Lenovo Group Limited 聯想集團有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 992)

FY2022/23 THIRD QUARTER RESULTS ANNOUNCEMENT

THIRD QUARTER RESULTS

The board of directors (the "Board") of Lenovo Group Limited (the "Company") announces the unaudited results of the Company and its subsidiaries (the "Group") for the three and nine months ended December 31, 2022 together with comparative figures for the corresponding period of last year, as follows:

FINANCIAL HIGHLIGHTS

- Record revenue and profit in Infrastructure Solutions and Solutions and Services businesses, despite persistent macro headwinds impacting devices demand
- Gross margin and operating margin grew by 44 and 28 basis points, respectively, year-on-year, owing to operational excellence and strengths in non-PC businesses; non-PC accounted for 41 percent of Group revenue
- Solutions and Services Group (SSG) delivered growth of 23 percent in revenue and 12 percent in operating profit, highlighting Service-led Transformation success in driving market penetration and capturing growth opportunities in aaS, hybrid cloud, and ESG; SSG continuing to generate the highest profitability among the three business groups
- Infrastructure Solutions Group (ISG) achieved 48 percent revenue growth while operating profit rose 156 percent thanks to its growing client base, product portfolio, design-in projects and ODM+ business model
- Intelligent Devices Group (IDG) remained a strong sector leader in both market share and profitability, with reduced channel inventory for various segments amid a 34 percent slowdown in sales on sector demand weakness
- Group net cash growing US$500 million year-on-year to reach US$0.6 billion and the cash conversion cycle improved by 13 days despite a 32 percent year-on-year setback in Group profit attributable to equity holders

	3 months ended December 31, 2022 (unaudited) *US$ million*	9 months ended December 31, 2022 (unaudited) *US$ million*	3 months ended December 31, 2021 (unaudited) *US$ million*	9 months ended December 31, 2021 (unaudited) *US$ million*	Year-on-year change 3 months ended December 31	Year-on-year change 9 months ended December 31
Revenue	15,267	49,312	20,127	54,924	(24%)	(10%)
Gross profit	2,612	8,358	3,355	9,185	(22%)	(9%)
Gross profit margin	17.1%	16.9%	16.7%	16.7%	0.4 pts	0.2 pts
Operating expenses	(1,862)	(5,980)	(2,423)	(6,693)	(23%)	(11%)
Operating profit	750	2,378	932	2,492	(20%)	(5%)
Other non-operating income/(expenses) - net	(145)	(372)	(77)	(244)	88%	53%
Profit before taxation	605	2,006	855	2,248	(29%)	(11%)
Profit for the period	482	1,575	682	1,724	(29%)	(9%)
Profit attributable to equity holders of the Company	437	1,494	640	1,618	(32%)	(8%)
Earnings per share attributable to equity holders of the Company						
Basic	US3.65 cents	US12.57 cents	US5.50 cents	US13.94 cents	US(1.85) cents	US(1.37) cents
Diluted	US3.44 cents	US11.68 cents	US4.92 cents	US12.46 cents	US(1.48) cents	US(0.78) cents
Non-HKFRS measure						
Non-HKFRS operating profit	729	2,449	920	2,495	(21%)	(2%)
Non-HKFRS profit before taxation	587	2,084	845	2,259	(31%)	(8%)
Non-HKFRS profit for the period	464	1,632	672	1,716	(31%)	(5%)
Non-HKFRS profit attributable to equity holders of the Company	447	1,594	652	1,656	(31%)	(4%)

BUSINESS REVIEW AND OUTLOOK

Highlights

During the quarter ended December 31, 2022, Lenovo's (the Group) operating performance was impacted by subdued demand in the PC sector, stemming from persistent macro headwinds including rising interest rates. Group revenue declined by 24 percent year-on-year to US$15.3 billion, within which the currency conversion alone caused a negative impact of 6 percent. Notwithstanding market challenges, improving profitability remained a prioritized medium-term financial target. Gross profit margin and operating margin respectively grew by 44 and 28 basis points year-on-year to all-time highs for the third fiscal quarter. Robust margin improvement amid market turbulence is a testament to the Group's operational excellence and strong growth segments, partly mitigating the profitability impact of a smaller scale operation and rising finance cost. Profit attributable to equity holders declined 32 percent to US$437 million.

Despite market challenges, the Group made critical progress in its long-term growth strategy for non-PC investments by accelerating growth in the Infrastructure Solutions Group (ISG) and Solutions and Services Group (SSG). Revenue from non-PC pillars contributed to 41 percent of the Group total. SSG and ISG delivered record-breaking revenue with 23 and 48 percent growth year-on-year, setting records in their respective segment's operating profit. The resilient global Digital Transformation cycle, and New IT demand, coupled with the Group's investment in innovation, including those in ESG (Environmental, Social and Governance) initiatives, played a critical role in delivering record-breaking performances. The Intelligent Devices Group (IDG) remained a strong sector leader, effectively reducing channel inventory in various segments. Nevertheless, the currency headwinds and market demand weakness led to a revenue decline of 34 percent year-on-year.

Confident in its long-term growth plan and trajectory, Group R&D (Research & Development) spending increased 5 percent year-on-year to fuel various growth engines, business transformation, and ESG initiatives. With this, the Group can better navigate demand volatility while addressing customer demands beyond technology hardware in the long-term. For other operating expenses, the Group aggressively pursued expense rebalancing, and non-R&D operating expense items declined 31 percent as a whole.

Net cash remained strong at US$581 million, an increase of US$500 million year-on-year. Group cash conversion cycle improved by 13 days from the same period last year, primarily due to an expansion in accounts payable days. Inventory reduction also progressed steadily, with its quarter-end balance declining by over US$900 million both quarter-on-quarter and year-on-year. This is a product of the progress the Group made to optimize its operations for greater agility amid macro challenges. Lenovo was recognized for its ESG performance with numerous accolades, including winning Gold in the Most Sustainable Companies and Organizations category at the Best Corporate Governance and ESG Awards by the Hong Kong Institute of Certified Public Accountants. Lenovo ranked 24th in Boston Consulting Group's "Most Innovative Companies" list of over 1,500 global companies. The Group was also highlighted in the Bloomberg Gender-Equality Index for the fourth consecutive year and featured as a leader in Climate Change and Water Security by CDP.

Group Financial Performance

At a time of market challenges, ISG and SSG continued to build on their momentum in capturing market share, setting new sales records and growing their combined profit by 19 percent year-on-year during the period under review. Notwithstanding a revenue decline of 34 percent year-on-year, IDG's operating profitability remained at a healthy level and the business group solidified its position in the industry as it focused on operational excellence.

Performance by Business Group

Intelligent Devices Group (IDG)

Revenue and operating profit of IDG, consisting of the PC, tablet, smartphone, and other smart device businesses, declined by 34 percent and 37 percent year-on-year respectively. Sluggish PC sector shipments regressed to pre-COVID levels as excess channel inventory intensified challenges amid falling sell-in demand. IDG made progress on reducing channel inventory and maintained its sector leadership with a global market share, by shipments, of 23 percent. IDG further led in its market share race against the two largest competitors over the same period last year, while capturing the largest share in the PC sector in three of four geographical markets. The Group closely monitored sell-out data, or actual sales to end users, which suggested a more moderate decline in end demand and, simultaneously, a greater proportion in share gain.

With an improved sales mix, disciplined management of expenses and operational excellence to mitigate pressure from weaker market demand and inventory digestion, operating profitability of IDG remained well above pre-COVID levels at 7.3 percent despite being down 36 basis points year-on-year.

IDG continued to invest in innovation for core and adjacent areas to drive long-term growth, including Smart Collaboration solutions, whose revenue growth was boosted by scenario-based solutions.

Infrastructure Solutions Group (ISG)

During the period under review, ISG's revenue grew by 48 percent year-on-year to an all-time high of US$2.9 billion, marking the third consecutive record-setting quarter. Operating profit increased by over 150 percent year-on-year, reaching a new milestone of US$43 million. The segment's strategy to grow its client base, product portfolio and design-in projects proved to be effective in expanding profitability year-on-year for seven consecutive quarters.

Building a comprehensive, full-stack infrastructure solutions portfolio is paying off. The Group is one of the fastest growing infrastructure solutions providers globally with significant progress in new product areas. By product, revenues of server, storage, software and AI Edge shipments all set new records. Server product sales grew by strong double-digits off a high base while storage revenue more than doubled year-on-year. Third-party statistics indicated ISG's market share by revenue in the global storage market nearly doubled year-on-year in the latest quarterly results. At the same time, its worldwide server market share by revenue climbed one spot from the previous quarter to number 3.

ISG continued to differentiate with broadened customer coverage, and a fully integrated ODM+ (Original Design and Manufacturing) business model and solutions. Its exposure to both Cloud Service Provider (CSP) and Enterprise & Small-and-medium Business (ESMB) segments gave the group a unique advantage in balancing scale and profit. Well-supported by the segment's strategy, CSP and ESMB revenues grew at strong double-digit rates to record levels.

Solutions & Services Group (SSG)

SSG targeted New IT segments within the trillion-dollar IT services market to facilitate the Group's Service-led Transformation. SSG's financial results echoed the success of its Transformation journey, with revenue and operating profit growing 23 percent and 12 percent year-on-year to US$1.8 billion and US$370 million respectively. SSG's operating margin of 20.2 percent was significantly higher than the Group average, driving a structural expansion of its long-term profit margin.

Globally, companies continued to prioritize their IT spend on digital business initiatives, which bodes well for demand of the Group's non-hardware-tied Managed Services and Project & Solution Services. For example, as-a-Service (aaS) solutions gained popularity despite macro uncertainties prolonging the conversion cycle for new deals. By segment, revenue of SSG's Managed Services nearly doubled year-on-year. Project & Solution Services revenue rose 7 percent year-on-year with the accelerated adoption of solutions utilizing Lenovo's Intelligent Properties (IPs). Along with record Services' penetration rate, Attached and Support Services revenue also increased 12 percent year-on-year.

The Group continued to expand its recurring revenue base. Deferred revenue reached US$3.0 billion, increasing 8 percent year-on-year.

Geographic Performance

Lenovo is a global business operating in more than 180 markets. In Americas (AG), the Group experienced a 18 percent year-on-year decrease in sales. PC sector revenue declined sharply, impacting IDG's revenue performance in the region, as it faced headwinds from inflation and weaker economic activity. ISG leveraged its enriched product portfolio and lasting strength in new infrastructure solution orders to grow revenue by one and half times year-on-year. SSG maintained steady growth in the Americas, achieving a higher penetration rate and driving hypergrowth in the aaS business despite the longer deal conversion cycle.

Group revenue in China and Asia Pacific (excluding China) declined by 22-23 percent over the same period last year. China's performance was affected by a weaker economy amid changes to the country's containment measures. The consumer and commercial segments, including PC and infrastructure businesses, contributed to the slowdown as demand contracted. SSG business continued to blossom with strong double-digit revenue growth in China, year-on year, and a near 50 percent growth in Asia Pacific (excluding China). Key project wins for the period under review included a deal with a global health fund offering significant land-and-expand potential for the future.

The Europe-Middle East-Africa (EMEA) market reported a 35 percent year-on-year revenue decline as a result of macro headwinds, channel inventory reduction and persistent geo-political conflicts. Both ISG and SSG stayed on a strong growth trajectory, somewhat offsetting demand weakness for IDG. SSG grew double-digits year-on-year in EMEA with an enhanced delivery footprint, product differentiation, and customer expansion.

Outlook

External challenges prevailed the global market during the period under review and could extend well into future periods. For example, with the Group's global market exposure, the strengthening US dollar exacerbated the conversion impact as more than half of the Group's revenue is denominated in non-USD currencies, many of which experienced year-on-year depreciation against the US dollar. In last two quarters, the strengthening of the US dollar alone impacted Group revenue by 6 percent.

Meanwhile, there is also a clear shift in IT spending mix, favoring Digitalization, which will create strategic opportunities in Digital, Cloud Infrastructure and Service-led Transformations. These catalysts, coupled with the Group's investments in innovation and its global footprint, are key to mitigating external challenges and achieving its medium-term goal of doubling net margin. The Group will continue investing in innovation and high-value added products and components, fostering development of "New IT" architecture within the "Client-Edge-Cloud-Network-Intelligence" framework. The Group's newly-unveiled product and solution lineup at the Consumer Electronics Show (CES) in January 2023 received a total of 129 awards for various products, including 47 awards for Yoga Book 9i.

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

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

For SSG, the confluence of global economic challenges and dynamic shifts in market demand present new opportunities. Digitalization and structural changes in the workplace will unleash the demand for Premier, TruScale as-a-Service, Sustainability, and vertical solutions. Cost of capital is going up amid global interest rate hikes, leading to more cautious spending by enterprise customers and cash outlay by "sweating" their technology assets. This trend could delay the deal conversion cycle in the near-term but supercharge long-term demand for Maintenance Services to extend asset usability. Enterprise users will also have greater incentives to explore Asset Recovery Services to monetize and recoup the value of their end-of-life assets. The IT talent shortage in most enterprises will translate into additional demand for outsourced services, presenting an opportunity for professional consulting, deployment, and managed services. Managed Services is well-positioned to capture aaS demand. SSG continues to broaden its service offerings across different services areas while strengthening channel tools and cooperation with business partners to further improve its penetration rate.

Strategic Highlights

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

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

As a responsible corporate, the Group prides itself on setting high standards and making every effort to mitigate environmental impact as the business advances towards its Science Based Targets initiative-approved (SBTi) goal of Net Zero emissions by 2050. It is worthwhile to note that the Group is the first PC and smartphone maker, and one of only 139 companies in the world, with an SBTi-validated net-zero target.

FINANCIAL REVIEW

Results for the nine months ended December 31, 2022

	9 months ended December 31, 2022 (unaudited) ***US$ million***	9 months ended December 31, 2021 (unaudited) *US$ million*	Year-on-year change
Revenue	**49,312**	54,924	(10%)
Gross profit	**8,358**	9,185	(9%)
Gross profit margin	**16.9%**	16.7%	0.2 pts
Operating expenses	**(5,980)**	(6,693)	(11%)
Operating profit	**2,378**	2,492	(5%)
Other non-operating income/(expenses) – net	**(372)**	(244)	53%
Profit before taxation	**2,006**	2,248	(11%)
Profit for the period	**1,575**	1,724	(9%)
Profit attributable to equity holders of the Company	**1,494**	1,618	(8%)
Earnings per share attributable to equity holders of the Company			
Basic	**US12.57 cents**	US13.94 cents	US(1.37) cents
Diluted	**US11.68 cents**	US12.46 cents	US(0.78) cents

For the nine months ended December 31, 2022, the Group achieved total sales of approximately US$49,312 million. When compared to the corresponding period of last year, profit attributable to equity holders for the period decreased by US$124 million to approximately US$1,494 million, gross profit margin rose 0.2 percentage points to 16.9 percent. While basic and diluted earnings per share were US12.57 cents and US11.68 cents respectively, representing a decrease of US1.37 cents and US0.78 cents.

Analysis of operating expenses by function for the nine months ended December 31, 2022 and 2021 is as follows:

	9 months ended December 31, 2022 ***US$'000***	9 months ended December 31, 2021 *US$'000*
Selling and distribution expenses	**(2,637,097)**	(2,782,822)
Administrative expenses	**(1,712,374)**	(2,241,993)
Research and development expenses	**(1,645,703)**	(1,497,642)
Other operating income/(expenses) – net	**15,577**	(170,479)
	(5,979,597)	(6,692,936)

Operating expenses for the period decreased by 11 percent as compared with the corresponding period of last year. Employee benefit costs decreased by US$610 million mainly due to decrease in performance-based bonus and sales commissions. The Group has reduced advertising and promotional expenses by US$116 million due to budget control and cost saving strategy. During the period, the Group recorded a fair value gain from strategic investments amounted to US$115 million (2021/22: US$186 million), reflecting the change in value of the Group's portfolio. The Group recorded a net provision of loss allowance of trade receivables of US$31 million (2021/22: net provision of US$1 million) reflecting our assessment on certain doubtful amounts.

Key expenses by nature comprise:

	9 months ended December 31, 2022 ***US$'000***	9 months ended December 31, 2021 *US$'000*
Depreciation of property, plant and equipment	**(143,778)**	(129,377)
Depreciation of right-of-use assets	**(97,655)**	(88,086)
Amortization of intangible assets, excluding internal use software	**(379,143)**	(350,413)
Impairment of intangible assets	**-**	(31,434)
Impairment of property, plant and equipment	**-**	(10,189)
Employee benefit costs, including	**(3,062,229)**	(3,672,628)
- long-term incentive awards	***(243,636)***	*(267,597)*
Rental expenses	**(8,119)**	(11,412)
Net foreign exchange loss	**(105,856)**	(108,896)
Advertising and promotional expenses	**(714,562)**	(830,496)
Legal, professional and consulting expenses	**(240,339)**	(155,768)
Information technology expenses, including	**(279,417)**	(235,795)
- amortization of internal use software	***(153,970)***	*(147,189)*
Increase in loss allowance of trade receivables	**(76,023)**	(47,575)
Unused amounts of loss allowance of trade receivables reversed	**45,098**	46,875
Research and development related laboratory testing, services and supplies	**(290,513)**	(367,866)
(Loss)/gain on disposal of property, plant and equipment	**(1,074)**	2,958
Loss on disposal of intangible assets	**(301)**	(5,562)
Loss on disposal of construction-in-progress	**(1,063)**	-
Fair value gain on financial assets at fair value through profit or loss	**114,561**	186,072
Fair value loss on a financial liability at fair value through profit or loss	**(2,658)**	(11,484)
Gain on disposal of subsidiaries	**-**	32,303
Dilution gain on interest in associates	**2,146**	-
Gain on disposal of interest in associates	**1,180**	-
Others	**(739,852)**	(904,163)
	(5,979,597)	(6,692,936)

Other non-operating income/(expenses) - net for the nine months ended December 31, 2022 and 2021 comprise:

	9 months ended December 31, 2022 ***US$'000***	9 months ended December 31, 2021 *US$'000*
Finance income	**98,411**	37,687
Finance costs	**(460,046)**	(278,067)
Share of losses of associates and joint ventures	**(10,922)**	(3,834)
	(372,557)	(244,214)

Finance income mainly represents interest on bank deposits.

Finance costs for the period increased by 65 percent as compared with the corresponding period of last year due to utilization of factoring program, increase in market interest rate and issuance of notes and convertible bonds during the period. The increase is mainly attributable to the increase in factoring cost of US$138 million, interest on bank loans and overdrafts of US$25 million and interest on notes of US$22 million.

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

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

	9 months ended December 31, 2022		9 months ended December 31, 2021	
	Revenue	**Operating profit**	Revenue	Operating profit/(loss)
	US$'000	***US$'000***	*US$'000*	*US$'000*
IDG	**39,575,369**	**2,937,449**	47,614,230	3,612,254
ISG	**7,555,583**	**90,589**	5,731,418	(62)
SSG	**5,013,506**	**1,067,363**	4,045,237	880,624
Total	**52,144,458**	**4,095,401**	57,390,885	4,492,816
Eliminations	**(2,832,697)**	**(901,975)**	(2,466,427)	(743,390)
	49,311,761	**3,193,426**	54,924,458	3,749,426
Unallocated:				
Headquarters and corporate income/(expenses) - net		**(841,768)**		(1,167,338)
Depreciation and amortization		**(418,701)**		(485,007)
Impairment of intangible assets		**-**		(25,434)
Finance income		**69,162**		23,418
Finance costs		**(101,422)**		(53,911)
Share of losses of associates and joint ventures		**(12,672)**		(3,834)
(Loss)/gain on disposal of property, plant and equipment		**(335)**		409
Fair value gain on financial assets at fair value through profit or loss		**114,561**		186,072
Fair value loss on a financial liability at fair value through profit or loss		**(2,658)**		(11,484)
Gain on disposal of subsidiaries		**-**		32,303
Dilution gain on interest in associates		**2,146**		-
Gain on disposal of interest in an associate		**1,190**		-
Dividend income		**2,637**		2,944
Consolidated profit before taxation		**2,005,566**		2,247,564

Headquarters and corporate income/(expenses) - net for the period comprise various expenses, after appropriate allocation to business groups, of US$842 million (2021/22: US$1,167 million) such as employee benefit costs, legal, professional and consulting expenses, and research and technology expenses. The drop is primarily in relation to the decrease in employee benefit costs as a result of decreased performance-based bonus and long-term incentive awards as compared with the corresponding period of last year.

Third Quarter 2022/23 compared to Third Quarter 2021/22

	3 months ended December 31, 2022 (unaudited) ***US$ million***	3 months ended December 31, 2021 (unaudited) *US$ million*	Year-on-year change
Revenue	**15,267**	20,127	(24%)
Gross profit	**2,612**	3,355	(22%)
Gross profit margin	**17.1%**	16.7%	0.4 pts
Operating expenses	**(1,862)**	(2,423)	(23%)
Operating profit	**750**	932	(20%)
Other non-operating income/(expenses) – net	**(145)**	(77)	88%
Profit before taxation	**605**	855	(29%)
Profit for the period	**482**	682	(29%)
Profit attributable to equity holders of the Company	**437**	640	(32%)
Earnings per share attributable to equity holders of the Company			
Basic	**US3.65 cents**	US5.50 cents	US(1.85) cents
Diluted	**US3.44 cents**	US4.92 cents	US(1.48) cents

For the three months ended December 31, 2022, the Group achieved total sales of approximately US$15,267 million. When compared to the corresponding period of last year, profit attributable to equity holders for the period decreased by US$203 million to approximately US$437 million, gross profit margin rose 0.4 percentage points to 17.1 percent. While basic and diluted earnings per share were US3.65 cents and US3.44 cents respectively, representing a decrease of US1.85 cents and US1.48 cents.

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

Analysis of operating expenses by function for the three months ended December 31, 2022 and 2021 is as follows:

	3 months ended December 31, 2022 ***US$'000***	3 months ended December 31, 2021 *US$'000*
Selling and distribution expenses	**(871,492)**	(1,011,801)
Administrative expenses	**(479,964)**	(729,282)
Research and development expenses	**(578,637)**	(549,208)
Other operating income/(expenses) – net	**67,804**	(132,480)
	(1,862,289)	(2,422,771)

Operating expenses for the period decreased by 23 percent as compared with the corresponding period of last year. Employee benefit costs decreased by US$286 million mainly due to decrease in performance-based bonus and sales commissions. The Group has reduced advertising and promotional expenses by US$92 million due to budget control and cost saving strategy. Net exchange loss decreased by US$34 million resulting from currency fluctuations.

Key expenses by nature comprise:

	3 months ended December 31, 2022 ***US$'000***	3 months ended December 31, 2021 *US$'000*
Depreciation of property, plant and equipment	**(49,693)**	(42,658)
Depreciation of right-of-use assets	**(35,016)**	(29,529)
Amortization of intangible assets, excluding internal use software	**(128,444)**	(117,635)
Employee benefit costs, including	**(949,977)**	(1,235,970)
- long-term incentive awards	***(84,830)***	*(94,003)*
Rental expenses	**(2,845)**	(3,709)
Net foreign exchange loss	**(1,185)**	(35,101)
Advertising and promotional expenses	**(229,641)**	(321,343)
Legal, professional and consulting expenses	**(117,986)**	(34,013)
Information technology expenses, including	**(83,986)**	(80,313)
- amortization of internal use software	***(52,958)***	*(50,634)*
Increase in loss allowance of trade receivables	**(14,359)**	(12,688)
Unused amounts of loss allowance of trade receivables reversed	**26,867**	19,522
Research and development related laboratory testing, services and supplies	**(101,735)**	(165,793)
Loss on disposal of property, plant and equipment	**(612)**	(1,990)
Loss on disposal of intangible assets	-	(972)
Fair value gain on financial assets at fair value through profit or loss	**74,130**	75,388
Fair value loss on a financial liability at fair value through profit or loss	**(900)**	(1,633)
Dilution gain on interest in associates	**2,146**	-
Gain on disposal of interest in an associate	**1,190**	-
Others	**(250,243)**	(434,334)
	(1,862,289)	(2,422,771)

Other non-operating income/(expenses) - net for the three months ended December 31, 2022 and 2021 comprise:

	3 months ended December 31, 2022 ***US$'000***	3 months ended December 31, 2021 *US$'000*
Finance income	**42,150**	14,463
Finance costs	**(184,809)**	(90,997)
Share of losses of associates and joint ventures	**(2,296)**	(715)
	(144,955)	(77,249)

Finance income mainly represents interest on bank deposits.

Finance costs for the period doubled as compared with the corresponding period of last year due to utilization of factoring program and increase in market interest rate during the period and issuance of notes and convertible bonds in the last quarter. The increase is mainly attributable to the increase in factoring cost of US$74 million, interest on bank loans and overdrafts of US$5 million and interest on notes of US$14 million.

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

The Group adopts segments by business group as the reporting format. Segments by business group comprise IDG, ISG and SSG. Revenue and operating profit for reportable segments are as follows:

	3 months ended December 31, 2022		3 months ended December 31, 2021	
	Revenue *US$'000*	**Operating profit** *US$'000*	Revenue *US$'000*	Operating profit *US$'000*
IDG	**11,585,682**	**848,052**	17,609,684	1,351,744
ISG	**2,855,147**	**43,276**	1,928,783	16,884
SSG	**1,836,435**	**370,453**	1,497,621	332,152
Total	**16,277,264**	**1,261,781**	21,036,088	1,700,780
Eliminations	**(1,010,658)**	**(301,922)**	(909,556)	(277,074)
	15,266,606	**959,859**	20,126,532	1,423,706
Unallocated:				
Headquarters and corporate income/(expenses) - net		**(254,390)**		(484,649)
Depreciation and amortization		**(137,986)**		(154,068)
Finance income		**32,968**		8,734
Finance costs		**(69,158)**		(13,318)
Share of losses of associates and joint ventures		**(3,676)**		(715)
Loss on disposal of property, plant and equipment		**(297)**		(116)
Fair value gain on financial assets at fair value through profit or loss		**74,130**		75,388
Fair value loss on a financial liability at fair value through profit or loss		**(900)**		(1,633)
Dilution gain on interest in associates		**2,146**		-
Gain on disposal of interest in an associate		**1,190**		-
Dividend income		**1,115**		1,865
Consolidated profit before taxation		**605,001**		855,194

Headquarters and corporate income/(expenses) - net for the period comprise various expenses, after appropriate allocation to business groups, of US$254 million (2021/22: US$485 million) such as employee benefit costs, legal, professional and consulting expenses, and research and technology expenses. The drop is primarily in relation to the decrease in employee benefit costs as a result of decreased performance-based bonus and decrease in net foreign exchange loss as compared with the corresponding period of last year.

Use of non-HKFRS measure

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

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

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

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

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

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

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

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

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

Nine months ended December 31, 2022

	Operating profit (unaudited) *US$’000*	**Profit before taxation (unaudited)** *US$’000*	**Profit for the period (unaudited)** *US$’000*	**Profit attributable to equity holders (unaudited)** *US$’000*
As reported	**2,378,123**	**2,005,566**	**1,575,255**	**1,494,115**
Non-HKFRS adjustments				
Net fair value changes on financial assets at fair value through profit or loss	**(114,561)**	**(114,561)**	**(100,764)**	**(57,143)**
Amortization of intangible assets resulting from mergers and acquisitions	**174,904**	**174,904**	**139,030**	**139,030**
Mergers and acquisitions related charges	**10,751**	**18,012**	**18,012**	**18,012**
Non-HKFRS	**2,449,217**	**2,083,921**	**1,631,533**	**1,594,014**

Nine months ended December 31, 2021

	Operating profit (unaudited) *US$'000*	Profit before taxation (unaudited) *US$'000*	Profit for the period (unaudited) *US$'000*	Profit attributable to equity holders (unaudited) *US$'000*
As reported	2,491,778	2,247,564	1,723,965	1,617,655
Non-HKFRS adjustments				
Net fair value changes on financial assets at fair value through profit or loss	(186,072)	(186,072)	(164,463)	(117,789)
Amortization of intangible assets resulting from mergers and acquisitions	188,821	188,821	147,920	147,920
Mergers and acquisitions related charges	-	8,706	8,706	8,706
Non-HKFRS	2,494,527	2,259,019	1,716,128	1,656,492

Three months ended December 31, 2022

	Operating profit (unaudited) ***US$'000***	**Profit before taxation (unaudited)** ***US$'000***	**Profit for the period (unaudited)** ***US$'000***	**Profit attributable to equity holders (unaudited)** ***US$'000***
As reported	**749,956**	**605,001**	**481,943**	**437,201**
Non-HKFRS adjustments				
Net fair value changes on financial assets at fair value through profit or loss	**(74,130)**	**(74,130)**	**(63,985)**	**(36,289)**
Amortization of intangible assets resulting from mergers and acquisitions	**53,345**	**53,345**	**43,438**	**43,438**
Mergers and acquisitions related charges	**173**	**2,694**	**2,694**	**2,694**
Non-HKFRS	**729,344**	**586,910**	**464,090**	**447,044**

Three months ended December 31, 2021

	Operating profit (unaudited) *US$'000*	Profit before taxation (unaudited) *US$'000*	Profit for the period (unaudited) *US$'000*	Profit attributable to equity holders (unaudited) *US$'000*
As reported	932,443	855,194	681,708	639,605
Non-HKFRS adjustments				
Net fair value changes on financial assets at fair value through profit or loss	(75,388)	(75,388)	(61,446)	(39,845)
Amortization of intangible assets resulting from mergers and acquisitions	62,604	62,604	49,071	49,071
Mergers and acquisitions related charges	-	2,844	2,844	2,844
Non-HKFRS	919,659	845,254	672,177	651,675

Capital Expenditure

The Group incurred capital expenditure of US$1,204 million (2021/22: US$920 million) during the nine months ended December 31, 2022, mainly for the acquisition of property, plant and equipment, additions to construction-in-progress and intangible assets. The higher capital expenditure incurred in current period is mainly attributable to more investments in patent and technology, internal use software and plant and machinery.

Liquidity and Financial Resources

At December 31, 2022, total assets of the Group amounted to US$41,749 million (March 31, 2022: US$44,511 million), which were financed by equity attributable to owners of the Company of US$5,325 million (March 31, 2022: US$4,991 million), other non-controlling interests (net of put option written on non-controlling interests) of US$479 million (March 31, 2022: US$404 million), and total liabilities of US$35,945 million (March 31, 2022: US$39,116 million). At December 31, 2022, the current ratio of the Group was 0.90 (March 31, 2022: 0.89).

At December 31, 2022, bank deposits and cash and cash equivalents totaling US$5,081 million (March 31, 2022: US$4,023 million) analyzed by major currency are as follows:

	December 31, 2022	March 31, 2022
	%	%
US dollar	**47.1**	37.2
Renminbi	**23.1**	27.3
Japanese Yen	**4.3**	6.0
Euro	**4.1**	4.1
Australian dollar	**2.2**	2.7
Other currencies	**19.2**	22.7
Total	**100.0**	100.0

The Group adopts a conservative policy to invest the surplus cash generated from operations. At December 31, 2022, 74 (March 31, 2022: 92) percent of cash are bank deposits, and 26 (March 31, 2022: 8) percent are investments in liquid money market funds of investment grade.

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

The Group has the following banking facilities:

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

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

Credit facilities	Total available amount at **December 31, 2022** ***US$ million***	Total available amount at March 31, 2022 *US$ million*	Drawn down amount at **December 31, 2022** ***US$ million***	Drawn down amount at March 31, 2022 *US$ million*
Trade lines	**4,307**	4,053	**2,959**	2,813
Short-term money market facilities	**1,856**	1,154	**71**	54
Forward foreign exchange contracts	**11,152**	12,522	**11,094**	12,447

Apart from the above facilities, notes, convertible bonds and convertible preferred shares issued by the Group and outstanding at December 31, 2022 are as follows. Further details of borrowings are set out in Note 12 to the Financial Information.

	Issue date	Principal amount	Term	Interest rate/ dividend per annum	Due date	Use of proceeds
2023 Notes	March 29, 2018	US$487 million	5 years	4.75%	March 2023	For repayment of previous Notes and general corporate purposes
2024 Convertible Bonds	January 24, 2019	US$220 million	5 years	3.375%	January 2024	For repayment of previous Notes and general corporate purposes
Convertible preferred shares	June 21, 2019	US$40 million	N/A	4%	N/A	For general corporate funding and capital expenditure
2025 Notes	April 24, 2020 and May 12, 2020	US$1 billion	5 years	5.875%	April 2025	For repayment of previous Notes and general corporate purposes
2030 Notes	November 2, 2020	US$929 million	10 years	3.421%	November 2030	For repurchase of perpetual securities and previous Notes
2028 Notes	July 27, 2022	US$625 million	5.5 years	5.831%	January 2028	For repayment of previous Notes and general corporate purposes
2032 Notes	July 27, 2022	US$610 million	10 years	6.536%	July 2032	For financing of eligible projects under the Green Finance Framework
2029 Convertible Bonds	August 26, 2022	US$675 million	7 years	2.5%	August 2029	For repayment of previous convertible bonds and general corporate purposes

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

	December 31, 2022	March 31, 2022
	US$ million	*US$ million*
Bank deposits and cash and cash equivalents	**5,081**	4,023
Borrowings		
- Short-term loans	**75**	58
- Long-term loan	-	1
- Notes	**3,632**	2,676
- Convertible bonds	**745**	641
- Convertible preferred shares	**47**	45
Net cash position	**581**	602
Total equity	**5,803**	5,395
Gearing ratio (Borrowings divided by total equity)	**0.78**	0.63

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

The Group adopts a consistent hedging policy for business transactions to reduce the risk of currency fluctuation arising from daily operations. At December 31, 2022, the Group had commitments in respect of outstanding forward foreign exchange contracts amounting to US$11,094 million (March 31, 2022: US$12,447 million). The Group's forward foreign exchange contracts are either used to hedge a percentage of future transactions which are highly probable, or used as fair value hedges for identified assets and liabilities.

Contingent Liabilities

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

FINANCIAL INFORMATION

CONSOLIDATED INCOME STATEMENT

	Note	**3 months ended December 31, 2022 (unaudited) *US$'000***	**9 months ended December 31, 2022 (unaudited) *US$'000***	3 months ended December 31, 2021 (unaudited) *US$'000*	9 months ended December 31, 2021 (unaudited) *US$'000*
Revenue	*2*	**15,266,606**	**49,311,761**	20,126,532	54,924,458
Cost of sales		**(12,654,361)**	**(40,954,041)**	(16,771,318)	(45,739,744)
Gross profit		**2,612,245**	**8,357,720**	3,355,214	9,184,714
Selling and distribution expenses		**(871,492)**	**(2,637,097)**	(1,011,801)	(2,782,822)
Administrative expenses		**(479,964)**	**(1,712,374)**	(729,282)	(2,241,993)
Research and development expenses		**(578,637)**	**(1,645,703)**	(549,208)	(1,497,642)
Other operating income/(expenses) - net		**67,804**	**15,577**	(132,480)	(170,479)
Operating profit	*3*	**749,956**	**2,378,123**	932,443	2,491,778
Finance income	*4(a)*	**42,150**	**98,411**	14,463	37,687
Finance costs	*4(b)*	**(184,809)**	**(460,046)**	(90,997)	(278,067)
Share of losses of associates and joint ventures		**(2,296)**	**(10,922)**	(715)	(3,834)
Profit before taxation		**605,001**	**2,005,566**	855,194	2,247,564
Taxation	*5*	**(123,058)**	**(430,311)**	(173,486)	(523,599)
Profit for the period		**481,943**	**1,575,255**	681,708	1,723,965
Profit attributable to:					
Equity holders of the Company		**437,201**	**1,494,115**	639,605	1,617,655
Other non-controlling interests		**44,742**	**81,140**	42,103	106,310
		481,943	**1,575,255**	681,708	1,723,965
Earnings per share attributable to equity holders of the Company					
Basic	*6(a)*	**US3.65 cents**	**US12.57 cents**	US5.50 cents	US13.94 cents
Diluted	*6(b)*	**US3.44 cents**	**US11.68 cents**	US4.92 cents	US12.46 cents
Dividend			**123,602**		123,771

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	3 months ended December 31, 2022 (unaudited) *US$'000*	**9 months ended December 31, 2022 (unaudited) *US$'000***	3 months ended December 31, 2021 (unaudited) *US$'000*	9 months ended September 30, 2021 (unaudited) *US$'000*
Profit for the period	**481,943**	**1,575,255**	681,708	1,723,965
Other comprehensive income/(loss):				
Items that will not be reclassified to profit or loss				
Remeasurements of post-employment benefit obligations, net of taxes	**27,035**	**27,438**	(14,189)	(19,457)
Fair value change on financial assets at fair value through other comprehensive income, net of taxes	**1,242**	**(1,194)**	(3,454)	(7,349)
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 (loss)/gain, net of taxes	**(357,795)**	**324,380**	66,055	138,904
- Reclassified to consolidated income statement	**(51,879)**	**(512,087)**	(119,438)	(174,157)
Currency translation differences	**191,283**	**(697,128)**	(10,975)	38,499
Other comprehensive loss for the period	**(190,114)**	**(858,591)**	(82,001)	(23,560)
Total comprehensive income for the period	**291,829**	**716,664**	599,707	1,700,405
Total comprehensive income attributable to:				
Equity holders of the Company	**220,785**	**656,335**	565,253	1,605,433
Other non-controlling interests	**71,044**	**60,329**	34,454	94,972
	291,829	**716,664**	599,707	1,700,405

CONSOLIDATED BALANCE SHEET

	Note	**December 31, 2022 (unaudited)** *US$'000*	March 31, 2022 (audited) *US$'000*
Non-current assets			
Property, plant and equipment		**1,926,875**	1,636,629
Right-of-use assets		**672,478**	839,233
Construction-in-progress		**574,819**	510,211
Intangible assets		**8,184,558**	8,066,785
Interests in associates and joint ventures		**442,193**	339,547
Deferred income tax assets		**2,367,616**	2,527,955
Financial assets at fair value through profit or loss		**1,166,896**	1,104,408
Financial assets at fair value through other comprehensive income		**64,716**	64,572
Other non-current assets		**216,467**	424,241
		15,616,618	15,513,581
Current assets			
Inventories	*7*	**7,502,055**	8,300,658
Trade and notes receivables	*8(a)*	**9,288,512**	11,289,547
Derivative financial assets		**25,680**	113,757
Deposits, prepayments and other receivables	*9*	**3,934,213**	5,014,292
Income tax recoverable		**300,899**	255,809
Bank deposits		**61,767**	92,513
Cash and cash equivalents		**5,018,898**	3,930,287
		26,132,024	28,996,863
Total assets		**41,748,642**	44,510,444

CONSOLIDATED BALANCE SHEET (CONTINUED)

	Note	**December 31, 2022 (unaudited)** *US$'000*	March 31, 2022 (audited) *US$'000*
Share capital	*13*	**3,282,318**	3,203,913
Reserves		**2,042,269**	1,786,726
Equity attributable to owners of the Company		**5,324,587**	4,990,639
Other non-controlling interests		**1,026,217**	951,415
Put option written on non-controlling interests	*11(b)*	**(547,353)**	(547,353)
Total equity		**5,803,451**	5,394,701
Non-current liabilities			
Borrowings	*12*	**3,891,186**	2,633,348
Warranty provision	*10(b)*	**215,570**	242,776
Deferred revenue		**1,397,205**	1,459,582
Retirement benefit obligations		**293,009**	340,542
Deferred income tax liabilities		**434,932**	406,759
Other non-current liabilities	*11*	**796,056**	1,274,001
		7,027,958	6,357,008
Current liabilities			
Trade and notes payables	*8(b)*	**10,837,300**	13,184,831
Derivative financial liabilities		**184,319**	127,625
Other payables and accruals	*10(a)*	**14,215,485**	15,744,911
Provisions	*10(b)*	**886,545**	980,112
Deferred revenue		**1,600,274**	1,440,022
Income tax payable		**585,201**	493,312
Borrowings	*12*	**608,109**	787,922
		28,917,233	32,758,735
Total liabilities		**35,945,191**	39,115,743
Total equity and liabilities		**41,748,642**	44,510,444

CONSOLIDATED CASH FLOW STATEMENT

	Note	**9 months ended December 31, 2022 (unaudited)** *US$'000*	9 months ended December 31, 2021 (unaudited) *US$'000*
Cash flows from operating activities			
Net cash generated from operations	*14(a)*	**3,226,210**	3,351,691
Interest paid		**(406,298)**	(244,769)
Tax paid		**(262,877)**	(492,417)
Net cash generated from operating activities		**2,557,035**	2,614,505
Cash flows from investing activities			
Purchase of property, plant and equipment		**(291,486)**	(261,597)
Sale of property, plant and equipment		**18,631**	15,667
Sale of construction-in-progress		**2,814**	-
Acquisition of subsidiaries, net of cash acquired	*14(c)*	**(403,216)**	422
Disposal of subsidiaries, net of cash disposed		**-**	114,312
Interests acquired in associates and a joint venture		**(101,702)**	(325)
Payment for construction-in-progress		**(546,695)**	(397,275)
Payment for intangible assets		**(365,814)**	(260,720)
Purchase of financial assets at fair value through profit or loss		**(174,511)**	(218,139)
Purchase of financial assets at fair value through other comprehensive income		**(7,000)**	-
Net proceeds from sale of financial assets at fair value through profit or loss		**148,765**	99,614
Net proceeds from sale of financial assets at fair value through other comprehensive income		**2,998**	-
Loan to an associate		**-**	(43,968)
Decrease/(increase) in bank deposits		**30,747**	(13,164)
Dividends received		**3,973**	3,216
Interest received		**81,470**	37,687
Net cash used in investing activities		**(1,601,026)**	(924,270)
Cash flows from financing activities	*14(b)*		
Capital contribution from other non-controlling interests		**21,163**	174,022
Contribution to employee share trusts		**(61,189)**	(323,176)
Principal elements of lease payments		**(140,680)**	(85,299)
Dividends paid		**(578,795)**	(478,822)
Dividends paid to convertible preferred shares holders		**(800)**	(16,384)
Dividends paid to other non-controlling interests		**(29,385)**	(30,877)
Repurchase of convertible preferred shares		**-**	(254,490)
Cash received for disposal of subsidiaries without loss of control		**-**	5,185
Proceeds from issue of convertible bonds		**675,000**	-
Repurchase of convertible bonds		**(545,317)**	-
Issuing cost of convertible bonds		**(11,000)**	-
Proceeds from loans		**9,768,067**	8,001,574
Repayments of loans		**(9,750,951)**	(7,998,980)
Proceeds from issue of notes		**1,250,000**	-
Repayments of notes		**(269,036)**	-
Issuing cost of notes		**(11,726)**	-
Net cash generated from/(used in) financing activities		**315,351**	(1,007,247)
Increase in cash and cash equivalents		**1,271,360**	682,988
Effect of foreign exchange rate changes		**(182,749)**	5,095
Cash and cash equivalents at the beginning of the period		**3,930,287**	3,068,385
Cash and cash equivalents at the end of the period		**5,018,898**	3,756,468

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holders of the Company										
	Share capital (unaudited) *US$'000*	Investment revaluation reserve (unaudited) *US$'000*	Employee share trusts (unaudited) *US$'000*	Share-based compensation reserve (unaudited) *US$'000*	Hedging reserve (unaudited) *US$'000*	Exchange reserve (unaudited) *US$'000*	Other reserves (unaudited) *US$'000*	Retained earnings (unaudited) *US$'000*	Other non-controlling interests (unaudited) *US$'000*	Put option written on non-controlling interests (unaudited) *US$'000*	Total (unaudited) *US$'000*
At April 1, 2022	**3,203,913**	**(67,176)**	**(332,455)**	**(196,562)**	**48,233**	**(1,506,279)**	**37,758**	**3,803,207**	**951,415**	**(547,353)**	**5,394,701**
Profit for the period	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**1,494,115**	**81,140**	**–**	**1,575,255**
Other comprehensive (loss)/income	**–**	**(1,194)**	**–**	**–**	**(187,707)**	**(676,317)**	**–**	**27,438**	**(20,811)**	**–**	**(858,591)**
Total comprehensive (loss)/income for the period	**–**	**(1,194)**	**–**	**–**	**(187,707)**	**(676,317)**	**–**	**1,521,553**	**60,329**	**–**	**716,664**
Transfer to statutory reserve	**–**	**–**	**–**	**–**	**–**	**–**	**28,544**	**(28,544)**	**–**	**–**	**–**
Acquisition of subsidiaries	**64,503**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**30,021**	**–**	**94,524**
Acquisition of an associate	**13,902**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**13,902**
Transfer of investment revaluation reserve upon disposal of financial assets at fair value through other comprehensive income to retained earnings	**–**	**5,448**	**–**	**–**	**–**	**–**	**–**	**(5,448)**	**–**	**–**	**–**
Vesting of shares under long-term incentive program	**–**	**–**	**230,699**	**(297,038)**	**–**	**–**	**–**	**–**	**–**	**–**	**(66,339)**
Deferred tax in relation to long-term incentive program	**–**	**–**	**–**	**(8,080)**	**–**	**–**	**–**	**–**	**–**	**–**	**(8,080)**
Settlement of bonus through long-term incentive program	**–**	**–**	**–**	**23,395**	**–**	**–**	**–**	**–**	**–**	**–**	**23,395**
Share-based compensation	**–**	**–**	**–**	**243,636**	**–**	**–**	**–**	**–**	**–**	**–**	**243,636**
Contribution to employee share trusts	**–**	**–**	**(61,189)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(61,189)**
Dividends paid	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(578,795)**	**–**	**–**	**(578,795)**
Dividends paid to other non-controlling interests	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(29,385)**	**–**	**(29,385)**
Capital contribution from other non-controlling interests	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**24,838**	**–**	**24,838**
Issue of convertible bonds	**–**	**–**	**–**	**–**	**–**	**–**	**138,243**	**–**	**–**	**–**	**138,243**
Repurchase of convertible bonds	**–**	**–**	**–**	**–**	**–**	**–**	**(52,135)**	**(50,529)**	**–**	**–**	**(102,664)**
Change of ownership of subsidiaries without loss of control	**–**	**–**	**–**	**–**	**–**	**–**	**11,001**	**–**	**(11,001)**	**–**	**–**
At December 31, 2022	**3,282,318**	**(62,922)**	**(162,945)**	**(234,649)**	**(139,474)**	**(2,182,596)**	**163,411**	**4,661,444**	**1,026,217**	**(547,353)**	**5,803,451**
At April 1, 2021	3,203,913	(49,133)	(500,277)	187,376	73,476	(1,690,948)	130,240	2,204,389	817,735	(766,238)	3,610,533
Profit for the period	–	–	–	–	–	–	–	1,617,655	106,310	–	1,723,965
Other comprehensive (loss)/income	–	(7,349)	–	–	(35,253)	49,837	–	(19,457)	(11,338)	–	(23,560)
Total comprehensive (loss)/income for the period	–	(7,349)	–	–	(35,253)	49,837	–	1,598,198	94,972	–	1,700,405
Transfer to statutory reserve	–	–	–	–	–	–	10,352	(10,352)	–	–	–
Vesting of shares under long-term incentive program	–	–	412,336	(561,020)	–	–	–	–	–	–	(148,684)
Deferred tax in relation to long-term incentive program	–	–	–	(15,918)	–	–	–	–	–	–	(15,918)
Acquisition of a subsidiary	–	–	–	–	–	–	680	–	4,803	–	5,483
Disposal of subsidiaries	–	1	–	–	–	(15,295)	(552)	–	(365)	–	(16,211)
Settlement of bonus through long-term incentive program	–	–	–	27,781	–	–	–	–	–	–	27,781
Share-based compensation	–	–	–	267,597	–	–	–	–	–	–	267,597
Contribution to employee share trusts	–	–	(323,176)	–	–	–	–	–	–	–	(323,176)
Dividends paid	–	–	–	–	–	–	–	(478,822)	–	–	(478,822)
Dividends paid to other non-controlling interests	–	–	–	–	–	–	–	–	(30,877)	–	(30,877)
Capital contribution from other non-controlling interests	–	–	–	–	–	–	–	–	188,534	–	188,534
Change of ownership of subsidiaries without loss of control	–	–	–	–	–	–	5,965	–	(780)	–	5,185
At December 31, 2021	3,203,913	(56,481)	(411,117)	(94,184)	38,223	(1,656,406)	146,685	3,313,413	1,074,022	(766,238)	4,791,830

Notes

1 General information and basis of preparation

The financial information relating to the year ended March 31, 2022 included in the FY2022/23 third quarter results announcement does not constitute the Company's statutory annual consolidated financial statements for that year but is derived from those consolidated financial statements. Further information relating to these statutory consolidated financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance is as follows:

The Company has delivered the consolidated financial statements for the year ended March 31, 2022 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance.

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

Basis of preparation

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

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

The accounting policies adopted are consistent with those of the previous financial year. The below amended standards, improvements and accounting guideline became applicable for the current reporting period. The Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting these amended standards, improvements and accounting guideline.

- Amendments to HKAS 37, Onerous contracts – Cost of fulfilling a contract
- Annual improvements to HKFRS Standards 2018-2020 cycle
- Amendments to HKAS 16, Property, plant and equipment: Proceeds before intended use
- Amendments to HKFRS 3, Reference to the conceptual framework
- Accounting Guideline 5 (Revised), Merger accounting for common control combinations

Interpretation and amendments to existing standards not yet effective

The following interpretation and amendments to existing standards, which are considered appropriate and relevant to the Group's operations, have been issued but are not effective for the year ending March 31, 2023 and have not been early adopted:

	Effective for annual periods beginning on or after
Amendments to HKAS 1 and HKFRS Practice Statement 2, Disclosure of accounting policy	January 1, 2023
Amendments to HKAS 8, Definition of accounting estimate	January 1, 2023
Amendments to HKAS 12, Deferred tax related to assets and liabilities arising from a single transaction	January 1, 2023
Hong Kong Interpretation 5 (2020), Presentation of financial statements – Classification by the borrower of a term loan that contains a repayment on demand clause	January 1, 2024
Amendments to HKAS 1, Classification of liabilities as current or non-current	January 1, 2024
Amendments to HKAS 1, Non-current liabilities with covenants	January 1, 2024
Amendments to HKFRS 16, Lease liability in a sale and leaseback	January 1, 2024
Amendments to HKFRS 10 and HKAS 28, Sale or contribution of assets between an investor and its associate or joint venture	Date to be determined

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

2 Segment information

Management has determined the operating segments based on the reports reviewed by the Lenovo Executive Committee (the "LEC"), the chief operating decision-maker, that are used to make strategic decisions. Segments by business group comprise Intelligent Devices Group ("IDG"), Infrastructure Solutions Group ("ISG") and Solutions and Services Group ("SSG").

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

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

	9 months ended December 31, 2022		9 months ended December 31, 2021	
	Revenue	**Operating profit**	Revenue	Operating profit/(loss)
	US$'000	***US$'000***	*US$'000*	*US$'000*
IDG	**39,575,369**	**2,937,449**	47,614,230	3,612,254
ISG	**7,555,583**	**90,589**	5,731,418	(62)
SSG	**5,013,506**	**1,067,363**	4,045,237	880,624
Total	**52,144,458**	**4,095,401**	57,390,885	4,492,816
Eliminations	**(2,832,697)**	**(901,975)**	(2,466,427)	(743,390)
	49,311,761	**3,193,426**	54,924,458	3,749,426
Unallocated:				
Headquarters and corporate income/(expenses) - net		**(841,768)**		(1,167,338)
Depreciation and amortization		**(418,701)**		(485,007)
Impairment of intangible assets		**-**		(25,434)
Finance income		**69,162**		23,418
Finance costs		**(101,422)**		(53,911)
Share of losses of associates and joint ventures		**(12,672)**		(3,834)
(Loss)/gain on disposal of property, plant and equipment		**(335)**		409
Fair value gain on financial assets at fair value through profit or loss		**114,561**		186,072
Fair value loss on a financial liability at fair value through profit or loss		**(2,658)**		(11,484)
Gain on disposal of subsidiaries		**-**		32,303
Dilution gain on interest in associates		**2,146**		-
Gain on disposal of interest in an associate		**1,190**		-
Dividend income		**2,637**		2,944
Consolidated profit before taxation		**2,005,566**		2,247,564

(b) Analysis of revenue by geography

	9 months ended December 31, 2022	9 months ended December 31, 2021
	US$'000	*US$'000*
China	**12,416,674**	14,736,639
Asia Pacific ("AP")	**8,071,546**	8,824,219
Europe-Middle East-Africa ("EMEA")	**12,023,484**	13,881,866
Americas ("AG")	**16,800,057**	17,481,734
	49,311,761	54,924,458

(c) Analysis of revenue by timing of revenue recognition

	9 months ended December 31, 2022	9 months ended December 31, 2021
	US$'000	*US$'000*
Point in time	**47,453,057**	53,526,991
Over time	**1,858,704**	1,397,467
	49,311,761	54,924,458

(d) Other segment information

	IDG		ISG		SSG		Total	
	2022	2021	**2022**	2021	**2022**	2021	**2022**	2021
	US$'000	*US$'000*	***US$'000***	*US$'000*	***US$'000***	*US$'000*	***US$'000***	*US$'000*
For the nine months ended December 31								
Depreciation and amortization	**459,813**	338,651	**119,523**	112,049	**17,153**	2,061	**596,489**	452,761
Finance income	**23,732**	11,602	**4,790**	2,193	**727**	474	**29,249**	14,269
Finance costs	**248,567**	172,107	**109,117**	51,505	**940**	544	**358,624**	224,156

(e) The directors review goodwill and trademarks and trade names with indefinite useful lives with an aggregate amount of US$6,230 million (March 31, 2022: US$6,136 million). The carrying amounts of goodwill and trademarks and trade names with indefinite useful lives are presented below:

At December 31, 2022

	China	**AP**	**EMEA**	**AG**	**Mature Market**	**Emerging Market**	**Total**
	US$ million	***US$ million***	***US$ million***	***US$ million***	***US$ million***	***US$ million***	***US$ million***
Goodwill							
- PCSD	**936**	**526**	**189**	**249**	**N/A**	**N/A**	**1,900**
- MBG	**N/A**	**N/A**	**N/A**	**N/A**	**667**	**778**	**1,445**
- ISG	**486**	**142**	**60**	**341**	**N/A**	**N/A**	**1,029**
- SSG (Note)	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**589**
Trademarks and trade names with indefinite useful lives							
- PCSD	**185**	**50**	**93**	**56**	**N/A**	**N/A**	**384**
- MBG	**N/A**	**N/A**	**N/A**	**N/A**	**197**	**263**	**460**
- ISG	**162**	**54**	**31**	**123**	**N/A**	**N/A**	**370**
- SSG (Note)	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**53**

At March 31, 2022

	China	AP	EMEA	AG	Mature Market	Emerging Market	Total
	US$ million	*US$ million*	*US$ million*	*US$ million*	*US$ million*	*US$ million*	*US$ million*
Goodwill							
- PCSD	1,009	565	200	256	N/A	N/A	2,030
- MBG	N/A	N/A	N/A	N/A	673	825	1,498
- ISG	515	151	69	345	N/A	N/A	1,080
- SSG (Note)	N/A	N/A	N/A	N/A	N/A	N/A	260
Trademarks and trade names with indefinite useful lives							
- PCSD	186	53	95	56	N/A	N/A	390
- MBG	N/A	N/A	N/A	N/A	197	263	460
- ISG	161	54	31	123	N/A	N/A	369
- SSG (Note)	N/A	N/A	N/A	N/A	N/A	N/A	49

Note: SSG is monitored as a whole and there is no allocation to geography or market. At December 31, 2022, balance comprises goodwill of US$343 million arising from the business combination during the period, the Group has not finalized the fair value assessment of such balance.

The directors are of the view that there was no impairment of goodwill and trademarks and trade names with indefinite useful lives based on impairment tests performed at December 31, 2022 (March 31, 2022: nil).

3 Operating profit

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

	3 months ended December 31, 2022 *US$'000*	**9 months ended December 31, 2022** *US$'000*	3 months ended December 31, 2021 *US$'000*	9 months ended December 31, 2021 *US$'000*
Depreciation of property, plant and equipment	**93,678**	**273,414**	85,243	253,147
Depreciation of right-of-use assets	**41,300**	**111,486**	33,413	99,033
Amortization of intangible assets	**215,299**	**630,290**	198,716	585,588
Impairment of intangible assets	**-**	**-**	-	31,434
Impairment of property, plant and equipment	**-**	**-**	-	10,189
Employee benefit costs, including	**1,247,487**	**3,835,236**	1,490,266	4,383,367
– long-term incentive awards	***84,830***	***243,636***	*94,003*	*267,597*
Rental expenses	**2,967**	**17,976**	8,174	21,102
Loss/(gain) on disposal of property, plant and equipment	**612**	**1,074**	1,990	(2,958)
Loss on disposal of intangible assets	**-**	**301**	972	5,562
Loss on disposal of construction-in-progress	**-**	**1,063**	-	-
Fair value gain on financial assets at fair value through profit or loss	**(74,130)**	**(114,561)**	(75,388)	(186,072)
Fair value loss on a financial liability at fair value through profit or loss	**900**	**2,658**	1,633	11,484
Gain on disposal of subsidiaries	**-**	**-**	-	(32,303)
Dilution gain on interest in associates	**(2,146)**	**(2,146)**	-	-
Gain on disposal of interest in associates	**(1,190)**	**(1,180)**	-	-

4 Finance income and costs

(a) Finance income

	3 months ended December 31, 2022 *US$'000*	**9 months ended December 31, 2022** *US$'000*	3 months ended December 31, 2021 *US$'000*	9 months ended December 31, 2021 *US$'000*
Interest on bank deposits and trust	**30,770**	**80,139**	14,385	37,461
Net gain on repayment of notes	**10,290**	**16,941**	-	-
Interest on money market funds	**1,090**	**1,331**	78	226
	42,150	**98,411**	14,463	37,687

(b) Finance costs

	3 months ended December 31, 2022 ***US$'000***	**9 months ended December 31, 2022** ***US$'000***	3 months ended December 31, 2021 *US$'000*	9 months ended December 31, 2021 *US$'000*
Interest on bank loans and overdrafts	**12,220**	**50,719**	7,297	26,061
Interest on convertible bonds	**14,926**	**41,184**	10,115	30,362
Interest on notes	**50,131**	**128,398**	35,756	106,571
Interest on lease liabilities	**4,800**	**12,382**	5,109	14,516
Factoring costs	**98,334**	**215,489**	24,832	77,511
Interest on written put option liabilities	**3,043**	**8,828**	6,829	20,437
Others	**1,355**	**3,046**	1,059	2,609
	184,809	**460,046**	90,997	278,067

5 Taxation

The amount of taxation in the consolidated income statement represents:

	3 months ended December 31, 2022 ***US$'000***	**9 months ended December 31, 2022** ***US$'000***	3 months ended December 31, 2021 *US$'000*	9 months ended December 31, 2021 *US$'000*
Current tax				
Profits tax in Hong Kong S.A.R. of China	**(8,849)**	**44,620**	20,884	106,139
Taxation outside Hong Kong S.A.R. of China	**(42,090)**	**272,272**	108,671	494,896
Deferred tax				
Debit/(credit) for the period	**173,997**	**113,419**	43,931	(77,436)
	123,058	**430,311**	173,486	523,599

Profits tax in Hong Kong S.A.R. of China has been provided for at the rate of 16.5% (2021/22: 16.5%) on the estimated assessable profit for the period. Taxation outside Hong Kong S.A.R. of China represents income and irrecoverable withholding taxes of subsidiaries operating in the Chinese Mainland and overseas, calculated at rates applicable in the respective jurisdictions.

6 Earnings per share

(a) Basic

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

	3 months ended December 31, 2022	**9 months ended December 31, 2022**	3 months ended December 31, 2021	9 months ended December 31, 2021
Weighted average number of ordinary shares in issue	**12,128,130,291**	**12,086,017,903**	12,041,705,614	12,041,705,614
Adjustment for shares held by employee share trusts	**(154,480,532)**	**(201,998,021)**	(417,547,176)	(438,893,944)
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	**11,973,649,759**	**11,884,019,882**	11,624,158,438	11,602,811,670

	3 months ended December 31, 2022	**9 months ended December 31, 2022**	3 months ended December 31, 2021	9 months ended December 31, 2021
	US$'000	***US$'000***	*US$'000*	*US$'000*
Profit attributable to equity holders of the Company used in calculating basic earnings per share	**437,201**	**1,494,115**	639,605	1,617,655

(b) Diluted

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

The Group has four (2021/22: four) categories of potential ordinary shares, namely long-term incentive awards, put option written on non-controlling interests, convertible bonds and convertible preferred shares. Long-term incentive awards and convertible bonds were dilutive for the three and nine months ended December 31, 2022 and 2021. Put option written on non-controlling interests and convertible preferred shares were anti-dilutive for the three and nine months ended December 31, 2022 and 2021.

	3 months ended December 31, 2022	**9 months ended December 31, 2022**	3 months ended December 31, 2021	9 months ended December 31, 2021
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	**11,973,649,759**	**11,884,019,882**	11,624,158,438	11,602,811,670
Adjustment for long-term incentive awards	**290,319,936**	**397,873,607**	767,252,896	813,972,752
Adjustment for convertible bonds	**804,325,063**	**804,325,063**	769,980,531	769,980,531
Weighted average number of ordinary shares used as the denominator in calculating diluted earnings per share	**13,068,294,758**	**13,086,218,552**	13,161,391,865	13,186,764,953

	3 months ended December 31, 2022 ***US$'000***	**9 months ended December 31, 2022** ***US$'000***	3 months ended December 31, 2021 *US$'000*	9 months ended December 31, 2021 *US$'000*
Profit attributable to equity holders of the Company used in calculating basic earnings per share	**437,201**	**1,494,115**	639,605	1,617,655
Adjustment for interest on convertible bonds, net of tax	**12,463**	**34,389**	8,446	25,352
Profit attributable to equity holders of the Company used in calculating diluted earnings per share	**449,664**	**1,528,504**	648,051	1,643,007

7 Inventories

	December 31, 2022 ***US$'000***	March 31, 2022 *US$'000*
Raw materials and work-in-progress	**4,317,002**	5,527,420
Finished goods	**2,676,207**	2,315,797
Service parts	**508,846**	457,441
	7,502,055	8,300,658

8 Trade and notes receivables and trade and notes payables

(a) Details of trade and notes receivables are as follows:

	December 31, 2022 ***US$'000***	March 31, 2022 *US$'000*
Trade receivables	**9,257,372**	11,189,551
Notes receivable	**31,140**	99,996
	9,288,512	11,289,547

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

	December 31, 2022	March 31, 2022
	US$'000	*US$'000*
0 – 30 days	**6,686,301**	8,908,669
31 – 60 days	**1,365,387**	1,392,704
61 – 90 days	**392,344**	433,934
Over 90 days	**957,804**	560,864
	9,401,836	11,296,171
Less: loss allowance	**(144,464)**	(106,620)
Trade receivables – net	**9,257,372**	11,189,551

At December 31, 2022, trade receivables, net of loss allowance, of US$1,033,358,000 (March 31, 2022: US$784,900,000) were past due. The ageing of these receivables, based on due date, is as follows:

	December 31, 2022	March 31, 2022
	US$'000	*US$'000*
Within 30 days	**548,771**	430,225
31 – 60 days	**207,052**	191,093
61 – 90 days	**98,199**	59,715
Over 90 days	**179,336**	103,867
	1,033,358	784,900

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

	9 months ended December 31, 2022	Year ended March 31, 2022
	US$'000	*US$'000*
At the beginning of the period/year	**106,620**	145,206
Exchange adjustment	**(4,755)**	(357)
Increase in loss allowance recognized in profit or loss	**76,023**	90,311
Uncollectible receivables written off	**(9,536)**	(27,267)
Unused amounts reversed in profit or loss	**(45,098)**	(101,273)
Acquisition of subsidiaries	**21,210**	-
At the end of the period/year	**144,464**	106,620

Notes receivable of the Group are bank accepted notes mainly with maturity dates within six months.

(b) Details of trade and notes payables are as follows:

	December 31, 2022	March 31, 2022
	US$'000	*US$'000*
Trade payables	**7,899,565**	11,035,924
Notes payable	**2,937,735**	2,148,907
	10,837,300	13,184,831

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

	December 31, 2022	March 31, 2022
	US$'000	*US$'000*
0 – 30 days	**4,478,824**	7,217,768
31 – 60 days	**1,911,952**	2,401,203
61 – 90 days	**796,463**	920,426
Over 90 days	**712,326**	496,527
	7,899,565	11,035,924

Notes payable of the Group are mainly repayable within three months.

9 Deposits, prepayments and other receivables

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

	December 31, 2022	March 31, 2022
	US$'000	*US$'000*
Deposits	**164,477**	97,428
Other receivables	**2,264,569**	3,699,539
Prepayments	**1,505,167**	1,217,325
	3,934,213	5,014,292

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

10 Provisions, other payables and accruals

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

	December 31, 2022	March 31, 2022
	US$'000	*US$'000*
Accruals	**3,689,949**	4,441,470
Allowance for billing adjustments (i)	**3,107,622**	3,599,717
Written put option liabilities (Note 11(b)(i))	**452,559**	-
Other payables (ii)	**6,836,921**	7,558,629
Lease liabilities	**128,434**	145,095
	14,215,485	15,744,911

Notes:

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

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

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

(b) The components of provisions are as follows:

	Warranty *US$'000*	Environmental restoration *US$'000*	Total *US$'000*
Year ended March 31, 2022			
At the beginning of the year	1,173,882	32,150	1,206,032
Exchange adjustment	(1,053)	(2,656)	(3,709)
Provisions made	983,035	26,367	1,009,402
Amounts utilized	(936,966)	(25,074)	(962,040)
	1,218,898	30,787	1,249,685
Long-term portion classified as non-current liabilities	(242,776)	(26,797)	(269,573)
At the end of the year	976,122	3,990	980,112
Nine months ended December 31, 2022			
At the beginning of the period	**1,218,898**	**30,787**	**1,249,685**
Exchange adjustment	**(30,324)**	**(2,058)**	**(32,382)**
Provisions made	**541,981**	**16,451**	**558,432**
Amounts utilized	**(632,695)**	**(15,955)**	**(648,650)**
	1,097,860	**29,225**	**1,127,085**
Long-term portion classified as non-current liabilities	**(215,570)**	**(24,970)**	**(240,540)**
At the end of the period	**882,290**	**4,255**	**886,545**

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

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

11 Other non-current liabilities

Details of other non-current liabilities are as follows:

	December 31, 2022 ***US$'000***	March 31, 2022 *US$'000*
Deferred consideration (a)	**25,072**	25,072
Written put option liabilities (b)	**43,527**	528,060
Lease liabilities	**289,544**	262,902
Environmental restoration (Note 10(b))	**24,970**	26,797
Government incentives and grants received in advance (c)	**92,172**	75,787
Others	**320,771**	355,383
	796,056	1,274,001

Notes:

(a) Pursuant to the joint venture agreement entered into with NEC Corporation, the Group is required to pay in cash to NEC Corporation deferred consideration. At December 31, 2022, the potential undiscounted amount of future payment in respect of the deferred consideration that the Group could be required to make amounted to US$25 million (March 31, 2022: US$25 million).

(b) (i) Pursuant to the joint venture agreement entered into between the Company and Fujitsu Limited (“Fujitsu”), the Company and Fujitsu are respectively granted call and put options which entitle the Company to purchase from Fujitsu and Development Bank of Japan (“DBJ”), or Fujitsu and DBJ to sell to the Company, the 49% interest in Fujitsu Client Computing Limited and its subsidiary, Shimane Fujitsu Limited (together “FCCL”). Both options will be exercisable following the fifth anniversary of the date of completion. The exercise price for the call and put options will be determined based on the fair value of the 49% interest as of the day of exercising the option. At December 31, 2022, the written put option liabilities to Fujitsu has been reclassified to current liabilities as the written put option will be exercisable within the next twelve months.

(ii) During the year ended March 31, 2019, Hefei Zhi Ju Sheng Bao Equity Investment Co., Ltd (“ZJSB”) acquired the 49% interest in a joint venture company (“JV Co”) from Compal Electronics, Inc. The Company and ZJSB respectively own 51% and 49% of the interest in the JV Co. Pursuant to the option agreement entered into between a wholly owned subsidiary of the Group and Hefei Yuan Jia Start-up Investment LLP (“Yuan Jia”), which holds 99.31% interest in ZJSB, the Group and Yuan Jia are respectively granted call and put options which entitle the Group to purchase from Yuan Jia, or Yuan Jia to sell to the Group, the 99.31% interest in ZJSB.

During the option exercise period, Yuan Jia notified the Group of its intention to exercise its put option. On December 28, 2021, ZJSB, Yuan Jia and the Group entered into an agreement pursuant to which ZJSB transferred 39% interest in the JV Co to the Group at an exercise price of RMB1,895 million (approximately US$297 million). Upon completion on January 10, 2022, the Company and ZJSB respectively owns 90% and 10% of the interest in the JV Co.

Yuan Jia continues to hold 99.31% interest in ZJSB and is subject to a new option agreement whereby the Group and Yuan Jia are respectively granted call and put options which entitle the Group to purchase from Yuan Jia, or Yuan Jia to sell to the Group, the 99.31% interest in ZJSB. The call and put options will be exercisable after 54 months and from the 48 months to the 54 months respectively from the date of the new option agreement. The exercise price for the call and put options will be determined in accordance with the new option agreement, and up to a maximum of RMB500 million (approximately US$72 million).

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

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

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

12 Borrowings

	December 31, 2022 *US$'000*	March 31, 2022 *US$'000*
Current liabilities		
Short-term loans (a)	**74,602**	57,427
Notes (b)	**486,534**	685,380
Convertible preferred shares (d)	**46,973**	45,115
	608,109	787,922
Non-current liabilities		
Long-term loan (a)	**263**	1,045
Notes (b)	**3,145,471**	1,990,888
Convertible bonds (c)	**745,452**	641,415
	3,891,186	2,633,348
	4,499,295	3,421,270

Notes:

(a) Majority of the short-term and long-term loans are denominated in United States dollars. At December 31, 2022, the Group has total revolving and short-term loan facilities of US$4,356 million (March 31, 2022: US$3,154 million) which has been utilized to the extent of US$71 million (March 31, 2022: US$54 million).

(b)

Issue date	**Outstanding principal amount**	**Term**	**Interest rate per annum**	**Due date**	**December 31, 2022** *US$'000*	March 31, 2022 *US$'000*
March 29, 2018 (i)	US$487 million	5 years	4.75%	March 2023	**486,534**	685,380
April 24, 2020 and May 12, 2020	US$1 billion	5 years	5.875%	April 2025	**999,544**	999,397
November 2, 2020 (i)	US$929 million	10 years	3.421%	November 2030	**921,809**	991,491
July 27, 2022 (ii)	US$625 million	5.5 years	5.831%	January 2028	**619,595**	-
July 27, 2022 (i) (ii)	US$610 million	10 years	6.536%	July 2032	**604,523**	-
					3,632,005	2,676,268

(i) During the period, approximately US$200 million in principal amount of the 2023 Notes, approximately US$71 million in principal amount of the 2030 Notes and approximately US$15 million in principal amount of the 2032 Notes were purchased by the Company. At December 31, 2022, approximately US$487 million (March 31, 2022: US$687 million) in principal amount of the 2023 Notes, approximately US$929 million (March 31, 2022: US$1 billion) in principal amount of the 2030 Notes and approximately US$610 million (March 31, 2022: nil) in principal amount of the 2032 Notes remained outstanding.

(ii) On July 27, 2022, the Company completed the issuance of 5.5-Year US$625 million notes bearing annual interest at 5.831% due in January 2028 and 10-Year US$625 million notes bearing annual interest at 6.536% due in July 2032. The proceeds of the 2028 Notes would be used to repurchase previous notes and for general corporate purposes; the proceeds of the 2032 Notes would be used to finance eligible projects under the Green Finance Framework.

(c)

Issue date	**Outstanding principal amount**	**Term**	**Interest rate per annum**	**Due date**	**December 31, 2022** ***US$'000***	March 31, 2022 *US$'000*
January 24, 2019 (i)	US$220 million	5 years	3.375%	January 2024	**213,127**	641,415
August 26, 2022 (ii)	US$675 million	7 years	2.5%	August 2029	**532,325**	-
					745,452	641,415

(i) On January 24, 2019, the Company completed the issuance of 5-Year US$675 million convertible bonds bearing annual interest at 3.375% due in January 2024 ("the 2024 Convertible Bonds") to third party professional investors ("the bondholders"). The proceeds were used to repay previous notes and for general corporate purposes. The bondholders have the right, at any time on or after 41 days after the date of issue and up to the 10th day prior to the maturity date, to convert part or all of the outstanding principal amount of the 2024 Convertible Bonds into ordinary shares of the Company at a conversion price of HK$7.99 per share, subject to adjustments. The conversion price was adjusted to HK$6.51 per share effective on November 30, 2022.

The outstanding principal amount of the 2024 Convertible Bonds is repayable by the Company upon the maturity of the 2024 Convertible bonds on January 24, 2024, if not previously redeemed, converted or purchased and cancelled. On January 24, 2021, the bondholders had the right, at the bondholders' option, to require the Company to redeem part or all of the 2024 Convertible Bonds on January 24, 2021 at their principal amount and US$0.5 million were redeemed. On August 29, 2022, approximately US$455 million in principal amount of the 2024 Convertible Bonds were purchased by the Company. Approximately US$220 million (March 31, 2022: US$675 million) in principal amount of the 2024 Convertible Bonds remained outstanding. Assuming full conversion of the 2024 Convertible Bonds at the adjusted conversion price of HK$6.51 per share, the 2024 Convertible Bonds will be convertible into 264,428,379 shares.

(ii) On August 26, 2022, the Company completed the issuance of 7-Year US$675 million convertible bonds bearing annual interest at 2.5% due in August 2029 ("the 2029 Convertible Bonds") to the bondholders. The proceeds were used to repay previous convertible bonds and for general corporate purposes. The bondholders have the right, at any time on or after 41 days after the date of issue and up to the 10th day prior to the maturity date, to convert part or all of the outstanding principal amount of the 2029 Convertible Bonds into ordinary shares of the Company at a conversion price of HK$9.94 per share, subject to adjustments. The conversion price was adjusted to HK$9.80 per share effective on November 30, 2022. Assuming full conversion of the 2029 Convertible Bonds at the conversion price of HK$9.80 per share, the 2029 Convertible Bonds will be convertible into 539,896,684 shares.

The liability and equity components of the 2029 Convertible Bonds on initial recognition are presented as follows:

	US$'000
Face value of the convertible bonds on the issue date	**675,000**
Less: transaction costs	**(11,000)**
Net proceeds	**664,000**
Less: equity component	**(138,243)**
Liability component on initial recognition	**525,757**

The outstanding principal amount of the 2029 Convertible Bonds is repayable by the Company upon the maturity of the 2029 Convertible Bonds on August 26, 2029 if not previously redeemed, converted or purchased and cancelled. On August 26, 2026, the bondholders will have the right, at the bondholders' option, to require the Company to redeem part or all of the 2029 Convertible Bonds at their principal amount.

At any time after September 9, 2026 and prior to August 26, 2029, the Company will have the right to redeem in whole, but not in part, the 2029 Convertible Bonds for the time being outstanding at their principal amount upon occurrence of certain specified conditions.

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

The Group expects that it will be able to meet its redemption obligations based on the financial position of the Group had conversion of the 2024 Convertible Bonds and 2029 Convertible Bonds not exercised on maturity.

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

During the year ended March 31, 2022, due to the occurrence of certain specified conditions, the holders of convertible preferred shares have the right to require LETCL to redeem or the Company to purchase all of their convertible preferred shares at the predetermined consideration. Additional 54,794 convertible preferred shares have been issued as dividend shares to the holders of the convertible preferred shares as a result of the occurrence of certain specified conditions. Holders of 1,643,833 convertible preferred shares have exercised their rights and the Group has purchased these convertible preferred shares at the consideration of approximately US$254 million.

During the year ended March 31, 2022, the aggregate number of 1,780,819 convertible preferred shares purchased by the Group were converted into ordinary shares of LETCL.

At December 31, 2022, 328,766 convertible preferred shares remained outstanding, representing 3.2% of the enlarged issued ordinary share capital of LETCL on an as-converted and fully diluted basis.

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

The exposure of all the borrowings of the Group to interest rate changes and the contractual repricing dates at December 31, 2022 and March 31, 2022 are as follows:

	December 31, 2022	March 31, 2022
	US$'000	*US$'000*
Within 1 year	**608,109**	787,922
Over 1 to 2 years	**213,390**	642,460
Over 2 to 5 years	**999,544**	999,397
Over 5 years	**2,678,252**	991,491
	4,499,295	3,421,270

13 Share capital

	December 31, 2022		March 31, 2022	
	Number of shares	***US$'000***	*Number of shares*	*US$'000*
Issued and fully paid:				
Voting ordinary shares:				
At the beginning of the period/year	**12,041,705,614**	**3,203,913**	12,041,705,614	3,203,913
Issue of ordinary shares for acquisition of subsidiaries and an associate	**86,424,677**	**78,405**	-	-
At the end of the period/year	**12,128,130,291**	**3,282,318**	12,041,705,614	3,203,913

14 Note to the consolidated cash flow statement

(a) Reconciliation of profit before taxation to net cash generated from operations

	9 months ended December 31, 2022 *US$'000*	9 months ended December 31, 2021 *US$'000*
Profit before taxation	**2,005,566**	2,247,564
Share of losses of associates and joint ventures	**10,922**	3,834
Finance income	**(98,411)**	(37,687)
Finance costs	**460,046**	278,067
Depreciation of property, plant and equipment	**273,414**	253,147
Depreciation of right-of-use assets	**111,486**	99,033
Amortization of intangible assets	**630,290**	585,588
Impairment of intangible assets	**-**	31,434
Impairment of property, plant and equipment	**-**	10,189
Share-based compensation	**243,636**	267,597
Loss/(gain) on disposal of property, plant and equipment	**1,074**	(2,958)
Loss on disposal of intangible assets	**301**	5,562
Loss on disposal of construction-in-progress	**1,063**	-
Gain on disposal of subsidiaries	**-**	(32,303)
Gain on disposal of interest in associates	**(1,180)**	-
Dilution gain on interest in associates	**(2,146)**	-
Fair value change on financial instruments	**(42,936)**	33,488
Fair value change on financial assets at fair value through profit or loss	**(114,561)**	(186,072)
Fair value change on a financial liability at fair value through profit or loss	**2,658**	11,484
Dividend income	**(3,973)**	(3,216)
Decrease/(increase) in inventories	**764,066**	(2,066,028)
Decrease/(increase) in trade and notes receivables, deposits, prepayments and other receivables	**3,379,019**	(4,530,419)
(Decrease)/increase in trade and notes payables, provisions, other payables and accruals	**(4,443,882)**	6,375,917
Effect of foreign exchange rate changes	**49,758**	7,470
Net cash generated from operations	**3,226,210**	3,351,691

(b) Reconciliation of financing liabilities

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

Financing liabilities	**December 31, 2022** ***US$'000***	March 31, 2022 *US$'000*
Short-term loans – current	**74,602**	57,427
Long-term loan – non-current	**263**	1,045
Notes – current	**486,534**	685,380
Notes – non-current	**3,145,471**	1,990,888
Convertible bonds – non-current	**745,452**	641,415
Convertible preferred shares – current	**46,973**	45,115
Lease liabilities – current	**128,434**	145,095
Lease liabilities – non-current	**289,544**	262,902
	4,917,273	3,829,267

Short-term loans – variable interest rates	**56,798**	56,400
Short-term loans – fixed interest rates	**17,804**	1,027
Long-term loan – fixed interest rates	**263**	1,045
Notes – fixed interest rates	**3,632,005**	2,676,268
Convertible bonds – fixed interest rates	**745,452**	641,415
Convertible preferred shares – fair value	**46,973**	45,115
Lease liabilities – fixed interest rates	**417,978**	407,997
	4,917,273	3,829,267

	Short-term loans current *US$'000*	**Long-term loan non-current** *US$'000*	**Notes current** *US$'000*	**Notes non-current** *US$'000*	**Convertible bonds non-current** *US$'000*	**Convertible preferred shares current** *US$'000*	**Lease liabilities current** *US$'000*	**Lease liabilities non-current** *US$'000*	**Total** *US$'000*
Financing liabilities at April 1, 2021	58,190	2,070	336,709	2,673,688	623,824	303,372	133,662	333,264	4,464,779
Proceeds from borrowings	10,311,552	-	-	-	-	-	-	-	10,311,552
Repayments of borrowings	(10,304,211)	-	-	-	-	-	-	-	(10,304,211)
Repayment of notes	-	-	(337,309)	-	-	-	-	-	(337,309)
Repurchase of convertible preferred shares	-	-	-	-	-	(254,490)	-	-	(254,490)
Transfer	1,025	(1,025)	685,380	(685,380)	-	-	131,342	(131,342)	-
Principal elements of lease payments	-	-	-	-	-	-	(146,485)	-	(146,485)
Disposal of a subsidiary	(9,319)	-	-	-	-	-	-	-	(9,319)
Dividends paid	-	-	-	-	-	(16,385)	-	-	(16,385)
Foreign exchange adjustments	190	-	-	-	-	-	2,358	3,152	5,700
Other non-cash movements	-	-	600	2,580	17,591	12,618	24,218	57,828	115,435
Financing liabilities at March 31, 2022	57,427	1,045	685,380	1,990,888	641,415	45,115	145,095	262,902	3,829,267
Financing liabilities at April 1, 2022	**57,427**	**1,045**	**685,380**	**1,990,888**	**641,415**	**45,115**	**145,095**	**262,902**	**3,829,267**
Proceeds from borrowings	**9,768,067**	**-**	**-**	**1,250,000**	**675,000**	**-**	**-**	**-**	**11,693,067**
Repayments of borrowings	**(9,750,951)**	**-**	**(200,000)**	**(69,036)**	**(545,317)**	**-**	**-**	**-**	**(10,565,304)**
Transfer	**782**	**(782)**	**-**	**-**	**-**	**-**	**79,350**	**(79,350)**	**-**
Issuing cost of borrowings	**-**	**-**	**-**	**(11,726)**	**(11,000)**	**-**	**-**	**-**	**(22,726)**
Principal elements of lease payments	**-**	**-**	**-**	**-**	**-**	**-**	**(140,680)**	**-**	**(140,680)**
Dividends paid	**-**	**-**	**-**	**-**	**-**	**(800)**	**-**	**-**	**(800)**
Foreign exchange adjustments	**(723)**	**-**	**-**	**-**	**-**	**-**	**(3,059)**	**(3,613)**	**(7,395)**
Equity component for issue of convertible bonds	**-**	**-**	**-**	**-**	**(138,243)**	**-**	**-**	**-**	**(138,243)**
Equity component for repurchase of convertible bonds	**-**	**-**	**-**	**-**	**102,664**	**-**	**-**	**-**	**102,664**
Other non-cash movements	**-**	**-**	**1,154**	**(14,655)**	**20,933**	**2,658**	**47,728**	**109,605**	**167,423**
Financing liabilities at December 31, 2022	**74,602**	**263**	**486,534**	**3,145,471**	**745,452**	**46,973**	**128,434**	**289,544**	**4,917,273**

(c) Cash outflow/(inflow) to acquire subsidiaries, net of cash acquired

	9 months ended December 31, 2022 ***US$'000***	9 months ended December 31, 2021 *US$'000*
Cash consideration paid	**422,531**	-
Less: cash and cash equivalents acquired	**(19,315)**	(422)
Net cash outflow/(inflow) – investing activities	**403,216**	(422)

16 Business combination and acquisition of an associate

On August 12, 2022, the Group completed the acquisition of 80% direct interest in Lenovo PCCW Solutions Limited ("LPS", formerly known as PCCW Lenovo Technology Solutions Limited) and 20% direct interest in PCCW Network Services Limited ("PCCWNS") from PCCW Solutions Holdings Limited ("Seller"). On completion, LPS and PCCWNS became a subsidiary and an associate of the Group respectively.

LPS and its subsidiaries are principally engaged in the provision of digital solutions and managed services primarily serving customers across the Asia Pacific region and PCCWNS and its subsidiaries are principally engaged in the provision of solutions and services to public sector customers in Hong Kong. The acquisition provides the Group with strong capabilities in systems integration and application development and a highly skilled talent pool. It also allows the Group to expand its IT services capabilities, its suite of service offerings as well as the geographic and vertical coverage of customers and partners. The Group will be able to accelerate its growth in the services business and capture opportunities under the megatrend of digital transformation through leveraging the track record of successful delivery of the information technology solutions services business and the Group's existing go-to-market strategies and solutions development capabilities, as well as the Group's strong customer relationships across the globe.

The estimated fair value of total consideration for the acquisition completed during the period is approximately US$563 million, including cash and the Company's shares as consideration shares.

Set forth below is the estimated fair value of total purchase consideration of the acquisition:

	LPS ***US$'000***	**PCCWNS** ***US$'000***	**Total** ***US$'000***
Purchase consideration:			
- Cash consideration (a)	**398,346**	**85,858**	**484,204**
- Fair value of consideration shares (b)	**64,503**	**13,902**	**78,405**
Total purchase consideration	**462,849**	**99,760**	**562,609**

(a) Cash consideration comprising cash paid of US$513.6 million and an estimated downward adjustment of US$29.4 million calculated with reference to the actual working capital amount and the actual net debt at the completion date.

(b) The fair value of 86,424,677 ordinary shares of the Company issued as part of the purchase consideration at completion was based on the closing market price on August 12, 2022.

Set forth below is the preliminary calculation of goodwill arising from the business combination:

	LPS *US$'000*
Total purchase consideration	**462,849**
Less: fair value of net identifiable assets attributable to the interest acquired	**(120,081)**
Goodwill	**342,768**

The major components of assets and liabilities arising from the business combination are as follows:

	LPS *US$'000*
Cash and cash equivalents	**19,315**
Property, plant and equipment	**12,567**
Right-of-use assets	**10,630**
Deferred income tax assets less liabilities	**(23,701)**
Intangible assets	**126,300**
Other non-current assets	**1,065**
Net working capital except cash and cash equivalents	**13,048**
Other non-current liabilities	**(9,122)**
Fair value of net identifiable assets acquired	**150,102**
Less: share of other non-controlling interests	**(30,021)**
Fair value of net identifiable assets attributable to the interest acquired	**120,081**

Intangible assets arising from the business combination mainly represent customer relationships, brand name and technology. The Group has engaged external valuers to perform fair value assessments. The fair values of the intangible assets are measured using either relief-from-royalty method or multi-period excess earnings method.

At December 31, 2022, the Group has not finalized the fair value assessments for net assets acquired (including intangible assets) from the business combination. The relevant fair values of net assets stated above are on a provisional basis.

For the nine months ended December 31, 2022, LPS contributed revenue of US$219 million and profit before taxation of US$22 million to the Group's results.

Acquisition-related costs of US$11 million that were not directly attributable to the issue of shares are included in administrative expenses in the consolidated income statement and in operating cash flows in the consolidated cash flow statement.

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

Save as the respective trustee of the long-term incentive program and the employee share purchase plan of the Company purchased a total of 72,323,437 shares from the market for award to employees upon vesting, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the nine months ended December 31, 2022. Details of these program and plan are set out in the 2022/23 interim report of the Company.

REVIEW BY AUDIT COMMITTEE

The Audit Committee of the Company has reviewed the unaudited financial results of the Group for the nine months ended December 31, 2022. 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. Currently, the Audit Committee comprises three independent non-executive directors, including Mr. Woo Chin Wan Raymond, being the Chairman, Mr. William Tudor Brown and Mr. Gordon Robert Halyburton Orr.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

None of the directors of the Company is aware of any information that would reasonably indicate that the Company is not, or was not during the nine months ended December 31, 2022, in compliance with the code provisions of the Corporate Governance Code (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, with the exception that the roles of the chairman of the Board (the "Chairman") and the chief executive officer of the Company (the "CEO") have not been segregated as required by code provision C.2.1 of the CG Code.

The Board has reviewed the organization human resources planning of the 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.

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

February 17, 2023

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