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Lenovo Group Limited 聯想集團有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 992)

FY2022/23 ANNUAL RESULTS ANNOUNCEMENT

ANNUAL RESULTS

The board of directors (the "Board") of Lenovo Group Limited (the "Company") announces the audited results of the Company and its subsidiaries (the "Group") for the year ended March 31, 2023 together with comparative figures of last year, as follows:

FINANCIAL HIGHLIGHTS

- Record revenue and profit in Infrastructure Solutions (ISG) and Solutions and Services (SSG) businesses; non-PC revenue grew 7 percent to drive all-time high Group gross margin and operating margin since fiscal year 2006, despite persistent macro headwinds impacting devices demand
- SSG delivered growth of 22 percent in revenue and 16 percent in operating profit, thanks to Service-led Transformation successfully expanding market penetration and capturing new opportunities in aaS, hybrid cloud, and ESG; SSG's high profitability continues to boost Group margins
- ISG posted 37 percent revenue growth, marking the third consecutive record-setting year; operating profit surged on high-end applications and portfolio expansion in high-margin products; market share by revenue saw a raise of over 3 percentage points in global storage markets
- Intelligent Devices Group (IDG) remained a strong sector leader in both market share and profitability, despite a 21 percent setback in revenue due to sector inventory digestion, demand slowdown and exchange rate fluctuations; pressure to clear channel inventory was greatly relieved by year-end
- The Group maintained healthy net cash position throughout the year with an end balance of US$366 million; cash conversion cycle improved by 12 days despite a 21 percent year-on-year setback in Group profit attributable to equity holders to US$1.6 billion

					Year-on-year change	
	3 months ended March 31, 2023 *US$ million*	**Year ended March 31, 2023** *US$ million*	**3 months ended March 31, 2022** *US$ million*	**Year ended March 31, 2022** *US$ million*	**3 months ended March 31**	**Full-year**
Revenue	12,635	61,947	16,694	71,618	(24)%	(14)%
Gross profit	2,143	10,501	2,864	12,049	(25)%	(13)%
Gross profit margin	17.0%	17.0%	17.2%	16.8%	(0.2) pts	0.2 pts
Operating expenses	(1,852)	(7,832)	(2,275)	(8,968)	(19)%	(13)%
Operating profit	291	2,669	589	3,081	(51)%	(13)%
Other non-operating income/(expenses) - net	(161)	(533)	(69)	(313)	134%	70%
Profit before taxation	130	2,136	520	2,768	(75)%	(23)%
Profit for the period/year	106	1,681	421	2,145	(75)%	(22)%
Profit attributable to equity holders of the Company	114	1,608	412	2,030	(72)%	(21)%
Earnings per share attributable to equity holders of the Company						
Basic	US0.95 cents	US13.50 cents	US3.52 cents	US17.45 cents	US(2.57) cents	US(3.95) cents
Diluted	US0.93 cents	US12.74 cents	US3.20 cents	US15.77 cents	US(2.27) cents	US(3.03) cents
Non-HKFRS measure						
Non-HKFRS operating profit	493	2,942	702	3,197	(30)%	(8)%
Non-HKFRS profit before taxation	338	2,422	636	2,895	(47)%	(16)%
Non-HKFRS profit for the period/year	294	1,925	515	2,231	(43)%	(14)%
Non-HKFRS profit attributable to equity holders of the Company	284	1,878	507	2,164	(44)%	(13)%

PROPOSED DIVIDEND

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

CLOSURE OF REGISTER OF MEMBERS

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

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

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

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

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

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

BUSINESS REVIEW AND OUTLOOK

Highlights

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

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

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

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

Group Financial Performance

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

Performance by Business Group

Intelligent Devices Group (IDG)

Revenue of IDG, consisting of the PC, tablet, smartphone, and other smart device businesses, declined 21 percent year-on-year but remained markedly higher than FY19/20 pre-COVID levels. Operating profit for the fiscal year under review declined by 24 percent. Despite the significant revenue decline, segment profit margin of 7.3 percent was down 31 basis points year-on-year, and remained significantly above pre-COVID levels owing to operational excellence and a favorable mix shift to enable higher margin sales.

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

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

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

Infrastructure Solutions Group (ISG)

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

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

Solutions and Services Group (SSG)

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

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

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

Geographic Performance

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

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

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

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

Outlook

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

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

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

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

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

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

Strategic Highlights

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

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

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

FINANCIAL REVIEW

Results for the year ended March 31, 2023

	2023 ***US$ million***	2022 *US$ million*	Year-on-year change
Revenue	**61,947**	71,618	(14)%
Gross profit	**10,501**	12,049	(13)%
Gross profit margin	**17.0%**	16.8%	0.2 pts
Operating expenses	**(7,832)**	(8,968)	(13)%
Operating profit	**2,669**	3,081	(13)%
Other non-operating income/(expenses) – net	**(533)**	(313)	70%
Profit before taxation	**2,136**	2,768	(23)%
Profit for the year	**1,681**	2,145	(22)%
Profit attributable to equity holders of the Company	**1,608**	2,030	(21)%
Earnings per share attributable to equity holders of the Company			
Basic	**US13.50 cents**	US17.45 cents	US(3.95) cents
Diluted	**US12.74 cents**	US15.77 cents	US(3.03) cents

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

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

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

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

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

Key expenses by nature comprise:

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

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

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

Finance income mainly represents interest on bank deposits.

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

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

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

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

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

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

	3 months ended March 31, 2023 ***US$ million***	3 months ended March 31, 2022 *US$ million*	Year-on-year change
Revenue	**12,635**	16,694	(24)%
Gross profit	**2,143**	2,864	(25)%
Gross profit margin	**17.0%**	17.2%	(0.2) pts
Operating expenses	**(1,852)**	(2,275)	(19)%
Operating profit	**291**	589	(51)%
Other non-operating income/(expenses) – net	**(161)**	(69)	134%
Profit before taxation	**130**	520	(75)%
Profit for the period	**106**	421	(75)%
Profit attributable to equity holders of the Company	**114**	412	(72)%
Earnings per share attributable to equity holders of the Company			
Basic	**US0.95 cents**	US3.52 cents	US(2.57) cents
Diluted	**US0.93 cents**	US3.20 cents	US(2.27) cents

For the three months ended March 31, 2023, the Group achieved total sales of approximately US$12,635 million. When compared to the corresponding period of last year, profit attributable to equity holders for the period decreased by US$299 million to approximately US$114 million, gross profit margin erode 0.2 percentage points to 17 percent. While basic and diluted earnings per share were US0.95 cents and US0.93 cents respectively, representing a decrease of US2.57 cents and US2.27 cents.

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

	3 months ended March 31, 2023 ***US$'000***	3 months ended March 31, 2022 *US$'000*
Selling and distribution expenses	**(648,029)**	(963,468)
Administrative expenses	**(599,397)**	(702,241)
Research and development expenses	**(549,626)**	(575,819)
Other operating income/(expenses) – net	**(55,620)**	(33,942)
	(1,852,672)	(2,275,470)

Operating expenses for the period decreased by 19 percent as compared with the corresponding period of last year. Employee benefit costs decreased by US$3 million mainly due to decrease in performance-based bonus and sales commissions, partly offset by the recognition of severance and related costs. The Group announced resource actions and incurred severance and related costs of US$209 million to further enhance efficiency and competitiveness in view of industrial challenges. Advertising and promotional expenses reduced by US$169 million due to expense optimization. During the period, the Group recorded fair value gain from strategic investments amounted to US$89 million (2022: loss of US$51 million), reflecting the change in value of the Group's portfolio. Net exchange loss decreased by US$36 million resulting from currency fluctuations.

Key expenses by nature comprise:

	3 months ended March 31, 2023 ***US$'000***	3 months ended March 31, 2022 *US$'000*
Depreciation of property, plant and equipment	**(54,637)**	(44,921)
Depreciation of right-of-use assets	**(34,042)**	(34,399)
Amortization of intangible assets, excluding internal use software	**(97,957)**	(119,315)
Impairment of intangible assets	**(895)**	-
Employee benefit costs, including	**(1,187,139)**	(1,189,856)
- *long-term incentive awards*	***(92,492)***	*(101,324)*
- *severance and related costs*	***(208,546)***	-
Rental expenses	**(1,288)**	(3,845)
Net foreign exchange loss	**(12,168)**	(48,085)
Advertising and promotional expenses	**(131,265)**	(300,748)
Legal, professional and consulting expenses	**(74,858)**	(56,138)
Information technology expenses, including	**(105,603)**	(128,644)
- *amortization of internal use software*	***(58,187)***	*(50,617)*
Increase in loss allowance of trade receivables	**(46,809)**	(42,736)
Unused amounts of loss allowance of trade receivables reversed	**56,128**	54,398
Research and development related laboratory testing, services and supplies	**(87,570)**	(172,850)
Loss on disposal of property, plant and equipment	**(5,121)**	(5,223)
Loss on disposal of construction-in-progress	**(75)**	-
Loss on disposal of intangible assets	**(141)**	(2,837)
Fair value gain/(loss) on financial assets at fair value through profit or loss	**88,834**	(50,997)
Fair value loss on a financial liability at fair value through profit or loss	**(551)**	(1,134)
Gain on disposal of interest in an associate	**113**	-
Others	**(157,628)**	(128,140)
	(1,852,672)	(2,275,470)

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

	3 months ended March 31, 2023 ***US$'000***	3 months ended March 31, 2022 *US$'000*
Finance income	**43,256**	18,771
Finance costs	**(197,659)**	(84,317)
Share of losses of associates and joint ventures	**(5,876)**	(3,078)
	(160,279)	(68,624)

Finance income mainly represents interest on bank deposits.

Finance costs for the period increased by 134 percent as compared with the corresponding period of last year due to increase in market interest rate during the period and issuance of notes and convertible bonds in the first half of the year. The increase is mainly attributable to the increase in factoring cost of US$101 million and interest on notes of US$13 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 March 31, 2023		3 months ended March 31, 2022	
	Revenue	**Operating profit**	Revenue	Operating profit
	US$'000	***US$'000***	*US$'000*	*US$'000*
IDG	**9,796,078**	**660,966**	14,696,180	1,125,569
ISG	**2,200,013**	**7,495**	1,408,637	6,765
SSG	**1,649,891**	**324,389**	1,396,291	314,762
Total	**13,645,982**	**992,850**	17,501,108	1,447,096
Eliminations	**(1,010,889)**	**(306,089)**	(807,350)	(258,088)
	12,635,093	**686,761**	16,693,758	1,189,008
Unallocated:				
Headquarters and corporate income/(expenses) - net		**(245,948)**		(344,684)
Restructuring costs		**(208,546)**		-
Depreciation and amortization		**(130,151)**		(163,768)
Finance income		**31,052**		11,086
Finance costs		**(53,110)**		(117,840)
Share of losses of associates and joint ventures		**(8,216)**		(3,078)
(Loss)/gain on disposal of property, plant and equipment		**(386)**		505
Fair value gain/(loss) on financial assets at fair value through profit or loss		**59,516**		(50,997)
Fair value loss on a financial liability at fair value through profit or loss		**(551)**		(1,134)
Dividend income		**-**		1,069
Consolidated profit before taxation		**130,421**		520,167

Headquarters and corporate income/(expenses) - net for the period comprise various expenses, after appropriate allocation to business groups, of US$246 million (2022: US$345 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 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/year by excluding (i) net fair value changes on financial assets at fair value through profit or loss, (ii) amortization of intangible assets resulting from mergers and acquisitions, (iii) mergers and acquisitions related charges, and (iv) restructuring and other charges, and the corresponding income tax effects, if any.

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

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

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

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

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

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

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

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

Year ended March 31, 2023

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

Year ended March 31, 2022

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

Three months ended March 31, 2023

	Operating profit *US$'000*	**Profit before taxation** *US$'000*	**Profit for the period** *US$'000*	**Profit attributable to equity holders** *US$'000*
As reported	**290,700**	**130,421**	**105,576**	**113,607**
Non-HKFRS adjustments				
Net fair value changes on financial assets at fair value through profit or loss	**(88,834)**	**(88,834)**	**(67,326)**	**(82,358)**
Amortization of intangible assets resulting from mergers and acquisitions	**42,490**	**45,646**	**35,046**	**35,046**
Mergers and acquisitions related charges	**31**	**2,541**	**2,541**	**2,541**
Restructuring and other charges	**248,713**	**248,713**	**217,819**	**215,497**
Non-HKFRS	**493,100**	**338,487**	**293,656**	**284,333**

Three months ended March 31, 2022

	Operating profit *US$'000*	Profit before taxation *US$'000*	Profit for the period *US$'000*	Profit attributable to equity holders *US$'000*
As reported	588,791	520,167	421,367	412,163
Non-HKFRS adjustments				
Net fair value changes on financial assets at fair value through profit or loss	50,997	50,997	42,465	43,798
Amortization of intangible assets resulting from mergers and acquisitions	62,298	62,298	48,857	48,857
Mergers and acquisitions related charges	-	2,655	2,655	2,655
Non-HKFRS	702,086	636,117	515,344	507,473

Capital Expenditure

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

Liquidity and Financial Resources

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

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

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

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

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

The Group has the following banking facilities:

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

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

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

Apart from the above facilities, notes and convertible bonds issued by the Group and outstanding at March 31, 2023 are as follows. Further details of borrowings are set out in Note 13 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 March 31, 2023 and 2022 are as follows:

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

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

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

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.

Human Resources

By the end of FY2022/23, the Group had a headcount of approximately 77,000 worldwide.

The Group implements remuneration policy, bonus, employee share purchase plan and long-term incentive scheme with reference to the performance of the Group and individual employees. The Group also provides benefits such as insurance, medical benefits and retirement funds to employees to sustain competitiveness of the Group.

CONSOLIDATED INCOME STATEMENT

	Note	2023 US$'000	2022 US$'000
Revenue	2	**61,946,854**	71,618,216
Cost of sales		**(51,445,762)**	(59,569,241)
Gross profit		**10,501,092**	12,048,975
Selling and distribution expenses		**(3,285,126)**	(3,746,290)
Administrative expenses		**(2,311,771)**	(2,944,234)
Research and development expenses		**(2,195,329)**	(2,073,461)
Other operating income/(expenses) - net		**(40,043)**	(204,421)
Operating profit	3	**2,668,823**	3,080,569
Finance income	4(a)	**141,667**	56,458
Finance costs	4(b)	**(657,704)**	(362,384)
Share of losses of associates and joint ventures		**(16,799)**	(6,912)
Profit before taxation		**2,135,987**	2,767,731
Taxation	5	**(455,156)**	(622,399)
Profit for the year		**1,680,831**	2,145,332
Profit attributable to:			
Equity holders of the Company		**1,607,722**	2,029,818
Other non-controlling interests		**73,109**	115,514
		1,680,831	2,145,332
Earnings per share attributable to equity holders of the Company			
Basic	6(a)	**US13.50 cents**	US17.45 cents
Diluted	6(b)	**US12.74 cents**	US15.77 cents
Dividends	7	**587,997**	583,999

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	2023	2022
	US$'000	*US$'000*
Profit for the year	**1,680,831**	2,145,332
Other comprehensive income/(loss):		
Items that will not be reclassified to profit or loss		
Remeasurements of post-employment benefit obligations, net of taxes	**58,524**	58,194
Fair value change on financial assets at fair value through other comprehensive income, net of taxes	**650**	(18,064)
Items that have been reclassified or may be subsequently reclassified to profit or loss		
Fair value change on cash flow hedges from foreign exchange forward contracts, net of taxes		
- Fair value gain, net of taxes	**302,181**	243,257
- Reclassified to consolidated income statement	**(359,568)**	(268,500)
Currency translation differences	**(614,267)**	172,638
Other comprehensive (loss)/income for the year	**(612,480)**	187,525
Total comprehensive income for the year	**1,068,351**	2,332,857
Total comprehensive income attributable to:		
Equity holders of the Company	**1,019,347**	2,244,669
Other non-controlling interests	**49,004**	88,188
	1,068,351	2,332,857

CONSOLIDATED BALANCE SHEET

	Note	**2023**	2022
		US$'000	*US$'000*
Non-current assets			
Property, plant and equipment		**2,006,457**	1,636,629
Right-of-use assets		**659,360**	839,233
Construction-in-progress		**638,047**	510,211
Intangible assets		**8,267,114**	8,066,785
Interests in associates and joint ventures		**438,267**	339,547
Deferred income tax assets		**2,467,281**	2,527,955
Financial assets at fair value through profit or loss		**1,233,969**	1,104,408
Financial assets at fair value through other comprehensive income		**66,178**	64,572
Other non-current assets		**202,531**	424,241
		15,979,204	15,513,581
Current assets			
Inventories	*8*	**6,371,858**	8,300,658
Trade and notes receivables	*9(a)*	**7,940,378**	11,289,547
Derivative financial assets		**37,460**	113,757
Deposits, prepayments and other receivables	*10*	**3,945,153**	5,014,292
Income tax recoverable		**324,756**	255,809
Bank deposits		**71,163**	92,513
Cash and cash equivalents		**4,250,085**	3,930,287
		22,940,853	28,996,863
Total assets		**38,920,057**	44,510,444

CONSOLIDATED BALANCE SHEET (CONTINUED)

	Note	**2023** **US$'000**	2022 US$'000
Share capital	*14*	**3,282,318**	3,203,913
Reserves		**2,305,272**	1,786,726
Equity attributable to owners of the Company		**5,587,590**	4,990,639
Other non-controlling interests		**1,006,784**	951,415
Put option written on non-controlling interests	*12(b)*	**(547,353)**	(547,353)
Total equity		**6,047,021**	5,394,701
Non-current liabilities			
Borrowings	*13*	**3,683,178**	2,633,348
Warranty provision	*11(b)*	**196,037**	242,776
Deferred revenue		**1,389,427**	1,459,582
Retirement benefit obligations		**257,244**	340,542
Deferred income tax liabilities		**431,688**	406,759
Other non-current liabilities	*12*	**822,105**	1,274,001
		6,779,679	6,357,008
Current liabilities			
Trade and notes payables	*9(b)*	**9,772,934**	13,184,831
Derivative financial liabilities		**62,499**	127,625
Other payables and accruals	*11(a)*	**12,932,781**	15,744,911
Provisions	*11(b)*	**1,021,041**	980,112
Deferred revenue		**1,581,952**	1,440,022
Income tax payable		**450,534**	493,312
Borrowings	*13*	**271,616**	787,922
		26,093,357	32,758,735
Total liabilities		**32,873,036**	39,115,743
Total equity and liabilities		**38,920,057**	44,510,444

CONSOLIDATED CASH FLOW STATEMENT

	Note	**2023**	2022
		US$'000	*US$'000*
Cash flows from operating activities			
Net cash generated from operations	*15(a)*	**3,934,656**	5,122,034
Interest paid		**(605,144)**	(315,570)
Tax paid		**(528,110)**	(729,485)
Net cash generated from operating activities		**2,801,402**	4,076,979
Cash flows from investing activities			
Purchase of property, plant and equipment		**(428,366)**	(396,358)
Sale of property, plant and equipment		**32,677**	21,193
Disposal of construction-in-progress		**2,814**	-
Acquisition of subsidiaries, net of cash acquired	*15(c)*	**(403,820)**	(76,294)
Disposal of subsidiaries, net of cash disposed		**-**	114,312
Interests acquired in associates and a joint venture		**(103,057)**	(160,194)
Loans to a related party		**(11,052)**	-
Payment for construction-in-progress		**(688,696)**	(601,946)
Payment for intangible assets		**(461,084)**	(285,777)
Purchase of financial assets at fair value through profit or loss		**(225,982)**	(256,461)
Purchase of financial assets at fair value through other comprehensive income		**(7,000)**	(2,000)
Net proceeds from sale of financial assets at fair value through profit or loss		**226,539**	116,017
Net proceeds from sale of financial assets at fair value through other comprehensive income		**3,148**	1,500
Decrease/(increase) in bank deposits		**21,351**	(33,128)
Dividends received		**2,782**	4,285
Interest received		**124,726**	56,458
Net cash used in investing activities		**(1,915,020)**	(1,498,393)
Cash flows from financing activities	*15(b)*		
Capital contribution from other non-controlling interests		**25,053**	179,322
Distribution to other non-controlling interests		**(6,906)**	-
Contribution to employee share trusts		**(204,258)**	(387,496)
Principal elements of lease payments		**(168,638)**	(146,485)
Dividends paid		**(578,795)**	(478,822)
Dividends paid to convertible preferred shares holders		**(1,881)**	(16,385)
Dividends paid to other non-controlling interests		**(32,460)**	(30,877)
Repurchase of convertible preferred shares		**(46,443)**	(254,490)
Cash received for disposal of subsidiaries without loss of control		**-**	5,185
Payment for written put option liabilities		**-**	(297,352)
Proceeds from issue of convertible bonds		**675,000**	-
Repurchase of convertible bonds		**(545,317)**	-
Issuing cost of convertible bonds		**(11,000)**	-
Proceeds from loans		**10,980,383**	10,311,552
Repayments of loans		**(10,979,864)**	(10,304,211)
Proceeds from issue of notes		**1,250,000**	-
Repayments of notes		**(755,815)**	(337,309)
Issuing cost of notes		**(11,726)**	-
Cash settlement of shares vested under long-term incentive program		**(1,109)**	-
Net cash used in financing activities		**(413,776)**	(1,757,368)
Increase in cash and cash equivalents		**472,606**	821,218
Effect of foreign exchange rate changes		**(152,808)**	40,684
Cash and cash equivalents at the beginning of the year		**3,930,287**	3,068,385
Cash and cash equivalents at the end of the year		**4,250,085**	3,930,287

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holders of the Company										
	Share capital US$'000	Investment revaluation reserve US$'000	Employee share trusts US$'000	Share-based compensation reserve US$'000	Hedging reserve US$'000	Exchange reserve US$'000	Other reserves US$'000	Retained earnings US$'000	Other non-controlling interests US$'000	Put option written on non-controlling interests US$'000	Total US$'000
At April 1, 2022	**3,203,913**	**(67,176)**	**(332,455)**	**(196,562)**	**48,233**	**(1,506,279)**	**37,758**	**3,803,207**	**951,415**	**(547,353)**	**5,394,701**
Profit for the year	–	–	–	–	–	–	–	**1,607,722**	**73,109**	–	**1,680,831**
Other comprehensive income/(loss)	–	**650**	–	–	**(57,387)**	**(590,162)**	–	**58,524**	**(24,105)**	–	**(612,480)**
Total comprehensive income/(loss) for the year	–	**650**	–	–	**(57,387)**	**(590,162)**	–	**1,666,246**	**49,004**	–	**1,068,351**
Transfer to statutory reserve	–	–	–	–	–	–	**28,544**	**(28,544)**	–	–	–
Acquisition of subsidiaries	**64,594**	–	–	–	–	–	–	–	**28,004**	–	**92,598**
Acquisition of an associate	**13,811**	–	–	–	–	–	–	–	–	–	**13,811**
Transfer of investment revaluation reserve upon disposal of financial assets at fair value through other comprehensive income to retained earnings	–	**5,666**	–	–	–	–	–	**(5,666)**	–	–	–
Vesting of shares under long-term incentive program	–	–	**383,328**	**(500,833)**	–	–	–	–	–	–	**(117,505)**
Cash settlement of shares vested under long-term incentive program	–	–	–	**(1,109)**	–	–	–	–	–	–	**(1,109)**
Deferred tax in relation to long-term incentive program	–	–	–	**(5,237)**	–	–	–	–	–	–	**(5,237)**
Settlement of bonus through long-term incentive program	–	–	–	**23,395**	–	–	–	–	–	–	**23,395**
Share-based compensation	–	–	–	**336,128**	–	–	–	–	–	–	**336,128**
Contribution to employee share trusts	–	–	**(204,258)**	–	–	–	–	–	–	–	**(204,258)**
Dividends paid	–	–	–	–	–	–	–	**(578,795)**	–	–	**(578,795)**
Dividends paid to other non-controlling interests	–	–	–	–	–	–	–	–	**(32,460)**	–	**(32,460)**
Capital contribution from other non-controlling interests	–	–	–	–	–	–	–	–	**28,728**	–	**28,728**
Distribution to other non-controlling interests	–	–	–	–	–	–	–	–	**(6,906)**	–	**(6,906)**
Issue of convertible bonds	–	–	–	–	–	–	**138,243**	–	–	–	**138,243**
Repurchase of convertible bonds	–	–	–	–	–	–	**(52,135)**	**(50,529)**	–	–	**(102,664)**
Change of ownership of subsidiaries without loss of control	–	–	–	–	–	–	**11,001**	–	**(11,001)**	–	–
At March 31, 2023	**3,282,318**	**(60,860)**	**(153,385)**	**(344,218)**	**(9,154)**	**(2,096,441)**	**163,411**	**4,805,919**	**1,006,784**	**(547,353)**	**6,047,021**
At April 1, 2021	3,203,913	(49,133)	(500,277)	187,376	73,476	(1,690,948)	130,240	2,204,389	817,735	(766,238)	3,610,533
Profit for the year	–	–	–	–	–	–	–	2,029,818	115,514	–	2,145,332
Other comprehensive (loss)/income	–	(18,064)	–	–	(25,243)	199,964	–	58,194	(27,326)	–	187,525
Total comprehensive (loss)/income for the year	–	(18,064)	–	–	(25,243)	199,964	–	2,088,012	88,188	–	2,332,857
Transfer to statutory reserve	–	–	–	–	–	–	10,352	(10,352)	–	–	–
Transfer of investment revaluation reserve upon disposal of financial assets at fair value through other comprehensive income to retained earnings	–	20	–	–	–	–	–	(20)	–	–	–
Vesting of shares under long-term incentive program	–	–	555,318	(751,269)	–	–	–	–	–	–	(195,951)
Deferred tax in relation to long-term incentive program	–	–	–	(29,371)	–	–	–	–	–	–	(29,371)
Acquisition of a subsidiary	–	–	–	–	–	–	680	–	4,803	–	5,483
Disposal of subsidiaries	–	1	–	–	–	(15,295)	(552)	–	(365)	–	(16,211)
Settlement of bonus through long-term incentive program	–	–	–	27,781	–	–	–	–	–	–	27,781
Share-based compensation	–	–	–	368,921	–	–	–	–	–	–	368,921
Contribution to employee share trusts	–	–	(387,496)	–	–	–	–	–	–	–	(387,496)
Dividends paid	–	–	–	–	–	–	–	(478,822)	–	–	(478,822)
Dividends paid to other non-controlling interests	–	–	–	–	–	–	–	–	(30,877)	–	(30,877)
Capital contribution from other non-controlling interests	–	–	–	–	–	–	–	–	183,252	–	183,252
Change of ownership of subsidiaries without loss of control	–	–	–	–	–	–	5,965	–	(780)	–	5,185
Exercise of put option written on non-controlling interest	–	–	–	–	–	–	(108,927)	–	(110,541)	218,885	(583)
At March 31, 2022	3,203,913	(67,176)	(332,455)	(196,562)	48,233	(1,506,279)	37,758	3,803,207	951,415	(547,353)	5,394,701

Notes

1 General information and basis of preparation

The financial information relating to the years ended March 31, 2023 and 2022 included in the FY2022/23 annual results announcement does not constitute the Company's statutory annual consolidated financial statements for that year but is derived from those consolidated financial statements. Further information relating to these statutory consolidated financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance is as follows:

The Company has delivered the consolidated financial statements for the year ended March 31, 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 and will deliver the consolidated financial statements for the year ended March 31, 2023 in due course.

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

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

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

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

2 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 for reportable segments

	2023		2022	
	Revenue	**Operating profit**	Revenue	Operating profit
	US$'000	***US$'000***	*US$'000*	*US$'000*
IDG	**49,371,447**	**3,598,415**	62,310,410	4,737,823
ISG	**9,755,596**	**98,084**	7,140,055	6,703
SSG	**6,663,397**	**1,391,752**	5,441,528	1,195,386
Total	**65,790,440**	**5,088,251**	74,891,993	5,939,912
Eliminations	**(3,843,586)**	**(1,208,064)**	(3,273,777)	(1,001,478)
	61,946,854	**3,880,187**	71,618,216	4,938,434

	2023	2022
Unallocated:		
Headquarters and corporate income/(expenses) - net	**(1,087,716)**	(1,506,022)
Restructuring costs	**(208,546)**	-
Depreciation and amortization	**(548,852)**	(648,775)
Impairment of intangible assets	**-**	(31,434)
Finance income	**100,214**	34,504
Finance costs	**(154,532)**	(171,751)
Share of losses of associates and joint ventures	**(20,888)**	(6,912)
(Loss)/gain on disposal of property, plant and equipment	**(721)**	914
Fair value gain on financial assets at fair value through profit or loss	**174,077**	135,075
Fair value loss on a financial liability at fair value through profit or loss	**(3,209)**	(12,618)
Gain on disposal of subsidiaries	**-**	32,303
Dilution gain on interest in associates	**2,146**	-
Gain on disposal of interest in an associate	**1,190**	-
Dividend income	**2,637**	4,013
Consolidated profit before taxation	**2,135,987**	2,767,731

(b) Analysis of revenue by geography

	2023	2022
	US$'000	*US$'000*
China	**14,859,248**	18,380,867
Asia Pacific ("AP")	**10,555,485**	11,712,396
Europe-Middle East-Africa ("EMEA")	**15,302,377**	18,274,144
Americas ("AG")	**21,229,744**	23,250,809
	61,946,854	71,618,216

(c) Analysis of revenue by timing of revenue recognition

	2023	2022
	US$'000	*US$'000*
Point in time	**59,404,593**	69,671,524
Over time	**2,542,261**	1,946,692
	61,946,854	71,618,216

(d) 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 year ended March 31								
Depreciation and amortization	**627,458**	458,742	**160,104**	153,838	**16,265**	3,009	**803,827**	615,589
Finance income	**34,884**	17,437	**5,495**	3,861	**1,074**	656	**41,453**	21,954
Finance costs	**349,195**	129,563	**152,363**	60,295	**1,614**	775	**503,172**	190,633

(e) The directors review goodwill and trademarks and trade names with indefinite useful lives with an aggregate amount of US$6,264 million (2022: US$6,136 million). The carrying amounts of goodwill and trademarks and trade names with indefinite useful lives are presented below:

At March 31, 2023

	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	**940**	**521**	**195**	**251**	**N/A**	**N/A**	**1,907**
- MBG	**N/A**	**N/A**	**N/A**	**N/A**	**669**	**790**	**1,459**
- ISG	**488**	**141**	**63**	**341**	**N/A**	**N/A**	**1,033**
- SSG (Note)	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**598**
Trademarks and trade names with indefinite useful lives							
- PCSD	**182**	**51**	**92**	**52**	**N/A**	**N/A**	**377**
- MBG	**N/A**	**N/A**	**N/A**	**N/A**	**197**	**263**	**460**
- ISG	**162**	**54**	**31**	**123**	**N/A**	**N/A**	**370**
- SSG (Note)	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**60**

At March 31, 2022

	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 March 31, 2023, the balance comprises goodwill of US$354 million arising from the business combination during the year. The Group has not finalized the fair value assessment of such balance.

The directors are of the view that there was no impairment of goodwill and trademarks and trade names with indefinite useful lives based on impairment tests performed at March 31, 2023 (2022: nil).

The 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 cash generating units ("CGU") having considered the latest development of the organization structure and concluded the then MBG shall no longer be seen as an identifiable group of assets or business operations that generates independent cash inflows. The directors decided to merge the goodwill and trademarks and trade names with indefinite useful lives of MBG and PCSD into IDG, a business group that has been known and well received by the industry, with effect from April 1, 2023, according to their respective geographical locations, namely China, AP, EMEA, and AG, as independent CGU using a relative value approach in accordance with HKAS 36 "Impairment of assets".

3 Operating profit

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

	2023	2022
	US$'000	*US$'000*
Depreciation of property, plant and equipment	**377,418**	344,498
Depreciation of right-of-use assets	**151,326**	136,993
Amortization of intangible assets	**823,935**	782,873
Impairment of intangible assets	**895**	31,434
Impairment of property, plant and equipment	**-**	10,189
Employee benefit costs, including	**5,314,866**	5,829,480
– long-term incentive awards	***336,128***	*368,921*
– severance and related costs	***208,546***	-
Rental expenses	**22,026**	29,862
Loss on disposal of property, plant and equipment	**6,195**	2,265
Loss on disposal of intangible assets	**442**	8,399
Loss on disposal of construction-in-progress	**1,138**	-
Fair value gain on financial assets at fair value through profit or loss	**(203,395)**	(135,075)
Fair value loss on a financial liability at fair value through profit or loss	**3,209**	12,618
Gain on disposal of subsidiaries	**-**	(32,303)
Dilution gain on interest in associates	**(2,146)**	-
Gain on disposal of interest in associates	**(1,293)**	-

4 Finance income and costs

(a) Finance income

	2023	2022
	US$'000	*US$'000*
Interest on bank deposits and trust	**110,645**	56,114
Net gain on repayment of notes	**16,941**	-
Interest on money market funds	**14,081**	344
	141,667	56,458

(b) Finance costs

	2023	2022
	US$'000	*US$'000*
Interest on bank loans and overdrafts	**59,937**	34,226
Interest on convertible bonds	**53,332**	40,360
Interest on notes	**175,749**	141,282
Interest on lease liabilities	**15,221**	19,098
Factoring costs	**338,184**	99,653
Interest on written put option liabilities	**11,873**	23,587
Others	**3,408**	4,178
	657,704	362,384

5 Taxation

The amount of taxation in the consolidated income statement represents:

	2023	2022
	US$'000	*US$'000*
Current tax		
Profits tax in Hong Kong S.A.R. of China	**18,748**	160,855
Taxation outside Hong Kong S.A.R. of China	**430,677**	661,373
Deferred tax		
Charge/(credit) for the year	**5,731**	(199,829)
	455,156	622,399

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

6 Earnings per share

(a) Basic

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

	2023	2022
Weighted average number of ordinary shares in issue	**12,096,401,779**	12,041,705,614
Adjustment for shares held by employee share trusts	**(187,514,384)**	(412,831,508)
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	**11,908,887,395**	11,628,874,106

	2023 ***US$'000***	2022 *US$'000*
Profit attributable to equity holders of the Company used in calculating basic earnings per share	**1,607,722**	2,029,818

(b) Diluted

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

The Group has four (2022: four) categories of potential ordinary shares, namely long-term incentive awards, put option written on non-controlling interests, convertible bonds and convertible preferred shares. Long-term incentive awards and convertible bonds were dilutive for the years ended March 31, 2023 and 2022. Put option written on non-controlling interests and convertible preferred shares were anti-dilutive for the years ended March 31, 2023 and 2022.

	2023	2022
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	**11,908,887,395**	11,628,874,106
Adjustment for long-term incentive awards	**268,482,763**	683,274,532
Adjustment for convertible bonds	**792,407,938**	769,980,531
Weighted average number of ordinary shares used as the denominator in calculating diluted earnings per share	**12,969,778,096**	13,082,129,169

	2023 ***US$'000***	2022 *US$'000*
Profit attributable to equity holders of the Company used in calculating basic earnings per share	**1,607,722**	2,029,818
Adjustment for interest on convertible bonds, net of tax	**44,532**	33,701
Profit attributable to equity holders of the Company used in calculating diluted earnings per share	**1,652,254**	2,063,519

7 Dividends

	2023	2022
	US$'000	*US$'000*
Interim dividend of HK8 cents (2022: HK8 cents) per ordinary share, paid on December 9, 2022	**123,602**	123,771
Proposed final dividend – HK30 cents (2022: HK30 cents) per ordinary share	**464,395**	460,228
	587,997	583,999

8 Inventories

	2023	2022
	US$'000	*US$'000*
Raw materials and work-in-progress	**3,571,910**	5,527,420
Finished goods	**2,295,352**	2,315,797
Service parts	**504,596**	457,441
	6,371,858	8,300,658

9 Trade and notes receivables and trade and notes payables

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

	2023	2022
	US$'000	*US$'000*
Trade receivables	**7,901,228**	11,189,551
Notes receivable	**39,150**	99,996
	7,940,378	11,289,547

Customers are generally granted credit 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:

	2023	2022
	US$'000	*US$'000*
0 – 30 days	**5,579,089**	8,908,669
31 – 60 days	**1,132,623**	1,392,704
61 – 90 days	**254,426**	433,934
Over 90 days	**1,039,913**	560,864
	8,006,051	11,296,171
Less: loss allowance	**(104,823)**	(106,620)
Trade receivables – net	**7,901,228**	11,189,551

At March 31, 2023, trade receivables, net of loss allowance, of US$888,758,000 (2022: US$784,900,000) were past due. The ageing of these receivables, based on due date, is as follows:

	2023	2022
	US$'000	*US$'000*
Within 30 days	**421,876**	430,225
31 – 60 days	**185,604**	191,093
61 – 90 days	**98,447**	59,715
Over 90 days	**182,831**	103,867
	888,758	784,900

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

	2023	2022
	US$'000	*US$'000*
At the beginning of the year	**106,620**	145,206
Exchange adjustment	**(4,470)**	(357)
Increase in loss allowance recognized in profit or loss	**122,832**	90,311
Uncollectible receivables written off	**(18,933)**	(27,267)
Unused amounts reversed in profit or loss	**(101,226)**	(101,273)
At the end of the year	**104,823**	106,620

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:

	2023	2022
	US$'000	*US$'000*
Trade payables	**7,027,842**	11,035,924
Notes payable	**2,745,092**	2,148,907
	9,772,934	13,184,831

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

	2023	2022
	US$'000	*US$'000*
0 – 30 days	**4,540,194**	7,217,768
31 – 60 days	**1,481,684**	2,401,203
61 – 90 days	**439,351**	920,426
Over 90 days	**566,613**	496,527
	7,027,842	11,035,924

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

10 Deposits, prepayments and other receivables

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

	2023	2022
	US$'000	*US$'000*
Deposits	**187,096**	97,428
Other receivables	**1,971,020**	3,699,539
Prepayments	**1,787,037**	1,217,325
	3,945,153	5,014,292

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

11 Provisions, other payables and accruals

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

	2023	2022
	US$'000	*US$'000*
Accruals	**3,563,634**	4,441,470
Allowance for billing adjustments (i)	**2,524,891**	3,599,717
Written put option liabilities (Note 12(b)(i))	**450,030**	-
Other payables (ii)	**6,270,507**	7,558,629
Lease liabilities	**123,719**	145,095
	12,932,781	15,744,911

Notes:

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

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

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

(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, 2022				
At the beginning of the year	1,173,882	32,150	-	1,206,032
Exchange adjustment	(1,053)	(2,656)	-	(3,709)
Provisions made	983,035	26,367	-	1,009,402
Amounts utilized	(936,966)	(25,074)	-	(962,040)
	1,218,898	30,787	-	1,249,685
Long-term portion classified as non-current liabilities	(242,776)	(26,797)	-	(269,573)
At the end of the year	976,122	3,990	-	980,112
Year ended March 31, 2023				
At the beginning of the year	**1,218,898**	**30,787**	**-**	**1,249,685**
Exchange adjustment	**(26,413)**	**(2,333)**	**-**	**(28,746)**
Provisions made	**691,126**	**19,736**	**208,546**	**919,408**
Amounts utilized	**(831,772)**	**(22,106)**	**(45,969)**	**(899,847)**
	1,051,839	**26,084**	**162,577**	**1,240,500**
Long-term portion classified as non-current liabilities	**(196,037)**	**(23,422)**	**-**	**(219,459)**
At the end of the year	**855,802**	**2,662**	**162,577**	**1,021,041**

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

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

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

12 Other non-current liabilities

Details of other non-current liabilities are as follows:

	2023	2022
	US$'000	*US$'000*
Deferred consideration (a)	**25,072**	25,072
Written put option liabilities (b)	**44,249**	528,060
Lease liabilities	**280,837**	262,902
Environmental restoration (Note 11(b))	**23,422**	26,797
Government incentives and grants received in advance (c)	**94,621**	75,787
Others	**353,904**	355,383
	822,105	1,274,001

Notes:

(a) Pursuant to the joint venture agreement entered into with NEC Corporation, the Group is required to pay in cash to NEC Corporation deferred consideration. At March 31, 2023, the potential undiscounted amount of future payment in respect of the deferred consideration that the Group could be required to make amounted to US$25 million (2022: US$25 million).

(b) (i) Pursuant to the joint venture agreement entered into between the Company and Fujitsu Limited ("Fujitsu"), the Company and Fujitsu are respectively granted call and put options which entitle the Company to purchase from Fujitsu and Development Bank of Japan ("DBJ"), or Fujitsu and DBJ to sell to the Company, the 49% interest in Fujitsu Client Computing Limited and its subsidiary, Shimane Fujitsu Limited (together "FCCL"). Both options will be exercisable following the fifth anniversary of the date of completion. The exercise price for the call and put options will be determined based on the fair value of the 49% interest as of the day of exercising the option. At March 31, 2023, the written put option liabilities to Fujitsu has been reclassified to current liabilities as the written put option will be exercisable within the next twelve months.

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

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

Yuan Jia continues to hold 99.31% interest in ZJSB and is subject to a new option agreement whereby the Group and Yuan Jia are respectively granted call and put options which entitle the Group to purchase from Yuan Jia, or Yuan Jia to sell to the Group, the 99.31% interest in ZJSB. The call and put options will be exercisable after 54 months and from the 48 months to the 54 months respectively from the date of the new option agreement. The exercise price for the call and put options will be determined in accordance with the new option agreement, and up to a maximum of RMB500 million (approximately US$73 million).

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

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

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

13 Borrowings

	2023	2022
	US$'000	*US$'000*
Current liabilities		
Short-term loans (a)	**57,032**	57,427
Notes (b)	**-**	685,380
Convertible bonds (c)	**214,584**	-
Convertible preferred shares (d)	**-**	45,115
	271,616	787,922
Non-current liabilities		
Long-term loan (a)	**-**	1,045
Notes (b)	**3,146,148**	1,990,888
Convertible bonds (c)	**537,030**	641,415
	3,683,178	2,633,348
	3,954,794	3,421,270

Notes:

(a) Majority of the short-term and long-term loans are denominated in United States dollars. At March 31, 2023, the Group has total revolving and short-term loan facilities of US$4,338 million (2022: US$3,154 million) which has been utilized to the extent of US$54 million (2022: US$54 million).

(b)

Issue date	**Outstanding principal amount**	**Term**	**Interest rate per annum**	**Due date**	**2023** ***US$'000***	2022 *US$'000*
March 29, 2018 (i)	-	5 years	4.75%	March 2023	**-**	685,380
April 24, 2020 and May 12, 2020	US$1 billion	5 years	5.875%	April 2025	**999,593**	999,397
November 2, 2020 (i)	US$929 million	10 years	3.421%	November 2030	**922,035**	991,491
July 27, 2022 (ii)	US$625 million	5.5 years	5.831%	January 2028	**619,856**	-
July 27, 2022 (i), (ii)	US$610 million	10 years	6.536%	July 2032	**604,664**	-
					3,146,148	2,676,268

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

(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	**2023** ***US$'000***	2022 *US$'000*
January 24, 2019 (i)	US$220 million	5 years	3.375%	January 2024	**214,584**	641,415
August 26, 2022 (ii)	US$675 million	7 years	2.5%	August 2029	**537,030**	-
					751,614	641,415

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

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

(ii) On August 26, 2022, the Company completed the issuance of 7-Year US$675 million convertible bonds bearing annual interest at 2.5% due in August 2029 ("the 2029 Convertible Bonds") to the bondholders. The proceeds were used to repay previous convertible bonds and for general corporate purposes. The bondholders have the right, at any time on or after 41 days after the date of issue and up to the 10th day prior to the maturity date, to convert part or all of the outstanding principal amount of the 2029 Convertible Bonds into ordinary shares of the Company at a conversion price of HK$9.94 per share, subject to adjustments. The conversion price was adjusted to HK$9.80 per share effective on November 30, 2022. Assuming full conversion of the 2029 Convertible Bonds at the conversion price of HK$9.80 per share, the 2029 Convertible Bonds will be convertible into 539,896,683 shares.

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

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

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

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

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

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

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

During the year ended March 31, 2022, due to the occurrence of certain specified conditions, the holders of convertible preferred shares have the right to require LETCL to redeem or the Company to purchase all of their convertible preferred shares at the predetermined consideration. Additional 54,794 convertible preferred shares have been issued as dividend shares to the holders of the convertible preferred shares as a result of the occurrence of certain specified conditions. Holders of 1,643,833 convertible preferred shares have exercised their rights and the Group has purchased these convertible preferred shares at the consideration of approximately US$254 million. As of March 31, 2022, the aggregate number of 1,780,819 convertible preferred shares purchased by the Group were converted into ordinary shares of LETCL.

During the year ended March 31, 2023, holder of the remaining 328,766 convertible preferred shares has exercised its rights, the Group has purchased these convertible preferred shares at the consideration of approximately US$46 million and converted them into ordinary shares of LETCL. At March 31, 2023, no convertible preferred shares remained outstanding.

The exposure of all the borrowings of the Group to interest rate changes and the contractual repricing dates at March 31, 2023 and 2022 are as follows:

	2023	2022
	US$'000	*US$'000*
Within 1 year	**271,616**	787,922
Over 1 to 2 years	**-**	642,460
Over 2 to 5 years	**1,619,449**	999,397
Over 5 years	**2,063,729**	991,491
	3,954,794	3,421,270

14 Share capital

	2023		2022	
	Number of shares	***US$'000***	*Number of shares*	*US$'000*
Issued and fully paid:				
Voting ordinary shares:				
At the beginning of the year	**12,041,705,614**	**3,203,913**	12,041,705,614	3,203,913
Issue of ordinary shares for acquisition of subsidiaries and an associate	**86,424,677**	**78,405**	-	-
At the end of the year	**12,128,130,291**	**3,282,318**	12,041,705,614	3,203,913

15 Note to the consolidated cash flow statement

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

	2023	2022
	US$'000	*US$'000*
Profit before taxation	**2,135,987**	2,767,731
Share of losses of associates and joint ventures	**16,799**	6,912
Finance income	**(141,667)**	(56,458)
Finance costs	**657,704**	362,384
Depreciation of property, plant and equipment	**377,418**	344,498
Depreciation of right-of-use assets	**151,326**	136,993
Amortization of intangible assets	**823,935**	782,873
Impairment of intangible assets	**895**	31,434
Impairment of property, plant and equipment	**-**	10,189
Share-based compensation	**336,128**	368,921
Loss on disposal of property, plant and equipment	**6,195**	2,265
Loss on disposal of intangible assets	**442**	8,399
Loss on disposal of construction-in-progress	**1,138**	-
Gain on disposal of subsidiaries	**-**	(32,303)
Gain on disposal of interest in associates	**(1,293)**	-
Dilution gain on interest in associates	**(2,146)**	-
Fair value change on financial instruments	**(46,216)**	70,980
Fair value change on financial assets at fair value through profit or loss	**(203,395)**	(135,075)
Fair value change on a financial liability at fair value through profit or loss	**3,209**	12,618
Dividend income	**(2,782)**	(4,285)
Decrease/(increase) in inventories	**1,876,067**	(1,925,105)
Decrease/(increase) in trade and notes receivables, deposits, prepayments and other receivables	**4,719,419**	(2,795,512)
(Decrease)/increase in trade and notes payables, provisions, other payables and accruals	**(6,823,593)**	5,086,067
Effect of foreign exchange rate changes	**49,086**	78,508
Net cash generated from operations	**3,934,656**	5,122,034

(b) Reconciliation of financing liabilities

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

Financing liabilities	**2023** ***US$'000***	2022 *US$'000*
Short-term loans – current	**57,032**	57,427
Long-term loan – non-current	**-**	1,045
Notes – current	**-**	685,380
Notes – non-current	**3,146,148**	1,990,888
Convertible bonds – current	**214,584**	-
Convertible bonds – non-current	**537,030**	641,415
Convertible preferred shares – current	**-**	45,115
Lease liabilities – current	**123,719**	145,095
Lease liabilities – non-current	**280,837**	262,902
	4,359,350	3,829,267

Short-term loans – variable interest rates	**55,985**	56,400
Short-term loans – fixed interest rates	**1,047**	1,027
Long-term loan – fixed interest rates	**-**	1,045
Notes – fixed interest rates	**3,146,148**	2,676,268
Convertible bonds – fixed interest rates	**751,614**	641,415
Convertible preferred shares – fair value	**-**	45,115
Lease liabilities – fixed interest rates	**404,556**	407,997
	4,359,350	3,829,267

	Short-term loans current ***US$'000***	**Long-term loan non-current** ***US$'000***	**Notes current** ***US$'000***	**Notes non-current** ***US$'000***	**Convertible bonds current** ***US$'000***	**Convertible bonds non-current** ***US$'000***	**Convertible preferred shares current** ***US$'000***	**Lease liabilities current** ***US$'000***	**Lease liabilities non-current** ***US$'000***	**Total** ***US$'000***
Financing liabilities at April 1, 2021	58,190	2,070	336,709	2,673,688	-	623,824	303,372	133,662	333,264	4,464,779
Proceeds from borrowings	10,311,552	-	-	-	-	-	-	-	-	10,311,552
Repayments of borrowings	(10,304,211)	-	(337,309)	-	-	-	-	-	-	(10,641,520)
Repurchase of borrowings	-	-	-	-	-	-	(254,490)	-	-	(254,490)
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	**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)**
Transfer	**1,045**	**(1,045)**	**-**	**-**	**214,584**	**(214,584)**	**-**	**92,328**	**(92,328)**	**-**
Issuing cost of borrowings	**-**	**-**	**-**	**(11,726)**	**-**	**(11,000)**	**-**	**-**	**-**	**(22,726)**
Principal elements of lease payments	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(168,638)**	**-**	**(168,638)**
Dividends paid	**-**	**-**	**-**	**-**	**-**	**-**	**(1,881)**	**-**	**-**	**(1,881)**
Foreign exchange adjustments	**(1,959)**	**-**	**-**	**-**	**-**	**-**	**-**	**(2,045)**	**(3,568)**	**(7,572)**
Equity component for issue of convertible bonds	**-**	**-**	**-**	**-**	**-**	**(138,243)**	**-**	**-**	**-**	**(138,243)**
Equity component for repurchase of convertible bonds	**-**	**-**	**-**	**-**	**-**	**102,664**	**-**	**-**	**-**	**102,664**
Other non-cash movements	**-**	**-**	**1,399**	**(13,978)**	**-**	**27,095**	**3,209**	**56,979**	**113,831**	**188,535**
Financing liabilities at March 31, 2023	**57,032**	**-**	**-**	**3,146,148**	**214,584**	**537,030**	**-**	**123,719**	**280,837**	**4,359,350**

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

	2023	2022
	US$'000	*US$'000*
Cash consideration paid	**423,135**	76,716
Less: cash and cash equivalents acquired	**(19,315)**	(422)
Net cash outflow – investing activities	**403,820**	76,294

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 year is approximately US$566 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	**PCCWNS**	**Total**
	US$'000	***US$'000***	***US$'000***
Purchase consideration:			
- Cash consideration (a)	**401,450**	**85,829**	**487,279**
- Fair value of consideration shares (b)	**64,594**	**13,811**	**78,405**
Total purchase consideration	**466,044**	**99,640**	**565,684**

(a) Cash consideration comprising cash paid of US$513.6 million and an estimated downward adjustment of US$26.3 million calculated with reference to the actual working capital amount and the actual net debt at the completion date.

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

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

	LPS *US$'000*
Total purchase consideration	**466,044**
Less: fair value of net identifiable assets attributable to the interest acquired	**(112,012)**
Goodwill	**354,032**

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

	LPS *US$'000*
Cash and cash equivalents	**19,315**
Property, plant and equipment	**10,203**
Construction-in-progress	**2,364**
Right-of-use assets	**10,630**
Deferred income tax assets less liabilities	**(24,691)**
Intangible assets	**132,300**
Other non-current assets	**1,065**
Net working capital except cash and cash equivalents	**(2,048)**
Other non-current liabilities	**(9,122)**
Fair value of net identifiable assets acquired	**140,016**
Less: share of other non-controlling interests	**(28,004)**
Fair value of net identifiable assets attributable to the interest acquired	**112,012**

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

For the year ended March 31, 2023, LPS contributed revenue of US$318 million and profit before taxation of US$36 million to the Group's results. If the acquisition had occurred on April 1, 2022, consolidated pro-forma revenue and profit before taxation of the Group for the year ended March 31, 2023, would have been increased from US$61.9 billion to US$62.1 billion and decreased from US$2,136 million to US$2,134 million respectively.

At March 31, 2023, the Group has not finalized the fair value assessments for net identifiable assets acquired (including intangible assets) from the business combination. The relevant fair values of net identifiable assets stated above are on a provisional basis.

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

CONVERTIBLE BONDS ISSUED

On August 26, 2022, the Company issued US$675,000,000 2.50% convertible bonds due 2029 (the “2029 Convertible Bonds”). Concurrently with the issuance of the 2029 Convertible Bonds, the Company partially repurchased an amount of approximately US$455,000,000 in aggregate principal amount of the US$675,000,000 3.375% convertible bonds due 2024 (the “2024 Convertible Bonds”) (the “Partial Repurchase”). Both the 2024 Convertible Bonds and the 2029 Convertible Bonds are listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The net proceeds from the issuance of the 2029 Convertible Bonds after deducting underwriting commissions and offering expenses were approximately US$664,000,000 which was partially used to fund the Partial Repurchase and the remaining for general corporate purposes. The repurchased 2024 Convertible Bonds were cancelled in accordance with Rule 10.06(5) of the Rules Governing the Listing of Securities on the Stock Exchange (“Listing Rules”). The remaining outstanding 2024 Convertible Bonds, assuming full conversion at the adjusted conversion price of HK$6.51 per share, will be convertible into 264,428,379 shares (the “First Conversion Shares”). The 2029 Convertible Bonds, assuming full conversion at the current conversion price of HK$9.80 per share, will be convertible into 539,896,683 shares (the “Second Conversion Shares”). The First Conversion Shares and Second Conversion Shares (if and when issued) will be issued under general mandate.

There had not been any conversion of the 2029 Convertible Bonds and the 2024 Convertible Bonds, and no redemption right had been exercised by the Company since the issuance of the 2029 Convertible Bonds and the 2024 Convertible Bonds for the year ended March 31, 2023. As at March 31, 2023, the total outstanding principal amount of the 2029 Convertible Bonds and the 2024 Convertible Bonds were US$675 million and US$219.5 million, respectively. Please refer to the relevant note to the consolidated financial statements and the Company’s 2022/23 Annual Report to be published for further details of the 2029 Convertible Bonds and the 2024 Convertible Bonds.

DEBENTURES ISSUED

On July 27, 2022, the Company issued US$625,000,000 6.536% notes due 2032 (the “2032 Notes”) and US$625,000,000 5.831% notes due 2028 (the “2028 Notes”). Both the 2032 Notes and the 2028 Notes are listed on Stock Exchange. The aggregate net proceeds from the issuance of the 2032 Notes and the 2028 Notes after deducting underwriting commissions and certain estimated expenses were approximately US$1,238,274,000. The Company used an amount equivalent to the net proceeds of the 2032 Notes for financing or refinancing, in whole or in part, one or more of the Company’s new or existing eligible green projects, such as green buildings and renewable energy projects, in accordance with the Company’s green finance framework. The net proceeds of the issuance of the 2028 Notes were partially used to purchase an aggregate principal amount of US$200,000,000 of the Company’s US$750,000,000 4.750% notes due 2023 (the “2023 Notes”) in accordance with the terms of the tender offer announced by the Company on July 18, 2022, and the remaining for working capital purposes. The 2023 Notes are listed on the Stock Exchange. Details as to the aggregate principal amount of such 2023 Notes purchased by the Company, as well as the aggregate principal amount of the 2023 Notes outstanding, are set out in the announcement of the Company dated July 28, 2022 regarding the settlement of the tender offer.

During the year ended March 31, 2023, the Company has repurchased (i) US$15,000,000 in aggregate principal amount of the 2032 Notes and (ii) approximately US$71,000,000 in aggregate principal amount of its US$1,000,000,000 3.421% notes due 2030 issued on November 2, 2020.

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

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 252,323,609 shares from the market for award to employees upon vesting, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended March 31, 2023. Details of these program and plan are set out in the 2022/23 Annual Report of the Company.

REVIEW BY AUDIT COMMITTEE

The Audit Committee of the Company has reviewed the audited annual results of the Group for the year ended March 31, 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

Throughout the year ended March 31, 2023, the Company has complied with the code provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Listing Rules, and where appropriate, met the recommended best practices in the CG Code, with the exception that the roles of the chairman of the Board (the "Chairman") and the chief executive officer of the Company (the "CEO") have not been segregated as required by code provision C.2.1 of the CG Code.

The Board has reviewed the organization human resources planning of the Group and is of the opinion that for 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 Committee and/or Board is considering (i) the combined roles of Chairman and CEO; and (ii) assessment of the performance of Chairman and/or CEO. The Lead Independent Director also calls and chairs meeting(s) with all independent non-executive directors without management and executive director present at least once a year on such matters as are deemed appropriate. Accordingly, the Board believes that the current Board structure with combined roles of Chairman and CEO, the appointment of Lead Independent Director and a vast majority of independent non-executive directors provide an effective check and balance of powers and authorizations between the Board and the management of the Company.

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

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

May 24, 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.