Lenovo Group Limited 聯想集團有限公司

(Incorporated in Hong Kong with limited liability)

(HKD Counter Stock Code: 992 / RMB Counter Stock Code: 80992)

FY2023/24 FIRST QUARTER RESULTS ANNOUNCEMENT

QUARTERLY 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 months ended June 30, 2023 together with comparative figures for the corresponding period of last year, as follows:

FINANCIAL HIGHLIGHTS

- SSG spearheaded the Group's Service-led Transformation by growing revenue and operating profit at 18 percent and 10 percent, respectively; its record-breaking revenue and profit in the first fiscal quarter helped drive the highest Group gross margin ever recorded for this period
- ISG saw an 8 percent setback in revenue due to cloud demand softness, as well as a slower than expected transition to the next generation platform; despite these challenges, multiple product records were set, including triple-digit growth in storage, and strong double-digit increase in High Performance Computing, Edge and Software
- IDG remained a strong global PC leader; its inventory clearance efforts amid sector-wide challenges led to a 28 percent fall in revenue year-on-year but laid a foundation for future sales growth in later part of 2023
- Group profit attributable to equity holders declined by 66 percent to US$177 million while revenue amounted to US$12.9 billion, down 24 percent year-on-year, or 22 percent excluding currency impact
- R&D as a percentage of revenue advanced to 3.5 percent, from 3.0 percent a year ago; an additional US$1 billion will be committed to expanding the Group's core capabilities
- Cost structure was streamlined with an 11 percent year-on-year savings on operating expense; net cash balance strengthened by 15 percent to US$454 million; cash conversion cycle improved by 24 days

	3 months ended June 30, 2023 (unaudited) *US$ million*	**3 months ended June 30, 2022 (unaudited)** *US$ million*	**Year-on-year change**
Revenue	12,900	16,956	(24)%
Gross profit	2,252	2,869	(22)%
Gross profit margin	17.5%	16.9%	0.6 pts
Operating expenses	(1,862)	(2,092)	(11)%
Operating profit	390	777	(50)%
Other non-operating income/(expenses) – net	(162)	(86)	87%
Profit before taxation	228	691	(67)%
Profit for the period	183	539	(66)%
Profit attributable to equity holders of the Company	177	516	(66)%
Earnings per share attributable to equity holders of the Company			
Basic	US1.48 cents	US4.39 cents	US(2.91) cents
Diluted	US1.43 cents	US4.01 cents	US(2.58) cents
Non-HKFRS measure			
Non-HKFRS operating profit	402	813	(51)%
Non-HKFRS profit before taxation	241	729	(67)%
Non-HKFRS profit for the period	193	569	(66)%
Non-HKFRS profit attributable to equity holders of the Company	191	556	(66)%

BUSINESS REVIEW AND OUTLOOK

Highlights

During the quarter ended June 30, 2023, the Group continued to demonstrate its commitments to accelerating its service-led Transformation and driving positive outcomes on multiple fronts, all amidst a time of macro uncertainties and challenges. Solutions and Services Group (SSG), its structural growth engine again set a new performance milestone by achieving the highest sales for a first fiscal quarter, with revenue and operating profit increasing by 18 percent and 10 percent, respectively. SSG spearheaded the Group's Service-led Transformation by expanding value-added solutions for its broad client base. The other growth engine, Infrastructure Solutions Group (ISG), saw a setback of 8 percent in revenue due to slower global infrastructure investments. Nevertheless, ISG continued its strategy to win in high-growth products and applications including Storage and Artificial Intelligence (AI), while expanding its portfolio in high-margin products. On the other hand, Intelligent Devices Group (IDG) remained a strong global sector leader, having navigated through the sector-wide challenge of inventory digestion, where its final efforts to clear excess channel inventory led to a 28 percent fall in revenue year-on-year but laid a foundation for future sales growth. Group profit attributable to equity holders declined by 66 percent to US$177 million while revenue amounted to US$12.9 billion, down 24 percent year-on-year, or 22 percent excluding currency impact.

The Group's efforts in streamlining its operating expense structure should bolster agility and resilience in the long term. Management delivered an 11 percent year-on-year savings on its Group operating expense, on track to achieving its committed US$850 million run-rate savings target. Investments to upgrade and differentiate the Group's technology and services are vital to ensuring the future success of its growth engines, business transformation, and ESG initiatives. R&D as a percentage of revenue advanced to 3.5 percent, from 3.0 percent a year ago.

Thanks to prudent working capital management, the Group improved its cash conversion cycle by 24 days year-on-year to negative 11 days. Inventory position improved steadily, with the quarter-end balance shrinking nearly US$3.0 billion from a year ago, driven by reduction in raw materials. For the 7th consecutive quarter, the Group achieved a net cash balance. Net cash balance as at June 30, 2023 is US$454 million, 15 percent higher than the same period last year. The Group was recognized for its ESG performance with numerous accolades, including the Best Employer for Diversity award by Forbes. MSCI upgraded the company's ESG rating to AAA while EcoVadis acknowledged the Group's excellence in sustainable procurement with an Outstanding Program Leadership Award. Lenovo has once again been named in the Gartner Supply Chain Top 25 for 2023, ranking eighth in the list of global companies with supply chain operations. The company has fully embraced digital transformation across its complex, extensive supply chain network. By employing transformative technologies including 5G, AI, AR/VR, Blockchain, Big Data, and IoT, the company has been able to slash lead times for customers by over ten days.

Group Financial Performance

Improving profitability remains the Group's medium-term priority. Notwithstanding market challenges, gross margin reached a record 17.5 percent, highest for any first fiscal quarter in the company's history, with the increasing contribution from SSG's high-margin business being a key factor. Despite solid gross margin, Group net margin declined by 167 basis points, attributable to a 24 percent year-on-year fall in revenue that outpaced the 11 percent reduction in Group operating expense. By Business Group, SSG's segment profit expanded 10 percent year-on-year, while short-term market pressures led to a 39 percent year-on-year decline in IDG's segment profit and ISG's segment loss of US$60 million.

Performance by Business Group

Intelligent Devices Group (IDG)

Revenue of IDG, consisting of the PC, tablet, smartphone, and other smart device businesses, declined 28 percent year-on-year. Operating profit for the period under review decreased by 39 percent to US$650 million.

The Group continued to execute its strategy of clearing excess PC inventory across its sales channels, while maintaining its number one position in the global PC sector. Sell-in activity was affected but its rate of decline moderated compared to previous quarters. The channel inventory in most regional markets returned to a healthy level by end of quarter under review. Overall, the unusual action to clear inventory across the sector led to competitive pressure resulting in a drop in IDG's profit margin by 116 basis points to 6.3 percent year-on-year.

The essence of IDG's long-term growth strategy lies in investing in innovations and developing strong products and new solutions to drive success in both PC and non-PC categories. During the quarter under review, non-PC sales made up 21 percent of IDG's revenue. Smartphone sales declined at the beginning of the quarter but its activation rate, which represented the actual consumer demand, rose double-digits year-on-year towards the end of the quarter. The newly announced Razr model received strong customer interest, featuring unique, innovative form factors such as the largest external display and the slimmest foldable phone. Non-docking accessories delivered revenue growth of over 20 percent, indicating further potential for market share gains.

Infrastructure Solutions Group (ISG)

During the period under review, the broader infrastructure sector suffered from demand softness in compute server, as well as the industry's slower than expected transition to the next generation platform. After outperforming the sector in growth for several quarters, the ISG business was ultimately impacted by sector-wide demand correction, with revenue declining by 8 percent year-on-year to US$1.9 billion. Its segment operating performance turned into a loss of US$60 million as a result of a smaller scale of operations.

The demand for public cloud services remains buoyant but device refresh cycles are extending across CSP (Cloud Service Provider) and ESMB (Enterprise & Small-and-medium Business) segments amidst efforts of enterprise customers to rein in spending. The ongoing Digital Transformation holds promise for new applications including AI, which is still in its early stage of development and customer budgets are supporting a narrow range of AI GPU servers at the expense of general servers in the near term. Together with slower than expected platform transition and economic headwinds, ISG's compute server revenue declined by double-digits year-on-year.

With broader deployment of AI solutions, the potential for long-term growth opportunities is substantial. ISG is proactively expanding its AI capabilities by utilizing its existing strengths in an AI-ready portfolio of smart devices and edge-to-cloud infrastructure. This includes new Lenovo ThinkEdge and ThinkSystem platforms specifically designed to enable AI workloads. Recently at SIGGRAPH 2023, the leading global conference on digital graphics and interactive technologies, ISG unveiled the new ThinkSystem SR675 V3 model, designed to support the recently announced NVIDIA L40S AI GPU. This product demonstrates the Group's efforts in creating an enterprise-grade, end-to-end software platform for generative AI, as well as powering industrial digitalization within the NVIDIA Omniverse. ISG is also dedicated to simplifying deployment of AI solutions for businesses. To achieve this, an additional US$1 billion investment will be made over the next three years to expand ISG's portfolio and provide one-stop enablement and solutions for data wherever it resides, from the pocket to the cloud. On top of device products, the Group utilized the Lenovo AI Innovators program to deliver 150+ turnkey solutions, helping businesses implement generative AI, immersive metaverse simulations and cognitive decisions at scale.

The proliferation of AI-enabled solutions should support ISG's strategy in driving market share gains through an enriched product portfolio, where its early success was evidenced through multiple sales records set in the quarter. Its storage revenue more than doubled while sales of ThinkEdge, the Group's state-of-the-art edge product, increased double-digits year-on-year. ISG's market share by revenue in the global storage market more than tripled year-on-year in the first calendar quarter, according to the latest third-party statistics. In High-Performance Computing, ISG continued to reign as the top global player with a robust revenue growth of 45 percent year-on-year.

Solutions and Services Group (SSG)

SSG continued to benefit from fast-growing "New IT" demand, delivering strong growth and high profitability. For the period under review, SSG reported revenue of US$1.7 billion, up 18 percent year-on-year, and operating profit of US$361 million, up 10 percent year-on-year. SSG demonstrated resilience with a sustainable operating margin of 21 percent, topping all business groups.

SSG continued to enrich its service portfolio across all three segments to meet evolving customer needs, and to drive scale and profitability. For example, the recently launched Premier Support Plus has become one of the fastest-growing services in SSG's portfolio. Revenue of Support Service increased 9 percent year-on-year despite weakness in hardware sales, thanks to rising penetration rate that came with greater popularity of attached services such as Premier Support and Damage Protection services. Managed Services capitalized on strong demand for TruScale as-a-service solutions, with revenue growing 54 percent over the same period last year. Project & Solution Services revenue rose 9 percent year-on-year supported by strong demand for vertical solutions.

Geographic Performance

Lenovo is a global business operating in over 180 markets. Revenue in Americas registered a smaller year-on-year decline than the Group average, at 21 percent. While IDG revenue was down double-digits year-on-year, the inventory level in North America has normalized to that of pre-Covid period. ISG revenue remained stable year-on-year, with strength in storage demand fully offsetting weakness in server products; SSG experienced a dip in revenue compared to the previous year due to some delays in new deal closing, but the renewal of major contracts in the region has partly mitigated the decline.

Group revenue in Asia Pacific (excluding China) surpassed the Group average despite a decrease of 17 percent. ISG saw weak demand in the region, while IDG's revenue fell as a result of continued PC channel inventory digestion as well as local currency depreciation against the US dollar. On the other hand, SSG reported robust revenue growth on share gains in the region. The Europe-Middle East-Africa (EMEA) market reported a revenue decline of 29 percent year-on-year, impacted by weakness in IDG and ISG. SSG reported double-digit revenue growth on key project wins, including first TruScale wins in Gulf countries.

Revenue in China declined 29 percent year-on-year, attributed to the lower demand for both PC and infrastructure business. Nevertheless, SSG delivered double-digit revenue growth, benefiting from the recovery in service delivery for vertical solutions, as well as contract wins in key verticals.

Outlook

Global economy starts to stabilize although challenges remain. As such, the Group is deploying a sustainable growth strategy to accelerate its transformation to better transcend the economic cycle with agility and resilience. Continued investment in innovations is made to foster more diversified growth engines and unleash growth opportunities in Computing and AI solutions. These investments have begun to bear fruit as evidenced by the Group's successful launch of its innovative, comprehensive horizontal building blocks equipped with Lenovo's own Intelligent Property (IP) - including Digital Workplace Solution, Hybrid Cloud, Edge & AI, Sustainability and Truscale - all delivering positive growth year-on-year to help cement the Group's position as an industry leader.

The Group's PC business is stabilizing and well-positioned for a year-on-year recovery in the later part of 2023. The total available market of the global PC sector is regressing 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. Meanwhile, the commercial upgrade cycle and the trend of premiumization will help IDG drive premium-to-market growth. IDG is well-poised to lead the global race in device innovation by enhancing features for hybrid working, gaming, entertainment and ESG designs. Further investments will be made to score wins in non-PC areas, including fast-growing accessories and work collaboration solutions. Its smartphone business will focus on portfolio expansion and differentiation to take advantage of accelerated 5G adoption and drive share gains across regional markets.

ISG has built industry-leading end-to-end infrastructure solutions and expanded its offerings to include full-stack solutions such as 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. Such approach will achieve an optimal balance between general purpose and customized offerings, while ensuring an appropriate operation scale and efficient cost structure for future revenue growth and profitability expansion.

SSG envisions promising prospects for digital transformation and will further scale using Lenovo IP and next-generation offerings including digital workplace, hybrid cloud, and sustainability solutions, while safeguarding its core business with high value-added support services across both PC and infrastructure segments. Moreover, SSG will leverage TruScale as a comprehensive as-a-Service portfolio, strategically positioned to capture the growing demand. Together with strengthening channel tools and cooperating with ecosystem partners, SSG is well-positioned to further enhance its financial contribution to the Group.

Strategic Highlights

The rapid development of AI applications presents numerous new opportunities for the Group. On top of the surging demand for computing power that benefits its infrastructure business, the Group will leverage its leading position in smart devices to provide more intelligent experiences with rich functionalities. The Group will also leverage SSG’s deep domain expertise to create industry-specific AI models to help accelerate the intelligent transformation of various industries.

The Group continues to be the leader and enabler of Intelligent Transformation, helping clients navigate a more complex world with its vision of bringing smarter technology to all. Strong innovation, which goes hand-in-hand with the pursuit of profitability growth, will further elevate the Group’s 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, particularly its TruScale as-a-Service portfolio, to address customer pain points in hybrid work, multi-cloud management, as well as cybersecurity. Collaborating with leading business and channel partners will also create the synergy needed to succeed in this area.

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

FINANCIAL REVIEW

Results for the three months ended June 30, 2023

	3 months ended June 30, 2023 (unaudited) ***US$ million***	3 months ended June 30, 2022 (unaudited) *US$ million*	Year-on-year change
Revenue	**12,900**	16,956	(24)%
Gross profit	**2,252**	2,869	(22)%
Gross profit margin	**17.5%**	16.9%	0.6 pts
Operating expenses	**(1,862)**	(2,092)	(11)%
Operating profit	**390**	777	(50)%
Other non-operating income/(expenses) – net	**(162)**	(86)	87%
Profit before taxation	**228**	691	(67)%
Profit for the period	**183**	539	(66)%
Profit attributable to equity holders of the Company	**177**	516	(66)%
Earnings per share attributable to equity holders of the Company			
Basic	**US1.48 cents**	US4.39 cents	US(2.91) cents
Diluted	**US1.43 cents**	US4.01 cents	US(2.58) cents

For the three months ended June 30, 2023, the Group achieved total sales of approximately US$12,900 million. When compared to the corresponding period of last year, profit attributable to equity holders for the period decreased by US$339 million to approximately US$177 million, gross profit margin rose 0.6 percentage points to 17.5 percent mainly due to increasing contribution from SSG's high margin business. While basic and diluted earnings per share were US1.48 cents and US1.43 cents respectively, representing a decrease of US2.91 cents and US2.58 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 June 30, 2023 and 2022 is as follows:

	3 months ended June 30, 2023 ***US$'000***	3 months ended June 30, 2022 *US$'000*
Selling and distribution expenses	**(799,161)**	(879,337)
Administrative expenses	**(596,909)**	(686,984)
Research and development expenses	**(451,031)**	(511,415)
Other operating income/(expenses) – net	**(14,729)**	(13,916)
	(1,861,830)	(2,091,652)

Operating expenses for the period decreased by 11 percent as compared with the corresponding period of last year. Due to expense optimization, spending was reduced across multiple areas, including US$60 million in advertising and promotional expense, US$45 million in research and development related laboratory testing, services and supplies, as well as other items. During the period, the Group recorded fair value gain from strategic investments amounted to US$31 million (2022/23: US$25 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$2 million (2022/23: US$47 million) reflecting our assessment on certain doubtful amounts.

Key expenses by nature comprise:

	3 months ended June 30, 2023 ***US$'000***	3 months ended June 30, 2022 *US$'000*
Depreciation of property, plant and equipment	**(52,786)**	(46,504)
Depreciation of right-of-use assets	**(36,678)**	(32,021)
Amortization of intangible assets, excluding internal use software	**(46,353)**	(124,026)
Employee benefit costs, including	**(1,102,268)**	(1,088,542)
- *long-term incentive awards*	***(68,633)***	*(74,557)*
Rental expenses	**(473)**	(2,870)
Net foreign exchange loss	**(44,230)**	(48,225)
Advertising and promotional expenses	**(174,463)**	(234,625)
Legal, professional and consulting expenses	**(60,302)**	(54,400)
Information technology expenses, including	**(75,369)**	(82,360)
- *amortization of internal use software*	***(46,035)***	*(49,261)*
Increase in loss allowance of trade receivables	**(15,964)**	(49,542)
Unused amounts of loss allowance of trade receivables reversed	**14,102**	2,545
Research and development related laboratory testing, services and supplies	**(55,730)**	(100,476)
Gain/(loss) on disposal of property, plant and equipment	**568**	(254)
Loss on disposal of construction-in-progress	**(4,087)**	-
Fair value gain on financial assets at fair value through profit or loss	**30,581**	25,292
Fair value loss on a financial liability at fair value through profit or loss	-	(873)
Others	**(238,378)**	(254,771)
	(1,861,830)	(2,091,652)

Other non-operating income/(expenses) - net for the three months ended June 30, 2023 and 2022 comprise:

	3 months ended June 30, 2023 ***US$'000***	3 months ended June 30, 2022 *US$'000*
Finance income	**40,173**	18,675
Finance costs	**(197,426)**	(100,335)
Share of losses of associates and joint ventures	**(4,695)**	(5,076)
	(161,948)	(86,736)

Finance income mainly represents interest on bank deposits.

Finance costs for the period increased by 97 percent as compared with the corresponding period of last year due to higher market interest rate in the period and issuance of notes during the second quarter of last year. The increase is mainly attributable to the increase in factoring cost of US$88 million and interest on notes of US$11 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:

	3 months ended June 30, 2023		3 months ended June 30, 2022	
	Revenue	**Operating profit/(loss)**	Revenue	Operating profit
	US$'000	***US$'000***	*US$'000*	*US$'000*
IDG	**10,260,612**	**649,757**	14,273,843	1,069,512
ISG	**1,913,766**	**(60,417)**	2,086,073	11,311
SSG	**1,713,232**	**361,140**	1,455,872	329,342
Total	**13,887,610**	**950,480**	17,815,788	1,410,165
Eliminations	**(987,683)**	**(307,360)**	(860,170)	(284,552)
	12,899,927	**643,120**	16,955,618	1,125,613
Unallocated:				
Headquarters and corporate income/(expenses) - net		**(304,046)**		(319,713)
Depreciation and amortization		**(104,334)**		(142,000)
Finance income		**38,233**		10,075
Finance costs		**(70,474)**		(3,790)
Share of losses of associates and joint ventures		**(6,147)**		(5,076)
Gain/(loss) on disposal of property, plant and equipment		**679**		(96)
Fair value gain on financial assets at fair value through profit or loss		**30,581**		25,292
Fair value loss on a financial liability at fair value through profit or loss		**-**		(873)
Dividend income		**515**		1,081
Consolidated profit before taxation		**228,127**		690,513

Headquarters and corporate income/(expenses) - net for the period comprise various expenses, after appropriate allocation to business groups, of US$304 million (2022/23: US$320 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 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.

Three months ended June 30, 2023

	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	**390,075**	**228,127**	**183,414**	**176,526**
Non-HKFRS adjustments				
Net fair value changes on financial assets at fair value through profit or loss	**(30,581)**	**(30,581)**	**(24,803)**	**(20,632)**
Amortization of intangible assets resulting from mergers and acquisitions	**42,448**	**43,631**	**34,410**	**34,410**
Mergers and acquisitions related charges	**-**	**304**	**304**	**304**
Non-HKFRS	**401,942**	**241,481**	**193,325**	**190,608**

Three months ended June 30, 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	777,249	690,513	539,471	515,707
Non-HKFRS adjustments				
Net fair value changes on financial assets at fair value through profit or loss	(25,292)	(25,292)	(21,981)	(11,269)
Amortization of intangible assets resulting from mergers and acquisitions	61,160	61,160	49,319	49,319
Mergers and acquisitions related charges	-	2,443	2,443	2,443
Non-HKFRS	813,117	728,824	569,252	556,200

Capital Expenditure

The Group incurred capital expenditure of US$331 million (2022/23: US$386 million) during the three months ended June 30, 2023, mainly for the acquisition of property, plant and equipment, additions to construction-in-progress and intangible assets. The lower capital expenditure incurred in current period is mainly attributable to less investments in plant and machinery and buildings under construction.

Liquidity and Financial Resources

At June 30, 2023, total assets of the Group amounted to US$37,924 million (March 31, 2023: US$38,920 million), which were financed by equity attributable to owners of the Company of US$5,409 million (March 31, 2023: US$5,588 million), other non-controlling interests (net of put option written on non-controlling interests) of US$448 million (March 31, 2023: US$459 million), and total liabilities of US$32,067 million (March 31, 2023: US$32,873 million). At June 30, 2023, the current ratio of the Group was 0.88 (March 31, 2023: 0.88).

At June 30, 2023, bank deposits and cash and cash equivalents totaling US$4,423 million (March 31, 2023: US$4,321 million) analyzed by major currency are as follows:

	June 30, 2023	March 31, 2023
	%	%
US dollar	**29.5**	33.7
Renminbi	**31.9**	24.9
Japanese Yen	**7.6**	7.5
Euro	**5.1**	5.3
Australian dollar	**1.5**	1.2
Other currencies	**24.4**	27.4
Total	**100.0**	100.0

The Group adopts a conservative policy to invest the surplus cash generated from operations. At June 30, 2023, 90 (March 31, 2023: 87) percent of cash are bank deposits, and 10 (March 31, 2023: 13) 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:

				Utilized amount at	
Type	**Date of agreement**	**Principal amount**	**Term**	**June 30, 2023**	March 31, 2023
		US$ million		***US$ million***	*US$ million*
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	-	-

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

	Total available amount at		**Drawn down amount at**	
Credit facilities	**June 30, 2023**	March 31, 2023	**June 30, 2023**	March 31, 2023
	US$ million	*US$ million*	***US$ million***	*US$ million*
Trade lines	**4,434**	4,970	**2,893**	3,454
Short-term money market facilities	**1,851**	1,838	**62**	54
Forward foreign exchange contracts	**10,640**	9,428	**10,599**	9,384

Apart from the above facilities, notes and convertible bonds issued by the Group and outstanding at June 30, 2023 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
2024 Convertible Bonds	January 24, 2019	US$220 million	5 years	3.375%	January 2024	For repayment of previous Notes and general corporate purposes
2025 Notes	April 24, 2020 and May 12, 2020	US$1 billion	5 years	5.875%	April 2025	For repayment of previous Notes and general corporate purposes
2030 Notes	November 2, 2020	US$929 million	10 years	3.421%	November 2030	For repurchase of perpetual securities and previous Notes
2028 Notes	July 27, 2022	US$625 million	5.5 years	5.831%	January 2028	For repayment of previous Notes and general corporate purposes
2032 Notes	July 27, 2022	US$610 million	10 years	6.536%	July 2032	For financing of eligible projects under the Green Finance Framework
2029 Convertible Bonds	August 26, 2022	US$675 million	7 years	2.5%	August 2029	For repayment of previous convertible bonds and general corporate purposes

Net cash position and gearing ratio of the Group at June 30 and March 31, 2023 are as follows:

	June 30, 2023 ***US$ million***	March 31, 2023 *US$ million*
Bank deposits and cash and cash equivalents	**4,423**	4,321
Borrowings		
- Short-term loans	**64**	57
- Notes	**3,147**	3,146
- Convertible bonds	**758**	752
Net cash position	**454**	366
Total equity	**5,857**	6,047
Gearing ratio (Borrowings divided by total equity)	**0.68**	0.65

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 June 30, 2023, the Group had commitments in respect of outstanding forward foreign exchange contracts amounting to US$10,599 million (March 31, 2023: US$9,384 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.

CONSOLIDATED INCOME STATEMENT

	Note	**3 months ended June 30, 2023 (unaudited) *US$'000***	3 months ended June 30, 2022 (unaudited) *US$'000*
Revenue	*2*	**12,899,927**	16,955,618
Cost of sales		**(10,648,022)**	(14,086,717)
Gross profit		**2,251,905**	2,868,901
Selling and distribution expenses		**(799,161)**	(879,337)
Administrative expenses		**(596,909)**	(686,984)
Research and development expenses		**(451,031)**	(511,415)
Other operating income/(expenses) - net		**(14,729)**	(13,916)
Operating profit	*3*	**390,075**	777,249
Finance income	*4(a)*	**40,173**	18,675
Finance costs	*4(b)*	**(197,426)**	(100,335)
Share of losses of associates and joint ventures		**(4,695)**	(5,076)
Profit before taxation		**228,127**	690,513
Taxation	*5*	**(44,713)**	(151,042)
Profit for the period		**183,414**	539,471
Profit attributable to:			
Equity holders of the Company		**176,526**	515,707
Other non-controlling interests		**6,888**	23,764
		183,414	539,471
Earnings per share attributable to equity holders of the Company			
Basic	*6(a)*	**US1.48 cents**	US4.39 cents
Diluted	*6(b)*	**US1.43 cents**	US4.01 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	3 months ended June 30, 2023 (unaudited) ***US$'000***	3 months ended June 30, 2022 (unaudited) *US$'000*
Profit for the period	**183,414**	539,471
Other comprehensive income/(loss):		
Items that will not be reclassified to profit or loss		
Remeasurements of post-employment benefit obligations, net of taxes	**97**	309
Fair value change on financial assets at fair value through other comprehensive income, net of taxes	**1,163**	(387)
Items that have been reclassified or may be subsequently reclassified to profit or loss		
Fair value change on cash flow hedges from foreign exchange forward contracts, net of taxes		
- Fair value gain, net of taxes	**56,510**	311,478
- Reclassified to consolidated income statement	**(8,791)**	(198,937)
Currency translation differences	**(237,821)**	(512,097)
Other comprehensive loss for the period	**(188,842)**	(399,634)
Total comprehensive (loss)/income for the period	**(5,428)**	139,837
Total comprehensive income/(loss) attributable to:		
Equity holders of the Company	**11,818**	147,490
Other non-controlling interests	**(17,246)**	(7,653)
	(5,428)	139,837

CONSOLIDATED BALANCE SHEET

	Note	**June 30, 2023 (unaudited)** *US$'000*	March 31, 2023 (audited) *US$'000*
Non-current assets			
Property, plant and equipment		**1,928,735**	2,006,457
Right-of-use assets		**639,018**	659,360
Construction-in-progress		**556,016**	638,047
Intangible assets		**8,190,535**	8,267,114
Interests in associates and joint ventures		**413,971**	438,267
Deferred income tax assets		**2,487,943**	2,467,281
Financial assets at fair value through profit or loss		**1,158,587**	1,233,969
Financial assets at fair value through other comprehensive income		**64,883**	66,178
Other non-current assets		**210,165**	202,531
		15,649,853	15,979,204
Current assets			
Inventories	*7*	**5,907,201**	6,371,858
Trade and notes receivables	*8(a)*	**7,474,309**	7,940,378
Derivative financial assets		**98,940**	37,460
Deposits, prepayments and other receivables	*9*	**4,004,136**	3,945,153
Income tax recoverable		**366,704**	324,756
Bank deposits		**68,424**	71,163
Cash and cash equivalents		**4,354,802**	4,250,085
		22,274,516	22,940,853
Total assets		**37,924,369**	38,920,057

CONSOLIDATED BALANCE SHEET (CONTINUED)

	Note	**June 30, 2023 (unaudited)** *US$'000*	March 31, 2023 (audited) *US$'000*
Share capital	*13*	**3,282,318**	3,282,318
Reserves		**2,126,824**	2,305,272
Equity attributable to owners of the Company		**5,409,142**	5,587,590
Other non-controlling interests		**995,191**	1,006,784
Put option written on non-controlling interests	*10(a), 11(b)*	**(547,353)**	(547,353)
Total equity		**5,856,980**	6,047,021
Non-current liabilities			
Borrowings	*12*	**3,688,661**	3,683,178
Warranty provision	*10(b)*	**179,688**	196,037
Deferred revenue		**1,354,684**	1,389,427
Retirement benefit obligations		**253,778**	257,244
Deferred income tax liabilities		**423,708**	431,688
Other non-current liabilities	*11*	**788,912**	822,105
		6,689,431	6,779,679
Current liabilities			
Trade and notes payables	*8(b)*	**9,284,233**	9,772,934
Derivative financial liabilities		**36,301**	62,499
Other payables and accruals	*10(a)*	**12,928,146**	12,932,781
Provisions	*10(b)*	**945,502**	1,021,041
Deferred revenue		**1,568,100**	1,581,952
Income tax payable		**335,236**	450,534
Borrowings	*12*	**280,440**	271,616
		25,377,958	26,093,357
Total liabilities		**32,067,389**	32,873,036
Total equity and liabilities		**37,924,369**	38,920,057

CONSOLIDATED CASH FLOW STATEMENT

	Note	**3 months ended June 30, 2023 (unaudited)** *US$'000*	3 months ended June 30, 2022 (unaudited) *US$'000*
Cash flows from operating activities			
Net cash generated from operations	*14(a)*	**1,057,119**	596,682
Interest paid		**(190,906)**	(102,310)
Tax paid		**(216,452)**	(95,654)
Net cash generated from operating activities		**649,761**	398,718
Cash flows from investing activities			
Purchase of property, plant and equipment		**(61,732)**	(93,076)
Sale of property, plant and equipment		**16,560**	11,730
Interest acquired in a joint venture		**-**	(298)
Loan to a joint venture		**(1,093)**	-
Repayment of loan to an associate		**20,695**	-
Payment for construction-in-progress		**(113,108)**	(133,105)
Payment for intangible assets		**(156,621)**	(160,004)
Purchase of financial assets at fair value through profit or loss		**(38,699)**	(97,676)
Purchase of financial assets at fair value through other comprehensive income		**-**	(2,000)
Net proceeds from sale of financial assets at fair value through profit or loss		**90,397**	29,524
Net proceeds from sale of financial assets at fair value through other comprehensive income		**-**	2,307
Decrease in bank deposits		**2,739**	34,938
Dividends received		**660**	1,216
Interest received		**40,173**	18,675
Net cash used in investing activities		**(200,029)**	(387,769)
Cash flows from financing activities	*14(b)*		
Capital contribution from other non-controlling interests		**2,760**	11,236
Distribution to other non-controlling interests		**(3,995)**	-
Contribution to employee share trusts		**(218,043)**	(10,985)
Acquisition of additional interest in a subsidiary		**(32,738)**	-
Principal elements of lease payments		**(35,013)**	(33,801)
Dividends paid to convertible preferred shares holders		**-**	(800)
Dividends paid to other non-controlling interests		**(6,353)**	-
Proceeds from loans		**1,417,795**	3,532,594
Repayments of loans		**(1,407,798)**	(3,506,740)
Net cash used in financing activities		**(283,385)**	(8,496)
Increase in cash and cash equivalents		**166,347**	2,453
Effect of foreign exchange rate changes		**(61,630)**	(144,651)
Cash and cash equivalents at the beginning of the period		**4,250,085**	3,930,287
Cash and cash equivalents at the end of the period		**4,354,802**	3,788,089

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, 2023	3,282,318	(60,860)	(153,385)	(344,218)	(9,154)	(2,096,441)	163,411	4,805,919	1,006,784	(547,353)	6,047,021
Profit for the period	–	–	–	–	–	–	–	176,526	6,888	–	183,414
Other comprehensive income/(loss)	–	1,163	–	–	47,719	(213,687)	–	97	(24,134)	–	(188,842)
Total comprehensive income/(loss) for the period	–	1,163	–	–	47,719	(213,687)	–	176,623	(17,246)	–	(5,428)
Transfer to statutory reserve	–	–	–	–	–	–	19,180	(19,180)	–	–	–
Acquisition of subsidiaries	–	–	–	–	–	–	–	–	(2,285)	–	(2,285)
Vesting of shares under long-term incentive program	–	–	177,615	(239,174)	–	–	–	–	–	–	(61,559)
Deferred tax in relation to long-term incentive program	–	–	–	4,443	–	–	–	–	–	–	4,443
Settlement of bonus through long-term incentive program	–	–	–	2,434	–	–	–	–	–	–	2,434
Share-based compensation	–	–	–	68,633	–	–	–	–	–	–	68,633
Contribution to employee share trusts	–	–	(218,043)	–	–	–	–	–	–	–	(218,043)
Dividends paid to other non-controlling interests	–	–	–	–	–	–	–	–	(6,353)	–	(6,353)
Capital contribution from other non-controlling interests	–	–	–	–	–	–	8,315	–	56,535	–	64,850
Distribution to other non-controlling interests	–	–	–	–	–	–	–	–	(3,995)	–	(3,995)
Change of ownership of subsidiaries without loss of control	–	–	–	–	–	–	5,511	–	(38,249)	–	(32,738)
At June 30, 2023	3,282,318	(59,697)	(193,813)	(507,882)	38,565	(2,310,128)	196,417	4,963,362	995,191	(547,353)	5,856,980
At April 1, 2022	3,203,913	(67,176)	(332,455)	(196,562)	48,233	(1,506,279)	37,758	3,803,207	951,415	(547,353)	5,394,701
Profit for the period	–	–	–	–	–	–	–	515,707	23,764	–	539,471
Other comprehensive (loss)/income	–	(387)	–	–	112,541	(480,680)	–	309	(31,417)	–	(399,634)
Total comprehensive (loss)/income for the period	–	(387)	–	–	112,541	(480,680)	–	516,016	(7,653)	–	139,837
Transfer to statutory reserve	–	–	–	–	–	–	28,522	(28,522)	–	–	–
Transfer of investment revaluation reserve upon disposal of financial assets at fair value through other comprehensive income to retained earnings	–	376	–	–	–	–	–	(376)	–	–	–
Vesting of shares under long-term incentive program	–	–	148,399	(192,940)	–	–	–	–	–	–	(44,541)
Deferred tax in relation to long-term incentive program	–	–	–	(674)	–	–	–	–	–	–	(674)
Settlement of bonus through long-term incentive program	–	–	–	23,259	–	–	–	–	–	–	23,259
Share-based compensation	–	–	–	74,557	–	–	–	–	–	–	74,557
Contribution to employee share trusts	–	–	(10,985)	–	–	–	–	–	–	–	(10,985)
Capital contribution from other non-controlling interests	–	–	–	–	–	–	–	–	8,944	–	8,944
Change of ownership of subsidiaries without loss of control	–	–	–	–	–	–	135	–	(135)	–	–
At June 30, 2022	3,203,913	(67,187)	(195,041)	(292,360)	160,774	(1,986,959)	66,415	4,290,325	952,571	(547,353)	5,585,098

Notes

1 General information and basis of preparation

The financial information relating to the year ended March 31, 2023 included in the FY2023/24 first quarter results announcement does not constitute the Company's statutory annual consolidated financial statements for that year but is derived from those consolidated financial statements. Further information relating to these statutory consolidated financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance is as follows:

The Company will deliver the consolidated financial statements for the year ended March 31, 2023 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.

<u>Basis of preparation</u>

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

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

The Group has adopted the following amended standards that are mandatory for the year ending March 31, 2024 which the Group considers are appropriate and relevant to its operations:

- Amendments to HKAS 1 and HKFRS Practice Statement 2, Disclosure of accounting policy
- Amendments to HKAS 8, Definition of accounting estimate
- Amendments to HKAS 12, Deferred tax related to assets and liabilities arising from a single transaction
- Amendments to HKAS 12, International tax reform – pillar two model rules

Except for the Amendments to HKAS 12, Deferred tax related to assets and liabilities arising from a single transaction, none of the developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented.

The Group has initially applied the Amendments to HKAS 12, Deferred tax related to assets and liabilities arising from a single transaction, from April 1, 2023. The amendments narrow the scope of the initial recognition exemption to exclude transactions that give rise to equal and offsetting temporary differences – e.g. leases liabilities. For leases liabilities, an entity is required to recognize the associated deferred tax assets and liabilities from the beginning of the earliest comparative period presented, with any cumulative effect recognized as an adjustment to retained earnings or other components of equity at that date. For all other transactions, an entity applies the amendments to transactions that occur after the beginning of the earliest period presented.

The Group previously accounted for deferred tax on leases that results in a similar outcome to the amendments, except that the deferred tax asset or liability was recognized on a net basis. Following the amendments, the Group has recognized a separate deferred tax asset in relation to its lease liability and a deferred tax liability in relation to its right-of-use asset. However, there is no impact on the consolidated balance sheet because the balances qualify for offset under paragraph 74 of HKAS 12. There was also no impact on the opening retained earnings at April 1, 2022 as a result of the change. The key impact for the Group relates to disclosure of the deferred tax assets and liabilities recognized – this disclosure will be provided in the FY23/24 interim report.

The change in accounting policy will also be reflected in the Group's consolidated financial statements at and for the year ending March 31, 2024.

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, 2024 and have not been early adopted:

	Effective for annual periods beginning on or after
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 HKAS 7 and HKFRS 7, Supplier finance arrangements	January 1, 2024
Amendments to HKFRS 10 and HKAS 28, Sale or contribution of assets between an investor and its associate or joint venture	Date to be determined

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

2 Segment information

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

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

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

	3 months ended June 30, 2023		3 months ended June 30, 2022	
	Revenue	**Operating profit/(loss)**	Revenue	Operating profit
	US$'000	***US$'000***	*US$'000*	*US$'000*
IDG	**10,260,612**	**649,757**	14,273,843	1,069,512
ISG	**1,913,766**	**(60,417)**	2,086,073	11,311
SSG	**1,713,232**	**361,140**	1,455,872	329,342
Total	**13,887,610**	**950,480**	17,815,788	1,410,165
Eliminations	**(987,683)**	**(307,360)**	(860,170)	(284,552)
	12,899,927	**643,120**	16,955,618	1,125,613
Unallocated:				
Headquarters and corporate income/(expenses) – net		**(304,046)**		(319,713)
Depreciation and amortization		**(104,334)**		(142,000)
Finance income		**38,233**		10,075
Finance costs		**(70,474)**		(3,790)
Share of losses of associates and joint ventures		**(6,147)**		(5,076)
Gain/(loss) on disposal of property, plant and equipment		**679**		(96)
Fair value gain on financial assets at fair value through profit or loss		**30,581**		25,292
Fair value loss on a financial liability at fair value through profit or loss		**-**		(873)
Dividend income		**515**		1,081
Consolidated profit before taxation		**228,127**		690,513

(b) Analysis of revenue by geography

	3 months ended June 30, 2023	3 months ended June 30, 2022
	US$'000	*US$'000*
China	**2,852,490**	4,006,215
Asia Pacific ("AP")	**2,230,213**	2,672,806
Europe-Middle East-Africa ("EMEA")	**3,046,680**	4,273,682
Americas ("AG")	**4,770,544**	6,002,915
	12,899,927	16,955,618

(c) Analysis of revenue by timing of revenue recognition

	3 months ended June 30, 2023	3 months ended June 30, 2022
	US$'000	*US$'000*
Point in time	**12,211,599**	16,411,935
Over time	**688,328**	543,683
	12,899,927	16,955,618

(d) Other segment information

	IDG		ISG		SSG		Total	
	2023	2022	**2023**	2022	**2023**	2022	**2023**	2022
	US$'000	*US$'000*	***US$'000***	*US$'000*	***US$'000***	*US$'000*	***US$'000***	*US$'000*
For the three months ended June 30								
Depreciation and amortization	**181,187**	147,800	**48,366**	40,343	**5,708**	1,258	**235,261**	189,401
Finance income	**1,310**	6,438	**608**	2,043	**22**	119	**1,940**	8,600
Finance costs	**93,399**	69,608	**33,055**	26,788	**498**	149	**126,952**	96,545

(e) The directors have reviewed the latest development of IDG that was formed during the year ended March 31, 2019. IDG is considered a global operation comprising PCSD business unit and MBG which oversees the world's widest portfolio of PCs, tablets, smartphones, monitors, and smart home/collaboration solutions. The directors have re-assessed the composition of group of cash generating units ("CGU") to which goodwill is monitored having considered the latest development of the organization structure and concluded the goodwill of MBG and PCSD were reallocated to IDG, a business group that has been known and well received by the industry, with effect from April 1, 2023, according to their respective geographical locations, namely China, AP, EMEA, and AG, as group of CGU using a relative value approach in accordance with HKAS 36 "Impairment of assets".

The directors review goodwill and trademarks and trade names with indefinite useful lives with an aggregate amount of US$6,186 million (March 31, 2023: US$6,264 million). The carrying amounts of goodwill and trademarks and trade names with indefinite useful lives are presented below:

At June 30, 2023

	China	**AP**	**EMEA**	**AG**	**Total**
	US$ million	***US$ million***	***US$ million***	***US$ million***	***US$ million***
Goodwill					
- IDG	**897**	**498**	**290**	**1,626**	**3,311**
- ISG	**470**	**135**	**61**	**342**	**1,008**
- SSG (Note)	**N/A**	**N/A**	**N/A**	**N/A**	**600**
Trademarks and trade names with indefinite useful lives					
- IDG	**183**	**53**	**122**	**481**	**839**
- ISG	**162**	**54**	**31**	**123**	**370**
- SSG (Note)	**N/A**	**N/A**	**N/A**	**N/A**	**58**

At March 31, 2023

	China	AP	EMEA	AG	Total
	US$ million	*US$ million*	*US$ million*	*US$ million*	*US$ million*
Goodwill					
- IDG	940	531	288	1,607	3,366
- ISG	488	141	63	341	1,033
- SSG (Note)	N/A	N/A	N/A	N/A	598
Trademarks and trade names with indefinite useful lives					
- IDG	182	54	121	480	837
- ISG	162	54	31	123	370
- SSG (Note)	N/A	N/A	N/A	N/A	60

Note: SSG is monitored as a whole and there is no allocation to geography or market. At June 30, 2023, the balance comprises goodwill of US$364 million arising from the business combination last year. 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 June 30, 2023 (March 31, 2023: nil).

3 Operating profit

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

	3 months ended June 30, 2023 ***US$'000***	3 months ended June 30, 2022 *US$'000*
Depreciation of property, plant and equipment	**101,901**	90,416
Depreciation of right-of-use assets	**41,117**	35,874
Amortization of intangible assets	**196,577**	205,111
Employee benefit costs, including	**1,409,064**	1,310,015
– long-term incentive awards	***68,633***	*74,557*
Rental expenses	**2,018**	7,910
(Gain)/loss on disposal of property, plant and equipment	**(568)**	254
Loss on disposal of construction-in-progress	**4,087**	-
Fair value gain on financial assets at fair value through profit or loss	**(30,581)**	(25,292)
Fair value loss on a financial liability at fair value through profit or loss	**-**	873

4 Finance income and costs

(a) Finance income

	3 months ended June 30, 2023 ***US$'000***	3 months ended June 30, 2022 *US$'000*
Interest on bank deposits	**32,596**	18,170
Interest on money market funds	**6,243**	189
Interest income on finance lease	**1,334**	316
	40,173	18,675

(b) Finance costs

	3 months ended June 30, 2023 ***US$'000***	3 months ended June 30, 2022 *US$'000*
Interest on bank loans and overdrafts	**10,048**	13,187
Interest on convertible bonds	**12,387**	10,159
Interest on notes	**42,517**	31,848
Interest on lease liabilities	**3,876**	3,927
Factoring costs	**125,931**	37,883
Interest on written put option liabilities	**827**	2,974
Others	**1,840**	357
	197,426	100,335

5 Taxation

The amount of taxation in the consolidated income statement represents:

	3 months ended June 30, 2023 ***US$'000***	3 months ended June 30, 2022 *US$'000*
Current tax		
Profits tax in Hong Kong S.A.R. of China	**32,163**	24,812
Taxation outside Hong Kong S.A.R. of China	**60,666**	145,523
Deferred tax		
Credit for the period	**(48,116)**	(19,293)
	44,713	151,042

Profits tax in Hong Kong S.A.R. of China has been provided for at the rate of 16.5% (2022/23: 16.5%) on the estimated assessable profit for the period. Taxation outside Hong Kong S.A.R. of China represents income and irrecoverable withholding taxes of subsidiaries operating in the Chinese Mainland and overseas, calculated at rates applicable in the respective jurisdictions.

6 Earnings per share

(a) Basic

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

	3 months ended June 30, 2023	3 months ended June 30, 2022
Weighted average number of ordinary shares in issue	**12,128,130,291**	12,041,705,614
Adjustment for shares held by employee share trusts	**(204,622,258)**	(287,640,750)
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	**11,923,508,033**	11,754,064,864

	3 months ended June 30, 2023 *US$'000*	3 months ended June 30, 2022 *US$'000*
Profit attributable to equity holders of the Company used in calculating basic earnings per share	**176,526**	515,707

(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 three (2022/23: four) categories of potential ordinary shares, namely long-term incentive awards, put option written on non-controlling interests and convertible bonds (2022/23: 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 months ended June 30, 2023 and 2022. Put option written on non-controlling interests were anti-dilutive for the three months ended June 30, 2023 and 2022. Convertible preferred shares were anti-dilutive for the three months ended June 30, 2022.

	3 months ended June 30, 2023	3 months ended June 30, 2022
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	**11,923,508,033**	11,754,064,864
Adjustment for long-term incentive awards	**304,195,786**	557,938,872
Adjustment for convertible bonds	**804,325,063**	769,980,531
Weighted average number of ordinary shares used as the denominator in calculating diluted earnings per share	**13,032,028,882**	13,081,984,267

	3 months ended June 30, 2023 *US$'000*	3 months ended June 30, 2022 *US$'000*
Profit attributable to equity holders of the Company used in calculating basic earnings per share	**176,526**	515,707
Adjustment for interest on convertible bonds, net of tax	**10,343**	8,483
Profit attributable to equity holders of the Company used in calculating diluted earnings per share	**186,869**	524,190

7 Inventories

	June 30, 2023	March 31, 2023
	US$'000	*US$'000*
Raw materials and work-in-progress	**3,018,308**	3,571,910
Finished goods	**2,388,669**	2,295,352
Service parts	**500,224**	504,596
	5,907,201	6,371,858

8 Trade and notes receivables and trade and notes payables

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

	June 30, 2023	March 31, 2023
	US$'000	*US$'000*
Trade receivables	**7,446,660**	7,901,228
Notes receivable	**27,649**	39,150
	7,474,309	7,940,378

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

	June 30, 2023	March 31, 2023
	US$'000	*US$'000*
0 – 30 days	**5,750,697**	5,579,089
31 – 60 days	**859,167**	1,132,623
61 – 90 days	**324,142**	254,426
Over 90 days	**616,066**	1,039,913
	7,550,072	8,006,051
Less: loss allowance	**(103,412)**	(104,823)
Trade receivables – net	**7,446,660**	7,901,228

At June 30, 2023, trade receivables, net of loss allowance, of US$889,662,000 (March 31, 2023: US$888,758,000) were past due. The ageing of these receivables, based on due date, is as follows:

	June 30, 2023	March 31, 2023
	US$'000	*US$'000*
Within 30 days	**458,121**	421,876
31 – 60 days	**147,951**	185,604
61 – 90 days	**94,446**	98,447
Over 90 days	**189,144**	182,831
	889,662	888,758

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

	3 months ended June 30, 2023 *US$'000*	Year ended March 31, 2023 *US$'000*
At the beginning of the period/year	**104,823**	106,620
Exchange adjustment	**1,206**	(4,470)
Increase in loss allowance recognized in profit or loss	**15,964**	122,832
Uncollectible receivables written off	**(4,479)**	(18,933)
Unused amounts reversed in profit or loss	**(14,102)**	(101,226)
At the end of the period/year	**103,412**	104,823

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:

	June 30, 2023 *US$'000*	March 31, 2023 *US$'000*
Trade payables	**7,151,251**	7,027,842
Notes payable	**2,132,982**	2,745,092
	9,284,233	9,772,934

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

	June 30, 2023 *US$'000*	March 31, 2023 *US$'000*
0 – 30 days	**5,193,167**	4,540,194
31 – 60 days	**608,490**	1,481,684
61 – 90 days	**655,188**	439,351
Over 90 days	**694,406**	566,613
	7,151,251	7,027,842

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:

	June 30, 2023 *US$'000*	March 31, 2023 *US$'000*
Deposits	**181,486**	187,096
Other receivables	**2,284,861**	1,971,020
Prepayments	**1,537,789**	1,787,037
	4,004,136	3,945,153

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

10 Provisions, other payables and accruals

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

	June 30, 2023	March 31, 2023
	US$'000	*US$'000*
Accruals	**3,124,550**	3,563,634
Allowance for billing adjustments (i)	**2,503,703**	2,524,891
Written put option liabilities (ii)	**423,130**	450,030
Other payables (iii)	**6,758,452**	6,270,507
Lease liabilities	**118,311**	123,719
	12,928,146	12,932,781

Notes:

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

(ii) 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 subsidiaries (together "FCCL"). Both options are exercisable as at June 30, 2023. 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.

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.

(iii) 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.

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

(b) The components of provisions are as follows:

	Warranty	Environmental restoration	Restructuring	Total
	US$'000	*US$'000*	*US$'000*	*US$'000*
Year ended March 31, 2023				
At the beginning of the year	1,218,898	30,787	-	1,249,685
Exchange adjustment	(26,413)	(2,333)	-	(28,746)
Provisions made	691,126	19,736	208,546	919,408
Amounts utilized	(831,772)	(22,106)	(45,969)	(899,847)
	1,051,839	26,084	162,577	1,240,500
Long-term portion classified as non-current liabilities	(196,037)	(23,422)	-	(219,459)
At the end of the year	855,802	2,662	162,577	1,021,041
Three months ended June 30, 2023				
At the beginning of the period	**1,051,839**	**26,084**	**162,577**	**1,240,500**
Exchange adjustment	**(8,153)**	**(1,820)**	-	**(9,973)**
Provisions made	**145,956**	**4,966**	-	**150,922**
Amounts utilized	**(189,226)**	**(4,286)**	**(41,097)**	**(234,609)**
	1,000,416	**24,944**	**121,480**	**1,146,840**
Long-term portion classified as non-current liabilities	**(179,688)**	**(21,650)**	**-**	**(201,338)**
At the end of the period	**820,728**	**3,294**	**121,480**	**945,502**

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

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

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

11 Other non-current liabilities

Details of other non-current liabilities are as follows:

	June 30, 2023	March 31, 2023
	US$'000	*US$'000*
Deferred consideration (a)	**25,072**	25,072
Written put option liabilities (b)	**42,379**	44,249
Lease liabilities	**284,124**	280,837
Environmental restoration (Note 10(b))	**21,650**	23,422
Government incentives and grants received in advance (c)	**92,945**	94,621
Others	**322,742**	353,904
	788,912	822,105

Notes:

(a) Pursuant to the joint venture agreement entered into with NEC Corporation, the Group is required to pay in cash to NEC Corporation deferred consideration. At June 30, 2023, the potential undiscounted amount of future payment in respect of the deferred consideration that the Group could be required to make amounted to US$25 million (March 31, 2023: US$25 million).

(b) 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$69 million).

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

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

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

12 Borrowings

	June 30, 2023	March 31, 2023
	US$'000	*US$'000*
Current liabilities		
Short-term loans (a)	**64,371**	57,032
Convertible bonds (c)	**216,069**	214,584
	280,440	271,616
Non-current liabilities		
Notes (b)	**3,146,832**	3,146,148
Convertible bonds (c)	**541,829**	537,030
	3,688,661	3,683,178
	3,969,101	3,954,794

Notes:

(a) Majority of the short-term loans are denominated in United States dollars. At June 30, 2023, the Group has total revolving and short-term loan facilities of US$4,351 million (March 31, 2023: US$4,338 million) which has been utilized to the extent of US$62 million (March 31, 2023: US$54 million).

(b)

Issue date	**Outstanding principal amount**	**Term**	**Interest rate per annum**	**Due date**	**June 30, 2023** ***US$'000***	March 31, 2023 *US$'000*
April 24, 2020 and May 12, 2020	US$1 billion	5 years	5.875%	April 2025	**999,642**	999,593
November 2, 2020	US$929 million	10 years	3.421%	November 2030	**922,264**	922,035
July 27, 2022	US$625 million	5.5 years	5.831%	January 2028	**620,120**	619,856
July 27, 2022	US$610 million	10 years	6.536%	July 2032	**604,806**	604,664
					3,146,832	3,146,148

(c)

Issue date	**Outstanding principal amount**	**Term**	**Interest rate per annum**	**Due date**	**June 30, 2023** ***US$'000***	March 31, 2023 *US$'000*
January 24, 2019 (i)	US$220 million	5 years	3.375%	January 2024	**216,069**	214,584
August 26, 2022 (ii)	US$675 million	7 years	2.5%	August 2029	**541,829**	537,030
					757,898	751,614

(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$6.25 per share effective on July 29, 2023.

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, 2023: 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$6.25 per share, the 2024 Convertible Bonds will be convertible into 275,428,600 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$9.42 per share effective on July 29, 2023. Assuming full conversion of the 2029 Convertible Bonds at the conversion price of HK$9.42 per share, the 2029 Convertible Bonds will be convertible into 561,675,955 shares.

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.

The exposure of all the borrowings of the Group to interest rate changes and the contractual repricing dates at June 30, 2023 and March 31, 2023 are as follows:

	June 30, 2023	March 31, 2023
	US$'000	*US$'000*
Within 1 year	**280,440**	271,616
Over 1 to 2 years	**999,642**	-
Over 2 to 5 years	**620,120**	1,619,449
Over 5 years	**2,068,899**	2,063,729
	3,969,101	3,954,794

13 Share capital

	June 30, 2023		March 31, 2023	
	Number of shares	***US$'000***	*Number of shares*	*US$'000*
Issued and fully paid:				
Voting ordinary shares:				
At the beginning of the period/year	**12,128,130,291**	**3,282,318**	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**	12,128,130,291	3,282,318

14 Note to the consolidated cash flow statement

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

	3 months ended June 30, 2023	3 months ended June 30, 2022
	US$'000	*US$'000*
Profit before taxation	**228,127**	690,513
Share of losses of associates and joint ventures	**4,695**	5,076
Finance income	**(40,173)**	(18,675)
Finance costs	**197,426**	100,335
Depreciation of property, plant and equipment	**101,901**	90,416
Depreciation of right-of-use assets	**41,117**	35,874
Amortization of intangible assets	**196,577**	205,111
Share-based compensation	**68,633**	74,557
(Gain)/loss on disposal of property, plant and equipment	**(568)**	254
Loss on disposal of intangible assets	**3**	8
Loss on disposal of construction-in-progress	**4,087**	-
Loss on disposal of interest in an associate	**-**	10
Fair value change on financial instruments	**(39,959)**	(92,350)
Fair value change on financial assets at fair value through profit or loss	**(30,581)**	(25,292)
Fair value change on a financial liability at fair value through profit or loss	**-**	873
Dividend income	**(660)**	(1,216)
Decrease/(increase) in inventories	**453,052**	(567,005)
Decrease in trade and notes receivables, deposits, prepayments and other receivables	**421,060**	395,601
Decrease in trade and notes payables, provisions, other payables and accruals	**(667,739)**	(383,138)
Effect of foreign exchange rate changes	**120,121**	85,730
Net cash generated from operations	**1,057,119**	596,682

(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	**June 30, 2023** ***US$'000***	March 31, 2023 *US$'000*
Short-term loans – current	**64,371**	57,032
Notes – non-current	**3,146,832**	3,146,148
Convertible bonds – current	**216,069**	214,584
Convertible bonds – non-current	**541,829**	537,030
Lease liabilities – current	**118,311**	123,719
Lease liabilities – non-current	**284,124**	280,837
	4,371,536	4,359,350
Short-term loans – variable interest rates	**55,886**	55,985
Short-term loans – fixed interest rates	**8,485**	1,047
Notes – fixed interest rates	**3,146,832**	3,146,148
Convertible bonds – fixed interest rates	**757,898**	751,614
Lease liabilities – fixed interest rates	**402,435**	404,556
	4,371,536	4,359,350

	Short-term loans current *US$'000*	**Long-term loan non-current** *US$'000*	**Notes current** *US$'000*	**Notes non-current** *US$'000*	**Convertible bonds current** *US$'000*	**Convertible bonds non-current** *US$'000*	**Convertible preferred shares current** *US$'000*	**Lease liabilities current** *US$'000*	**Lease liabilities non-current** *US$'000*	**Total** *US$'000*
Financing liabilities at April 1, 2022	57,427	1,045	685,380	1,990,888	-	641,415	45,115	145,095	262,902	3,829,267
Proceeds from borrowings	10,980,383	-	-	1,250,000	-	675,000	-	-	-	12,905,383
Repayments of borrowings	(10,979,864)	-	(686,779)	(69,036)	-	-	-	-	-	(11,735,679)
Repurchase of borrowings	-	-	-	-	-	(545,317)	(46,443)	-	-	(591,760)
Reclassification	1,045	(1,045)	-	-	214,584	(214,584)	-	92,328	(92,328)	-
Issuing cost of borrowings	-	-	-	(11,726)	-	(11,000)	-	-	-	(22,726)
Principal elements of lease payments	-	-	-	-	-	-	-	(168,638)	-	(168,638)
Dividends paid	-	-	-	-	-	-	(1,881)	-	-	(1,881)
Foreign exchange adjustments	(1,959)	-	-	-	-	-	-	(2,045)	(3,568)	(7,572)
Equity component for issue of convertible bonds	-	-	-	-	-	(138,243)	-	-	-	(138,243)
Equity component for repurchase of convertible bonds	-	-	-	-	-	102,664	-	-	-	102,664
Other non-cash movements	-	-	1,399	(13,978)	-	27,095	3,209	56,979	113,831	188,535
Financing liabilities at March 31, 2023	57,032	-	-	3,146,148	214,584	537,030	-	123,719	280,837	4,359,350
Financing liabilities at April 1, 2023	**57,032**	**-**	**-**	**3,146,148**	**214,584**	**537,030**	**-**	**123,719**	**280,837**	**4,359,350**
Proceeds from borrowings	**1,417,795**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1,417,795**
Repayments of borrowings	**(1,407,798)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(1,407,798)**
Reclassification	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**25,725**	**(25,725)**	**-**
Principal elements of lease payments	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(35,013)**	**-**	**(35,013)**
Foreign exchange adjustments	**(2,658)**	**-**	**-**	**-**	**-**	**-**	**-**	**(4,483)**	**(3,315)**	**(10,456)**
Other non-cash movements	**-**	**-**	**-**	**684**	**1,485**	**4,799**	**-**	**8,363**	**32,327**	**47,658**
Financing liabilities at June 30, 2023	**64,371**	**-**	**-**	**3,146,832**	**216,069**	**541,829**	**-**	**118,311**	**284,124**	**4,371,536**

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

During the three months ended June 30, 2023, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities, except that the respective trustee of the long-term incentive program and the employee share purchase plan of the Company purchased a total of 174,799,786 shares from the market for award to employees upon vesting. Details of these program and plan are set out in the 2022/23 Annual 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 three months ended June 30, 2023. 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 three months ended June 30, 2023, 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 Group and is of the opinion that the vesting of the roles of Chairman and the CEO in Mr. Yang Yuanqing ("Mr. Yang") is appropriate and beneficial to the Group as it provides consistency of the strategy execution and stability of the operations of the Group. The Board comprising a vast majority of independent non-executive directors meets regularly on a quarterly basis to review the operations of the Group led by Mr. Yang.

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

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

August 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.