approximately US$5.2 million)(Note 3) 1/4/2025 – 31/3/2026: JPY639 million (approximately US$4.9 million)(Note 3)

Continuing connected transactions *(continued)*

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

Manufacturing and Services Agreement

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

R&D Services Agreement

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

Continuing connected transactions *(continued)*

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

Notes:

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

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

(3) The translation of Japanese yen into United States dollars is based on the exchange rate of JPY1.00 to US$0.007645 for information purposes only.

Full details of the above continuing connected transactions are set out in the announcements published by the Company on November 2, 2017, May 2, 2018, February 21, 2020 and March 31, 2023 and on the websites of the Company and Hong Kong Exchanges and Clearing Limited.

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

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

(2) on normal commercial terms or better; and

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

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

Directors' report

Significant related party transactions

During the year, the Group entered into certain transactions with parties regarded as "related parties" under applicable accounting principles. Details of the significant related party transactions undertaken in the normal course of business are set out in note 30 to the financial statements. None of these transactions constitutes a discloseable connected transaction as defined under the Listing Rules.

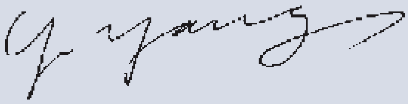
Auditor

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

Public float

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

On behalf of the Board



Yang Yuanqing
Chairman and Chief Executive Officer
May 24, 2023

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 184 to 286, comprise:

- the consolidated balance sheet as at March 31, 2023;
- 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, 2023, 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 summarised as follows:

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

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment assessment of goodwill and other intangible assets with indefinite useful lives	
Refer to notes 4(a) and 16 to the consolidated financial statements. As at March 31, 2023, the Group had goodwill and other intangible assets with indefinite useful lives totaling US$6,264 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 and 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, 2023.	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)*

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, 2023, the Group had deferred income tax assets of US$2,467 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, 2023.	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 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.

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 Shia Yuen Yee.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, May 24, 2023

Consolidated income statement

For the year ended March 31, 2023

	Note	**2023 US$'000**	2022 US$'000
Revenue	5	**61,946,854**	71,618,216
Cost of sales		**(51,445,762)**	(59,569,241)
Gross profit		**10,501,092**	12,048,975
Selling and distribution expenses		**(3,285,126)**	(3,746,290)
Administrative expenses		**(2,311,771)**	(2,944,234)
Research and development expenses		**(2,195,329)**	(2,073,461)
Other operating income/(expenses) — net		**(40,043)**	(204,421)
Operating profit	6	**2,668,823**	3,080,569
Finance income	7(a)	**141,667**	56,458
Finance costs	7(b)	**(657,704)**	(362,384)
Share of losses of associates and joint ventures	17	**(16,799)**	(6,912)
Profit before taxation		**2,135,987**	2,767,731
Taxation	8	**(455,156)**	(622,399)
Profit for the year		**1,680,831**	2,145,332
Profit attributable to:			
Equity holders of the Company		**1,607,722**	2,029,818
Other non-controlling interests		**73,109**	115,514
		1,680,831	2,145,332
Earnings per share attributable to equity holders of the Company			
Basic	11(a)	**US13.50 cents**	US17.45 cents
Diluted	11(b)	**US12.74 cents**	US15.77 cents
Dividends	12	**587,997**	583,999

Consolidated statement of comprehensive income

For the year ended March 31, 2023

	Note	**2023 US$'000**	2022 US$'000
Profit for the year		**1,680,831**	2,145,332
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	**58,524**	58,194
Fair value change on financial assets at fair value through other comprehensive income, net of taxes	8, 20	**650**	(18,064)
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, net of taxes		**302,181**	243,257
— Reclassified to consolidated income statement		**(359,568)**	(268,500)
Currency translation differences	8	**(614,267)**	172,638
Other comprehensive (loss)/income for the year		**(612,480)**	187,525
Total comprehensive income for the year		**1,068,351**	2,332,857
Total comprehensive income attributable to:			
Equity holders of the Company		**1,019,347**	2,244,669
Other non-controlling interests		**49,004**	88,188
		1,068,351	2,332,857

Consolidated balance sheet

At March 31, 2023

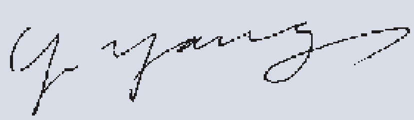
	Note	**2023 US$'000**	2022 US$'000
Non-current assets			
Property, plant and equipment	13	**2,006,457**	1,636,629
Right-of-use assets	14	**659,360**	839,233
Construction-in-progress	15	**638,047**	510,211
Intangible assets	16	**8,267,114**	8,066,785
Interests in associates and joint ventures	17	**438,267**	339,547
Deferred income tax assets	19	**2,467,281**	2,527,955
Financial assets at fair value through profit or loss	20	**1,233,969**	1,104,408
Financial assets at fair value through other comprehensive income	20	**66,178**	64,572
Other non-current assets		**202,531**	424,241
		15,979,204	15,513,581
Current assets			
Inventories	21	**6,371,858**	8,300,658
Trade and notes receivables	22(a)	**7,940,378**	11,289,547
Derivative financial assets		**37,460**	113,757
Deposits, prepayments and other receivables	22(c)	**3,945,153**	5,014,292
Income tax recoverable		**324,756**	255,809
Bank deposits	23	**71,163**	92,513
Cash and cash equivalents	23	**4,250,085**	3,930,287
		22,940,853	28,996,863
Total assets		**38,920,057**	44,510,444

Consolidated balance sheet

At March 31, 2023

	Note	2023 US$'000	2022 US$'000
Share capital	28	**3,282,318**	3,203,913
Reserves		**2,305,272**	1,786,726
Equity attributable to owners of the Company		**5,587,590**	4,990,639
Other non-controlling interests		**1,006,784**	951,415
Put option written on non-controlling interests	27(b)	**(547,353)**	(547,353)
Total equity		**6,047,021**	5,394,701
Non-current liabilities			
Borrowings	26	**3,683,178**	2,633,348
Warranty provision	25(b)	**196,037**	242,776
Deferred revenue		**1,389,427**	1,459,582
Retirement benefit obligations	34	**257,244**	340,542
Deferred income tax liabilities	19	**431,688**	406,759
Other non-current liabilities	27	**822,105**	1,274,001
		6,779,679	6,357,008
Current liabilities			
Trade and notes payables	24	**9,772,934**	13,184,831
Derivative financial liabilities		**62,499**	127,625
Other payables and accruals	25(a)	**12,932,781**	15,744,911
Provisions	25(b)	**1,021,041**	980,112
Deferred revenue		**1,581,952**	1,440,022
Income tax payable		**450,534**	493,312
Borrowings	26	**271,616**	787,922
		26,093,357	32,758,735
Total liabilities		**32,873,036**	39,115,743
Total equity and liabilities		**38,920,057**	44,510,444

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, 2023

	Note	2023 US$'000	2022 US$'000
Cash flows from operating activities			
Net cash generated from operations	33 (a)	**3,934,656**	5,122,034
Interest paid		**(605,144)**	(315,570)
Tax paid		**(528,110)**	(729,485)
Net cash generated from operating activities		**2,801,402**	4,076,979
Cash flows from investing activities			
Purchase of property, plant and equipment		**(428,366)**	(396,358)
Sale of property, plant and equipment		**32,677**	21,193
Disposal of construction-in-progress		**2,814**	–
Acquisition of subsidiaries, net of cash acquired	33 (c)	**(403,820)**	(76,294)
Disposal of subsidiaries, net of cash disposed		**–**	114,312
Interests acquired in associates and a joint venture		**(103,057)**	(160,194)
Loans to a related party		**(11,052)**	–
Payment for construction-in-progress		**(688,696)**	(601,946)
Payment for intangible assets		**(461,084)**	(285,777)
Purchase of financial assets at fair value through profit or loss		**(225,982)**	(256,461)
Purchase of financial assets at fair value through other comprehensive income		**(7,000)**	(2,000)
Net proceeds from sale of financial assets at fair value through profit or loss		**226,539**	116,017
Net proceeds from sale of financial assets at fair value through other comprehensive income		**3,148**	1,500
Decrease/(increase) in bank deposits		**21,351**	(33,128)
Dividends received		**2,782**	4,285
Interest received		**124,726**	56,458
Net cash used in investing activities		**(1,915,020)**	(1,498,393)

Consolidated cash flow statement

For the year ended March 31, 2023

	Note	2023 US$'000	2022 US$'000
Cash flows from financing activities	33 (b)		
Capital contribution from other non-controlling interests		**25,053**	179,322
Distribution to other non-controlling interests		**(6,906)**	–
Contribution to employee share trusts		**(204,258)**	(387,496)
Principal elements of lease payments		**(168,638)**	(146,485)
Dividends paid		**(578,795)**	(478,822)
Dividends paid to convertible preferred shares holders		**(1,881)**	(16,385)
Dividends paid to other non-controlling interests		**(32,460)**	(30,877)
Repurchase of convertible preferred shares		**(46,443)**	(254,490)
Cash received for disposal of subsidiaries without loss of control		**-**	5,185
Payment for written put option liabilities		**-**	(297,352)
Proceeds from issue of convertible bonds		**675,000**	–
Issuing cost of convertible bonds		**(11,000)**	–
Repurchase of convertible bonds		**(545,317)**	–
Proceeds from loans		**10,980,383**	10,311,552
Repayments of loans		**(10,979,864)**	(10,304,211)
Proceeds from issue of notes		**1,250,000**	–
Issuing cost of notes		**(11,726)**	–
Repayments of notes		**(755,815)**	(337,309)
Cash settlement of shares vested under long-term incentive program		**(1,109)**	–
Net cash used in financing activities		**(413,776)**	(1,757,368)
Increase in cash and cash equivalents		**472,606**	821,218
Effect of foreign exchange rate changes		**(152,808)**	40,684
Cash and cash equivalents at the beginning of the year		**3,930,287**	3,068,385
Cash and cash equivalents at the end of the year	23	**4,250,085**	3,930,287

Consolidated statement of changes in equity

For the year ended March 31, 2023

	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	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

Consolidated statement of changes in equity

For the year ended March 31, 2023

	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	Other non-controlling interests US$'000	Put option written on non-controlling interests US$'000	Total 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 year	-	-	-	-	-	-	-	1,607,722	73,109	-	1,680,831
Other comprehensive income/(loss)	-	650	-	-	(57,387)	(590,162)	-	58,524	(24,105)	-	(612,480)
Total comprehensive income/(loss) for the year	-	650	-	-	(57,387)	(590,162)	-	1,666,246	49,004	-	1,068,351
Transfer to statutory reserve	-	-	-	-	-	-	28,544	(28,544)	-	-	-
Acquisition of subsidiaries	64,594	-	-	-	-	-	-	-	28,004	-	92,598
Acquisition of an associate	13,811	-	-	-	-	-	-	-	-	-	13,811
Transfer of investment revaluation reserve upon disposal of financial assets at fair value through other comprehensive income to retained earnings	-	5,666	-	-	-	-	-	(5,666)	-	-	-
Vesting of shares under long-term incentive program	-	-	383,328	(500,833)	-	-	-	-	-	-	(117,505)
Cash settlement of shares vested under long-term incentive program	-	-	-	(1,109)	-	-	-	-	-	-	(1,109)
Deferred tax in relation to long-term incentive program	-	-	-	(5,237)	-	-	-	-	-	-	(5,237)
Settlement of bonus through long-term incentive program	-	-	-	23,395	-	-	-	-	-	-	23,395
Share-based compensation	-	-	-	336,128	-	-	-	-	-	-	336,128
Contribution to employee share trusts	-	-	(204,258)	-	-	-	-	-	-	-	(204,258)
Dividends paid	-	-	-	-	-	-	-	(578,795)	-	-	(578,795)
Dividends paid to other non-controlling interests	-	-	-	-	-	-	-	-	(32,460)	-	(32,460)
Capital contribution from other non-controlling interests	-	-	-	-	-	-	-	-	28,728	-	28,728
Distribution to other non-controlling interests	-	-	-	-	-	-	-	-	(6,906)	-	(6,906)
Issue of convertible bonds	-	-	-	-	-	-	138,243	-	-	-	138,243
Repurchase of convertible bonds	-	-	-	-	-	-	(52,135)	(50,529)	-	-	(102,664)
Change of ownership of subsidiaries without loss of control	-	-	-	-	-	-	11,001	-	(11,001)	-	-
At March 31, 2023	3,282,318	(60,860)	(153,385)	(344,218)	(9,154)	(2,096,441)	163,411	4,805,919	1,006,784	(547,353)	6,047,021

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, 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

1 General information and basis of preparation *(continued)*

Changes in accounting policies and disclosures *(continued)*

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 ended March 31, 2023 and have not been early adopted:

	Effective for annual periods beginning on or after
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, 2024
Amendments to HKAS 1, Classification of liabilities as current or non-current	January 1, 2024
Amendments to HKAS 1, Non-current liabilities with covenants	January 1, 2024
Amendments to HKFRS 16, Lease liability in a sale and leaseback	January 1, 2024
Amendments to HKFRS 10 and HKAS 28, Sale or contribution of assets between an investor and its associate or joint venture	Date to be determined

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

2 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 Group operates certain businesses in the Mainland of China ("Chinese Mainland") through the variable interest entities ("VIE"), whose equity interests are held by certain key management personnel of the Group. The Group obtained control over these VIEs by entering into a series of contractual arrangement with the legal shareholders who are also referred to as nominee shareholders. These nominee shareholders are the legal owners of the VIEs. However, the rights of those nominee shareholders have been transferred to the Group through the contractual arrangements.

The contractual arrangements that are used to control the VIEs include loan agreements, powers of attorney, exclusive consultation service agreements, exclusive business cooperation agreement, equity pledge agreements and exclusive option agreements. Management concluded that the Group, through the contractual arrangements, has the power to direct the activities that most significantly impact the VIEs' economic performance, bears the risks of and enjoys the rewards normally associated with the ownership of the VIEs, and therefore the Group is the ultimate primary beneficiary of these VIEs. Consequently, the financial results of the VIEs were included in the Group's consolidated financial statements accordingly.

The acquisition method of accounting is used to account for business combinations by the Group (refer to (ii)).

Inter-company transactions, balances and unrealized gains on transactions between Group companies are eliminated. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset.

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, 2023 and 2022 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, amount of any non-controlling interest in the acquiree and acquisition-date fair value of any previous equity interest in the acquiree over the fair value of 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.

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.

2 Significant accounting policies *(continued)*

(a) Principles of consolidation and equity accounting *(continued)*

(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 in 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 in 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.

(i) 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 in 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, 2023 and 2022 have been used for the preparation of the Group's consolidated financial statements.

2 Significant accounting policies *(continued)*

(b) Associates and joint arrangements *(continued)*

(ii) 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.

(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 consolidated 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 consolidated 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 consolidated income statement 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 in 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 in other comprehensive income or loss and included in the exchange reserve in equity.

2 Significant accounting policies *(continued)*

(d) Translation of foreign currencies *(continued)*

(iv) On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary, loss of joint control of a joint venture, or loss of significant influence over an associate that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the equity holders of the Company are reclassified to the consolidated income statement.

In the case of a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of the accumulated exchange differences are re-attributed to non-controlling interests and are not recognized in the consolidated income statement. For all other partial disposals (that is, reductions in the Group's ownership interest in an associate or a joint venture that do not result in the Group losing significant 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%
Operating lease assets	Over the initial term of the lease
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)*

(e) Property, plant and equipment *(continued)*

Investment properties, principally office buildings, are held for long-term rental yields and are not occupied by the Group. They are carried at historical cost less accumulated depreciation. Depreciation on investment properties is calculated using the straight-line method to allocate their costs to their estimated residual values over their remaining lease term of the respective leasehold land of the investment properties.

The investment properties' 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 investment properties is the difference between the net sales proceeds and the carrying amount of the relevant investment properties, and is recognized within "Other operating income/(expenses) — net" in the consolidated income statement.

Investment properties are shown within property, plant and equipment for the building portion and right-of-use assets for the leasehold land portion (Note 2(z)) on the consolidated balance sheet.

(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 or loss 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.

2 Significant accounting policies *(continued)*

(g) Intangible assets *(continued)*

(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.

(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 rights

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 (CGUs). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

(i) Financial assets

(i) Classification

The Group classifies its financial assets in the following measurement categories:

— those to be measured subsequently at fair value (either through other comprehensive income or through profit or loss), and

— those to be measured at amortized cost.

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investments at FVOCI.

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

(ii) Recognition and derecognition

Regular way purchases and sales of financial assets are recognized on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

(iii) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at FVPL, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

2 Significant accounting policies *(continued)*

(i) Financial assets *(continued)*

(iii) Measurement *(continued)*

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the assets and the cash flow characteristics of the assets. There are three measurement categories into which the Group classifies its debt instruments:

— Amortized cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. Interest income from these financial assets, impairment losses, foreign exchange gains and losses, and gain or loss arising on derecognition are recognized directly in profit or loss.

— FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment losses, interest income and foreign exchange gains and losses which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss.

— FVPL: Assets that do not meet the criteria for amortized cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognized in profit or loss in the period in which it arises.

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognized in profit or loss when the Group's right to receive payments is established. On disposal of these equity investments, any related balance within the investment revaluation reserve is reclassified to retained earnings. Changes in the fair value of financial assets at FVPL are recognized in profit or loss as applicable.

Financial assets at FVOCI comprise equity investments which are not held for trading, and which the Group has irrevocably elected at initial recognition to recognize in this category. These are strategic investments and the Group considers this classification to be more relevant.

Financial assets at FVPL comprise equity investments which are held for trading, and which the Group has not elected to recognize fair value gains and losses through other comprehensive income.

Details on how the fair value of financial instruments is determined are disclosed in Note 3(d).

2 Significant accounting policies *(continued)*

(i) Financial assets *(continued)*

(iv) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

(j) Impairment of financial assets

The Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortized cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach 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.

2 Significant accounting policies *(continued)*

(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 in 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 within "Other operating income/(expenses) — net" in the consolidated income statement.

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 in 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 in 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 consolidated 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 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 recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

2 Significant accounting policies *(continued)*

(u) Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognized because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognized but is disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that the outflow is probable, it will then be recognized as a provision.

(v) Revenue and other income

Income is classified by the Group as revenue when it arises from the sale 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.

(iv) Lease revenue

On commencement of finance leases, the Group recognizes profit up-front, and amounts due from the customer under the lease contract are recognized as finance lease receivables on the consolidated balance sheet. Interest income is recognized over the term of the lease based on the effective interest method.

All other leases that do not meet the definition of a finance lease are classified as operating leases (Note 2(z)(ii)). Lease revenue under operating leases is recognized in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognized in profit or loss as an integral part of the aggregate net lease payments receivable. Variable lease payments that do not depend on an index or a rate are recognized as lease revenue in the accounting period in which they are earned.

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 in 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 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 in 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 within "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

(i) As the lessee

Leases are recognized as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

— fixed payments (including in-substance fixed payments), less any lease incentives receivable;

— variable lease payments that are based on an index or a rate;

— amounts expected to be payable by the lessee under residual value guarantees;

— the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and

— payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

2 Significant accounting policies *(continued)*

(z) Leases *(continued)*

(i) 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 consolidated income statement. 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.

(ii) As the lessor

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to the ownership of an underlying assets to the lessee. If this is not the case, the lease is classified as an operating lease.

When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis.

The lease revenue is recognized in accordance with Note 2(v)(iv). The operating lease assets are presented within "property, plant and equipment" in the consolidated balance sheet in accordance with Note 2(e).

(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.

Notes to the financial statements

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.

	2023			2022		
	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	**791,954**	**6,836**	**142,161**	784,653	7,445	208,688
Bank deposits and cash and cash equivalents	**56,242**	**34,816**	**56,564**	79,397	52,637	134,993
Trade and other payables	**(559,397)**	**(12,317)**	**(112,514)**	(658,185)	(85,265)	(96,903)
Intercompany balances before elimination	**131,120**	**3,673,990**	**(13,973)**	(1,817,641)	2,739,944	(116,399)
Gross exposure	**419,919**	**3,703,325**	**72,238**	(1,611,776)	2,714,761	130,379
Notional amounts of forward exchange contracts used as economic hedges	**2,995,077**	**(58,142)**	**(2,487)**	2,968,059	(895,931)	(379,822)
Net exposure	**3,414,996**	**3,645,183**	**69,751**	1,356,283	1,818,830	(249,443)

(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 recognizes 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 ageing band are set out below:

March 31, 2023	**Gross carrying amount US$'000**	**Loss allowance US$'000**	**Expected credit loss rate**
Not past due	**7,018,636**	**(6,166)**	**0%**
Past due less than 31 days	**438,115**	**(16,239)**	**4%**
Past due within 31 to 60 days	**188,634**	**(3,030)**	**2%**
Past due within 61 to 90 days	**99,608**	**(1,161)**	**1%**
Past due over 90 days	**261,058**	**(78,227)**	**30%**
	8,006,051	**(104,823)**	

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)	

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$583,113,000 (2022: US$314,904,000) (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, 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)
At March 31, 2023						
Borrowings	**22,506**	**466,546**	**1,318,502**	**879,572**	**2,519,395**	**5,206,521**
Trade, notes and other payables and accruals	**17,423,290**	**1,645,702**	**-**	**-**	**-**	**19,068,992**
Deferred consideration	**-**	**-**	**25,072**	**-**	**-**	**25,072**
Written put option liabilities	**450,353**	**-**	**51,921**	**-**	**-**	**502,274**
Lease liabilities	**37,747**	**103,690**	**179,089**	**99,334**	**53,317**	**473,177**
Others	**-**	**-**	**254,071**	**80,535**	**19,298**	**353,904**
Derivatives settled in net:						
Forward foreign exchange contracts	**3,984**	**-**	**-**	**-**	**-**	**3,984**
Derivatives settled in gross:						
Forward foreign exchange contracts						
— outflow	**7,700,529**	**400,201**	**-**	**-**	**-**	**8,100,730**
— inflow	**(7,682,737)**	**(406,580)**	**-**	**-**	**-**	**(8,089,317)**

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, 2023, 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$3.0 million higher/lower (2022: US$2.1 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, 2023, 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 (2022: do not have significant impact).

(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 listed equity investments and the prices of unlisted equity investments on the Group's pre-tax profit and equity 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	
	2023 US$'000	2022 US$'000	**2023 US$'000**	2022 US$'000
Increase by 5%	**61,698**	55,220	**3,309**	3,229
Decrease by 5%	**(61,698)**	(55,220)	**(3,309)**	(3,229)

3 Financial risk management *(continued)*

(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.

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 position of the Group at March 31, 2023 and 2022 are as follows:

	2023 US$ million	2022 US$ million
Bank deposits and cash and cash equivalents	**4,321**	4,023
Less: total borrowings	**(3,955)**	(3,421)
Net cash position	**366**	602
Total equity	**6,047**	5,395
Gearing ratio	**0.65**	0.63

(d) Fair value estimation

The table below analyzes financial instruments carried at fair value defined under different levels 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, 2023 and 2022.

	2023				2022			
	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	**180,428**	**-**	**133,054**	**313,482**	146,772	–	108,488	255,260
Unlisted equity investments	**-**	**-**	**920,487**	**920,487**	–	–	849,148	849,148
Financial assets at FVOCI								
Listed equity investments	**45,026**	**-**	**-**	**45,026**	45,292	–	–	45,292
Unlisted equity investments	**-**	**-**	**21,152**	**21,152**	–	–	19,280	19,280
Trade receivables	**-**	**7,901,228**	**-**	**7,901,228**	–	11,189,551	–	11,189,551
Derivative financial assets	**-**	**37,460**	**-**	**37,460**	–	113,757	–	113,757
	225,454	**7,938,688**	**1,074,693**	**9,238,835**	192,064	11,303,308	976,916	12,472,288
Liabilities								
Derivative financial liabilities	**-**	**62,499**	**-**	**62,499**	–	127,625	–	127,625
Convertible preferred shares	**-**	**-**	**-**	**-**	–	–	45,115	45,115
	-	**62,499**	**-**	**62,499**	–	127,625	45,115	172,740

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, 2023 and 2022 are as follows:

Equity securities

	Financial assets at FVPL		Financial assets at FVOCI	
	2023 US$'000	2022 US$'000	**2023 US$'000**	2022 US$'000
At the beginning of the year	**957,636**	666,974	**19,280**	27,882
Exchange adjustment	**(62,986)**	19,841	**(1,091)**	735
Fair value change recognized in other comprehensive income	**-**	–	**(1,038)**	(9,837)
Fair value change recognized in profit or loss	**92,662**	198,527	**-**	–
Transfer to Level 1	**(54,546)**	(178,862)	**-**	–
Additions	**225,982**	256,461	**7,149**	2,000
Disposals	**(105,207)**	(5,305)	**(3,148)**	(1,500)
At the end of the year	**1,053,541**	957,636	**21,152**	19,280

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, 2023, three (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.

Convertible preferred shares

	2023 US$'000	2022 US$'000
At the beginning of the year	**45,115**	303,372
Repurchase	**(46,443)**	(254,490)
Dividends paid	**(1,881)**	(16,385)
Fair value change recognized in profit or loss	**3,209**	12,618
At the end of the year	**-**	45,115

At March 31, 2022, 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 with the corresponding gain/loss recognized in the consolidated income statement.

Notes to the financial statements

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 CGU 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 sale 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"), 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.

5 Segment information *(continued)*

(a) Revenue and operating profit for reportable segments

	2023		2022	
	Revenue US$'000	**Operating profit US$'000**	Revenue US$'000	Operating profit US$'000
IDG	**49,371,447**	**3,598,415**	62,310,410	4,737,823
ISG	**9,755,596**	**98,084**	7,140,055	6,703
SSG	**6,663,397**	**1,391,752**	5,441,528	1,195,386
Total	**65,790,440**	**5,088,251**	74,891,993	5,939,912
Eliminations	**(3,843,586)**	**(1,208,064)**	(3,273,777)	(1,001,478)
	61,946,854	**3,880,187**	71,618,216	4,938,434
Unallocated:				
Headquarters and corporate income/(expenses) — net		**(1,087,716)**		(1,506,022)
Restructuring costs		**(208,546)**		–
Depreciation and amortization		**(548,852)**		(648,775)
Impairment of intangible assets		**-**		(31,434)
Finance income		**100,214**		34,504
Finance costs		**(154,532)**		(171,751)
Share of losses of associates and joint ventures		**(20,888)**		(6,912)
(Loss)/gain on disposal of property, plant and equipment		**(721)**		914
Fair value gain on financial assets at FVPL		**174,077**		135,075
Fair value loss on a financial liability at FVPL		**(3,209)**		(12,618)
Gain on disposal of subsidiaries		**-**		32,303
Dilution gain on interest in associates		**2,146**		–
Gain on disposal of interest in an associate		**1,190**		–
Dividend income		**2,637**		4,013
Consolidated profit before taxation		**2,135,987**		2,767,731

(b) Analysis of revenue by geography

	2023 US$'000	2022 US$'000
China	**14,859,248**	18,380,867
Asia Pacific ("AP")	**10,555,485**	11,712,396
Europe-Middle East-Africa ("EMEA")	**15,302,377**	18,274,144
Americas ("AG")	**21,229,744**	23,250,809
	61,946,854	71,618,216

5 Segment information *(continued)*

(c) Analysis of revenue by timing of revenue recognition

	2023 US$'000	2022 US$'000
Point in time	**59,404,593**	69,671,524
Over time	**2,542,261**	1,946,692
	61,946,854	71,618,216

(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$3,169,868,000 (2022: US$3,167,109,000) 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$1,707,527,000 (2022: US$1,190,970,000) 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.

	2023 US$'000	2022 US$'000
Within one year	**2,033,300**	1,707,527
More than one year	**1,834,798**	1,459,582
	3,868,098	3,167,109

(f) Other segment information

	IDG		**ISG**		**SSG**		**Total**	
	2023 US$'000	2022 US$'000	**2023 US$'000**	2022 US$'000	**2023 US$'000**	2022 US$'000	**2023 US$'000**	2022 US$'000
Depreciation and amortization	**627,458**	458,742	**160,104**	153,838	**16,265**	3,009	**803,827**	615,589
Finance income	**34,884**	17,437	**5,495**	3,861	**1,074**	656	**41,453**	21,954
Finance costs	**349,195**	129,563	**152,363**	60,295	**1,614**	775	**503,172**	190,633

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 US$5,350,623,000 (2022: US$5,459,792,000) and US$6,861,153,000 (2022: US$6,356,854,000) respectively.

6 Operating profit

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

	2023 US$'000	2022 US$'000
Depreciation of property, plant and equipment	**377,418**	344,498
Depreciation of right-of-use assets	**151,326**	136,993
Amortization of intangible assets	**823,935**	782,873
Impairment of intangible assets	**895**	31,434
Impairment of property, plant and equipment	**-**	10,189
Employee benefit costs (Note 9)	**5,314,866**	5,829,480
Cost of inventories sold	**48,453,059**	56,131,752
Allowance for inventories included in cost of sales	**165,274**	275,579
Auditor's remuneration (Note)		
— Audit services	**11,315**	13,063
— Non-audit services	**1,070**	3,211
Rental expenses	**22,026**	29,862
Government grants (Note 27(c))	**(119,651)**	(59,859)
Net foreign exchange loss	**118,024**	156,981
Net gain on foreign exchange forward contracts for cash flow hedges reclassified from equity	**(359,568)**	(268,500)
Increase in loss allowance of trade receivables	**122,832**	90,311
Unused amounts of loss allowance of trade receivables reversed	**(101,226)**	(101,273)
Loss on disposal of property, plant and equipment	**6,195**	2,265
Loss on disposal of intangible assets	**442**	8,399
Loss on disposal of construction-in-progress	**1,138**	–
Fair value gain on financial assets at FVPL	**(203,395)**	(135,075)
Fair value loss on a financial liability at FVPL	**3,209**	12,618
Gain on disposal of subsidiaries	**-**	(32,303)
Dilution gain on interest in associates	**(2,146)**	–
Gain on disposal of interest in associates	**(1,293)**	–

Note: Included in the above audit services fee, US$9,669,000 (2022: US$11,956,000) 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.

Notes to the financial statements

7 Finance income and costs

(a) Finance income

	2023 US$'000	2022 US$'000
Interest on bank deposits and trust	**110,645**	56,114
Net gain on repayment of notes	**16,941**	–
Interest on money market funds	**14,081**	344
	141,667	56,458

(b) Finance costs

	2023 US$'000	2022 US$'000
Interest on bank loans and overdrafts	**59,937**	34,226
Interest on convertible bonds	**53,332**	40,360
Interest on notes	**175,749**	141,282
Interest on lease liabilities	**15,221**	19,098
Factoring costs	**338,184**	99,653
Interest on written put option liabilities	**11,873**	23,587
Others	**3,408**	4,178
	657,704	362,384

8 Taxation

The amount of taxation in the consolidated income statement represents:

	2023 US$'000	2022 US$'000
Current tax		
— Profits tax in Hong Kong S.A.R. of China	**18,748**	160,855
— Taxation outside Hong Kong S.A.R. of China	**430,677**	661,373
Deferred tax (Note 19)		
— Charge/(credit) for the year	**5,731**	(199,829)
	455,156	622,399

8 Taxation *(continued)*

Profits tax in Hong Kong S.A.R. of China has been provided for at the rate of 16.5% (2022: 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:

	2023 US$'000	2022 US$'000
Profit before taxation	**2,135,987**	2,767,731
Tax calculated at domestic rates applicable in countries concerned	**440,853**	724,912
Income not subject to taxation	**(313,178)**	(607,424)
Expenses not deductible for taxation purposes	**231,385**	429,836
Recognition/utilization of previously unrecognized temporary differences/tax losses	**(57,431)**	(24,443)
Deferred income tax assets not recognized	**142,562**	108,460
Under/(over)-provision in prior years	**10,965**	(8,942)
	455,156	622,399

The weighted average applicable tax rate for the year was 20.6% (2022: 26.2%). 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:

	2023			2022		
	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	**767**	**(117)**	**650**	(18,776)	712	(18,064)
Fair value change on cash flow hedges	**(57,387)**	**-**	**(57,387)**	(25,243)	–	(25,243)
Remeasurements of post-employment benefit obligations (Note 34)	**58,524**	**-**	**58,524**	58,194	–	58,194
Currency translation differences	**(614,267)**	**-**	**(614,267)**	172,638	–	172,638
Other comprehensive (loss)/income	**(612,363)**	**(117)**	**(612,480)**	186,813	712	187,525
Deferred tax (Note 19)		**(117)**			712	

9 Employee benefit costs

	2023 US$'000	2022 US$'000
Wages and salaries, including severance and related costs of US$208,546,000 (2022: nil)	**3,982,639**	4,548,105
Long-term incentive awards granted (Note 28)	**336,128**	368,921
Social security costs	**392,195**	337,046
Pension costs		
— Defined contribution plans	**308,028**	281,222
— Defined benefit plans (Note 34)	**18,909**	19,561
Others	**276,967**	274,625
	5,314,866	5,829,480

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, 2023 and 2022 is set out below:

	2023						
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)	-	1,390	6,228	13,882	139	631	22,270
Non-executive directors							
Mr. Zhu Linan	100	-	-	231	-	-	331
Mr. Zhao John Huan	100	-	-	231	-	-	331
Independent non-executive directors							
Mr. William O. Grabe	135	-	-	231	-	-	366
Mr. William Tudor Brown	125	-	-	231	-	-	356
Mr. Yang Chih-Yuan Jerry	100	-	-	231	-	-	331
Mr. Gordon Robert Halyburton Orr	100	-	-	231	-	-	331
Mr. Woo Chin Wan Raymond	135	-	-	232	-	-	367
Ms. Yang Lan	100	-	-	232	-	-	332
Professor Xue Lan	78	-	-	73	-	-	151
Ms. Cher Wang Hsiueh Hong	78	-	-	49	-	-	127
	1,051	1,390	6,228	15,854	139	631	25,293

10 Emoluments of directors and highest paid individuals *(continued)*

(a) Directors' and senior management's emoluments *(continued)*

	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)*

Notes:

(i) Figures shown in the table above represent discretionary bonuses receivable at March 31, 2023 and 2022 in connection with the performance bonuses for the respective two financial years then ended.

(ii) During the year ended March 31, 2022, 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, 2023 and 2022.

(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, 2023 and 2022.

(v) During the years ended March 31, 2023 and 2022, annual pension payment of US$1.5 million was made to Mr. Liu Chuanzhi, a retired director.

(vi) Ms. Cher Wang Hsiueh Hong and Professor Xue Lan were appointed as independent non-executive directors on June 20, 2022.

(vii) Mr. Nicholas C. Allen retired from the position of an independent non-executive director on July 20, 2021.

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 (2022: nil). No consideration was provided to or receivable by third parties for making available directors' service (2022: nil). There are no loans, quasi-loans or other dealings in favour of the directors, their controlled body corporate and connected entities (2022: 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 (2022: 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 (2022: one) director, who is the CEO of the Group, whose emoluments are reflected in the analysis presented above. The emoluments of the remaining four (2022: four) individuals during the year are as follows:

	2023 US$'000	2022 US$'000
Basic salaries, allowances, and other benefits-in-kind	**4,905**	6,454
Discretionary bonuses (i), (ii)	**8,344**	25,949
Long-term incentive awards (ii), (iv)	**29,034**	44,252
Retirement payments and employer's contribution to pension schemes (iii)	**346**	20,225
	42,629	96,880

Notes:

(i) Figures shown in the table above represent discretionary bonuses receivable at March 31, 2023 and 2022 in connection with the performance bonuses for the respective two financial years then ended.

(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) Figures shown in the table above for the year ended March 31, 2022 includes US$20 million paid to one of the executives retired during that year.

(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, 2023 and 2022.

The emoluments fell within the following bands:

	Number of individuals	
	2023	2022
Emolument bands		
US$9,121,374 – US$9,185,159	**1**	–
US$9,504,089 – US$9,567,874	**1**	–
US$10,333,305 – US$10,397,090	**-**	1
US$10,588,448 – US$10,652,233	**1**	–
US$11,864,165 – US$11,927,950	**-**	1
US$13,267,453 – US$13,331,238	**1**	–
US$36,740,640 – US$36,804,425	**-**	1
US$37,761,213 – US$37,824,998	**-**	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.

	2023	2022
Weighted average number of ordinary shares in issue	**12,096,401,779**	12,041,705,614
Adjustment for shares held by employee share trusts	**(187,514,384)**	(412,831,508)
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	**11,908,887,395**	11,628,874,106

	2023 US$'000	2022 US$'000
Profit attributable to equity holders of the Company used in calculating basic earnings per share	**1,607,722**	2,029,818

(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.

Notes to the financial statements

11 Earnings per share *(continued)*

(b) Diluted *(continued)*

The Group has four (2022: 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 the years ended March 31, 2023 and 2022. Put option written on non-controlling interests and convertible preferred shares were anti-dilutive for the years ended March 31, 2023 and 2022.

	2023	2022
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	**11,908,887,395**	11,628,874,106
Adjustment for long-term incentive awards	**268,482,763**	683,274,532
Adjustment for convertible bonds	**792,407,938**	769,980,531
Weighted average number of ordinary shares used as the denominator in calculating diluted earnings per share	**12,969,778,096**	13,082,129,169

	2023 US$'000	2022 US$'000
Profit attributable to equity holders of the Company used in calculating basic earnings per share	**1,607,722**	2,029,818
Adjustment for interest on convertible bonds, net of tax	**44,532**	33,701
Profit attributable to equity holders of the Company used in calculating diluted earnings per share	**1,652,254**	2,063,519

12 Dividends

	2023 US$'000	2022 US$'000
Interim dividend of HK8 cents (2022: HK8 cents) per ordinary share, paid on December 9, 2022	**123,602**	123,771
Proposed final dividend — HK30 cents (2022: HK30 cents) per ordinary share	**464,395**	460,228
	587,997	583,999

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$'000	Operating lease assets US$'000	Motor vehicles US$'000	Total US$'000
At April 1, 2021								
Cost	946,688	547,309	949,977	128,635	651,667	5,626	8,262	3,238,164
Accumulated depreciation and impairment losses	160,225	329,314	637,227	84,043	447,597	983	4,900	1,664,289
Net book amount	786,463	217,995	312,750	44,592	204,070	4,643	3,362	1,573,875
Year ended March 31, 2022								
Opening net book amount	786,463	217,995	312,750	44,592	204,070	4,643	3,362	1,573,875
Exchange adjustment	12,758	(361)	(2,536)	(3,045)	2,319	10	134	9,279
Acquisition of subsidiaries	–	9	–	–	291	–	33	333
Disposal of subsidiaries	–	–	(27,912)	(150)	(607)	–	–	(28,669)
Additions	5,738	18,583	170,315	4,527	157,315	37,022	2,858	396,358
Transfers	3,974	15,228	15,817	27,689	890	–	–	63,598
Disposals	(1,515)	(514)	(13,333)	(242)	(7,571)	(39)	(244)	(23,458)
Depreciation	(27,484)	(49,680)	(141,473)	(29,775)	(90,650)	(3,923)	(1,513)	(344,498)
Impairment	–	–	(10,189)	–	–	–	–	(10,189)
Closing net book amount	779,934	201,260	303,439	43,596	266,057	37,713	4,630	1,636,629
At March 31, 2022								
Cost	969,952	577,966	1,055,283	144,738	735,022	42,702	10,267	3,535,930
Accumulated depreciation and impairment losses	190,018	376,706	751,844	101,142	468,965	4,989	5,637	1,899,301
Net book amount	779,934	201,260	303,439	43,596	266,057	37,713	4,630	1,636,629
Year ended March 31, 2023								
Opening net book amount	**779,934**	**201,260**	**303,439**	**43,596**	**266,057**	**37,713**	**4,630**	**1,636,629**
Exchange adjustment	**(47,696)**	**(4,258)**	**(9,935)**	**(1,543)**	**(1,811)**	**(1,711)**	**(654)**	**(67,608)**
Acquisition of subsidiaries	**229**	**-**	**629**	**3,883**	**5,398**	**-**	**64**	**10,203**
Additions	**20,406**	**25,985**	**156,114**	**2,381**	**156,346**	**118,998**	**5,610**	**485,840**
Transfers	**273,897**	**6,755**	**38,609**	**35,951**	**1,530**	**-**	**941**	**357,683**
Disposals	**(1,156)**	**(788)**	**(15,381)**	**(150)**	**(20,961)**	**(4)**	**(432)**	**(38,872)**
Depreciation	**(29,674)**	**(52,606)**	**(142,032)**	**(28,106)**	**(101,957)**	**(21,120)**	**(1,923)**	**(377,418)**
Closing net book amount	**995,940**	**176,348**	**331,443**	**56,012**	**304,602**	**133,876**	**8,236**	**2,006,457**
At March 31, 2023								
Cost	**1,202,352**	**570,169**	**1,148,567**	**167,324**	**837,246**	**159,932**	**13,843**	**4,099,433**
Accumulated depreciation and impairment losses	**206,412**	**393,821**	**817,124**	**111,312**	**532,644**	**26,056**	**5,607**	**2,092,976**
Net book amount	**995,940**	**176,348**	**331,443**	**56,012**	**304,602**	**133,876**	**8,236**	**2,006,457**

Note: At March 31, 2023, included in "Freehold land and buildings" are the building portion of the investment properties of US$116,959,000 where the right-of-use assets for the leasehold land portion of US$126,786,000 are included in "Right-of-use assets" (Note 14). The fair value of the investment properties at March 31, 2023 is US$364,142,000.

14 Right-of-use assets

	2023 US$'000	2022 US$'000
At the beginning of the year	**839,233**	893,422
Exchange adjustment	**(53,996)**	12,093
Acquisition of subsidiaries	**10,630**	863
Disposal of subsidiaries	**-**	(629)
Additions	**211,802**	89,530
Disposals	**(191,129)**	(7,484)
Depreciation	**(157,180)**	(148,562)
At the end of the year	**659,360**	839,233

15 Construction-in-progress

	Buildings under construction		Internal use software		Others		Total	
	2023 US$'000	2022 US$'000	2023 US$'000	2022 US$'000	2023 US$'000	2022 US$'000	2023 US$'000	2022 US$'000
At the beginning of the year	**89,695**	23,290	**388,210**	168,900	**32,306**	15,424	**510,211**	207,614
Exchange adjustment	**(3,868)**	960	**(11,853)**	8,201	**(5,499)**	(4,258)	**(21,220)**	4,903
Acquisition of subsidiaries	**-**	–	**-**	–	**2,364**	–	**2,364**	–
Disposals	**(75)**	–	**(3,877)**	–	**-**	–	**(3,952)**	–
Additions	**144,523**	79,601	**450,315**	450,570	**93,858**	71,775	**688,696**	601,946
Transfers	**(155,214)**	(14,156)	**(309,277)**	(239,461)	**(73,561)**	(50,635)	**(538,052)**	(304,252)
At the end of the year	**75,061**	89,695	**513,518**	388,210	**49,468**	32,306	**638,047**	510,211

16 Intangible assets

(a)

	Goodwill (b) US$'000	Trademarks and trade names (b) US$'000	Internal use software US$'000	Customer relationships US$'000	Patents and technology (c) US$'000	Exclusive rights US$'000	Total US$'000
At April 1, 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
Disposal 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
Year ended March 31, 2023							
Opening net book amount	**4,867,916**	**1,268,477**	**505,107**	**514,268**	**864,696**	**46,321**	**8,066,785**
Exchange adjustment	**(224,730)**	**(1,180)**	**(8,370)**	**(14,120)**	**(6,269)**	**(3,613)**	**(258,282)**
Acquisition of subsidiaries	**354,032**	**20,000**	**-**	**88,200**	**24,100**	**-**	**486,332**
Additions	**-**	**-**	**20,387**	**-**	**462,980**	**-**	**483,367**
Transfer from construction-in-progress	**-**	**-**	**143,819**	**106**	**170,259**	**-**	**314,184**
Disposals	**-**	**-**	**(428)**	**(11)**	**(3)**	**-**	**(442)**
Amortization	**-**	**(2,667)**	**(236,981)**	**(139,828)**	**(440,725)**	**(3,734)**	**(823,935)**
Impairment	**-**	**-**	**(895)**	**-**	**-**	**-**	**(895)**
Closing net book amount	**4,997,218**	**1,284,630**	**422,639**	**448,615**	**1,075,038**	**38,974**	**8,267,114**
At March 31, 2023							
Cost	**4,997,218**	**1,323,642**	**2,060,132**	**1,563,650**	**3,755,488**	**53,426**	**13,753,556**
Accumulated amortization and impairment losses	**-**	**39,012**	**1,637,493**	**1,115,035**	**2,680,450**	**14,452**	**5,486,442**
Net book amount	**4,997,218**	**1,284,630**	**422,639**	**448,615**	**1,075,038**	**38,974**	**8,267,114**

16 Intangible assets *(continued)*

(a) *(continued)*

Amortization of US$134,678,000 (2022: US$115,339,000), US$7,857,000 (2022: US$9,934,000), US$402,354,000 (2022: US$432,665,000) and US$279,046,000 (2022: US$224,935,000) are included in '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, 2023							
Goodwill							
— PC and Smart Device Business Group ("PCSD")	**940**	**521**	**195**	**251**	**N/A**	**N/A**	**1,907**
— Mobile Business Group ("MBG")	**N/A**	**N/A**	**N/A**	**N/A**	**669**	**790**	**1,459**
— ISG	**488**	**141**	**63**	**341**	**N/A**	**N/A**	**1,033**
— SSG (Note)	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**598**
Trademarks and trade names with indefinite useful lives							
— PCSD	**182**	**51**	**92**	**52**	**N/A**	**N/A**	**377**
— 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**	**60**
At March 31, 2022							
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. At March 31, 2023, the balance comprises goodwill of US$354 million arising from the business combination during the year. The Group has not finalized the fair value assessment of such balance.

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%, 14%, 12% and 13% for PCSD, MBG, ISG and SSG respectively (2022: 10%, 12%, 11% and 11% for PCSD, MBG, ISG and SSG 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:

	2023				2022			
	PCSD	**MBG**	**ISG**	**SSG**	PCSD	MBG	ISG	SSG
China	**4%**	**N/A**	**26%**	**N/A**	4%	N/A	16%	N/A
AP	**0%**	**N/A**	**18%**	**N/A**	0%	N/A	17%	N/A
EMEA	**1%**	**N/A**	**13%**	**N/A**	0%	N/A	14%	N/A
AG	**0%**	**N/A**	**14%**	**N/A**	1%	N/A	23%	N/A
Mature Market	**N/A**	**25%**	**N/A**	**N/A**	N/A	15%	N/A	N/A
Emerging Market	**N/A**	**16%**	**N/A**	**N/A**	N/A	14%	N/A	N/A
SSG	**N/A**	**N/A**	**N/A**	**19%**	N/A	N/A	N/A	23%

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, 2023 (2022: 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.

The directors have reviewed the latest development of IDG that was formed during the year ended March 31, 2019. IDG is considered a global operation comprising PCSD business unit and MBG which oversees the world's widest portfolio of PCs, tablets, smartphones, monitors, and smart home/collaboration solutions. The directors have re-assessed the composition of CGU having considered the latest development of the organization structure and concluded the then MBG shall no longer be seen as an identifiable group of assets or business operations that generates independent cash inflows. The directors decided to merge the goodwill and trademarks and trade names with indefinite useful lives of MBG and PCSD into IDG, a business group that has been known and well received by the industry, with effect from April 1, 2023, according to their respective geographical locations, namely China, AP, EMEA, and AG, as independent CGUs using a relative value approach in accordance with HKAS 36 "Impairment of assets".

(c) At March 31, 2023, patents and technology of US$179,265,000 (2022: US$31,385,000) is under development.

Notes to the financial statements

17 Interests in associates and joint ventures

	2023 US$'000	2022 US$'000
Share of net assets		
— Associates	**185,681**	91,207
— Joint ventures	**109,172**	119,709
	294,853	210,916
Loans to		
— An associate (a)	**98,073**	98,073
— A joint venture (a)	**45,341**	30,558
	143,414	128,631
Interests in associates and joint ventures (b)	**438,267**	339,547

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, 2023 and 2022, 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 2023	Interest held indirectly 2022	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%**	37.3%	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)	Chinese Mainland	**33.0%**	34.1%	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%**	39.0%	Distribution and development of IT technology
PCCW Network Services Limited ("PCCWNS")	British Virgin Islands	**20.0%**	-	Investment holding
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	**37.7%**	37.6%	Software development
深圳市浦瑞置業有限公司 (Shenzhen Purui Real Estate Co., Limited) (ii), (iii)	Chinese Mainland	**50.0%**	50.0%	Property development

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) During the year, the Group has transferred its interest in a property under a joint operation arrangement to a joint venture at a consideration of US$262,218,000 which was close to its carrying amount. The joint venture was set up by the Group and the same joint venture partner of the joint operation to jointly develop and operate the property project. The transfer was effected pursuant to the terms of the joint operation arrangement agreed by the parties in 2015 and there is no change in the economic interest of the property project held by the Group as a result of the transfer.

The following sets out the aggregate amount of the Group's share of associates and joint ventures:

	2023 US$'000	2022 US$'000
Share of losses of associates	**7,125**	5,478
Share of losses of joint ventures	**9,674**	1,434
	16,799	6,912

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, 2023						
Financial assets at FVPL	**–**	**1,233,969**	**–**	**–**	**–**	**1,233,969**
Financial assets at FVOCI	**–**	**–**	**–**	**66,178**	**–**	**66,178**
Derivative financial assets	**–**	**–**	**37,460**	**–**	**–**	**37,460**
Trade and notes receivables	**39,150**	**–**	**–**	**–**	**7,901,228**	**7,940,378**
Deposits and other receivables	**2,055,427**	**–**	**–**	**–**	**–**	**2,055,427**
Bank deposits	**71,163**	**–**	**–**	**–**	**–**	**71,163**
Cash and cash equivalents	**4,250,085**	**–**	**–**	**–**	**–**	**4,250,085**
	6,415,825	**1,233,969**	**37,460**	**66,178**	**7,901,228**	**15,654,660**
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 and notes receivables	99,996	–	–	–	11,189,551	11,289,547
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

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, 2023				
Trade and notes payables	**9,772,934**	**–**	**–**	**9,772,934**
Derivative financial liabilities	**–**	**–**	**62,499**	**62,499**
Other payables and accruals	**9,296,058**	**–**	**–**	**9,296,058**
Lease liabilities	**404,556**	**–**	**–**	**404,556**
Borrowings	**3,954,794**	**–**	**–**	**3,954,794**
Deferred consideration	**25,072**	**–**	**–**	**25,072**
Written put option liabilities	**494,279**	**–**	**–**	**494,279**
Others	**353,904**	**–**	**–**	**353,904**
	24,301,597	**–**	**62,499**	**24,364,096**
At March 31, 2022				
Trade and notes payables	13,184,831	–	–	13,184,831
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

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:

	2023 US$'000	2022 US$'000
Deferred income tax assets:		
Recoverable within 12 months	**1,040,766**	1,113,264
Recoverable after 12 months	**1,426,515**	1,414,691
	2,467,281	2,527,955
Deferred income tax liabilities:		
Settled after 12 months	**(431,688)**	(406,759)
Net deferred income tax assets	**2,035,593**	2,121,196

The movements in the net deferred income tax assets are as follows:

	2023 US$'000	2022 US$'000
At the beginning of the year	**2,121,196**	1,953,482
Reclassification and exchange adjustment	**(49,827)**	(3,456)
(Charged)/credited to consolidated income statement (Note 8)	**(5,731)**	199,829
(Charged)/credited to other comprehensive income (Note 8)	**(117)**	712
Charged to share-based compensation reserve	**(5,237)**	(29,371)
Acquisition of subsidiaries	**(24,691)**	–
At the end of the year	**2,035,593**	2,121,196

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 component, 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, 2021	575,678	1,402,449	95,993	186,454	108,945	1,085	2,370,604
Reclassification and exchange adjustment	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**
Reclassification and exchange adjustment	**(27,772)**	**7,027**	**(11,901)**	**(10,430)**	**(2)**	**(601)**	**(43,679)**
(Charged)/credited to consolidated income statement	**(46,157)**	**2,980**	**14,091**	**33,341**	**(6,796)**	**-**	**(2,541)**
Charged to share-based compensation reserve	**-**	**-**	**-**	**-**	**(5,237)**	**-**	**(5,237)**
Acquisition of subsidiaries	**2,020**	**-**	**-**	**-**	**-**	**-**	**2,020**
At March 31, 2023	**680,130**	**1,397,902**	**134,453**	**222,769**	**46,640**	**-**	**2,481,894**

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, 2023, the Group did not recognize deferred income tax assets in respect of deductible temporary differences of US$2,430,453,000 (2022: U5$2,471,851,000) and tax losses of US$2,700,302,000 (2022: US$2,797,660,000) that can be carried forward against future taxable income, of which, tax losses of US$1,584,737,000 (2022: US$1,405,442,000) can be carried forward indefinitely. The remaining balances of tax losses will expire as follows:

	2023 US$'000	2022 US$'000
Expiring in		
— 2022	**-**	195,433
— 2023	**141,821**	308,289
— 2024	**186,454**	35,914
— 2025	**49,391**	208,061
— 2026	**64,136**	203,512
— 2027	**227,273**	324,843
— 2028	**414,993**	2,977
— 2029	**1,459**	14
— 2030	**3,303**	109,868
— 2031	**24,470**	3,307
— 2032 and thereafter	**2,265**	-
	1,115,565	1,392,218

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 component, 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, 2021	111,485	98,460	3,673	189,643	13,861	417,122
Reclassification and exchange adjustment	(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**
Reclassification and exchange adjustment	**(9,175)**	**(126)**	**(633)**	**(1,074)**	**17,156**	**6,148**
(Credited)/charged to consolidated income statement	**(16,209)**	**4,180**	**1,942**	**1,934**	**11,343**	**3,190**
Charged to other comprehensive income	**-**	**-**	**-**	**-**	**117**	**117**
Acquisition of subsidiaries	**21,830**	**-**	**-**	**4,881**	**-**	**26,711**
At March 31, 2023	**81,665**	**117,878**	**2,843**	**186,302**	**57,613**	**446,301**

20 Financial assets

(a) Financial assets at FVPL

	2023 US$'000	2022 US$'000
At the beginning of the year	**1,104,408**	805,013
Exchange adjustment	**(73,277)**	23,876
Fair value change recognized in profit or loss	**203,395**	135,075
Additions	**225,982**	256,461
Disposals	**(226,539)**	(116,017)
At the end of the year	**1,233,969**	1,104,408
Listed equity securities:		
— In Hong Kong S.A.R. of China	**10,167**	7,824
— Outside Hong Kong S.A.R. of China	**303,315**	247,436
	313,482	255,260
Unlisted equity securities	**920,487**	849,148
	1,233,969	1,104,408

(b) Financial assets at FVOCI

	2023 US$'000	2022 US$'000
At the beginning of the year	**64,572**	84,796
Exchange adjustment	**(3,162)**	(1,948)
Fair value change recognized in other comprehensive income	**767**	(18,776)
Additions	**7,149**	2,000
Disposals	**(3,148)**	(1,500)
At the end of the year	**66,178**	64,572
Listed equity securities:		
— In Hong Kong S.A.R. of China	**16,082**	16,136
— Outside Hong Kong S.A.R. of China	**28,944**	29,156
	45,026	45,292
Unlisted equity securities	**21,152**	19,280
	66,178	64,572

21 Inventories

	2023 US$'000	2022 US$'000
Raw materials and work-in-progress	**3,571,910**	5,527,420
Finished goods	**2,295,352**	2,315,797
Service parts	**504,596**	457,441
	6,371,858	8,300,658

22 Receivables

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

	2023 US$'000	2022 US$'000
Trade receivables	**7,901,228**	11,189,551
Notes receivable	**39,150**	99,996
	7,940,378	11,289,547

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:

	2023 US$'000	2022 US$'000
0 – 30 days	**5,579,089**	8,908,669
31 – 60 days	**1,132,623**	1,392,704
61 – 90 days	**254,426**	433,934
Over 90 days	**1,039,913**	560,864
	8,006,051	11,296,171
Less: loss allowance	**(104,823)**	(106,620)
Trade receivables — net	**7,901,228**	11,189,551

22 Receivables *(continued)*

(a) *(continued)*

At March 31, 2023, trade receivables, net of loss allowance, of US$888,758,000 (2022: US$784,900,000) were past due. The ageing of these receivables, based on due date, is as follows:

	2023 US$'000	2022 US$'000
Within 30 days	**421,876**	430,225
31 – 60 days	**185,604**	191,093
61 – 90 days	**98,447**	59,715
Over 90 days	**182,831**	103,867
	888,758	784,900

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

	2023 US$'000	2022 US$'000
At the beginning of the year	**106,620**	145,206
Exchange adjustment	**(4,470)**	(357)
Increase in loss allowance recognized in profit or loss	**122,832**	90,311
Uncollectible receivables written off	**(18,933)**	(27,267)
Unused amounts reversed in profit or loss	**(101,226)**	(101,273)
At the end of the year	**104,823**	106,620

(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:

	2023 US$'000	2022 US$'000
Deposits	**187,096**	97,428
Other receivables	**1,971,020**	3,699,539
Prepayments	**1,787,037**	1,217,325
	3,945,153	5,014,292

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

(d) The carrying amounts of trade and notes receivables, 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

	2023 US$'000	2022 US$'000
Bank deposits		
— maturing between three to twelve months	**10,860**	34,205
— restricted bank balances	**60,303**	58,308
	71,163	92,513
Cash and cash equivalents		
— cash at bank and in hand	**3,666,972**	3,615,383
— money market funds	**583,113**	314,904
	4,250,085	3,930,287
	4,321,248	4,022,800
Maximum exposure to credit risk	**4,321,248**	4,022,800
Effective annual interest rates	**0%-13.75%**	0%–11.75%

24 Payables

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

	2023 US$'000	2022 US$'000
Trade payables	**7,027,842**	11,035,924
Notes payable	**2,745,092**	2,148,907
	9,772,934	13,184,831

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

	2023 US$'000	2022 US$'000
0 – 30 days	**4,540,194**	7,217,768
31 – 60 days	**1,481,684**	2,401,203
61 – 90 days	**439,351**	920,426
Over 90 days	**566,613**	496,527
	7,027,842	11,035,924

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

(c) The carrying amounts of trade and notes payables approximate their fair values.

25 Provisions, other payables and accruals

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

	2023 US$'000	2022 US$'000
Accruals	**3,563,634**	4,441,470
Allowance for billing adjustments (i)	**2,524,891**	3,599,717
Written put option liabilities (Note 27(b)(i))	**450,030**	–
Other payables (ii)	**6,270,507**	7,558,629
Lease liabilities	**123,719**	145,095
	12,932,781	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.

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, 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
Year ended March 31, 2023				
At the beginning of the year	**1,218,898**	**30,787**	**-**	**1,249,685**
Exchange adjustment	**(26,413)**	**(2,333)**	**-**	**(28,746)**
Provisions made	**691,126**	**19,736**	**208,546**	**919,408**
Amounts utilized	**(831,772)**	**(22,106)**	**(45,969)**	**(899,847)**
	1,051,839	**26,084**	**162,577**	**1,240,500**
Long-term portion classified as non-current liabilities	**(196,037)**	**(23,422)**	**-**	**(219,459)**
At the end of the year	**855,802**	**2,662**	**162,577**	**1,021,041**

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

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

Restructuring costs provision mainly comprises employee termination payments, arising from a series of restructuring actions to reduce costs and enhance operational efficiency. The Group records its restructuring costs provision when it has a present legal or constructive obligation as a result of restructuring actions.

26 Borrowings

	2023 US$'000	2022 US$'000
Current liabilities		
Short-term loans (a)	**57,032**	57,427
Notes (b)	**-**	685,380
Convertible bonds (c)	**214,584**	–
Convertible preferred shares (d)	**-**	45,115
	271,616	787,922
Non-current liabilities		
Long-term loan (a)	**-**	1,045
Notes (b)	**3,146,148**	1,990,888
Convertible bonds (c)	**537,030**	641,415
	3,683,178	2,633,348
	3,954,794	3,421,270

Notes:

(a) Majority of the short-term and long-term loans are denominated in United States dollars. At March 31, 2023, the Group has total revolving and short-term loan facilities of US$4,338 million (2022: US$3,154 million) which has been utilized to the extent of US$54 million (2022: US$54 million).

(b)

Issue date	Outstanding principal amount	Term	Interest rate per annum	Due date	2023 US$'000	2022 US$'000
March 29, 2018 (ii)	–	5 years	4.75%	March 2023	**-**	685,380
April 24, 2020 and May 12, 2020	US$1 billion	5 years	5.875%	April 2025	**999,593**	999,397
November 2, 2020 (ii)	US$929 million	10 years	3.421%	November 2030	**922,035**	991,491
July 27, 2022 (i)	US$625 million	5.5 years	5.831%	January 2028	**619,856**	–
July 27, 2022 (i), (ii)	US$610 million	10 years	6.536%	July 2032	**604,664**	–
					3,146,148	2,676,268

(i) On July 27, 2022, the Company completed the issuance of 5.5-Year US$625 million notes bearing annual interest at 5.831% due in January 2028 and 10-Year US$625 million notes bearing annual interest at 6.536% due in July 2032. The proceeds of the 2028 Notes would be used to repurchase previous notes and for general corporate purposes; the proceeds of the 2032 Notes would be used to finance eligible projects under the Green Finance Framework.

(ii) During the year, approximately US$687 million in principal amount of the 2023 Notes, approximately US$71 million in principal amount of the 2030 Notes and approximately US$15 million in principal amount of the 2032 Notes were purchased by the Company. At March 31, 2023, the 2023 Notes were settled (2022: approximately US$687 million in principal amount remained outstanding), approximately US$929 million (2022: US$1 billion) in principal amount of the 2030 Notes and approximately US$610 million (2022: nil) in principal amount of the 2032 Notes remained outstanding.

26 Borrowings *(continued)*

Notes: *(continued)*

(c)

Issue date	Outstanding principal amount	Term	Interest rate per annum	Due date	**2023 US$'000**	2022 US$'000
January 24, 2019 (i)	US$220 million	5 years	3.375%	January 2024	**214,584**	641,415
August 26, 2022 (ii)	US$675 million	7 years	2.5%	August 2029	**537,030**	–
					751,614	641,415

(i) On January 24, 2019, the Company completed the issuance of 5-Year US$675 million convertible bonds bearing annual interest at 3.375% due in January 2024 ("the 2024 Convertible Bonds") to third party professional investors ("the bondholders"). The proceeds were used to repay previous notes and for general corporate purposes. The bondholders have the right, at any time on or after 41 days after the date of issue and up to the 10th day prior to the maturity date, to convert part or all of the outstanding principal amount of the 2024 Convertible Bonds into ordinary shares of the Company at a conversion price of HK$7.99 per share, subject to adjustments. The conversion price was adjusted to HK$6.51 per share effective on November 30, 2022.

The outstanding principal amount of the 2024 Convertible Bonds is repayable by the Company upon the maturity of the 2024 Convertible Bonds on January 24, 2024, if not previously redeemed, converted or purchased and cancelled. On January 24, 2021, the bondholders had the right, at the bondholders' option, to require the Company to redeem part or all of the 2024 Convertible Bonds on January 24, 2021 at their principal amount and US$0.5 million were redeemed. On August 29, 2022, approximately US$455 million in principal amount of the 2024 Convertible Bonds were purchased by the Company. Approximately US$220 million (2022: US$675 million) in principal amount of the 2024 Convertible Bonds remained outstanding. Assuming full conversion of the 2024 Convertible Bonds at the adjusted conversion price of HK$6.51 per share, the 2024 Convertible Bonds will be convertible into 264,428,379 shares.

(ii) On August 26, 2022, the Company completed the issuance of 7-Year US$675 million convertible bonds bearing annual interest at 2.5% due in August 2029 ("the 2029 Convertible Bonds") to the bondholders. The proceeds were used to repay previous convertible bonds and for general corporate purposes. The bondholders have the right, at any time on or after 41 days after the date of issue and up to the 10th day prior to the maturity date, to convert part or all of the outstanding principal amount of the 2029 Convertible Bonds into ordinary shares of the Company at a conversion price of HK$9.94 per share, subject to adjustments. The conversion price was adjusted to HK$9.80 per share effective on November 30, 2022. Assuming full conversion of the 2029 Convertible Bonds at the conversion price of HK$9.80 per share, the 2029 Convertible Bonds will be convertible into 539,896,683 shares.

The liability and equity components of the 2029 Convertible Bonds on initial recognition are presented as follows:

	US$'000
Face value of the convertible bonds on the issue date	**675,000**
Less: transaction costs	**(11,000)**
Net proceeds	**664,000**
Less: equity component	**(138,243)**
Liability component on initial recognition	**525,757**

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

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

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

The Group expects that it will be able to meet its redemption obligations based on the financial position of the Group had conversion of the 2024 Convertible Bonds and 2029 Convertible Bonds not exercised on maturity.

Notes: *(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 were convertible to approximately 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. Additional 54,794 convertible preferred shares have been issued as dividend shares to the holders of the convertible preferred shares as a result of the occurrence of certain specified conditions. 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. As of March 31, 2022, 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, 2023, holder of the remaining 328,766 convertible preferred shares has exercised its rights, the Group has purchased these convertible preferred shares at the consideration of approximately US$46 million and converted them into ordinary shares of LETCL. At March 31, 2023, no convertible preferred shares remained outstanding.

The exposure of all the borrowings of the Group to interest rate changes and the contractual repricing dates at March 31, 2023 and 2022 are as follows:

	2023 US$'000	2022 US$'000
Within 1 year	**271,616**	787,922
Over 1 to 2 years	**-**	642,460
Over 2 to 5 years	**1,619,449**	999,397
Over 5 years	**2,063,729**	991,491
	3,954,794	3,421,270

The fair values of the notes and convertible bonds at March 31, 2023 were US$3,035 million and US$1,062 million respectively (2022: US$2,661 million and US$904 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	
	2023 US$'000	2022 US$'000	**2023 US$'000**	2022 US$'000
Revolving loans	**2,500,000**	2,000,000	**-**	–
Short-term money market facilities	**1,838,182**	1,154,439	**53,800**	53,800
Forward foreign exchange contracts	**9,427,503**	12,522,372	**9,383,804**	12,446,610
Trade lines	**4,969,922**	4,053,446	**3,454,477**	2,812,538
	18,735,607	19,730,257	**12,892,081**	15,312,948

All borrowings are unsecured and the effective annual interest rates at March 31, 2023 and 2022 are as follows:

	United States dollar	
	2023	2022
Short-term and long-term loans	**1.72%-9.28%**	1.08%–4.35%
Convertible bonds	**6.07%-6.15%**	6.15%

27 Other non-current liabilities

Details of other non-current liabilities are as follows:

	2023 US$'000	2022 US$'000
Deferred consideration (a)	**25,072**	25,072
Written put option liabilities (b)	**44,249**	528,060
Lease liabilities	**280,837**	262,902
Environmental restoration (Note 25(b))	**23,422**	26,797
Government incentives and grants received in advance (c)	**94,621**	75,787
Others	**353,904**	355,383
	822,105	1,274,001

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, 2023, the potential undiscounted amount of future payment in respect of the deferred consideration that the Group could be required to make amounted to US$25 million (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 March 31, 2023, 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 RMB500 million (approximately US$73 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.

Notes to the financial statements

28 Share capital

	2023		2022	
	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**	12,041,705,614	3,203,913
Issue of ordinary shares for acquisition of subsidiaries and an associate	**86,424,677**	**78,405**	–	–
At the end of the year	**12,128,130,291**	**3,282,318**	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, 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**
Granted during the year	**265,307,956**	**362,687,538**
Vested during the year	**(403,238,197)**	**(275,562,559)**
Cancelled during the year	**(29,609,488)**	**(19,224,352)**
Outstanding at March 31, 2023	**406,548,313**	**466,579,356**
Average fair value at grant date per unit (HK$)		
— At March 31, 2022	1.34	7.71
— At March 31, 2023	**1.74**	**7.75**

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, 2023, 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 39.70 percent (2022: 40.60 percent), expected dividends during the vesting periods of 4.60 percent (2022: 4.00 percent), contractual life of 4.40 years (2022: 4.40 years), and a risk-free interest rate of 2.50 percent (2022: 0.44 percent).

The remaining vesting periods of the awards under the long-term incentive program at March 31, 2023 ranged from 0.14 to 3.22 years (2022: 0.14 to 2.92 years).

Notes to the financial statements

29 Balance sheet and movement of reserves of the Company

(a) Balance sheet of the Company

	At March 31	
	2023 **US$'000**	2022 US$'000
Non-current assets		
Property, plant and equipment	**127**	602
Right-of-use assets	**2,105**	3,591
Intangible assets	**78**	185
Interest in an associate	**101,527**	1,887
Investments in subsidiaries	**13,895,768**	12,395,100
Financial assets at FVPL	**43,511**	54,597
Financial assets at FVOCI	**24,228**	17,267
	14,067,344	12,473,229
Current assets		
Derivative financial assets	**–**	858
Deposits, prepayments and other receivables	**239,066**	274,145
Amounts due from subsidiaries	**8,118,635**	7,487,005
Income tax recoverable	**4,564**	4,564
Cash and cash equivalents	**101,970**	17,961
	8,464,235	7,784,533
Total assets	**22,531,579**	20,257,762

29 Balance sheet and movement of reserves of the Company *(continued)*

(a) Balance sheet of the Company *(continued)*

	At March 31	
	2023 **US$'000**	2022 US$'000
Share capital	**3,282,318**	3,203,913
Reserves (Note 29(b))	**1,461,924**	1,437,588
Total equity	**4,744,242**	4,641,501
Non-current liabilities		
Borrowings	**3,683,178**	2,632,303
Deferred income tax liabilities	**2,350**	5,044
Other non-current liabilities	**26,233**	27,783
	3,711,761	2,665,130
Current liabilities		
Derivative financial liabilities	**1,060**	348
Other payables and accruals	**104,750**	113,724
Borrowings	**214,584**	685,380
Amounts due to subsidiaries	**13,755,182**	12,151,679
	14,075,576	12,951,131
Total liabilities	**17,787,337**	15,616,261
Total equity and liabilities	**22,531,579**	20,257,762

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, 2023 and 2022 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, 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
Transfer of investment revaluation reserve upon disposal of financial assets at FVOCI to retained earnings	20	–	–	–	(20)	–
Vesting of shares under long-term incentive program	–	(751,269)	–	–	–	(751,269)
Settlement of bonus through long-term incentive program	–	27,781	–	–	–	27,781
Share-based compensation	–	368,921	–	–	–	368,921
Dividends paid	–	–	–	–	(495,113)	(495,113)
At March 31, 2022	**(18,496)**	**(212,964)**	**10,204**	**79,500**	**1,579,344**	**1,437,588**
Profit for the year	**–**	**–**	**–**	**–**	**716,520**	**716,520**
Other comprehensive income	**–**	**–**	**–**	**–**	**–**	**–**
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**716,520**	**716,520**
Vesting of shares under long-term incentive program	**–**	**(500,833)**	**–**	**–**	**–**	**(500,833)**
Cash settlement of shares vested under long-term incentive program	**–**	**(1,109)**	**–**	**–**	**–**	**(1,109)**
Settlement of bonus through long-term incentive program	**–**	**23,395**	**–**	**–**	**–**	**23,395**
Share-based compensation	**–**	**336,128**	**–**	**–**	**–**	**336,128**
Dividends paid	**–**	**–**	**–**	**–**	**(585,344)**	**(585,344)**
Issue of convertible bonds	**–**	**–**	**–**	**138,243**	**–**	**138,243**
Repurchase of convertible bonds	**–**	**–**	**–**	**(52,135)**	**(50,529)**	**(102,664)**
At March 31, 2023	**(18,496)**	**(355,383)**	**10,204**	**165,608**	**1,659,991**	**1,461,924**

30 Significant related party transactions

(a) Saved as disclosed in Note 17 to the financial statements, the Group had the following significant related party transactions in the normal course of business during the year:

	2023 US$'000	2022 US$'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	**10,208**	24,767
異能者(南京)電子科技有限公司		
(Superman (Nanjing) Electronic Technology Limited) (an associate) (i)		
— Purchase of goods	**3,012**	6,720
— Sale of goods	**1,455**	7,345
浙江恆雲智聯數字科技有限公司		
(Zhejiang Hengyun Zhilian Digital Technology Co., Ltd.) (an associate) (i)		
— Purchase of goods	**11,496**	1,907
— Sale of goods	**1,529**	11,605
來酷智能科技(南京)有限公司		
(Lecco Smart Technology (Nanjing) Limited) (an associate) (i)		
— Sale of goods	**1,441**	7,974
天津聯創群輝置業有限公司		
(Tianjin Lianchuang Qunhui Real Estate Co., Ltd.) (a subsidiary of an associate) (i)		
— Grant of loans	**11,052**	–

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 below. The emoluments shown below include one (2022: one) director and twelve (2022: thirteen) senior management during the year.

	2023 US$'000	2022 US$'000
Basic salaries, allowances, and other benefits-in-kind	**12,365**	15,621
Discretionary bonuses	**24,578**	44,172
Long-term incentive awards	**69,784**	94,509
Retirement payments and employer's contribution to pension schemes	**1,260**	21,461
	107,987	175,763

Notes to the financial statements

31 Capital commitments

Apart from disclosed elsewhere in these financial statements, on March 31, 2023 and 2022, the Group had the following other capital commitments:

	2023 US$'000	2022 US$'000
Contracted but not provided for:		
— Property, plant and equipment	**112,562**	178,997
— Intangible assets	**4,852**	964
— Investment in financial assets	**988**	11,138
	118,402	191,099

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 Note to the consolidated cash flow statement

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

	2023 US$'000	2022 US$'000
Profit before taxation	**2,135,987**	2,767,731
Share of losses of associates and joint ventures	**16,799**	6,912
Finance income	**(141,667)**	(56,458)
Finance costs	**657,704**	362,384
Depreciation of property, plant and equipment	**377,418**	344,498
Depreciation of right-of-use assets	**151,326**	136,993
Amortization of intangible assets	**823,935**	782,873
Impairment of intangible assets	**895**	31,434
Impairment of property, plant and equipment	**–**	10,189
Share-based compensation	**336,128**	368,921
Loss on disposal of property, plant and equipment	**6,195**	2,265
Loss on disposal of intangible assets	**442**	8,399
Loss on disposal of construction-in-progress	**1,138**	–
Gain on disposal of subsidiaries	**–**	(32,303)
Gain on disposal of interest in associates	**(1,293)**	–
Dilution gain on interest in associates	**(2,146)**	–
Fair value change on financial instruments	**(46,216)**	70,980
Fair value change on financial assets at FVPL	**(203,395)**	(135,075)
Fair value change on a financial liability at FVPL	**3,209**	12,618
Dividend income	**(2,782)**	(4,285)
Decrease/(increase) in inventories	**1,876,067**	(1,925,105)
Decrease/(increase) in trade and notes receivables, deposits, prepayments and other receivables	**4,719,419**	(2,795,512)
(Decrease)/increase in trade and notes payables, provisions, other payables and accruals	**(6,823,593)**	5,086,067
Effect of foreign exchange rate changes	**49,086**	78,508
Net cash generated from operations	**3,934,656**	5,122,034

33 Note to the consolidated cash flow statement *(continued)*

(b) 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	2023 US$'000	2022 US$'000
Short-term loans — current	**57,032**	57,427
Long-term loan — non-current	**-**	1,045
Notes — current	**-**	685,380
Notes — non-current	**3,146,148**	1,990,888
Convertible bonds — current	**214,584**	–
Convertible bonds — non-current	**537,030**	641,415
Convertible preferred shares — current	**-**	45,115
Lease liabilities — current	**123,719**	145,095
Lease liabilities — non-current	**280,837**	262,902
	4,359,350	3,829,267
Short-term loans — variable interest rates	**55,985**	56,400
Short-term loans — fixed interest rates	**1,047**	1,027
Long-term loan — fixed interest rates	**-**	1,045
Notes — fixed interest rates	**3,146,148**	2,676,268
Convertible bonds — fixed interest rates	**751,614**	641,415
Convertible preferred shares — fair value	**-**	45,115
Lease liabilities — fixed interest rates	**404,556**	407,997
	4,359,350	3,829,267

33 Note to the consolidated cash flow statement *(continued)*

(b) 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$'000	Lease liabilities current US$'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)	–	(337,309)	–	–	–	–	–	–	(10,641,520)
Repurchase of borrowings	–	–	–	–	–	–	(254,490)	–	–	(254,490)
Reclassification	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**
Proceeds from borrowings	**10,980,383**	**–**	**–**	**1,250,000**	**–**	**675,000**	**–**	**–**	**–**	**12,905,383**
Repayments of borrowings	**(10,979,864)**	**–**	**(686,779)**	**(69,036)**	**–**	**–**	**–**	**–**	**–**	**(11,735,679)**
Repurchase of borrowings	**–**	**–**	**–**	**–**	**–**	**(545,317)**	**(46,443)**	**–**	**–**	**(591,760)**
Reclassification	**1,045**	**(1,045)**	**–**	**–**	**214,584**	**(214,584)**	**–**	**92,328**	**(92,328)**	**–**
Issuing cost of borrowings	**–**	**–**	**–**	**(11,726)**	**–**	**(11,000)**	**–**	**–**	**–**	**(22,726)**
Principal elements of lease payments	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(168,638)**	**–**	**(168,638)**
Dividends paid	**–**	**–**	**–**	**–**	**–**	**–**	**(1,881)**	**–**	**–**	**(1,881)**
Foreign exchange adjustments	**(1,959)**	**–**	**–**	**–**	**–**	**–**	**–**	**(2,045)**	**(3,568)**	**(7,572)**
Equity component for issue of convertible bonds	**–**	**–**	**–**	**–**	**–**	**(138,243)**	**–**	**–**	**–**	**(138,243)**
Equity component for repurchase of convertible bonds	**–**	**–**	**–**	**–**	**–**	**102,664**	**–**	**–**	**–**	**102,664**
Other non-cash movements	**–**	**–**	**1,399**	**(13,978)**	**–**	**27,095**	**3,209**	**56,979**	**113,831**	**188,535**
Financing liabilities at March 31, 2023	**57,032**	**–**	**–**	**3,146,148**	**214,584**	**537,030**	**–**	**123,719**	**280,837**	**4,359,350**

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

	2023 US$'000	2022 US$'000
Cash consideration paid	**423,135**	76,716
Less: cash and cash equivalents acquired	**(19,315)**	(422)
Net cash outflow – investing activities	**403,820**	76,294

34 Retirement benefit obligations

	2023 US$'000	2022 US$'000
Pension obligation included in non-current liabilities		
Pension benefits	**229,957**	312,176
Post-employment medical benefits	**27,287**	28,366
	257,244	340,542
Expensed in consolidated income statement		
Pension benefits (Note 9)	**18,909**	19,561
Post-employment medical benefits	**1,151**	1,289
	20,060	20,850
Remeasurements for:		
Defined pension benefits	**(57,429)**	(56,173)
Post-employment medical benefits	**(1,095)**	(2,021)
	(58,524)	(58,194)

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 does not have employees, but a large number of retirees and former employees with benefits fully vested but have yet to reach retirement age.

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% 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 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:

	2023 US$'000	2022 US$'000
Present value of funded obligations	**467,130**	554,263
Fair value of plan assets	**(367,224)**	(409,527)
Deficit of funded plans	**99,906**	144,736
Present value of unfunded obligations	**130,051**	167,440
Liability in the consolidated balance sheet	**229,957**	312,176
Representing:		
Pension benefits obligation	**229,957**	312,176

The principal actuarial assumptions used are as follows:

	2023	2022
Discount rate	**1.7%-4.8%**	0.5%-3.6%
Future salary increases	**0%-5.4%**	0%-3.0%
Future pension increases	**0%-2.3%**	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	
2023	**Change in assumption**	**Increase in assumption**	**Decrease in assumption**
Discount rate	**0.5%**	**Decrease by 5.7%**	**Increase by 6.2%**
Salary growth rate	**0.5%**	**Increase by 1.2%**	**Decrease by 1.3%**
Pension growth rate	**0.5%**	**Increase by 5.2%**	**Decrease by 5.4%**
Life expectancy	**1 year**	**Increase by 1.6%**	**Decrease by 1.5%**

		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%

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$27,287,000 (2022: US$28,366,000) represents the present value of unfunded obligations.

(c) Additional information on post-employment benefits (pension and medical)

Plan assets of the Group comprise:

	2023			2022		
	Quoted US$'000	**Unquoted US$'000**	**Total US$'000**	Quoted US$'000	Unquoted US$'000	Total US$'000
Pension plan						
Equity instruments						
Information technology	**1,707**	**-**	**1,707**	2,418	–	2,418
Energy	**323**	**-**	**323**	316	–	316
Manufacturing	**1,930**	**-**	**1,930**	2,207	–	2,207
Others	**10,081**	**-**	**10,081**	9,150	–	9,150
	14,041	**-**	**14,041**	14,091	–	14,091
Debt instruments						
Government	**57,896**	**-**	**57,896**	84,314	–	84,314
Corporate bonds (investment grade)	**61,704**	**-**	**61,704**	59,985	–	59,985
Corporate bonds (Non-investment grade)	**45,573**	**-**	**45,573**	52,460	–	52,460
	165,173	**-**	**165,173**	196,759	–	196,759
Others						
Property	**-**	**22,924**	**22,924**	–	16,360	16,360
Qualifying insurance policies	**-**	**49,691**	**49,691**	–	61,365	61,365
Cash and cash equivalents	**25,063**	**-**	**25,063**	22,027	–	22,027
Investment funds	**-**	**66,910**	**66,910**	–	68,309	68,309
Structured bonds	**-**	**19,461**	**19,461**	–	24,893	24,893
Others	**-**	**3,961**	**3,961**	–	5,723	5,723
	25,063	**162,947**	**188,010**	22,027	176,650	198,677
	204,277	**162,947**	**367,224**	232,877	176,650	409,527

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 11.99 years (2022: 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, 2023	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	**30,314**	**28,846**	**93,556**	**778,146**	**930,862**
Post-employment medical benefits	**1,435**	**1,601**	**5,822**	**36,941**	**45,799**
Total	**31,749**	**30,447**	**99,378**	**815,087**	**976,661**

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 (2022: nil).

Reconciliation of fair value of plan assets of the Group:

	Pension		Medical	
	2023 US$'000	2022 US$'000	**2023 US$'000**	2022 US$'000
Opening fair value	**409,527**	444,172	**-**	–
Exchange adjustment	**(23,919)**	(25,507)	**-**	–
Interest income	**6,873**	4,140	**-**	19
Remeasurements:				
Experience loss	**(35,788)**	(17,780)	**-**	–
Contributions by the employer	**28,020**	23,497	**975**	1,123
Contributions by plan participants	**1,965**	1,933	**-**	–
Benefits paid	**(19,454)**	(20,928)	**(975)**	(1,142)
Closing fair value	**367,224**	409,527	**-**	–
Actual return on plan assets	**(28,915)**	(13,640)	**-**	19

Contributions of US$16,604,000 are estimated to be made for the year ending March 31, 2024.

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	
	2023 US$'000	2022 US$'000	**2023 US$'000**	2022 US$'000
Opening defined benefit obligation	**721,703**	845,871	**28,366**	30,206
Exchange adjustment	**(36,057)**	(50,481)	**(160)**	15
Current service cost	**13,668**	16,897	**299**	454
Past service cost	**40**	–	**-**	–
Interest cost	**12,236**	7,829	**852**	854
Remeasurements:				
Loss/(gain) from changes in demographic assumptions	**5,782**	(495)	**(1)**	(2)
Gain from changes in financial assumptions	**(92,040)**	(86,364)	**(558)**	(1,964)
Experience (gain)/loss	**(6,959)**	12,906	**(536)**	(55)
Contributions by plan participants	**1,221**	921	**-**	–
Benefits paid	**(23,346)**	(24,356)	**(975)**	(1,142)
Acquisition of a subsidiary	**1,095**	–	**-**	–
Curtailment gain	**(162)**	(1,025)	**-**	–
Closing defined benefit obligation	**597,181**	721,703	**27,287**	28,366

During the year, benefits of US$3,892,000 were settled directly by the Group (2022: US$3,428,000).

Summary of pensions and post-retirement medical benefits of the Group:

	2023 US$'000	2022 US$'000	2021 US$'000	2020 US$'000	2019 US$'000
Present value of defined benefit obligation	**624,468**	750,069	876,077	855,046	782,047
Fair value of plan assets	**367,224**	409,527	444,172	396,660	347,801
Deficit	**257,244**	340,542	431,905	458,386	434,246
Actuarial losses/(gains) arising on plan assets	**35,788**	17,780	(6,196)	(11,476)	(3,639)
Actuarial (gains)/losses arising on plan liabilities	**(94,312)**	(75,974)	(29,539)	57,751	29,280
	(58,524)	(58,194)	(35,735)	46,275	25,641

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	
	2023 US$'000	2022 US$'000	**2023 US$'000**	2022 US$'000
Current service cost	**13,668**	16,897	**299**	454
Past service cost	**40**	–	**-**	–
Interest cost	**12,236**	7,829	**852**	854
Interest income	**(6,873)**	(4,140)	**-**	(19)
Curtailment gain	**(162)**	(1,025)	**-**	–
Total expense recognized in the consolidated income statement	**18,909**	19,561	**1,151**	1,289

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 2023	2022	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$1,511,000,000	**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 2023	2022	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%**	90%	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

35 Principal subsidiaries *(continued)*

Company name	Place of incorporation/ establishment	Issued and fully paid up capital/ registered capital	Percentage of issued share capital held 2023	2022	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$1,499,999,496 (ordinary 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
Lenovo Global Technologies International Limited	Hong Kong S.A.R. of China	US$1,342,072,637	**100%**	100%	Investment holding and intellectual properties

35 Principal subsidiaries *(continued)*

Company name	Place of incorporation/ establishment	Issued and fully paid up capital/ registered capital	Percentage of issued share capital held 2023	2022	Principal activities
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 2023	2022	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	SGD5,689,893,456.74	**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 2023	2022	Principal activities
Lenovo (South Africa) (Pty) Ltd	South Africa	ZAR177,500	**100%**	100%	Distribution and marketing of IT products
Lenovo (Spain), S.L.U.	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	VEB0	**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 2023	2022	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
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 2023	2022	Principal activities
Shimane Fujitsu Limited	Japan	JPY450,000,000	**51%**	51%	Manufacturing and distribution of IT products
Stoneware, Inc.	United States	US$0.1	**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%**	47.25%	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%**	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, 2023 and 2022 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 87.80% (2022: 86.77%) including treasury shares.

(iv) At March 31, 2023 and 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, please refer to Note 26(d) for details.

(v) At March 31, 2023 and 2022, 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 and its subsidiaries. The amounts disclosed are before inter-company eliminations with other companies of the Group.

	2023 US$'000	2022 US$'000
Revenue	**2,081,522**	2,381,704
Profit for the year	**101,176**	108,387
Other comprehensive loss	**(43,001)**	(53,238)
Total comprehensive income	**58,175**	55,149
Net assets		
Non-current assets	**170,272**	154,395
Current assets	**944,401**	1,067,324
Current liabilities	**(471,627)**	(590,852)
Non-current liabilities	**(58,212)**	(70,086)
	584,834	560,781
Cash flows		
Net cash generated from operating activities	**88,980**	33,363
Net cash used in investing activities	**(48,786)**	(28,640)
Net cash used in financing activities	**(4,983)**	(6,116)
Effect of foreign exchange rate changes	**(18,008)**	(21,296)
Cash and cash equivalents at the beginning of the year	**215,606**	238,295
Cash and cash equivalents at the end of the year	**232,809**	215,606

36 Business combination and acquisition of an associate

On August 12, 2022, the Group completed the acquisition of 80% direct interest in Lenovo PCCW Solutions Limited ("LPS", formerly known as PCCW Lenovo Technology Solutions Limited) and 20% direct interest in PCCWNS from PCCW Solutions Holdings Limited ("Seller"). On completion, LPS and PCCWNS became a subsidiary and an associate of the Group respectively (Note 17).

LPS and its subsidiaries are principally engaged in the provision of digital solutions and managed services primarily serving customers across the Asia Pacific region and PCCWNS and its subsidiaries are principally engaged in the provision of solutions and services to public sector customers in Hong Kong. The acquisition provides the Group with strong capabilities in systems integration and application development and a highly skilled talent pool. It also allows the Group to expand its IT services capabilities, its suite of service offerings as well as the geographic and vertical coverage of customers and partners. The Group will be able to accelerate its growth in the services business and capture opportunities under the megatrend of digital transformation through leveraging the track record of successful delivery of the information technology solutions services business and the Group's existing go-to-market strategies and solutions development capabilities, as well as the Group's strong customer relationships across the globe.

The estimated fair value of total consideration for the acquisition completed during the year is approximately US$566 million, including cash and the Company's shares as consideration shares.

36 Business combination and acquisition of an associate *(continued)*

Set forth below is the estimated fair value of total purchase consideration of the acquisition:

	LPS US$'000	PCCWNS US$'000	Total US$'000
Purchase consideration:			
— Cash consideration (a)	**401,450**	**85,829**	**487,279**
— Fair value of consideration shares (b)	**64,594**	**13,811**	**78,405**
Total purchase consideration	**466,044**	**99,640**	**565,684**

(a) Cash consideration comprising cash paid of US$513.6 million and an estimated downward adjustment of US$26.3 million calculated with reference to the actual working capital amount and the actual net debt at the completion date.

(b) The fair value of 86,424,677 ordinary shares of the Company issued as part of the purchase consideration at completion was based on the closing market price on August 12, 2022.

Set forth below is the preliminary calculation of goodwill arising from the business combination:

	LPS US$'000
Total purchase consideration	**466,044**
Less: fair value of net identifiable assets attributable to the interest acquired	**(112,012)**
Goodwill	**354,032**

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

	LPS US$'000
Cash and cash equivalents	**19,315**
Property, plant and equipment	**10,203**
Construction-in-progress	**2,364**
Right-of-use assets	**10,630**
Deferred income tax assets less liabilities	**(24,691)**
Intangible assets	**132,300**
Other non-current assets	**1,065**
Net working capital except cash and cash equivalents	**(2,048)**
Other non-current liabilities	**(9,122)**
Fair value of net identifiable assets acquired	**140,016**
Less: share of other non-controlling interests	**(28,004)**
Fair value of net identifiable assets attributable to the interest acquired	**112,012**

Intangible assets arising from the business combination mainly represent customer relationships, brand name and technology. The Group has engaged external valuers to perform fair value assessments. The fair values of the intangible assets are measured using either relief-from-royalty method or multi-period excess earnings method.

36 Business combination and acquisition of an associate *(continued)*

For the year ended March 31, 2023, LPS contributed revenue of US$318 million and profit before taxation of US$36 million to the Group's results. If the acquisition had occurred on April 1, 2022, consolidated pro-forma revenue and profit before taxation of the Group for the year ended March 31, 2023, would have been increased from US$61.9 billion to US$62.1 billion and decreased from US$2,136 million to US$2,134 million respectively.

At March 31, 2023, the Group has not finalized the fair value assessments for net identifiable assets acquired (including intangible assets) from the business combination. The relevant fair values of net identifiable assets stated above are on a provisional basis.

Acquisition-related costs of US$11 million that were not directly attributable to the issue of shares are included in administrative expenses in the consolidated income statement and in operating cash flows in the consolidated cash flow statement.

37 Approval of financial statements

The financial statements were approved by the board of directors on May 24, 2023.

Five-year financial summary

CONDENSED CONSOLIDATED INCOME STATEMENT

	2023 US$'000	2022 US$'000	2021 US$'000	2020 US$'000	2019 US$'000
Revenue	**61,946,854**	71,618,216	60,742,312	50,716,349	51,037,943
Profit before taxation	**2,135,987**	2,767,731	1,774,198	1,017,707	856,664
Taxation	**(455,156)**	(622,399)	(461,199)	(213,204)	(199,460)
Profit for the year	**1,680,831**	2,145,332	1,312,999	804,503	657,204
Profit attributable to:					
Equity holders of the Company	**1,607,722**	2,029,818	1,178,307	665,091	596,343
Perpetual securities holders	**–**	–	32,532	53,760	53,760
Other non-controlling interests	**73,109**	115,514	102,160	85,652	7,101
	1,680,831	2,145,332	1,312,999	804,503	657,204
Earnings per share attributable to equity holders of the Company (US cents)					
Basic	**13.50**	17.45	9.54	5.58	5.01
Diluted	**12.74**	15.77	8.91	5.43	4.96

CONDENSED CONSOLIDATED BALANCE SHEET

	2023 US$'000	2022 US$'000	2021 US$'000	2020 US$'000	2019 US$'000
Non-current assets	**15,979,204**	15,513,581	14,655,279	13,394,726	13,102,282
Current assets	**22,940,853**	28,996,863	23,335,352	18,733,441	16,886,203
Total assets	**38,920,057**	44,510,444	37,990,631	32,128,167	29,988,485
Non-current liabilities	**6,779,679**	6,357,008	7,008,461	4,810,751	5,401,079
Current liabilities	**26,093,357**	32,758,735	27,371,637	23,258,121	20,490,343
Total liabilities	**32,873,036**	39,115,743	34,380,098	28,068,872	25,891,422
Net assets	**6,047,021**	5,394,701	3,610,533	4,059,295	4,097,063

Corporate information

Honorary Chairman

Mr. Liu Chuanzhi

Board of Directors

Chairman and executive director

Mr. Yang Yuanqing

Non-executive directors

Mr. Zhu Linan
Mr. Zhao John Huan

Independent non-executive directors

Mr. William O. Grabe
Mr. William Tudor Brown
Mr. Yang Chih-Yuan Jerry
Mr. Gordon Robert Halyburton Orr
Mr. Woo Chin Wan Raymond
Ms. Yang Lan
Ms. Cher Wang Hsiueh Hong
Professor Xue Lan

Chief Financial Officer

Mr. Wong Wai Ming

Company Secretary

Mr. Mok Chung Fu, Eric
(retired on November 3, 2022)
Ms. Lam Ngan Ling
(appointed on November 3, 2022)

Registered Office

23rd Floor, Lincoln House, Taikoo Place,
979 King's Road, Quarry Bay, Hong Kong

Principal Bankers

Bank of China
BNP Paribas
Citibank, N.A.
DBS Bank Ltd.

Independent Auditor

PricewaterhouseCoopers
Certified Public Accountants and
Registered PIE Auditor
22nd Floor, Prince's Building
Central, Hong Kong

Share Registrar

Tricor Abacus Limited
17/F, Far East Finance Centre
16 Harcourt Road, Hong Kong

American Depositary Receipts

(Depositary and Registrar)
Citibank, N.A.
4th Floor, 388 Greenwich Street
New York, NY 10013, USA

Stock Codes

Hong Kong Stock Exchange:	
— HKD Counter	992
— RMB Counter	80992
American Depositary Receipts:	LNVGY

Website

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