Lenovo Group Limited 聯想集團有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 992)

FY2019/20 ANNUAL RESULTS ANNOUNCEMENT

ANNUAL RESULTS

The board of directors (the "Board") of Lenovo Group Limited (the "Company") announces the audited results of the Company and its subsidiaries (the "Group") for the year ended March 31, 2020 together with comparative figures of last year, as follows:

FINANCIAL HIGHLIGHTS

- Revenue remained largely stable despite macro challenges and continuing component shortages; pre-tax profit grew by double-digits thanks to strength in PC and Smart Device (PCSD) and profit improvement of Mobile Business Group (MBG) and Data Center Group (DCG)
- PCSD gained 120 bps of worldwide share and maintained its leading position; it achieved record shipments, revenue and pre-tax profit on the back of the high-growth and premium hardware segments, Software and Services business, and work-from-home demand tailwinds
- MBG improved profitability for the third consecutive year; decline in revenue reflected the impact of COVID-19 and MBG's strategic focus on profitable core markets
- Hyperscale business pullback led to year-on-year declines in DCG's revenue; recovery fueled by steady growth in shipments and revenue of non-hyperscale business
- Software and Services business contributed to 6.9% of Group's revenue after strong double-digit growth
- Operating cashflow improved $737 million year-on-year to $2.2 billion

	3 months ended March 31, 2020 *US$ million*	**Year ended March 31, 2020** *US$ million*	**3 months ended March 31, 2019** *US$ million*	**Year ended March 31, 2019** *US$ million*	**Year-on -year change** **3 months ended March 31**	**Full-year**
Revenue	10,579	50,716	11,710	51,038	(10)%	(1)%
Gross profit	1,861	8,357	1,895	7,371	(2)%	13%
Gross profit margin	17.6%	16.5%	16.2%	14.4%	1.4 pts	2.1 pts
Operating expenses	(1,695)	(6,918)	(1,622)	(6,193)	5%	12%
Operating profit	166	1,439	273	1,178	(39)%	22%
Other non-operating expenses - net	(89)	(421)	(93)	(322)	(5)%	31%
Profit before taxation	77	1,018	180	856	(57)%	19%
Profit for the period/year	63	805	134	657	(53)%	22%
Profit attributable to equity holders of the Company	43	665	118	597	(64)%	12%
Earnings per share attributable to equity holders of the Company						
Basic	US0.36 cents	US5.58 cents	US1.00 cents	US5.01 cents	US(0.64) cents	US0.57 cents
Diluted	US0.35 cents	US5.43 cents	US0.96 cents	US4.96 cents	US(0.61) cents	US0.47 cents

PROPOSED DIVIDEND

The Board has resolved to recommend the payment of a final dividend of HK21.5 cents per share for the year ended March 31, 2020 (2019: HK21.8 cents). Subject to shareholders' approval at the forthcoming annual general meeting to be held on July 9, 2020 ("AGM"), the proposed final dividend will be payable on July 24, 2020 to the shareholders whose names appear on the register of members of the Company on July 15, 2020.

CLOSURE OF REGISTER OF MEMBERS

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 2, 2020
Closure of register of members	From July 3 to July 9, 2020
Record date	July 3, 2020

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

Latest time to lodge transfer documents for registration	4:30 p.m. on July 14, 2020
Closure of register of members	July 15, 2020
Record date	July 15, 2020

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

For the purpose of determining shareholders' entitlement to attend and vote at the forthcoming annual general meeting of the Company to be held on July 9, 2020 ("AGM"), the register of members of the Company will be closed from July 3 to July 9, 2020 during which day no transfer of shares of the Company will be registered. In order to be eligible to attend and vote at the AGM, all properly completed transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's share registrar, Tricor Abacus Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on July 2, 2020.

BUSINESS REVIEW AND OUTLOOK

Highlights

During the fiscal year ended March 31, 2020, Lenovo (the Group) achieved record-breaking performance with its pre-tax profit up 19 percent year-on-year to US$1,018 million. The strong profit growth reflects its core competencies in operational excellence, global footprint and strategic execution. The Group has been relentless in driving customer centricity to optimize its segment exposure and the development of Intelligent Transformation. This has forged a more balanced business model and accelerated the growth of new market opportunities.

The Group succeeded in strengthening its balance sheet and creating significant value for its stakeholders on all fronts, including returning consistent dividends to its shareholders. Net cash generated from operating activities was US$2.2 billion in the fiscal year, compared to US$1.5 billion a year ago. This improved cash generation was attributable to stronger profits and working capital management during the year under review. The Group's net debt was reduced by 25 percent year-on-year to US$1.2 billion. To strengthen liquidity in light of the highly uncertain economic developments, the Group issued a 5-year note of US$1 billion bearing annual interest at 5.875 percent in May 2020. The proceeds will be used to refinance RMB 4 billion in debt maturing in June 2020 and shore up the

Group's cash pool. For details of the notes, please refer to the Liquidity and Financial Resources section under Financial Review.

The Group’s governance, business performance and operational excellence continue to attract global recognition. Fortune magazine named Lenovo as one of the “Most Admired Companies” in 2020 and the Corporate Knights’ index of “2020 Global 100 Most Sustainable Corporations in the World” now included the Group for its ongoing commitment to sustainability and its social responsibility.

When faced with global economic challenges in the past, the Group has a proven record in delivering consistent, strategically focused execution and emerging even stronger than before. The global outbreak of COVID-19 reinforced the importance of using the power of technology to fight the pandemic and protect the wellbeing of society. This technological empowerment will lead to secular growth trends in work-from-home (WFH) and study-at-home (SAH) with investment implications on PC, cloud infrastructure and 5G services. The Group targets to capture these opportunities to deliver premium growth to the market, leveraging its operational excellence and global footprint. To uphold its responsibility as a corporate citizen, the Group donated high-performance computing (HPC) clusters to the Beijing Genomics Institute (BGI) to accelerate the genomic characteristics analysis of COVID-19. Leading research universities in the UK, including the University of Oxford and the University of Birmingham, are using Lenovo’s supercomputers in developing vaccines.

Group Financial Performance

For the fiscal year, the Group’s pre-tax profit increased 19 percent year-on-year, despite a mild setback of 0.6 percent year-on-year in total revenue to US$50,716 million. In constant currency, its yearly revenue grew 2.0 percent. There were significant macro and sectoral events in the year that hindered top-line growth potential for the Group. These external challenges included geopolitical tensions surrounding the US-China trade conflict, a shortage of key components, hyperscale inventory challenges due to fluctuating component costs, and above all COVID-19. Among these events, the unprecedented outbreak of COVID-19 and the subsequent factory shutdowns had a material impact on the Group’s revenue which dropped 9.7 percent year-on-year in the last quarter of the fiscal year.

Despite these challenges, the Group’s gross margin expanded by 2.1 percentage points year-on-year to 16.5 percent, thanks to the sales mix shift of the PC and Smart Device (PCSD) business. The operating expense-to-revenue ratio increased by 1.5 percentage points to 13.6 percent due to increased investments in sales, marketing, and promotion, as well as higher employee cost including incentives to reward better operational performance. The Group’s pre-tax profit was US$1,018 million for the fiscal year, representing a 19 percent year-on-year expansion. Profit attributable to equity holders rose by 12 percent year-on-year to US$665 million.

By business groups, the PCSD business achieved a record-breaking pre-tax profit margin, while the Mobile Business Group (MBG) and Data Center Group (DCG) businesses continued to improve in terms of their profitability. Lenovo has been the fastest-growing PC Original Equipment Manufacturer (OEM) among the top five global vendors over the past two years, and has remained the top player in the worldwide PC market with record PCSD revenues, shipments and industry-leading profitability.

The MBG has delivered on its commitment to drive profitability and delivered a healthy pre-tax profit in the first three quarters of the fiscal year. However, COVID-19 created a significant challenge to supply in the fourth quarter, resulting in the MBG reporting a loss of US$43 million for the year. The DCG continued its strategy to win in high-growth segments and its non-hyperscale business grew mid-single digit in revenue year-on-year for FY19/20. Nonetheless, the overall DCG revenue decreased by 8.7 percent year-on-year as the performance of its hyperscale business was constrained by the sector’s inventory issues and component price erosion.

The Group made significant progress on its Intelligent Transformation strategy designed to deliver sustainable long-term growth. Its Software and Services business grew by 43 percent year-on-year and the invoiced revenue contributed close to 7 percent of the Group’s revenue during the fiscal year, carrying the highest profit margin among all the Group’s products. The Smart IoT and Smart Vertical businesses posted triple-digit growth while e-commerce revenue grew double-digits year-on-year.

Geographic Performance

Lenovo is a global business and continues to operate in more than 180 markets. The Group delivered strong geographical balance as China, Asia Pacific (AP), America (AG) and Europe-Middle East-Africa (EMEA) each accounted for 21 to 32 percent of the Group's total revenue generated in FY19/20. The PCSD business in AP and AG enjoyed double-digit revenue growth, while its business in Europe-Middle East-Africa (EMEA) remained robust and grew faster than the market. Its growth in AP was largely consistent between organic Lenovo business and the acquired Fujitsu PC business in May 2018, providing a clear evidence of Group synergy. The PCSD business in China was impacted by the macro slowdown as a result of the US-China trade conflict and COVID-19. The MBG business secured a solid number two position by shipments in the smartphone market in Latin America, the stronghold market for the business. In the DCG, the industry-wide challenges of the hyperscale business impacted all regions except for China, where the non-hyperscale business had strong double-digit growth and the country's exposure to hyperscale business was more limited. With these all being taken into consideration, the Group's revenue in AP enjoyed strong double-digit year-on-year growth, its China revenue declined by 12 percent and its revenue growth was muted in AG and EMEA.

Performance by Product Business Group

Intelligent Devices Group (IDG)

Consisting of the PCSD and MBG businesses, the IDG Group has been able to leverage its operational excellence to protect revenue against a series of dynamic shifts and deliver a new profit record. The business group's revenue edged up by 0.5 percent year-on-year to maintain an all-time high of US$45,216 million. Its pre-tax profit increased significantly by 25 percent year-on-year to reach US$2,302 million. The growth strategy of the PCSD business has been to invest in high-growth segments and in the high margin Software and Services business. These investments have paid off in delivering record revenue and profit for the fiscal year. In contrast, the strategy of the MBG business to grow its core markets resulted in profitability improving by US$96 million year-on-year albeit with lower revenue for the fiscal year under review.

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

For the second consecutive year, Lenovo has not only been the leading global PC brand by market share, but has also delivered record revenue and profit. The business managed to reach 24.5 percent global market share in FY19/20, with a solid gain of 1.2 percentage points year-on-year. Its revenue increased by 3.6 percent year-on-year to a record US$39,859 million, contributing 79 percent to the Group's total revenue.

The PCSD business has demonstrated its capability in disciplined execution to deliver 18 percent year-on-year pre-tax profit growth to US$2,345 million for the year under review. Its industry-leading margin further expanded by 0.7 percentage points to a record level of 5.9 percent.

The disciplined approach adopted by the PCSD business to capture new opportunities sets it apart from competition. Its operational excellence, strategic investments, and the concerted efforts of its global team, has enabled a shift of the business towards high-growth and premium segments. The PCSD business enjoyed 28 to 38 percent year-on-year shipment growth across the Workstation, Thin and Light, Visual, and Gaming PC segments. Together with higher penetration in its Software and Services business and e-commerce platform, its sales mix now favors product categories with higher or improved profitability.

Intelligent Devices Group - Mobile Business Group (MBG)

The MBG business initiated a focused strategy in the second half of FY18/19 which has remained effective in striking a balance between achieving market share and profitability. During FY19/20, the

Group’s mobile business has continued its strategy to invest in regions and/or countries where it has competitive advantages. The MBG business was profitable for the first three quarters and was on target to realize its full-year profitability goal until the COVID-19 outbreak in the fourth quarter, when its factory in Wuhan, China was shut down. The temporary halt in production in China caused a supply shortfall that stalled the potential for further profit margin improvements.

The MBG business reported a 19.2 percent revenue decline in FY19/20 to US$5,218 million, among which 58 percent of the annual decrease was from the supply shortfall in the fourth quarter. MBG accounted for 10 percent of the Group’s total revenue. The business registered a significant year-on-year improvement of US$96 million on its profitability. To mitigate the adverse impact of reduced revenue due to COVID-19, the company took swift actions on expense control, which helped contain the loss before taxation at US$60 million in the four quarter, while the full year figure stood at US$43 million.

The business delivered healthy profitability in its two biggest core markets, Latin America and North America. Both regions reported positive pre-tax profit margins and healthy year-on-year expansion in profitability for FY19/20. Prior to COVID-19, the MBG business continued to grow its revenue in its stronghold market, Latin America, despite the region’s volatile currency exchange movements. Nevertheless, the supply side challenge from COVID-19 and strategy focusing on profitable growth resulted in an annual revenue decline across regions.

MBG announced a few innovative products including the recently announced Motorola Edge and Edge+, in addition to the previously launched foldable smartphone - the razr. As the supply condition has stabilized as of the beginning of FY20/21, the business plan going forward is to drive a profitable recovery given the pent-up demand and lean channel inventory. The launch of these innovative products should also provide the MBG business with an opportunity to upsell and re-enter the flagship segment.

Data Center Group (DCG)

The DCG business has made investments to further improve its long-term growth prospects. Three segments including storage, Software-Defined Infrastructure (SDI) and the Software and Services business delivered strong double-digit year-on-year revenue growth in FY19/20. Among the products, storage has had the strongest growth thanks to the NetApp joint venture and new product growth in entry- and mid-range flash arrays. In the fourth quarter, the Company was ranked as the number three supplier globally in the entry storage market for the first time. Its Software and Services business delivered robust growth, leveraging an increasingly diversified portfolio, including the new Truscale HWaaS (HardWare as a Service) product. Meanwhile, sales on its High Performance Computing (HPC) continued to grow and the Group extended its lead in the global supercomputing segment with 173 designs in 14 countries. By region, DCG China has been the largest beneficiary of the non-hyperscale business. DCG China reported strong double-digit revenue growth for the last three quarters of FY19/20, during which period the NetApp joint venture became operational and investments were put in place to broaden its domestic sales coverage and product portfolio.

In contrast, the hyperscale business suffered from the sector’s cyclical slowdown. The hyperscale revenue declined by double-digits year-on-year driven by inventory issues experienced by global hyperscale customers and by the severe erosion in commodity prices. Signs of a recovery started to show in the fourth quarter, as the DCG’s hyperscale shipments increased by double-digits year-on-year, for the first time since 4QFY18/19.

During the fiscal year under review, DCG Group’s revenue declined by 8.7 percent year-on-year while its losses slightly improved year-on-year to US$226 million. There was notable improvement in profit margin in the first three quarters of the fiscal year. The fourth-quarter pre-tax loss for DCG expanded and amounted to 34 percent of its full-year loss. Demand in certain regions were affected and supply chain costs including freight charges had risen after COVID-19. Nevertheless, the DCG business will be a clear long-term winner as demand tailwinds started to bode well for cloud orders.

Outlook

The unprecedented economic disruption from COVID-19 has brought about volatility and challenges on a global scale. Operating in this complex global environment, the management of the Group will leverage its operational excellence and global footprint to mitigate a multitude of macro risks and deliver consistent performance. The Group will promptly act on industry growth opportunities, including the surge of WFH and SAH tailwinds as a result of the paradigm shift of COVID-19. The management believes that these long-term structural trends could enlarge the addressable market for PCSD and cloud infrastructure demand, as well as accelerate development of 5G services. Meanwhile, the Group will exercise disciplined expense control to optimize its liquidity and financial health.

In its PCSD business, the Group will continue to drive premium-to-market revenue growth with industry-leading profitability, through continued investments in the high-growth and premium segments. Building capabilities to drive sales growth in the Software and Services business and expanding e-commerce based on its well-established infrastructure will also help to drive new growth opportunities. For its Mobile business, the Group will continue to protect its position in its stronghold markets and strengthen its competitiveness in target markets to grow at premium to market, improve long-term profitability, and re-enter flagship segment through product innovation.

In its DCG business, the Group aims to deliver premium-to-market growth while improving profitability. In the hyperscale segment, the Group will continue to strengthen its in-house design and manufacturing capabilities, bring superior solutions to global and tier-2 hyperscalers, and build a profitable business model for this segment. The Group is offering the broadest custom hyperscale server and storage solutions in its history and will tap into this opportunity to drive the continued revival of its hyperscale business. In the non-hyperscale segment, the Group will continue to drive growth in enterprise servers, SDI, storage, and the Software and Services business. The Group will also further enhance its capabilities in professional services and solution-based expertise.

Strategic Highlights

The Group continues to execute its strategy to be the leader and enabler of Intelligent Transformation. The Group has the vision of bringing smarter technology to all - through Smart Infrastructure, Smart Verticals, and Smart IoT. This “3S” strategy, in parallel with its customer-centric positioning, has led to a higher Software and Services attach rate. The Software and Services business is considered a strong, long-term growth catalyst for profitable growth.

Smart Infrastructure provides the computing, storage, and networking power to support smart devices. The Group launched its next-generation data center solutions in SDI and expects it to remain a future growth catalyst. These new solutions, which include collaboration with several partners based on the ThinkAgile platform, have grown revenue at a double-digits rate during the fiscal year under review.

Smart Verticals combine big data generated by smart devices and the computing power of smart infrastructure in order to provide more insights and improve processes for customers. The Data Intelligence Business Group (DIBG) has expanded its footprint to win projects in the energy and manufacturing industries during the fiscal year under review. Its healthcare and education virtual reality solutions have also gained strong momentum in driving revenue growth.

The Group will continue to invest in **Smart IoT**, consisting of a network of many touchpoints for the connected world we live in. Specifically, the Group’s investments will accelerate in the area of edge computing, cloud, big data, and AI in vertical industries to deepen its strategic transformation and further accentuate its core competencies. These investments aim to strengthen the Group’s capability as a competitive end-to-end solution provider in the era of Intelligent Transformation.

FINANCIAL REVIEW

Results for the year ended March 31, 2020

	2020 *US$ million*	2019 *US$ million*	Year-on-year change
Revenue	**50,716**	51,038	(1)%
Gross profit	**8,357**	7,371	13%
Gross profit margin	**16.5%**	14.4%	2.1 pts
Operating expenses	**(6,918)**	(6,193)	12%
Operating profit	**1,439**	1,178	22%
Other non-operating expenses – net	**(421)**	(322)	31%
Profit before taxation	**1,018**	856	19%
Profit for the year	**805**	657	22%
Profit attributable to equity holders of the Company	**665**	597	12%
Earnings per share attributable to equity holders of the Company			
Basic	**US5.58 cents**	US5.01 cents	US0.57 cents
Diluted	**US5.43 cents**	US4.96 cents	US0.47 cents

For the year ended March 31, 2020, the Group achieved total sales of approximately US$50,716 million. Compared to last year, profit attributable to equity holders for the year increased by US$69 million to approximately US$665 million. In the same reporting period, gross profit margin advanced by 2.1 percentage points from 14.4 percent, while basic and diluted earnings per share were US5.58 cents and US5.43 cents respectively, representing an increase of US0.57 cents and US0.47 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, 2020 and 2019 are as follows:

	2020 ***US$'000***	2019 *US$'000*
Selling and distribution expenses	**(2,972,260)**	(2,657,965)
Administrative expenses	**(2,524,818)**	(2,209,340)
Research and development expenses	**(1,335,744)**	(1,266,341)
Other operating expenses – net	**(85,886)**	(59,181)
	(6,918,708)	(6,192,827)

Operating expenses for the year were 12 percent over last year. Employee benefit costs increased by US$375 million mainly due to higher bonus and sales commission accruals, long-term incentive awards and wages and salaries. The Group also raised advertising and promotional expenses by US$88 million. Amortization of intangible assets increased by US$94 million with more investments in patent and technology (particularly on cloud technology and new product development) and internal use software. There was also a reduction in net gain on fair valuation of certain financial assets and a financial liability to US$42 million (2019: US$126 million). The overall increase was partially offset by the reduction in net foreign exchange loss to US$93 million (2019: US$112 million).

During the year, the Group adopted the new accounting standard, HKFRS 16, Leases. As a result, depreciation of right-of-use assets was reported and payments made under operating leases were no longer recorded as rental expenses unless under exemption. Please refer to Note 1 of the Financial Information for details on the adoption on HKFRS 16.

Key expenses by nature comprise:

	2020	2019
	US$'000	*US$'000*
Depreciation of property, plant and equipment		
- Other property, plant and equipment	**(155,156)**	(169,284)
- Right-of-use assets	**(86,679)**	-
Amortization of prepaid lease payments	**(2,599)**	(2,677)
Amortization of intangible assets	**(573,608)**	(479,118)
Employee benefit costs, including	**(3,835,085)**	(3,460,520)
- long-term incentive awards	***(258,610)***	*(214,822)*
Rental expenses under operating leases	**(11,356)**	(114,538)
Net foreign exchange loss	**(92,614)**	(111,529)
Advertising and promotional expenses	**(796,090)**	(707,706)
Legal and professional fees	**(205,334)**	(161,933)
Information technology expenses	**(121,053)**	(120,162)
Loss on disposal of property, plant and equipment	**(11,467)**	(4,970)
Fair value gain on financial assets at fair value through profit or loss	**66,036**	125,550
Fair value loss on a financial liability at fair value through profit or loss	**(23,826)**	-
Gain on disposal of subsidiaries	**12,844**	-
Gain on deemed disposal of a subsidiary	**-**	22,811
Dilution gain on interest in associates	**-**	24,189
Gain on disposal of interest in an associate	**3,922**	-
Others	**(1,086,643)**	(1,032,940)
	(6,918,708)	(6,192,827)

Other non-operating expenses (net) for the years ended March 31, 2020 and 2019 comprise:

	2020	2019
	US$'000	*US$'000*
Finance income	**47,850**	27,399
Finance costs	**(454,194)**	(337,027)
Share of losses of associates and joint ventures	**(14,545)**	(11,525)
	(420,889)	(321,153)

Finance income mainly represents interest on bank deposits.

Finance costs for the year increased by 35 percent over last year. This is mainly contributed by increase in factoring costs of US$93 million as a result of incurring additional costs during the course of transitioning to a new factoring partner and ramping up the new factoring operations. The change is also a combined effect of the increase in interest on convertible bonds of US$32 million, interest on contingent consideration and written put option liabilities of US$12 million and interest on lease liabilities of US$17 million, offset by the decrease in interest on notes of US$33 million.

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

The Group adopts segments by business group as the reporting format. Segments by business group comprise Intelligent Devices Group ("IDG") and Data Center Group ("DCG"). Segment revenue and pre-tax income/(loss) for reportable segments are as follows:

	2020		2019	
	Revenue from external customers	**Pre-tax income/ (loss)**	Revenue from external customers	Pre-tax income/ (loss)
	US$'000	***US$'000***	*US$'000*	*US$'000*
IDG	**45,216,190**	**2,301,621**	45,013,362	1,842,840
DCG	**5,500,159**	**(225,497)**	6,024,581	(230,600)
Segment total	**50,716,349**	**2,076,124**	51,037,943	1,612,240
Unallocated:				
Headquarters and corporate (expenses)/income – net		**(725,457)**		(640,542)
Depreciation and amortization		**(168,485)**		(136,263)
Finance income		**24,959**		4,121
Finance costs		**(216,106)**		(142,496)
Share of losses of associates and joint ventures		**(14,545)**		(11,525)
Loss on disposal of property, plant and equipment		**(9,423)**		(1,651)
Fair value gain on financial assets at fair value through profit or loss		**66,036**		125,550
Fair value loss on a financial liability at fair value through profit or loss		**(23,826)**		-
Gain on deemed disposal of a subsidiary		**-**		22,811
Dilution gain on interest in associates		**-**		24,189
Gain on disposal of interest in an associate		**3,922**		-
Dividend income		**4,508**		230
Consolidated profit before taxation		**1,017,707**		856,664

Headquarters and corporate (expenses)/income for the year comprise various expenses, after appropriate allocation to business groups, of US$725 million (2019: US$641 million) such as employee benefit costs, legal and professional fees, and research and technology expenses. Employee benefit costs rose by US$132 million due to an increase in headcount and higher bonus accruals of US$75 million. The Group also recorded central research and technology expenses of US$134 million which were not allocated to a business group (2019: US$68 million).

Moreover, the Group recognized a fair value gain on bonus warrants of US$21 million during the year (2019: fair value loss of US$19 million), and incentives and grants received also increased by US$42 million. The Group also recognized certain one-time charges associated with the execution of previously announced resource actions at the corporate level. These one-time charges include the write down and disposal of certain inventories of US$45 million (2019: US$67 million) caused by product portfolio simplification, and onerous lease contracts and claims of US$3 million (2019: US$27 million).

Fourth Quarter 2019/20 compared to Fourth Quarter 2018/19

	3 months ended March 31, 2020 *US$ million*	3 months ended March 31, 2019 *US$ million*	Year-on-year change
Revenue	**10,579**	11,710	(10)%
Gross profit	**1,861**	1,895	(2)%
Gross profit margin	**17.6%**	16.2%	1.4 pts
Operating expenses	**(1,695)**	(1,622)	5%
Operating profit	**166**	273	(39)%
Other non-operating expenses – net	**(89)**	(93)	(5)%
Profit before taxation	**77**	180	(57)%
Profit for the period	**63**	134	(53)%
Profit attributable to equity holders of the Company	**43**	118	(64)%
Earnings per share attributable to equity holders of the Company			
Basic	**US0.36 cents**	US1.00 cents	US(0.64) cents
Diluted	**US0.35 cents**	US0.96 cents	US(0.61) cents

For the three months ended March 31, 2020, the Group achieved total sales of approximately US$10,579 million. Compared to the corresponding period of last year, profit attributable to equity holders for the period decreased by US$76 million to approximately US$43 million. In the same reporting period, gross profit margin advanced by 1.4 percentage points from 16.2 percent, while basic and diluted earnings per share were US0.36 cents and US0.35 cents respectively, representing a decrease of US0.64 cents and US0.61 cents.

Analysis of operating expenses by function for the three months ended March 31, 2020 and 2019 is as follows:

	3 months ended March 31, 2020 *US$'000*	3 months ended March 31, 2019 *US$'000*
Selling and distribution expenses	**(614,866)**	(646,847)
Administrative expenses	**(720,411)**	(593,616)
Research and development expenses	**(347,169)**	(371,285)
Other operating expenses – net	**(13,205)**	(9,952)
	(1,695,651)	(1,621,700)

Operating expenses for the period were 5 percent over the corresponding period of last year. Employee benefit costs increased by US$108 million mainly due to higher bonus accruals, long-term incentive awards and wages and salaries. Amortization of intangible assets increased by US$35 million with more investments in patent and technology (particularly on cloud technology and new product development) and internal use software. There was also a reduction in net gain on fair valuation of certain financial assets and a financial liability to US$6 million (2019: US$26 million). The overall increase was partially offset by decrease in advertising and promotional expenses of US$83 million. Currency fluctuations during the period presented a challenge to the Group resulting in a net exchange loss of US$22 million (2019: US$20 million).

During the period, the Group adopted the new accounting standard, HKFRS 16, Leases. As a result, depreciation of right-of-use assets was reported and payments made under operating leases were no longer recorded as rental expenses unless under exemption. Please refer to Note 1 of the Financial Information for details of the adoption on HKFRS 16.

Key expenses by nature comprise:

	3 months ended March 31, 2020 *US$'000*	3 months ended March 31, 2019 *US$'000*
Depreciation of property, plant and equipment		
- Other property, plant and equipment	**(38,816)**	(40,390)
- Right-of-use assets	**(22,114)**	-
Amortization of prepaid lease payments	**(647)**	(671)
Amortization of intangible assets	**(163,746)**	(129,195)
Employee benefit costs, including	**(1,011,193)**	(903,291)
- long-term incentive awards	***(65,935)***	*(59,181)*
Rental expenses under operating leases	**(2,852)**	(25,599)
Net foreign exchange loss	**(22,304)**	(19,665)
Advertising and promotional expenses	**(76,313)**	(158,833)
Legal and professional fees	**(56,209)**	(50,946)
Information technology expenses	**(45,770)**	(52,215)
Loss on disposal of property, plant and equipment	**(10,119)**	(1,850)
Fair value gain on financial assets at fair value through profit or loss	**16,601**	26,413
Fair value loss on a financial liability at fair value through profit or loss	**(10,826)**	-
Dilution gain on interest in an associate	**-**	6,068
Others	**(251,343)**	(271,526)
	(1,695,651)	(1,621,700)

Other non-operating expenses (net) for the three months ended March 31, 2020 and 2019 comprise:

	3 months ended March 31, 2020 *US$'000*	3 months ended March 31, 2019 *US$'000*
Finance income	**10,007**	9,924
Finance costs	**(95,359)**	(97,542)
Share of losses of associates and joint ventures	**(3,438)**	(5,639)
	(88,790)	(93,257)

Finance income mainly represents interest on bank deposits.

Finance costs for the period decreased by 2 percent as compared to the corresponding period of last year. The change is a combined effect of the increase in factoring costs of US$2 million and interest on lease liabilities of US$5 million, offset by the decrease in interest on notes of US$9 million.

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

The Group adopts segments by business group as the reporting format. Segments by business group comprise IDG and DCG. Segment revenue and pre-tax income/(loss) for reportable segments are as follows:

	3 months ended March 31, 2020		3 months ended March 31, 2019	
	Revenue from external customers	**Pre-tax income/ (loss)**	Revenue from external customers	Pre-tax income/ (loss)
	US$'000	***US$'000***	*US$'000*	*US$'000*
IDG	**9,366,372**	**465,786**	10,458,866	462,535
DCG	**1,212,999**	**(75,781)**	1,251,413	(52,549)
Segment total	**10,579,371**	**390,005**	11,710,279	409,986
Unallocated:				
Headquarters and corporate (expenses)/income - net		**(222,185)**		(170,330)
Depreciation and amortization		**(50,147)**		(37,268)
Finance income		**5,433**		2,836
Finance costs		**(39,653)**		(50,986)
Share of losses of associates and joint ventures		**(3,438)**		(5,639)
Loss on disposal of property, plant and equipment		**(8,697)**		(834)
Fair value gain on financial assets at fair value through profit or loss		**16,601**		26,413
Fair value loss on a financial liability at fair value through profit or loss		**(10,826)**		-
Dilution gain on interest in an associate		**-**		6,068
Dividend income		**205**		-
Consolidated profit before taxation		**77,298**		180,246

Headquarters and corporate (expenses)/income for the period comprise various expenses, after appropriate allocation to business groups, of US$222 million (2019: US$170 million) such as employee benefit costs, legal and professional fees, and research and technology expenses. Employee benefit costs rose by US$87 million due to an increase in headcount and higher bonus accruals of US$77 million. Moreover, the Group recognized a fair value gain on bonus warrants of US$5 million during the period (2019: fair value loss of US$15 million), and incentives and grants received also increased by US$27 million.

Capital Expenditure

The Group incurred capital expenditure of US$953 million (2019: US$701 million) during the year ended March 31, 2020, mainly for the acquisition of property, plant and equipment, prepaid lease payments and additions in construction-in-progress and intangible assets. Increase of US$252 million during the year is mainly attributable to more investments in patent and technology particularly on cloud technology and internal use software.

Liquidity and Financial Resources

At March 31, 2020, total assets of the Group amounted to US$32,128 million (2019: US$29,988 million), which were financed by equity attributable to owners of the Company of US$3,198 million (2019: US$3,396 million), perpetual securities of US$994 million (2019: US$994 million), a negative balance of other non-controlling interests (net of put option written on non-controlling interests) of US$131 million (2019: US$293 million), and total liabilities of US$28,069 million (2019: US$25,891 million). At March 31, 2020, the current ratio of the Group was 0.81 (2019: 0.82).

At March 31, 2020, bank deposits and cash and cash equivalents totaled US$3,617 million (2019: US$2,733 million) analyzed by major currency are as follows:

	2020	2019
	%	%
US dollar	**35.3**	41.1
Renminbi	**25.4**	32.0
Japanese Yen	**10.3**	6.8
Euro	**7.8**	5.4
Great British Pound	**4.2**	2.6
Other currencies	**17.0**	12.1
Total	**100.0**	100.0

The Group adopts a conservative policy to invest the surplus cash generated from operations. At March 31, 2020, 85.6 (2019: 78.6) percent of cash are bank deposits, and 14.4 (2019: 21.4) percent are investments in liquid money market funds of investment grade.

Although the Group has consistently maintained a very liquid position, banking facilities have nevertheless been put in place to meet inter-quarter funding requirements and the Group has entered into factoring arrangements in the ordinary course of business for liquidity.

The Group has the following banking facilities:

				Utilization amount at March 31,	
Type	**Date of agreement**	**Principal amount**	**Term**	**2020**	**2019**
		US$ million		***US$ million***	*US$ million*
Loan facility	May 26, 2015	300	5 years	**300**	300
Revolving loan facility	March 28, 2018	1,500	5 years	**1,500**	825

Notes, perpetual securities, convertible bonds and convertible preferred shares issued by the Group and outstanding as at March 31, 2020 are as follows:

	Issue date	Principal amount	Term	Interest / dividend rate per annum	Due date	Use of proceeds
2020 Note	June 10, 2015	RMB4 billion	5 years	4.95%	June 2020	For general corporate purposes including working capital and acquisition activities
2022 Note	March 16, 2017	US$500 million	5 years	3.875%	March 2022	For repayment of the outstanding amount under the promissory note issued to Google Inc. and general corporate purposes
Perpetual securities	March 16, 2017	US$850 million	N/A	5.375%	N/A	
	April 6, 2017	US$150 million	N/A	5.375%	N/A	
2023 Note	March 29, 2018	US$750 million	5 years	4.75%	March 2023	For repayment of previous Note and general corporate purposes
Convertible bonds	January 24, 2019	US$675 million	5 years	3.375%	January 2024	For repayment of previous Note and general corporate purposes
Convertible preferred shares	June 21, 2019	US$300 million	N/A	4%	N/A	For general corporate funding and capital expenditure

On April 24, 2020, the Group completed the issuance of 5-Year US$650 million notes bearing annual interest at 5.875% due in April 2025. On May 12, 2020, the Group issued an additional US$350 million of notes under the same terms, which have been consolidated and form a single series with the aforementioned US$650 million notes. The proceeds will be used for refinancing and general corporate purposes.

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

	Total facilities amount at March 31		Drawn down amount at March 31	
Credit facilities	**2020**	2019	**2020**	2019
	US$ million	*US$ million*	***US$ million***	*US$ million*
Trade lines	**2,547**	2,195	**2,047**	1,637
Short-term money market facilities	**1,034**	701	**334**	56
Forward foreign exchange contracts	**9,278**	9,525	**9,222**	9,525

Net debt position and gearing ratio of the Group as at March 31, 2020 and 2019 are as follows:

	2020	2019
	US$ million	*US$ million*
Bank deposits and cash and cash equivalents	**3,617**	2,733
Borrowings		
- Short-term loans	**2,125**	1,167
- Long-term loan	**3**	-
- Notes	**1,807**	2,622
- Convertible bonds	**607**	591
- Convertible preferred shares	**318**	-
Net debt position	**(1,243)**	(1,647)
Total equity	**4,059**	4,097
Gearing ratio (Borrowings divided by total equity)	**1.20**	1.07

The Group is confident that all 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, 2020, the Group had commitments in respect of outstanding forward foreign exchange contracts amounting to US$9,222 million (2019: US$9,525 million). The Group's forward foreign exchange contracts are either used to hedge a percentage of future transactions which are highly probable, or used as fair value hedges for identified assets and liabilities.

Contingent Liabilities

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

Human Resources

At March 31, 2020, the Group had a headcount of approximately 63,000 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.

CONSOLIDATED INCOME STATEMENT

	Note	**2020** *US$'000*	2019 *US$'000*
Revenue	*2*	**50,716,349**	51,037,943
Cost of sales		**(42,359,045)**	(43,667,299)
Gross profit		**8,357,304**	7,370,644
Selling and distribution expenses		**(2,972,260)**	(2,657,965)
Administrative expenses		**(2,524,818)**	(2,209,340)
Research and development expenses		**(1,335,744)**	(1,266,341)
Other operating expenses - net		**(85,886)**	(59,181)
Operating profit	*3*	**1,438,596**	1,177,817
Finance income	*4(a)*	**47,850**	27,399
Finance costs	*4(b)*	**(454,194)**	(337,027)
Share of losses of associates and joint ventures		**(14,545)**	(11,525)
Profit before taxation		**1,017,707**	856,664
Taxation	*5*	**(213,204)**	(199,460)
Profit for the year		**804,503**	657,204
Profit attributable to:			
Equity holders of the Company		**665,091**	596,343
Perpetual securities holders		**53,760**	53,760
Other non-controlling interests		**85,652**	7,101
		804,503	657,204
Earnings per share attributable to equity holders of the Company			
Basic	*6(a)*	**US5.58 cents**	US 5.01 cents
Diluted	*6(b)*	**US5.43 cents**	US 4.96 cents
Dividends	*7*	**429,902**	425,764

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	2020	2019
	US$'000	*US$'000*
Profit for the year	**804,503**	657,204
Other comprehensive (loss)/income:		
Items that will not be reclassified to profit or loss		
Remeasurements of post-employment benefit obligations, net of taxes	**(46,275)**	(25,641)
Fair value change on financial assets at fair value through other comprehensive income, net of taxes	**(10,925)**	(15,978)
Items that have been reclassified or may be subsequently reclassified to profit or loss		
Fair value change on cash flow hedges from foreign exchange forward contracts, net of taxes		
- Fair value gain, net of taxes	**177,545**	284,542
- Reclassified to consolidated income statement	**(142,296)**	(244,396)
Currency translation differences	**(424,422)**	(434,816)
Other comprehensive loss for the year	**(446,373)**	(436,289)
Total comprehensive income for the year	**358,130**	220,915
Total comprehensive income attributable to:		
Equity holders of the Company	**216,055**	160,845
Perpetual securities holders	**53,760**	53,760
Other non-controlling interests	**88,315**	6,310
	358,130	220,915

CONSOLIDATED BALANCE SHEET

	Note	**2020**	2019
		US$'000	*US$'000*
Non-current assets			
Property, plant and equipment		**1,712,856**	1,430,817
Prepaid lease payments		**497,819**	463,996
Construction-in-progress		**304,241**	232,097
Intangible assets		**7,984,582**	8,324,575
Interests in associates and joint ventures		**60,307**	79,061
Deferred income tax assets		**2,059,582**	1,862,902
Financial assets at fair value through profit or loss		**494,807**	449,363
Financial assets at fair value through other comprehensive income		**56,136**	71,486
Other non-current assets		**224,396**	187,985
		13,394,726	13,102,282
Current assets			
Inventories	*8*	**4,946,914**	3,434,660
Trade receivables	*9(a)*	**6,263,012**	6,661,484
Notes receivable		**11,529**	46,454
Derivative financial assets		**138,813**	70,972
Deposits, prepayments and other receivables	*10*	**3,559,239**	3,753,926
Income tax recoverable		**196,464**	185,643
Bank deposits		**66,480**	70,210
Cash and cash equivalents		**3,550,990**	2,662,854
		18,733,441	16,886,203
Total assets		**32,128,167**	29,988,485

CONSOLIDATED BALANCE SHEET (CONTINUED)

	Note	**2020** ***US$'000***	2019 *US$'000*
Share capital	*14*	**3,185,923**	3,185,923
Reserves		**11,619**	210,530
Equity attributable to owners of the Company		**3,197,542**	3,396,453
Perpetual securities	*15*	**993,670**	993,670
Other non-controlling interests		**634,321**	473,178
Put option written on non-controlling interests	*12(b)*	**(766,238)**	(766,238)
Total equity		**4,059,295**	4,097,063
Non-current liabilities			
Borrowings	*13*	**1,564,619**	2,426,770
Warranty provision	*11(b)*	**258,840**	254,601
Deferred revenue		**864,805**	678,137
Retirement benefit obligations		**458,386**	434,246
Deferred income tax liabilities		**342,805**	359,679
Other non-current liabilities	*12*	**1,321,296**	1,247,646
		4,810,751	5,401,079
Current liabilities			
Trade payables	*9(b)*	**7,509,724**	6,429,835
Notes payable		**1,458,645**	1,272,840
Derivative financial liabilities		**73,784**	74,426
Other payables and accruals	*11(a)*	**9,025,643**	8,942,336
Provisions	*11(b)*	**718,771**	738,688
Deferred revenue		**819,199**	780,951
Income tax payable		**357,375**	298,224
Borrowings	*13*	**3,294,980**	1,953,043
		23,258,121	20,490,343
Total liabilities		**28,068,872**	25,891,422
Total equity and liabilities		**32,128,167**	29,988,485

CONSOLIDATED CASH FLOW STATEMENT

	Note	**2020** *US$'000*	2019 *US$'000*
Cash flows from operating activities			
Net cash generated from operations	*16*	**3,006,556**	2,115,996
Interest paid		**(404,691)**	(324,427)
Tax paid		**(391,942)**	(318,996)
Net cash generated from operating activities		**2,209,923**	1,472,573
Cash flows from investing activities			
Purchase of property, plant and equipment		**(246,663)**	(234,682)
Sale of property, plant and equipment		**15,338**	129,683
Acquisition of subsidiaries, net of cash acquired		**-**	(99,298)
Disposal of subsidiaries, net of cash disposed		**(18,155)**	-
Deemed disposal of a subsidiary, net of cash disposed		**-**	(21,106)
Interest acquired in an associate and a joint venture		**(1,616)**	(5,349)
Prepaid lease payments		**(15,734)**	-
Payment for construction-in-progress		**(417,552)**	(303,045)
Payment for intangible assets		**(273,131)**	(163,094)
Purchase of financial assets at fair value through profit or loss		**(86,498)**	(73,836)
Purchase of financial assets at fair value through other comprehensive income		**(429)**	(4,739)
Loan to a joint venture		**(72,603)**	-
Net proceeds from sale of financial assets at fair value through profit or loss		**99,296**	33,996
Net proceeds from sale of financial assets at fair value through other comprehensive income		**2,803**	-
Decrease in bank deposits		**3,730**	14,096
Dividends received		**6,411**	230
Interest received		**47,850**	27,399
Net cash used in investing activities		**(956,953)**	(699,745)
Cash flows from financing activities			
Capital contribution from other non-controlling interests		**76,357**	77,769
Contribution to employee share trusts		**(159,147)**	(157,343)
Issue of convertible preferred shares		**300,000**	-
Issue of convertible bonds		**-**	675,000
Issuing costs of convertible bonds		**-**	(10,107)
Repayment of a note		**(786,244)**	-
Principal elements of lease payments		**(130,993)**	-
Dividends paid		**(431,148)**	(404,350)
Dividends paid to other non-controlling interests		**(4,620)**	(4,758)
Dividends paid to convertible preferred shares holders		**(6,000)**	-
Distribution to perpetual securities holders		**(53,760)**	(53,760)
Proceeds from borrowings		**4,092,870**	5,700,215
Repayments of borrowings		**(3,135,800)**	(5,700,000)
Net cash (used in)/generated from financing activities		**(238,485)**	122,666
Increase in cash and cash equivalents		**1,014,485**	895,494
Effect of foreign exchange rate changes		**(126,349)**	(80,657)
Cash and cash equivalents at the beginning of the year		**2,662,854**	1,848,017
Cash and cash equivalents at the end of the year		**3,550,990**	2,662,854

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	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 reserve *US$'000*	Retained earnings *US$'000*	Perpetual securities *US$'000*	Other non-controlling interests *US$'000*	Put option written on non-controlling interests *US$'000*	Total *US$'000*
At April 1, 2019	**3,185,923**	**(36,095)**	**(140,209)**	**311,540**	**23,240**	**(1,371,932)**	**163,241**	**1,260,745**	**993,670**	**473,178**	**(766,238)**	**4,097,063**
Profit for the year	–	–	–	–	–	–	–	**665,091**	**53,760**	**85,652**	–	**804,503**
Other comprehensive (loss)/income	–	**(10,925)**	–	–	**35,249**	**(427,085)**	–	**(46,275)**	–	**2,663**	–	**(446,373)**
Total comprehensive (loss)/income for the year	–	**(10,925)**	–	–	**35,249**	**(427,085)**	–	**618,816**	**53,760**	**88,315**	–	**358,130**
Transfer to statutory reserve	–	–	–	–	–	–	**11,995**	**(11,995)**	–	–	–	–
Transfer of investment revaluation reserve upon disposal of financial assets at fair value through other comprehensive income to retained earnings	–	**(1,696)**	–	–	–	–	–	**1,696**	–	–	–	–
Vesting of shares under long-term incentive program	–	–	**197,889**	**(275,551)**	–	–	–	–	–	–	–	**(77,662)**
Deferred tax charge in relation to long-term incentive program	–	–	–	**(7,025)**	–	–	–	–	–	–	–	**(7,025)**
Disposal of subsidiaries	–	–	–	–	–	–	**(267)**	–	–	–	–	**(267)**
Share-based compensation	–	–	–	**258,610**	–	–	–	–	–	–	–	**258,610**
Contribution to employee share trusts	–	–	**(159,147)**	–	–	–	–	–	–	–	–	**(159,147)**
Dividends paid	–	–	–	–	–	–	–	**(431,148)**	–	–	–	**(431,148)**
Capital contribution from other non-controlling interests	–	–	–	–	–	–	–	–	–	**79,121**	–	**79,121**
Change of ownership of subsidiaries without loss of control	–	–	–	–	–	–	**1,673**	–	–	**(1,673)**	–	–
Dividends paid to other non-controlling interests	–	–	–	–	–	–	–	–	–	**(4,620)**	–	**(4,620)**
Distribution to perpetual securities holders	–	–	–	–	–	–	–	–	**(53,760)**	–	–	**(53,760)**
At March 31, 2020	**3,185,923**	**(48,716)**	**(101,467)**	**287,574**	**58,489**	**(1,799,017)**	**176,642**	**1,438,114**	**993,670**	**634,321**	**(766,238)**	**4,059,295**
At April 1, 2018	3,185,923	(2,741)	(101,702)	231,857	(16,906)	(937,907)	71,449	1,088,647	993,670	246,598	(212,900)	4,545,988
Change in accounting policy	–	(17,376)	–	–	–	–	–	5,746	–	–	–	(11,630)
Restated total equity	3,185,923	(20,117)	(101,702)	231,857	(16,906)	(937,907)	71,449	1,094,393	993,670	246,598	(212,900)	4,534,358
Profit for the year	–	–	–	–	–	–	–	596,343	53,760	7,101	–	657,204
Other comprehensive (loss)/income	–	(15,978)	–	–	40,146	(434,025)	–	(25,641)	–	(791)	–	(436,289)
Total comprehensive (loss)/income for the year	–	(15,978)	–	–	40,146	(434,025)	–	570,702	53,760	6,310	–	220,915
Acquisition of subsidiaries	–	–	–	–	–	–	–	–	–	151,167	–	151,167
Vesting of shares under long-term incentive program	–	–	118,836	(137,317)	–	–	–	–	–	–	–	(18,481)
Deferred tax credit in relation to long-term incentive program	–	–	–	2,178	–	–	–	–	–	–	–	2,178
Deemed disposal of a subsidiary	–	–	–	–	–	–	–	–	–	(1,371)	–	(1,371)
Share-based compensation	–	–	–	214,822	–	–	–	–	–	–	–	214,822
Termination of put option written on non-controlling interests	–	–	–	–	–	–	11,913	–	–	–	212,900	224,813
Put option written on non-controlling interests	–	–	–	–	–	–	–	–	–	–	(766,238)	(766,238)
Contribution to employee share trusts	–	–	(157,343)	–	–	–	–	–	–	–	–	(157,343)
Dividends paid	–	–	–	–	–	–	–	(404,350)	–	–	–	(404,350)
Capital contribution from other non-controlling interests	–	–	–	–	–	–	–	–	–	77,769	–	77,769
Change of ownership of subsidiaries without loss of control	–	–	–	–	–	–	2,537	–	–	(2,537)	–	–
Dividends paid to other non-controlling interests	–	–	–	–	–	–	–	–	–	(4,758)	–	(4,758)
Distribution to perpetual securities holders	–	–	–	–	–	–	–	–	(53,760)	–	–	(53,760)
Issue of convertible bonds	–	–	–	–	–	–	77,342	–	–	–	–	77,342
At March 31, 2019	3,185,923	(36,095)	(140,209)	311,540	23,240	(1,371,932)	163,241	1,260,745	993,670	473,178	(766,238)	4,097,063

Notes

1 General information and basis of preparation

The financial information relating to the years ended March 31, 2020 and 2019 included in the FY2019/20 annual results announcement does not constitute the Company's statutory annual consolidated financial statements for that year but is derived from those consolidated financial statements. Further information relating to these statutory consolidated financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance is as follows:

The Company has delivered the consolidated financial statements for the year ended March 31, 2019 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance and will deliver the consolidated financial statements for the year ended March 31, 2020 in due course.

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

<u>Basis of preparation</u>

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

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

The Group has adopted the following new standard, interpretation and amendments to existing standards that are mandatory for the year ended March 31, 2020 which the Group considers is appropriate and relevant to its operations:

- HKFRS 16, Leases
- HK (IFRIC) – Int 23, Uncertainty over income tax treatments
- Amendments to HKFRS 9, Prepayment features with negative compensation
- Amendments to HKAS 28, Long-term interests in associates and joint ventures
- Amendments to HKAS 19, Plan amendment, curtailment or settlement
- Annual improvements to HKFRS Standards 2015–2017 Cycle

Except for HKFRS 16, Leases, the adoption of the newly effective interpretation and amendments to existing standards does not have a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented.

The Group has initially applied HKFRS 16 from April 1, 2019. The Group has elected to use the simplified transition approach and therefore comparative information has not been restated and continues to be reported under HKAS 17, Leases. The reclassifications and the adjustments arising from the new standard are recognized in the opening consolidated balance sheet on April 1, 2019.

HKFRS 16 requires almost all leases of lessees to be recognized on the consolidated balance sheet, as the distinction between operating and finance leases is removed. The accounting for lessors will not significantly change. Under the new standard, the right to use the leased item and the obligation to pay rent are recognized as an asset and a financial liability respectively. The only exceptions are short-term and low-value leases. The standard affects primarily the accounting for operating leases of the Group.

Adjustments recognized on adoption on HKFRS 16

On adoption on HKFRS 16, the Group recognized lease liabilities in relation to leases which had previously been classified as operating leases under the principles of HKAS 17. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee incremental borrowing rate as of April 1, 2019. Different lessee incremental borrowing rates were applied to the lease liabilities based on the geographical location, from 1% to 11%.

The following table reconciles the operating lease commitments as at March 31, 2019 to the opening balance for lease liabilities recognized as at April 1, 2019:

	April 1, 2019 *US$'000*
Operating lease commitments at March 31, 2019	473,188
Discounted using the lessee incremental borrowing rate at April 1, 2019	(62,487)
Less: low-value leases recognized on a straight-line basis as expense	(1,357)
Lease liabilities recognized at April 1, 2019	409,344
Classified as:	
Current lease liabilities	77,903
Non-current lease liabilities	331,441
	409,344

The associated right-of-use assets were measured at the amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognized in the consolidated balance sheet as at March 31, 2019. As at March 31, 2020, the right-of-use assets of the Group within "property, plant and equipment" are solely related to leasehold land and buildings and amounted to US$314,416,000 (April 1, 2019: US$320,174,000). Prepaid lease payments of the Group are also classified as right-of-use assets.

The Group presents right-of-use assets within "property, plant and equipment" and "prepaid lease payments" and presents lease liabilities within "other payables and accruals" (for current portion) and "other non-current liabilities" (for non-current portion) in the consolidated balance sheet.

The change in accounting policy affected the following items in the consolidated balance sheet on April 1, 2019:

- property, plant and equipment – increased by US$320,174,000
- lease liabilities within "other payables and accruals" (for current portion) and "other non-current liabilities" (for non-current portion) – increased by US$409,344,000
- deferred rent liabilities within "other payables and accruals" (for current portion) and "other non-current liabilities" (for non-current portion) – decreased by US$89,170,000

Segment assets and segment liabilities as at April 1, 2019 increased as a result of the change in accounting policy.

In applying HKFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics
- reliance on previous assessment on whether leases are onerous
- the exclusion of initial direct costs for the measurement of the right-of-use assets at the date of initial application, and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group's leasing activities and how these are accounted for

Rental contracts of the Group 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.

Until March 31, 2019, all leases of property, plant and equipment of the Group were operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

From April 1, 2019, 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.

Some property leases contain variable payment terms that are linked to sales generated from a store. 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 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 the profit or loss account. Low-value assets comprise motor vehicles and office furniture.

New amendments to existing standards not yet effective

The following new amendments to existing standards, which are considered appropriate and relevant to the Group's operations, have been issued but are not effective for the year ended March 31, 2020 and have not been early adopted:

	Effective for annual periods beginning on or after
Amendments to HKFRS 3, Definition of a business	January 1, 2020
Amendments to HKAS 1 and HKAS 8, Definition of material	January 1, 2020
Amendments to HKFRS 9, HKAS 39 and HKFRS 7, Interest rate benchmark reform	January 1, 2020
Amendments to HKFRS 10 and HKAS 28, Consolidated financial statements and investments in associates	Date to be determined

The Group is in the opinion that these new amendments to existing standards will not result in a significant effect on its consolidated financial statements.

2 Segment information

Management has determined the operating segments based on the reports reviewed by the Lenovo Executive Committee ("LEC"), the chief operating decision-maker, that are used to make strategic decisions. Segments by business group comprise Intelligent Device Group ("IDG") and Data Center Group ("DCG").

The LEC assesses the performance of the operating segments based on a measure of pre-tax income/(loss). This measurement basis excludes the effects of non-recurring expenses such as restructuring costs from the operating segments. The measurement basis also excludes the effects of certain income and expenses such as fair value change of financial instruments and disposal gain/(loss) of fixed assets that are from activities driven by headquarters and centralized functions. Certain finance income and costs are not allocated to segments when these types of activities are driven by the central treasury function which manages the cash position of the Group.

Supplementary information on segment assets and liabilities presented below is primarily based on the business group of the entities or operations which carry the assets and liabilities, except for entities performing centralized functions for the Group the assets and liabilities of which are not allocated to any segment.

(a) Segment revenue and pre-tax income/(loss) for reportable segments

	2020 Revenue from external customers *US$'000*	**2020** Pre-tax income/ (loss) *US$'000*	2019 Revenue from external customers *US$'000*	2019 Pre-tax income/ (loss) *US$'000*
IDG	**45,216,190**	**2,301,621**	45,013,362	1,842,840
DCG	**5,500,159**	**(225,497)**	6,024,581	(230,600)
Segment total	**50,716,349**	**2,076,124**	51,037,943	1,612,240
Unallocated:				
Headquarters and corporate (expenses)/income - net		**(725,457)**		(640,542)
Depreciation and amortization		**(168,485)**		(136,263)
Finance income		**24,959**		4,121
Finance costs		**(216,106)**		(142,496)
Share of losses of associates and joint ventures		**(14,545)**		(11,525)
Loss on disposal of property, plant and equipment		**(9,423)**		(1,651)
Fair value gain on financial assets at fair value through profit or loss		**66,036**		125,550
Fair value loss on a financial liability at fair value through profit or loss		**(23,826)**		-
Gain on deemed disposal of a subsidiary		**-**		22,811
Dilution gain on interest in an associate		**-**		24,189
Gain on disposal of interest in an associate		**3,922**		-
Dividend income		**4,508**		230
Consolidated profit before taxation		**1,017,707**		856,664

(b) Segment assets for reportable segments

	2020 *US$'000*	2019 *US$'000*
IDG	**20,045,317**	19,797,625
DCG	**4,656,685**	4,094,194
Segment assets for reportable segments	**24,702,002**	23,891,819
Unallocated:		
Deferred income tax assets	**2,059,582**	1,862,902
Financial assets at fair value through profit or loss	**494,807**	449,363
Financial assets at fair value through other comprehensive income	**56,136**	71,486
Derivative financial assets	**138,813**	70,972
Interests in associates and joint ventures	**60,307**	79,061
Bank deposits and cash and cash equivalents	**3,617,470**	2,733,064
Unallocated deposits, prepayments and other receivables	**379,429**	166,874
Income tax recoverable	**196,464**	185,643
Other unallocated assets	**423,157**	477,301
Total assets per consolidated balance sheet	**32,128,167**	29,988,485

(c) Segment liabilities for reportable segments

	2020 *US$'000*	2019 *US$'000*
IDG	**20,271,781**	19,045,230
DCG	**1,666,557**	1,456,268
Segment liabilities for reportable segments	**21,938,338**	20,501,498
Unallocated:		
Deferred income tax liabilities	**342,805**	359,679
Derivative financial liabilities	**73,784**	74,426
Borrowings	**4,859,599**	4,379,813
Unallocated other payables and accruals	**470,200**	246,467
Unallocated provisions	**-**	1,336
Unallocated other non-current liabilities	**26,771**	29,979
Income tax payable	**357,375**	298,224
Total liabilities per consolidated balance sheet	**28,068,872**	25,891,422

(d) Analysis of revenue by geography

	2020 *US$'000*	2019 *US$'000*
China	**10,857,955**	12,357,527
AP	**11,263,518**	9,764,456
EMEA	**12,419,641**	12,502,510
AG	**16,175,235**	16,413,450
	50,716,349	51,037,943

(e) Analysis of revenue by timing of revenue recognition

	2020 *US$'000*	2019 *US$'000*
Point in time	**49,406,643**	50,052,707
Over time	**1,309,706**	985,236
	50,716,349	51,037,943

(f) Other segment information

	IDG		**DCG**		**Total**	
	2020 *US$'000*	2019 *US$'000*	**2020** *US$'000*	2019 *US$'000*	**2020** *US$'000*	2019 *US$'000*
For the year ended March 31						
Depreciation and amortization	**562,748**	452,511	**238,554**	209,846	**801,302**	662,357
Finance income	**20,101**	23,058	**2,790**	220	**22,891**	23,278
Finance costs	**218,726**	174,245	**19,362**	20,286	**238,088**	194,531
Additions to non-current assets (Note)	**919,914**	976,339	**244,487**	102,449	**1,164,401**	1,078,788

Note: Excluding other non-current assets and including non-current assets acquired through acquisition of subsidiaries.

(g) Included in segment assets for reportable segments are goodwill and trademarks and trade names with indefinite useful lives with an aggregate amount of US$5,983 million (2019: US$6,211 million). The carrying amounts of goodwill and trademarks and trade names with indefinite useful lives are presented below:

At March 31, 2020

	China	**AP**	**EMEA**	**AG**	**Mature Market**	**Emerging Market**	**Total**
	US$ million	***US$ million***	***US$ million***	***US$ million***	***US$ million***	***US$ million***	***US$ million***
Goodwill							
- PCSD	**1,002**	**686**	**215**	**297**	**-**	**-**	**2,200**
- MBG	**-**	**-**	**-**	**-**	**666**	**799**	**1,465**
- DCG	**471**	**159**	**77**	**343**	**-**	**-**	**1,050**
Trademarks and trade names							
- PCSD	**209**	**59**	**103**	**67**	**-**	**-**	**438**
- MBG	**-**	**-**	**-**	**-**	**197**	**263**	**460**
- DCG	**162**	**54**	**31**	**123**	**-**	**-**	**370**

At March 31, 2019

	China	AP	EMEA	AG	Mature Market	Emerging Market	Total
	US$ million	*US$ million*	*US$ million*	*US$ million*	*US$ million*	*US$ million*	*US$ million*
Goodwill							
- PCSD	1,051	679	221	320	-	-	2,271
- MBG	-	-	-	-	679	905	1,584
- DCG	490	158	88	351	-	-	1,087
Trademarks and trade names							
- PCSD	209	59	104	67	-	-	439
- MBG	-	-	-	-	197	263	460
- DCG	162	54	31	123	-	-	370

The directors are of the view that there was no impairment of goodwill and trademarks and trade names based on impairment tests performed as at March 31, 2020 (2019: Nil).

3 Operating profit

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

	2020	2019
	US$'000	*US$'000*
Depreciation of property, plant and equipment		
– Other property, plant and equipment	**276,453**	288,965
– Right-of-use assets	**100,886**	-
Amortization of prepaid lease payments	**2,714**	2,795
Amortization of intangible assets	**589,734**	506,860
Employee benefit costs, including	**4,446,884**	4,006,967
– long-term incentive awards	***258,610***	*214,822*
Rental expenses under operating leases	**15,820**	131,918
Loss on disposal of property, plant and equipment	**11,467**	4,970
Loss on disposal of intangible assets	**1,067**	743
Fair value gain on financial assets at fair value through profit or loss	**(66,036)**	(125,550)
Fair value loss on a financial liability at fair value through profit or loss	**23,826**	-
Gain on disposal of subsidiaries	**(12,844)**	-
Gain on deemed disposal of a subsidiary	**-**	(22,811)
Dilution gain on interest in an associate	**-**	(24,189)
Gain on disposal of interest in an associate	**(3,922)**	-

4 Finance income and costs

(a) Finance income

	2020	2019
	US$'000	*US$'000*
Interest on bank deposits	**40,050**	21,927
Interest on money market funds	**7,800**	5,472
	47,850	27,399

(b) Finance costs

	2020	2019
	US$'000	*US$'000*
Interest on bank loans and overdrafts	**87,859**	92,103
Interest on convertible bonds	**39,488**	7,109
Interest on notes	**90,529**	123,428
Interest on lease liabilities	**17,270**	-
Factoring costs	**189,363**	96,730
Interest on contingent consideration and written put option liabilities	**26,556**	14,758
Others	**3,129**	2,899
	454,194	337,027

5 Taxation

The amount of taxation in the consolidated income statement represents:

	2020	2019
	US$'000	*US$'000*
Current tax		
Hong Kong profits tax	**73,957**	37,162
Taxation outside Hong Kong	**398,905**	432,094
Deferred tax		
Credit for the year	**(259,658)**	(269,796)
	213,204	199,460

Hong Kong profits tax has been provided for at the rate of 16.5% (2019: 16.5%) on the estimated assessable profit for the year. Taxation outside Hong Kong represents income and irrecoverable withholding taxes of subsidiaries operating in the Chinese Mainland and overseas, calculated at rates applicable in the respective jurisdictions.

6 Earnings per share

(a) Basic

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

	2020	2019
Weighted average number of ordinary shares in issue	**12,014,791,614**	12,014,791,614
Adjustment for shares held by employee share trusts	**(92,013,352)**	(121,750,794)
Weighted average number of ordinary shares in issue for calculation of basic earnings per share	**11,922,778,262**	11,893,040,820

	2020	2019
	US$'000	*US$'000*
Profit attributable to equity holders of the Company used to determine basic earnings per share	**665,091**	596,343

(b) Diluted

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

The Group has five (2019: four) categories of potential ordinary shares, namely long-term incentive awards, bonus warrants, put option written on non-controlling interests, convertible bonds and convertible preferred shares (2019: long-term incentive awards, bonus warrants, put option written on non-controlling interests and convertible bonds). Long-term incentive awards were dilutive for the years ended March 31, 2020 and 2019. Bonus warrants and convertible bonds were dilutive for the year ended March 31, 2020 and anti-dilutive for the year ended March 31, 2019. Put option written on non-controlling interests were anti-dilutive for the years ended March 31, 2020 and 2019. Convertible preferred shares were anti-dilutive for the year ended March 31, 2020.

	2020	2019
Weighted average number of ordinary shares in issue for calculation of basic earnings per share	**11,922,778,262**	11,893,040,820
Adjustment for long-term incentive awards	**233,802,440**	136,193,366
Adjustment for bonus warrants	**7,856,832**	-
Adjustment for convertible bonds	**694,709,646**	-
Weighted average number of ordinary shares in issue for calculation of diluted earnings per share	**12,859,147,180**	12,029,234,186

	2020	2019
	US$'000	US$'000
Profit attributable to equity holders of the Company used to determine basic earnings per share	**665,091**	596,343
Adjustment for interest on convertible bonds, net of tax	**32,972**	-
Profit attributable to equity holders of the Company used to determine diluted earnings per share	**698,063**	596,343

7 Dividends

	2020	2019
	US$'000	*US$'000*
Interim dividend of HK6.3 cents (2019: HK6.0 cents) per ordinary share, paid on December 6, 2019	**96,640**	92,071
Proposed final dividend – HK21.5 cents (2019: HK21.8 cents) per ordinary share	**333,262**	333,693
	429,902	425,764

8 Inventories

	2020	2019
	US$'000	*US$'000*
Raw materials and work-in-progress	**3,571,141**	1,796,880
Finished goods	**1,020,718**	1,016,132
Service parts	**355,055**	621,648
	4,946,914	3,434,660

9 Ageing analysis

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

	2020	2019
	US$'000	*US$'000*
0 – 30 days	**4,768,436**	4,560,771
31 – 60 days	**878,135**	1,332,471
61 – 90 days	**192,075**	430,207
Over 90 days	**519,822**	438,377
	6,358,468	6,761,826
Less: loss allowance	**(95,456)**	(100,342)
Trade receivables – net	**6,263,012**	6,661,484

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

	2020	2019
	US$'000	*US$'000*
0 – 30 days	**4,793,837**	4,279,000
31 – 60 days	**1,699,192**	1,046,525
61 – 90 days	**596,027**	757,718
Over 90 days	**420,668**	346,592
	7,509,724	6,429,835

10 Deposits, prepayments and other receivables

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

	2020	2019
	US$'000	*US$'000*
Deposits	**14,502**	14,632
Other receivables	**2,379,850**	2,587,439
Prepayments	**1,164,887**	1,151,855
	3,559,239	3,753,926

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

11 Provisions, other payables and accruals

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

	2020	2019
	US$'000	*US$'000*
Accruals	**2,340,811**	1,969,914
Allowance for billing adjustments (i)	**1,618,374**	1,650,226
Contingent consideration (Note 12(a))	**117,387**	-
Other payables (ii)	**4,857,095**	5,322,196
Lease liabilities (iii)	**91,976**	-
	9,025,643	8,942,336

Notes:

(i) Allowance for billing adjustments relates primarily to allowances for future volume discounts, price protection, rebates, and customer sales returns.

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

(iii) Lease liabilities were recognized upon the initial adoption of HKFRS 16 on April 1, 2019. Please refer to Note 1 for details.

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

(b) The components of provisions are as follows:

	Warranty	**Environmental restoration**	**Restructuring**	**Total**
	US$'000	***US$'000***	***US$'000***	***US$'000***
Year ended March 31, 2019				
At the beginning of the year	1,081,218	8,919	54,053	1,144,190
Exchange adjustment	(37,163)	(274)	(1,991)	(39,428)
Provisions made	807,636	14,545	-	822,181
Amounts utilized	(875,413)	(14,403)	(36,576)	(926,392)
Acquisition of subsidiaries	-	24,510	-	24,510
	976,278	33,297	15,486	1,025,061
Long-term portion classified as non-current liabilities	(254,601)	(31,772)	-	(286,373)
At the end of the year	721,677	1,525	15,486	738,688
Year ended March 31, 2020				
At the beginning of the year	**976,278**	**33,297**	**15,486**	**1,025,061**
Exchange adjustment	**(32,815)**	**626**	**(91)**	**(32,280)**
Provisions made	**824,687**	**20,126**	**-**	**844,813**
Amounts utilized	**(793,311)**	**(18,445)**	**(15,395)**	**(827,151)**
	974,839	**35,604**	**-**	**1,010,443**
Long-term portion classified as non-current liabilities	**(258,840)**	**(32,832)**	**-**	**(291,672)**
At the end of the year	**715,999**	**2,772**	**-**	**718,771**

The Group records its warranty liability at the time of sales based on estimated costs. Warranty claims are reasonably predictable based on historical failure rate information. The warranty accrual is reviewed quarterly to verify it properly reflects the outstanding obligation over the warranty period. Certain of these costs are reimbursable from the suppliers in accordance with the terms of relevant arrangements with them.

The Group records its environmental restoration provision at the time of sales based on estimated costs of environmentally-sound disposal of waste electrical and electronic equipment upon return from end-customers and with reference to the historical or projected future return rate. The environmental restoration provision is reviewed at least annually to assess its adequacy to meet the Group's obligation.

Restructuring costs provision mainly comprises lease termination obligations and employee termination payments, arising from a series of restructuring actions to reduce costs and enhance operational efficiency. The Group records its restructuring costs provision when it has a present legal or constructive obligation as a result of restructuring actions.

12 Other non-current liabilities

Details of other non-current liabilities are as follows:

	2020	2019
	US$'000	*US$'000*
Contingent consideration (a)	**-**	113,283
Deferred consideration (a)	**25,072**	25,072
Written put option liabilities (b)	**802,273**	783,505
Lease liabilities (Note 11(a)(iii))	**346,806**	-
Environmental restoration (Note 11(b))	**32,832**	31,772
Government incentives and grants received in advance (c)	**51,938**	50,087
Deferred rent liabilities	**-**	83,977
Others	**62,375**	159,950
	1,321,296	1,247,646

(a) Pursuant to the completion of business combinations, the Group is required to pay in cash to the respective sellers contingent consideration with reference to certain performance indicators as written in the respective agreements with the sellers; and deferred consideration. Accordingly, current and non-current liabilities in respect of the fair value of contingent consideration and present value of deferred consideration have been recognized. The contingent consideration is subsequently re-measured at its fair values as a result of change in the expected performance at each balance sheet date, with any resulting gain or loss recognized in the consolidated income statement. Deferred consideration is subsequently carried at amortized cost.

During the year, the contingent consideration to Fujitsu Limited ("Fujitsu") has been reclassified to current liabilities as it will fall due in May 2020. As at March 31, 2020, the potential undiscounted amounts of future payments in respect of the contingent and deferred considerations that the Group could be required to make to the then respective sellers under such arrangements are as follows:

Joint venture with NEC Corporation	US$25 million
Fujitsu	JPY2.55 billion to JPY12.75 billion

(b) (i) Pursuant to the joint venture agreement entered into between the Company and Fujitsu, the Company and Fujitsu are respectively granted call and put options which entitle the Company to purchase from Fujitsu and Development Bank of Japan ("DBJ"), or Fujitsu and DBJ to sell to the Company, the 49% interest in Fujitsu Client Computing Limited and its subsidiary, Shimane Fujitsu Limited (together "FCCL"). Both options will be exercisable following the fifth anniversary of the date of completion. The exercise price for the call and put options will be determined based on the fair value of the 49% interest as of the day of exercising the option. FCCL will pay to its shareholders by way of dividends in their respective shareholding proportion in a range of FCCL's profits available for distribution under applicable law in respect of each financial year during the term of the joint venture agreement, after making transfers to reserves and provisions.

(ii) During the year ended March 31, 2019, Hefei Zhi Ju Sheng Bao Equity Investment Co., Ltd ("ZJSB") acquired the 49% interest in a joint venture company ("JV Co") from Compal Electronics, Inc. The Company and ZJSB respectively own 51% and 49% of the interest in the JV Co. Pursuant to the option agreement entered into between a wholly owned subsidiary of the Group and Hefei Yuan Jia Start-up Investment LLP ("Yuan Jia"), which holds 99.31% interest in ZJSB, the Group and Yuan Jia are respectively granted call and put options which entitle the Group to purchase from Yuan Jia, or Yuan Jia to sell to the Group, the 99.31% interest in ZJSB. The call and put options will be exercisable at any time after August 31, 2022 and August 31, 2021 respectively. The exercise price for the call and put options will be determined in accordance with the joint venture agreement, and up to a maximum of RMB2,300 million (approximately US$324 million).

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

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

(c) Government incentives and grants received in advance by certain group companies included in other non-current liabilities are mainly related to research and development projects and construction of property, plant and equipment. These group companies are obliged to fulfill certain conditions under the terms of the government incentives and grants. The government incentive and grants are credited to the income statement upon fulfillment of those conditions and on a straight line basis over the expected life of the related assets respectively.

13 Borrowings

	2020	2019
	US$'000	*US$'000*
Current liabilities		
Short-term loans (i)	**2,124,562**	1,166,907
Note (ii)	**563,249**	786,136
Convertible bonds (iii)	**607,169**	-
	3,294,980	1,953,043
Non-current liabilities		
Long-term loan (i)	**3,079**	-
Notes (ii)	**1,243,714**	1,836,264
Convertible bonds (iii)	**-**	590,506
Convertible preferred shares (iv)	**317,826**	-
	1,564,619	2,426,770
	4,859,599	4,379,813

(i) All of the short-term and long-term loans are denominated in United States dollars. As at March 31, 2020, the Group has total revolving and short-term loan facilities of US$2,834 million (2019: US$2,501 million) which has been utilized to the extent of US$2,134 million (2019: US$1,181 million).

(ii)

Issue date	Principal amount	Term	Interest rate per annum	Due date	2020 *US$'000*	2019 *US$'000*
May 8, 2014	US$786 million	5 years	4.7%	May 2019	**-**	786,136
June 10, 2015	RMB4 billion	5 years	4.95%	June 2020	**563,249**	594,747
March 16, 2017	US$500 million	5 years	3.875%	March 2022	**498,225**	497,391
March 29, 2018	US$750 million	5 years	4.75%	March 2023	**745,489**	744,126
					1,806,963	2,622,400

(iii) On January 24, 2019, the Company completed the issuance of 5-Year US$675 million convertible bonds bearing annual interest at 3.375% due in January 2024 ("the Bonds") to third party professional investors ("the bondholders"). The proceeds were used to repay previous notes and for general corporate purposes. The bondholders have the right, at any time on or after 41 days after the date of issue up to the 10th day prior to the maturity date, to convert part or all of the outstanding principal amount of the Bonds into ordinary shares of the Company at a conversion price of HK$7.99 per share, subject to adjustments. The conversion price was adjusted to HK$7.62 per share effective on November 30, 2019. Assuming full conversion of the Bonds at the adjusted conversion price of HK$7.62 per share, the Bonds will be convertible into 694,709,646 shares. The Group expects that it will be able to meet its redemption obligations based on the financial position of the Group.

The outstanding principal amount of the Bonds is repayable by the Company upon the maturity of the Bonds on January 24, 2024, if not previously redeemed, converted or purchased and cancelled. On January 24, 2021, the bondholders will have the right, at the bondholders' option, to require the Company to redeem part or all of the Bonds on January 24, 2021 at their principal amount. To exercise such right, the bondholders must complete, sign and deposit a duly completed and signed notice of redemption not earlier than 60 days and not later than 30 days prior to January 24, 2021.

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

(iv) On June 21, 2019, the Group completed the issuance of 2,054,791 convertible preferred shares through its wholly owned subsidiary, Lenovo Enterprise Technology Company Limited ("LETCL").

The convertible preferred shares are convertible to 20% of the enlarged issued ordinary share capital of LETCL on an as-converted and fully-diluted basis. The holders of the convertible preferred shares will be entitled cash dividends of 4% per annum payable semi-annually on the original subscription price until December 31, 2023. Upon the occurrence of certain specified conditions, the holders of convertible preferred shares will have the right to require LETCL to redeem or the Company to purchase all of their convertible preferred shares at the predetermined consideration. Accordingly, the convertible preferred shares are classified as a financial liability.

The aggregated subscription price of convertible preferred shares is approximately US$300 million. The net proceeds from the issuance will be used by LETCL and its subsidiaries towards general corporate funding and capital expenditure of LETCL and its subsidiaries.

The Group expects that it will be able to meet its redemption obligations based on the financial position of the Group.

The exposure of all the borrowings of the Group to interest rate changes and the contractual repricing dates as at March 31, 2020 and 2019 are as follows:

	2020	2019
	US$'000	*US$'000*
Within 1 year	**3,294,980**	1,953,043
Over 1 to 3 years	**1,564,619**	1,682,644
Over 3 to 5 years	**-**	744,126
	4,859,599	4,379,813

14 Share capital

	2020		2019	
	Number of Shares	***US$'000***	*Number of shares*	*US$'000*
Issued and fully paid:				
Voting ordinary shares:				
At the beginning and end of the year	**12,014,791,614**	**3,185,923**	12,014,791,614	3,185,923

15 Perpetual securities

In March 2017, the Group issued a total of US$850 million perpetual securities through its wholly owned subsidiary, Lenovo Perpetual Securities Limited ("the issuer"). The net proceeds amounted to approximately US$842 million. The securities are perpetual, non-callable in the first 5 years and entitle the holders to receive distributions at a distribution rate of 5.375% per annum in the first 5 years, floating thereafter and with a fixed step up margin, payable semi-annually in arrears, cumulative and compounding. As the perpetual securities do not contain any contractual obligation to pay cash or other financial assets pursuant to the terms and conditions of the issue; in accordance with HKAS 32, they are classified as equity and for accounting purpose regarded as part of non-controlling interests.

In April 2017, the Group issued an additional US$150 million perpetual securities under the same terms, which are fungible with and form a single series with the aforementioned US$850 million perpetual securities.

16 Reconciliation of profit before taxation to net cash generated from operations

	2020	2019
	US$'000	*US$'000*
Profit before taxation	**1,017,707**	856,664
Share of losses of associates and joint ventures	**14,545**	11,525
Finance income	**(47,850)**	(27,399)
Finance costs	**454,194**	337,027
Depreciation of property, plant and equipment		
– Other property, plant and equipment	**276,453**	288,965
– Right-of-use assets	**100,886**	-
Amortization of prepaid lease payments	**2,714**	2,795
Amortization of intangible assets	**589,734**	506,860
Share-based compensation	**258,610**	214,822
Loss on disposal of property, plant and equipment	**11,467**	4,970
Loss on disposal of intangible assets	**1,067**	743
Gain on disposal of subsidiaries	**(12,844)**	-
Gain on deemed disposal of a subsidiary	**-**	(22,811)
Gain on disposal of interest in an associate	**(3,922)**	-
Dilution gain on interest in associates	**-**	(24,189)
Fair value change on bonus warrants	**(20,856)**	18,598
Fair value change on financial instruments	**(12,378)**	(12,802)
Fair value change on financial assets at fair value through profit or loss	**(66,036)**	(125,550)
Fair value change on a financial liability at fair value through profit or loss	**23,826**	-
Dividend income	**(6,411)**	(230)
(Increase)/decrease in inventories	**(1,526,131)**	496,706
Decrease/(increase) in trade receivables, notes receivable, deposits, prepayments and other receivables	**674,050**	(326,932)
Increase/(decrease) in trade payables, notes payable, provisions, other payables and accruals	**1,128,570**	(163,698)
Effect of foreign exchange rate changes	**149,161**	79,932
Net cash generated from operations	**3,006,556**	2,115,996

Reconciliation of financing liabilities

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

Financing liabilities	2020 *US$'000*	2019 *US$'000*
Short-term loans – current	**2,124,562**	1,166,907
Long-term loan – non-current	**3,079**	-
Note – current	**563,249**	786,136
Notes – non-current	**1,243,714**	1,836,264
Convertible bonds – current	**607,169**	-
Convertible bonds – non-current	**-**	590,506
Convertible preferred shares – non-current	**317,826**	-
Lease liabilities – current	**91,976**	-
Lease liabilities – non-current	**346,806**	-
	5,298,381	4,379,813
Short-term loans – variable interest rates	**2,123,571**	1,166,907
Short-term loan – fixed interest rates	**991**	-
Long-term loan – fixed interest rates	**3,079**	-
Notes – fixed interest rates	**1,806,963**	2,622,400
Convertible bonds – fixed interest rates	**607,169**	590,506
Convertible preferred shares – fair value	**317,826**	-
Lease liabilities – fixed interest rates	**438,782**	-
	5,298,381	4,379,813

	Short-term loans current *US$'000*	Long-term loan non-current *US$'000*	Note current *US$'000*	Notes non-current *US$'000*	Convertible bonds current *US$'000*	Convertible bonds non-current *US$'000*	Convertible preferred shares non-current *US$'000*	Lease liabilities current *US$'000*	Lease liabilities non-current *US$'000*	Total *US$'000*
Financing liabilities as at April 1, 2018	1,166,692	-	-	2,648,725	-	-	-	-	-	3,815,417
Proceeds from borrowings	5,700,215	-	-	-	-	-	-	-	-	5,700,215
Repayments of borrowings	(5,700,000)	-	-	-	-	-	-	-	-	(5,700,000)
Transfer	-	-	774,341	(774,341)	-	-	-	-	-	-
Issue of convertible bonds	-	-	-	-	-	675,000	-	-	-	675,000
Issuing cost of convertible bonds	-	-	-	-	-	(10,107)	-	-	-	(10,107)
Foreign exchange adjustments	-	-	-	(41,014)	-	-	-	-	-	(41,014)
Other non-cash movements	-	-	11,795	2,894	-	(74,387)	-	-	-	(59,698)
Financing liabilities as at March 31, 2019	1,166,907	-	786,136	1,836,264	-	590,506	-	-	-	4,379,813
Financing liabilities as at April 1, 2019	**1,166,907**	**-**	**786,136**	**1,836,264**	**-**	**590,506**	**-**	**-**	**-**	**4,379,813**
Change in accounting policy	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**77,903**	**331,441**	**409,344**
Proceeds from borrowings	**4,089,791**	**3,079**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**4,092,870**
Repayments of borrowings/note	**(3,135,800)**	**-**	**(786,244)**	**-**	**-**	**-**	**-**	**-**	**-**	**(3,922,044)**
Transfer	**-**	**-**	**581,389**	**(581,389)**	**602,983**	**(602,983)**	**-**	**91,422**	**(91,422)**	**-**
Issue of convertible preferred shares	**-**	**-**	**-**	**-**	**-**	**-**	**300,000**	**-**	**-**	**300,000**
Principal elements of lease payments	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(130,993)**	**-**	**(130,993)**
Dividends paid	**-**	**-**	**-**	**-**	**-**	**-**	**(6,000)**	**-**	**-**	**(6,000)**
Foreign exchange adjustments	**-**	**-**	**(18,770)**	**(13,548)**	**-**	**-**	**-**	**(370)**	**(863)**	**(33,551)**
Other non-cash movements	**3,664**	**-**	**738**	**2,387**	**4,186**	**12,477**	**23,826**	**54,014**	**107,650**	**208,942**
Financing liabilities as at March 31, 2020	**2,124,562**	**3,079**	**563,249**	**1,243,714**	**607,169**	**-**	**317,826**	**91,976**	**346,806**	**5,298,381**

17 Non-adjusting post balance sheet event

On April 24, 2020, the Group completed the issuance of 5-Year US$650 million notes bearing annual interest at 5.875% due in April 2025. On May 12, 2020, the Group issued an additional US$350 million of notes under the same terms, which have been consolidated and form a single series with the aforementioned US$650 million notes. The proceeds will be used for refinancing and general corporate purposes.

CONVERTIBLE BONDS

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

There had not been any conversion of the Bonds, and no redemption right had been exercised by the bondholders or the Company for the period ended March 31, 2020 since the issue date of the Bonds. As at March 31, 2020, the total outstanding principal amount of the Bonds was US$675 million. Please refer to the relevant note to the consolidated financial statements and the Company's 2019/20 annual report to be published for further details of the Bonds.

DEBENTURES ISSUED

The Company issued US$650,000,000 5.875% unsecured notes due 2025 on April 24, 2020 under the medium term note programme established by the Company on March 8, 2020. The Company has received a consideration of US$649,846,340 from the issuance of 2025 Note and the proceeds of this issue was applied for refinancing and general corporate purposes.

The Company further issued US$350,000,000 5.875% unsecured notes due 2025 (together with the notes issued on April 24, 2020, the "2025 Note") on May 12, 2020.

The Company has received a consideration of US$354,493,125 and the proceeds of this issue was applied for refinancing and general corporate purposes. The 2025 Note were listed on the Stock Exchange. Please refer to the relevant note to the consolidated financial statements and the Company's 2019/20 annual report to be published for further details of the 2025 Note.

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

During the year ended March 31, 2020, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities, except that the respective trustee of the long-term incentive program and the employee share purchase plan of the Company purchased a total of 219,414,416 shares from the market for award to employees upon vesting. Details of these program and plan will be set out in the 2019/20 Annual Report of the Company.

REVIEW BY AUDIT COMMITTEE

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

The Audit Committee of the Company has reviewed the audited annual results of the Group for the year ended March 31, 2020. It meets regularly with the management, the external auditor and the internal audit personnel to discuss the accounting principles and practices adopted by the Group and internal control and financial reporting matters.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

Throughout the year ended March 31, 2020, the Company has complied with the code provisions of the Corporate Governance Code and Corporate Governance Report (the "CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, and where appropriate, met the recommended best practices in the CG Code, with the exception that the roles of the chairman of the Board (the "Chairman") and the chief executive officer of the Company (the "CEO") have not been segregated as required by code provision A.2.1 of the CG Code.

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

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

Apart from the foregoing, the Company met the recommended best practices in the CG Code as to be disclosed in the respective sections of the 2019/20 Annual Report. Particularly, the Company published quarterly financial results and business reviews in addition to interim and annual results. Quarterly financial results enhanced the shareholders' ability to assess the performance, financial position and prospects of the Company. The quarterly financial results were prepared using the accounting standards consistent with the policies applied to the interim and annual financial statements.

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

May 20, 2020

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