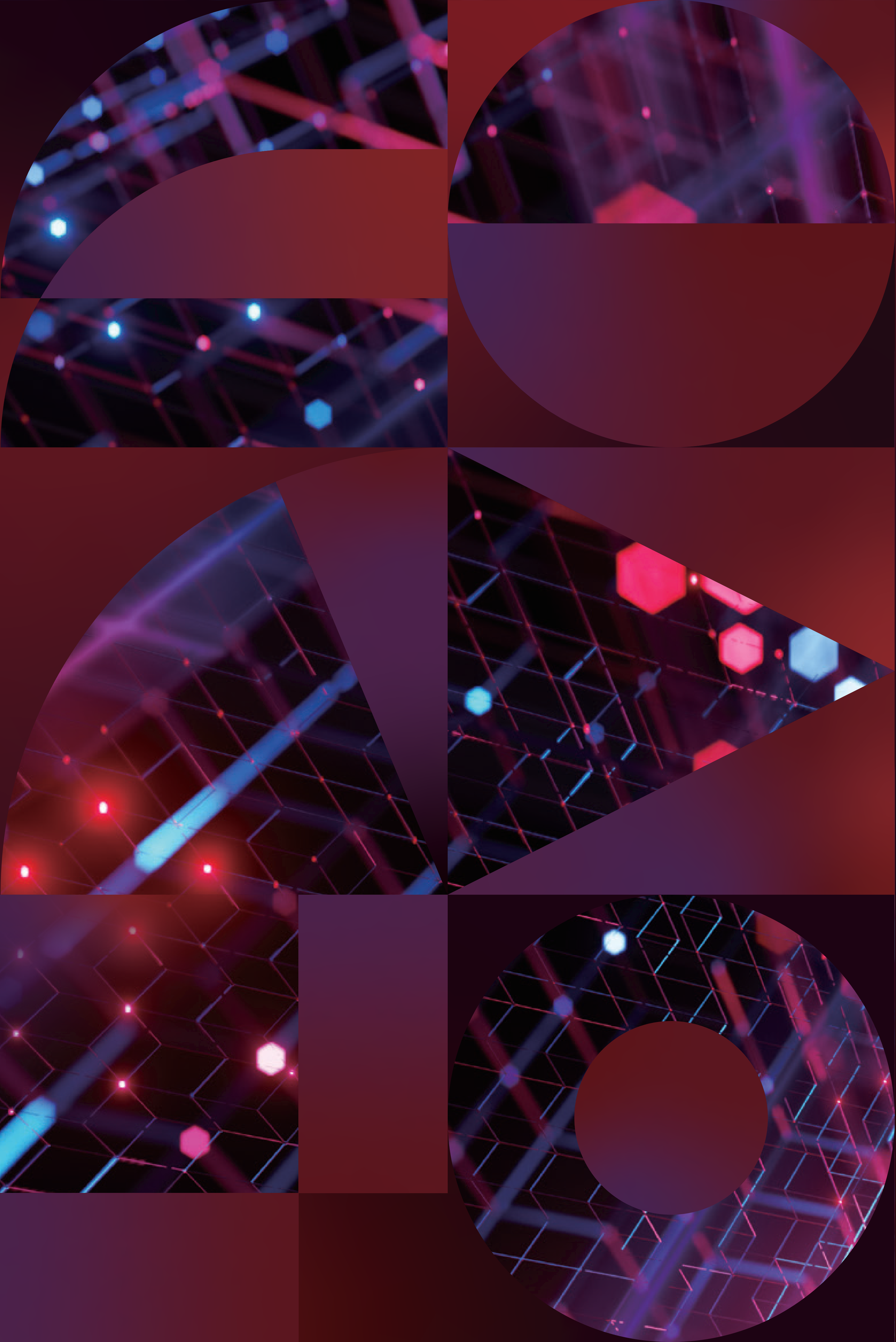

HKD COUNTER STOCK CODE 992
RMB COUNTER STOCK CODE 80992
Lenovo Group Limited 2023/24 Annual Report
Smarter technology for all
Lenovo



About Lenovo

Lenovo[1] is a US$57 billion revenue global technology powerhouse, ranked #217 in the Fortune Global 500, and serving millions of customers every day in 180 markets. Focused on a bold vision to deliver Smarter Technology for All, Lenovo has built on its success as the world's largest PC company with a pocket-to cloud portfolio of AI-enabled, AI-ready, and AI-optimized devices (PCs, workstations, smartphones, tablets), infrastructure (server, storage, edge, high performance computing and software defined infrastructure), software, solutions, and services. Lenovo's continued investment in world-changing innovation is building a more equitable, trustworthy, and smarter future for everyone, everywhere. Lenovo Group Limited is listed on the Hong Kong stock exchange (HKSE: 992) (ADR: LNVGY). To find out more visit https://www.lenovo.com, and read about the latest news via our StoryHub.

Table of content

1 Lenovo or "Lenovo Group" or the "Group" refers to Lenovo Group Limited together with its subsidiaries. Lenovo Group Limited ("The Company") is the ultimate holding company of Lenovo Group. As a holding company, it does not design, develop, manufacture, or distribute products or services, or control any activities of the Company's subsidiaries in the design, development, manufacture, or distribution of products or services.

Smarter technology. Seamless collaboration. Spectacular race.

Formula 1® racing is the pinnacle of motorsport with a global audience of hundreds of millions. From the fans watching the Grand Prix™ to the drivers piloting some of the most sophisticated machinery on four wheels, Lenovo plays a key role in the Formula 1 technology infrastructure.

"Innovation is embedded in everything we do," explains Pete Samara, Director of Strategic Technical Ventures at Formula 1. "From the car to the track, to the broadcast and digital products, innovation has to be at the heart of everything we do every single day."

To keep the organization's many moving parts running smoothly, the experts at Formula 1 partnered with Lenovo for an IT infrastructure that can withstand the breakneck pace of innovation.

Lenovo tech infrastructure helps put data in the hands of the drivers and their teams instantly, through trackside devices and supports data collection with its servers.

But in addition to the drivers, the fans themselves are also able to directly benefit from that track-generated data, as Lenovo technology connects the track to the Media & Technology Centre that display the data in real-time as on-screen graphics for the fans watching the race.

Another key way Lenovo supports Formula 1 is in the organization's efforts to improve sustainability in motorsports through Lenovo's Asset Recovery Services. Lenovo ARS helps F1 develop and implement a sustainable disposition strategy for technology hardware that the organization cycles through.

By relying on Lenovo ARS, F1 was able to offset some of the cost of a technology refresh as well as guarantee security through secure and reliable data destruction. In addition, the initiative furthers the organization's sustainability goals by recycling tech in a more socially and environmentally responsible way.

Lenovo

Official Partner of Formula 1®

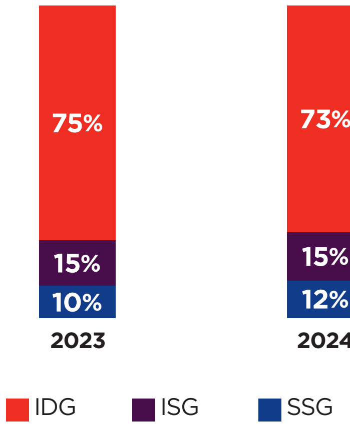
Financial highlights

For the year ended March 31	2024 US$ million	2023 US$ million	Year-on-year Change
Group Results			
Revenue	**56,864**	61,947	(8)%
Gross profit	**9,803**	10,501	(7)%
Gross profit margin (%)	**17.2**	17.0	0.2 pts
Operating expenses	**(7,797)**	(7,832)	(0)%
Expense-to-revenue ratio (%)	**13.7**	12.6	1.1 pts
EBITDA	**3,697**	4,358	(15)%
Pre-tax income	**1,365**	2,136	(36)%
Pre-tax income margin (%)	**2.4**	3.4	(1.0) pts
Profit attributable to equity holders of the Company	**1,011**	1,608	(37)%
EPS — basic (US cents)	**8.41**	13.50	(5.09)
EPS — diluted (US cents)	**8.05**	12.74	(4.69)
Interim dividend per share (HK cents)	**8**	8	–
Final dividend per share (HK cents)[1]	**30**	30	–
Total dividend per share (HK cents)	**38**	38	–
Cash and Working Capital			
Bank deposits and cash and cash equivalents	**3,626**	4,321	(16)%
Total borrowings	**(3,620)**	(3,955)	(8)%
Net cash	**6**	366	(98)%
Cash conversion cycle (days)	**(4)**	(2)	(2)

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

Revenue Analysis by Business Group*

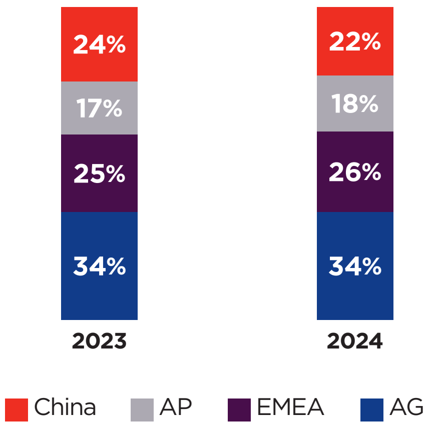
for the year ended March 31



* Revenue before eliminations

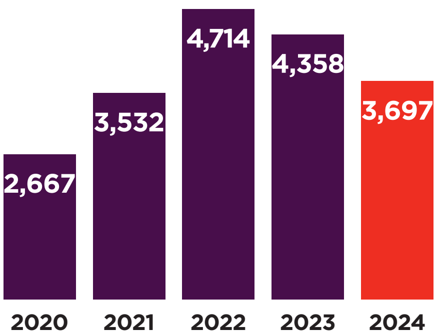
Revenue Analysis by Geography

for the year ended March 31



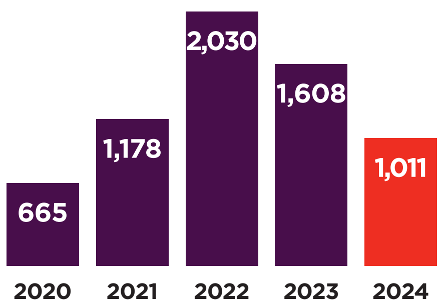
EBITDA

for the year ended March 31 (US$ million)



Profit Attributable to Equity Holders of the Company

for the year ended March 31 (US$ million)



Smarter uses AI to create new ways to communicate.

At CES 2024, global technology leader Lenovo, assistive technology non-profit the Scott-Morgan Foundation, and AI-generated video innovator DeepBrain AI revealed a hyper-realistic AI avatar dedicated to preserving the voice, personality, and physical mannerisms of someone with a degenerative disease. The groundbreaking avatar, created with DeepBrain AI technology and spearheaded by Lenovo, opens new pathways for applying generative AI to accessibility challenges and helps advance Lenovo's vision of AI for all.

As part of an ongoing collaboration with the Scott-Morgan Foundation, Lenovo proposed developing an AI-powered avatar to leap past traditional voice synthesis and transform communication and connection for people with severe disabilities. The Foundation invited Erin Taylor, a 24-year-old woman recently diagnosed with amyotrophic lateral sclerosis (ALS), a neurodegenerative disorder that typically leads to full-body paralysis, to participate and help pilot a proof of concept for assistive communication.

Lenovo then approached DeepBrain AI, a leader in next-gen avatars and a Lenovo AI Innovator partner, to use its generative AI technology. Sponsored by Lenovo, the DeepBrain AI team captured a detailed full-body video of Taylor in its California studio. The video became the foundational data for her new AI avatar, debuted at CES 2024, and offering 96 percent true-to-life accuracy.


LUCI

Chairman & CEO Statement

As we close another fiscal year, I am pleased to share with you the important progress we have made in our transformation as well as our vision and plans to embrace the AI era to deliver the next wave of growth and innovation.

A Remarkable Year of Resilience

I am proud that Lenovo has demonstrated strong resilience and navigated through our industry cycle relatively smoothly. Even amidst the market downturn, we resumed growth in the second half of the fiscal year and accelerated our momentum in the fourth quarter. As a result, we emerged out of the challenges with strong core competencies, efficient operations, healthy financials and profound transformation.

Our smart devices business has bounced back from the market decline before the overall industry recovered, delivering industry leading profitability, number one share in PCs, and strong growth in smartphones. Our smart infrastructure business is among the leading players in the global AI infrastructure, well positioned to capture the industry transitioning opportunities from traditional to AI infrastructure. Our high performance computing and Neptune water cooling technology continue to set the industry benchmark. Even more, our smart solutions and services business has proven to be a high-growth, high-margin driver for our continued diversification and service-led transformation, gaining wider customer adoption with our horizontal building blocks in digital workplace, edge AI, hybrid cloud, TruScale and sustainability solutions.

Most importantly, we remain committed to our investment in innovation, especially around AI. With over one quarter of our employees now working in R&D and the highest ratio of R&D expenses to revenue, we are ready to capture the unprecedented potential in AI, a once-in-a-lifetime opportunity for Lenovo.

The Hybrid AI Opportunity

There is no doubt that the AI revolution is already happening and impacting the way we live and work. At Lenovo, we believe the future will be defined by hybrid AI, a coexistence of public, personal and enterprise AI to supplement and enhance each other.

This is because consumers and enterprise customers are increasingly looking for ways to "land" AI into their everyday life and routine operations, while public AI models have limitations in terms of privacy, security, speed and costs.

At Lenovo, we are leveraging our model compression technology to make personal AI operate on personal smart devices or edge devices, receive commands through natural interactions, perform inferencing, and never share users' personal data to the public cloud unless authorized by the users.

We believe the best "landing" path is to embed personal AI model into computing devices, like PC or smartphones. As the world's #1 PC vendor and a major tablet and smartphone player, we have in-house design and manufacturing capabilities as well as a global scale to make our devices become a natural platform for AI applications.

Similarly, we are enabling enterprise AI to reside across multiple endpoint devices and infrastructure within an enterprise. This facilitates learning and inferencing, supporting business operational decisions, improving productivity and management efficiency, all while ensuring information security.

As AI workload will run not only on public cloud, but gets more evenly distributed among on-prem data centers, private and hybrid cloud, and even edge and devices, a hybrid infrastructure across client, edge, network, cloud and intelligence will be in higher demand. Even more, complex infrastructure requires comprehensive services and customized solutions for enterprise customers, thus creating more opportunities for smart solutions and AI professional services for the future.

It is our point of view in this hybrid AI future that makes me confident about Lenovo's ability to grasp the unprecedented opportunities in the AI era. Starting from the AI PC and expanding into other AI-enabled, AI-ready, and AI-optimized devices, infrastructure and solutions, we are ready to embrace a new decade defined by AI.

Lenovo's AI Decade

The year 2024 marks the 40th anniversary of Lenovo. We've been through a remarkable journey over the past four decades, from entrepreneurship to building our own brand, and from globalization to diversification. Now, we are entering a whole new decade of AI. This is an incredibly exciting time for our industry and for Lenovo. We will continue to innovate, transform, make AI accessible, fair and inclusive, and bring smarter technology to all.

Yuanqing Yang
Chairman and CEO
Lenovo

Lenovo management team

Yang Yuanqing
Chairman and Chief Executive Officer

Gao Lan
Senior Vice President, Human Resources

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

Liu Jun
Executive Vice President and President of the China Geography

Luca Rossi
Executive Vice President and President of the Intelligent Devices Group

Yong Rui
Senior Vice President and Chief Technology Officer

Qiao Jian

Senior Vice President and Chief Strategy Officer and Chief Marketing Officer

Laura G. Quatela

Senior Vice President and the Chief Legal and Corporate Responsibility Officer

Che Min (Jammi) Tu

Senior Vice President and Group Operations Officer

Wong Wai Ming

Executive Vice President and Chief Financial Officer

Ken Wong

Executive Vice President and President of the Solutions & Services Group

Matthew Zielinski

Executive Vice President and President of the International Sales Organization

Lenovo uses AI and machine learning to build an ultra-resilient supply chain.

Sudden global events such as the COVID-19 pandemic and the 2021 Suez Canal obstruction have shown just how vulnerable supply chains can be to disruption.

To preempt and mitigate supply chain risks in global markets, Lenovo created Supply Chain Intelligence (SCI)—an AI-powered solution that continuously analyzes supply chain data to identify potential issues and resolve them in real time.

Using AI and machine learning technology, SCI continuously analyzes supply chain data to identify potential issues and propose solutions in real time. To date, we have integrated more than 800 individual data sources with SCI, which comprises almost 80% of all the data inputs that make up the Lenovo supply chain. Each day, SCI performs over 1,500 data-related tasks—revealing hidden insights that would be practically impossible for a human to uncover.

“SCI helps me to drive quick, effective, and smart decisions by consolidating all the supply chain data into one platform.”
Helen Li, Executive Director, PC Commodity Supply, Planning, Inventory Management and Strategic Planning, Global Supply Chain, Lenovo.

When Lenovo customers order online, integration with SCI provides real-time delivery estimates based on the availability of components. SCI also surfaces smart logistics insights, providing accurate visibility into the status and location of orders in the logistics network.

SCI has contributed to a 4.8% revenue increase and boosted on-time-in-full delivery performance by 5%. In fact, SCI has helped Lenovo to reduce manufacturing and logistics costs by around 20% while simultaneously boosting service levels in these areas.

Using AI-powered innovations such as SCI, Lenovo is shaping an advanced approach to supply chain management—and by deploying the solution in your organization, you can transform your approach too.

Management's discussion & analysis

Business review and outlook

Highlights

Lenovo (the Group) concluded the fiscal year ended March 31, 2024 on a positive note, successfully navigating through a market landscape characterized by unprecedented and evolving shifts in demand and technology innovations. Its annual profit declined by 37 percent, reflecting the industry-wide setback in the first half year. Despite the challenges, the Group doubled down on its investments in Hybrid AI (Artificial Intelligence) to unleash growth opportunities across its three business groups. The Group delivered a notable turnaround in the fourth fiscal quarter with net profit attributable to equity holders increasing 118 percent year-on-year to US$248 million, the third-highest level ever recorded for a fourth fiscal quarter.

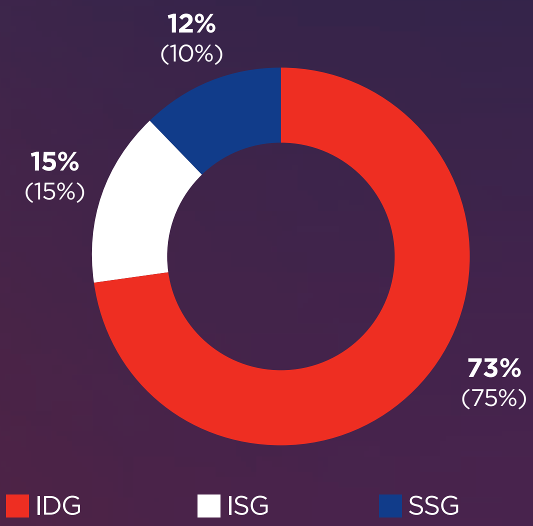
The Group further bolstered its agility and operational excellence, achieving an all-time high in annual gross margin, marking the third consecutive year of expansion. Strategic efforts aimed at creating a competitive Hybrid AI portfolio, driving service-led Transformation, and enhancing operational efficiency played a pivotal role in realizing the Group's medium-term goal of improving profitability. Despite operating in a constrained spending environment, the Group maintained an unwavering commitment to innovation by allocating a record- high percentage of its yearly revenue to research and development (R&D). The Group's R&D expense to revenue ratio has thus increased for the third year running, leading to a sustainable gross margin expansion.

The Solutions and Services Group (SSG), serving as a structural growth engine, delivered multiple revenue and profit records for the third consecutive year. For the period under review, SSG's segment profit rose 11 percent year-on-year, constituting 35 percent of the Group's combined segment profit across its three business groups. Intelligent Devices Group (IDG) remained a strong leader in market share and profitability, trailblazing the sector in its efforts to drive AI innovations in products. IDG's global market share improved by 50 basis points year-on-year, driven by gains across four out of five geographical markets. Its segment profitability remained robust at 7.1 percent, firmly within the upper range of its historical trend. However, subdued sector demand in the first half of the year resulted in a 12 percent year-on-year decline in IDG's annual profit. The industry-wide challenges, including a shift in demand towards AI causing a short-term supply-side disruption, weighed on Infrastructure Solutions Group's (ISG) performance, leading to a segment loss for the full year. Nevertheless, its efforts in

customer acquisition and portfolio expansion facilitated a turnaround, with sales rebounding to positive double-digit growth in the final fiscal quarter, setting the stage for future profitability improvement.

Through prudent working capital management, the Group further improved its cash conversion cycle to minus 4 days for the full fiscal year. This positive change was driven by a combined improvement in days of accounts receivable and inventory of 12 days which offset lower accounts payable days. The Group's robust free cash flow has facilitated continued R&D investment, with R&D expense to revenue ratio reaching a record high 3.6 percent, supporting Hybrid AI innovation. Including the cost capitalized for developing technology, total annual cash spending in R&D amounted to US$2.3 billion. The Group's steadfast dedication to corporate governance and sustainability has been well recognized. The Group maintained the highest AAA score in MSCI ESG ratings and came first in the Most Sustainable Companies' category at the Best Corporate Governance and ESG Awards organized by The Hong Kong Institute of Certified Public Accountants (HKICPA) for the 11th consecutive year. It has been included in the Corporate Equality index (CEI) for six years in a row and received its highest-ever score in the annual Workplace Pride Global Benchmark. CDP also acknowledged the Group as a leader for supplier engagement and climate change for the fourth year running. These milestones highlight the Group's commitment to sustainability, inclusiveness, and strategic excellence across its diversified growth engines.

Revenue by Business Group* (%)



*revenue before eliminations

Management's discussion & analysis

The Group recorded a non-cash accounting gain of US$143 million based on the latest remeasurement of a written put option liability. This one-time gain was largely offset by restructuring and other charges totaling US$132 million, incurred to further enhance the Group's efficiency and competitiveness.

Group Financial Performance

During the fiscal year, the Group encountered a setback of 8 percent in revenue and 37 percent in net profit, primarily driven by broad market weaknesses in the first half of the period under review. However, demand momentum accelerated in the latter half of the year. In the fourth fiscal quarter, the Group experienced a robust recovery and achieved several new milestones. Its sales and net profit grew by 9 percent and 118 percent year-on-year, respectively. SSG delivered its record fourth quarter revenue at US$1.8 billion and sustained its segment profitability at 21 percent to drive a 20 percent year-on-year profit growth. IDG continued to expand its market share in both the PC and smartphone sectors for the third consecutive quarter. IDG's segment profit increased by 17 percent year-on-year, strongly outpacing its revenue growth of 7 percent as the business group continues to bolster sales of profitable and fast-growing premium segments. ISG experienced robust growth, with a 15 percent year-on-year revenue increase in the fourth fiscal quarter, driven by stronger-than-expected demand from cloud customers and the ongoing ramp-up of its Generative AI products. The profitability of ISG remained challenged, but a Return to Profitability plan has been initiated to ensure gradual improvement.

Performance by Business Group

Intelligent Devices Group (IDG)

For the fiscal year under review, IDG, which consists of the PC, tablet, smartphone, and other smart device businesses, experienced an annual decline of 10 percent in revenue and 12 percent in segment profit, attributable to excessive channel inventory at the start of the fiscal year. The sector-wide challenges experienced in the early part of the year were short-lived but weighed heavily on the overall performance for the full year.

The business group charted a robust recovery path during the latter half of the year, buoyed by a rebound in commercial demand and resilient market share gains. In the fourth fiscal quarter alone, IDG boosted its operating profit by 17 percent year-on-year, accompanied by a 7 percent revenue growth. Its operating margin expanded by 64 basis points year-on-year to 7.4 percent, which is at the upper end of its historical range.

By segment, a strong commercial PC growth trajectory supported IDG's market share expansion of 2.2 percentage points year-on-year to 27 percent in the most recent quarter. The China market showed relatively weak growth although the decline narrowed towards the end of the year. Meanwhile, in the final quarter of the fiscal year, North America and Europe-Middle East-Africa (EMEA) emerged as the powerhouses, achieving a robust double-digit yearly revenue growth. Non-PC sales accounted for 22 percent of IDG's revenue in the fourth fiscal quarter. Smartphone revenue grew at a double-digit rate alongside accelerating market share gains thanks to strong performances in North America, EMEA, and Asia.

The core of IDG's long-term growth strategy revolves around investing in innovation and developing strong new products and solutions to drive success in both PC and non-PC categories. At the 2024 Mobile World Congress (MWC), the Group unveiled industry-leading products such as the ThinkBook Transparent Display Laptop Proof of Concept which has garnered an impressive 55 industry awards. The Group's new AI PCs are specifically designed to support on-device AI, enabling customers to swiftly capture and leverage insights from their data. This empowers individuals, transforms businesses, and inspires creativity.

Infrastructure Solutions Group (ISG)

ISG's full-year revenue reached US$9 billion, representing a 9 percent setback compared to its historic high achieved in the previous fiscal year. The underlying reason for the annual decline was the shift in global IT budgets, resulting in a strategic global movement towards embracing AI deployment. As a result, there were disparities in infrastructure investment, leading to a shortage in AI GPU supply, while spending weakened on non-AI equipment, including general compute servers where ISG has its fair share of exposure. The business group remained steadfast in developing a comprehensive AI portfolio and ISG's AI products began to contribute positively to its growth trajectory towards the second-half of the year. Where there remains a constraint in meeting the booming demand for AI GPU, the supply gap showed signs of narrowing. ISG's revenue set a new fourth-quarter record with a robust 15 percent year-on-year growth.

ISG's strategic focus on building a competitive AI portfolio remains a top priority. In March 2024, the Group launched a range of new AI products, services, and partnerships, leveraging its collaboration with key GPU suppliers and utilizing the Group's unique Neptune warm-water liquid cooling technology. Meanwhile, ISG continued the innovative development of its comprehensive, full-stack infrastructure solutions portfolio. The combined yearly revenue from storage, services, and software reached a new high of over US$3.0 billion for the first time in the Group's history. The Group has emerged as one of the fastest-growing providers of storage solutions globally, with significant advancements in new product segments. Storage delivered all-time high revenue for the fiscal year with seventh consecutive annual growth. According to the latest third-party figures, ISG's share by revenue in the global storage market continued to increase year-on-year. Edge also achieved its highest revenue in operating history.

The higher investments in developing new projects and slower-than-expected ramp-up of older projects have had an impact on ISG's bottom lines, resulting in a full-year segment loss of US$248 million. Nonetheless, ISG's Return to Profitability plan has laid out initiatives to strive for a return to profitable growth.

Solutions & Services Group (SSG)

Fueled by enterprise customers' pursuit for new digital capabilities and higher productivity, SSG posted double-digit revenue growth for the third consecutive year, with yearly revenue and profit advancing by 12 percent and 11 percent respectively, to a record US$7.5 billion and US$1.5 billion during the fiscal year. SSG's robust operating margin of 21 percent, topping all business groups, highlighted its pivotal role as both the growth and profit engine for the Group. In the fourth fiscal quarter, SSG maintained its growth momentum, delivering double-digit year-on-year revenue growth for the 12th consecutive quarter.

By segment, Support Service revenue increased 4 percent year-on-year despite weakness in hardware sales during the first half of the fiscal year, thanks to a rising penetration rate as a result of increasing popularity for attached services such as Premier Support Plus. Managed Services, thanks to the Group's enriched service portfolio and multi-channel strategy, scored a 29 percent year-on-year revenue growth. The Total Contract Value (TCV) of both Device-as-a-Service (DaaS) and Infrastructure-as-a-Service (IaaS) increased by 50 percent, reinforcing a robust long-term growth trajectory. During the period under review, SSG won its largest TruScale IaaS deal to date and a DaaS mega deal with a leading automaker. Project & Solution Services revenue rose 13 percent year-on-year, benefiting from strong demand for integrated complex solutions across various verticals.

Management's discussion & analysis

Geographic Performance

With operations spanning across 180 markets, the Group continued to take advantage of its diversified market exposures to drive sustained revenue growth across most regions. In EMEA, the Group recorded a 5 percent year-on-year decline in full-year revenue but showed the earliest signs of recovery among all the regional markets. The robust year-on-year growth observed in the fourth fiscal quarter was fueled by PC demand recovery and substantial share gains for smartphones.

Similarly, the Americas market posted an 8 percent decline in revenue during the fiscal year but reported a high single-digit year-on-year sales rebound in the fourth quarter, attributable to strengths across PC and smartphone products. Its PC segment achieved double-digit premium-to-market growth in the fourth quarter with its market share in North America advancing to the second highest level for this period, thanks to increasing sales of commercial and premium products. Premium product sales were also instrumental for the smartphone segment in driving premium-to-market growth.

During the full-year period under review, revenue of the Group's Asia Pacific (excluding China) market declined 5 percent year-on-year. Despite facing pressure from local currency depreciation against US dollar in the fourth quarter, the region's underlying business remained resilient, as evidenced by a robust recovery in commercial PC sales in Japan. SSG reported double-digit revenue growth in the region during the final fiscal quarter on the back of vertical solutions and Digital Workplace.

In the full fiscal year, the Group experienced a 15 percent year-on-year decline in revenue in the Greater China region. Nevertheless, there was a notable turnaround in the fourth fiscal quarter, with the region reporting its first positive year-on-year growth after a decline for seven quarters. The strong rebound in the fourth quarter sales was driven by momentum across multiple products including PC, infrastructure and services.

Outlook

The Group is embracing new growth opportunities while navigating the challenges posed by disruptive technological trends, particularly the advent of AI. The Group is also accelerating its transformation and share-gain strategy to transcend the business cycle. Its continued investment in innovation has been instrumental to building diversified growth engines in services and unlocking new hybrid AI growth opportunities across device, infrastructure and services. In the last quarter of the year under review, the Group showcased at MWC 2024 and other industry events a full lineup of new AI-powered devices and solutions from pocket to cloud computing. In particular, its hybrid AI offerings are capable of delivering optimal network speed, efficiency, cost-effectiveness, security, and privacy in AI infrastructure deployment. Its first line-up of AI PCs provides on-device inferencing and AI functions, while enabling instant accessibility, data security and privacy, and eventually serving as the foundation for personal AI twins.

The increasing adoption of hybrid AI is poised to propel global PC market growth and lead to a long-term recovery surpassing the pre-pandemic level. AI PCs represent a major inflection point for the industry, initiating a new product cycle that is particularly attractive to commercial users. According to third-party research, it is projected that by 2027, nearly 60 percent of annual PC shipments will incorporate AI features, presenting new growth opportunities for IDG's differentiated and enhanced devices. Lenovo Xiaotian, a newly launched personalized intelligent agent, is a good example showcasing its capability to deploy an on-device Large Language Model, making it possible for the customization of user experiences through a localized personal knowledge base. Another recent example is the Trusted AI Controller (TAC), which provides device- level security for user data and privacy.

The adoption of hybrid AI is promising for IDG as it helps the segment deliver premium-to-market growth, strong average selling prices and sustainable profitability. To lead the AI PC revolution, IDG is developing its own IPs to drive improvement in areas such as inferencing speed, language model compression, and memory consumption. Additionally, IDG is extending its differentiation efforts beyond hardware to include components and software, notably with the introduction of the Group's AI Core Chip, Yoga Creator Zone, ThinkShield security solution, and AI Now Personal Assistant. Further investments will be made to score wins in non-PC areas, including fast-growing accessories and work collaboration solutions. The Group's smartphone business will also prioritize portfolio expansion and product premiumization to take advantage of accelerated 5G adoption and thereby drive share gains across regional markets.

ISG aims to drive growth through ever-improving profitability, leveraging its investments in developing differentiated technology solutions in hybrid AI, high performance computing, storage, and edge equipment. The business group has built industry-leading end-to-end infrastructure solutions and expanded its offerings to include full-stack solutions such as server, storage, and software. The ESMB segment will also capitalize on growth opportunities in AI Powered Edge, hybrid cloud, High Performance Computing, and solutions for the Telco/ communication sectors. For the CSP segment, ISG adopts a unique ODM+ business model to address the growing demand for vertically integrated supply chains, allowing it to capture emerging opportunities in AI by continuously rolling out innovative solutions across various platforms. This approach enables an optimal balance between general purpose and customized offerings. ISG continues to maintain an appropriate operational scale and cost structure, with a focus on high-growth and profitable areas, including high-value- added product offerings such as storage and software.

AI workload will not only run on public clouds but will also become more evenly distributed across on-prem data centers, private and hybrid clouds, and even edge and devices. This trend calls for the creation of a complex infrastructure, that requires comprehensive services and customized solutions for enterprise customers, thereby generating more opportunities for smart solutions and AI-native services in the future. SSG will also embed AI function into existing services and solutions in areas such as Digital Workplace, Hybrid Cloud, and Sustainability solutions, to strengthen its customer value proposition. Through collaborating with ecosystem partners and adopting a multi-channel strategy, SSG is well-positioned to help customers accelerate their digital transformation journey. SSG's growth strategy, combined with strong TCV growth during the fiscal year, will translate into double-digit revenue growth year-on-year, further enhancing its financial contribution to the Group.

Strategic Highlights

Envisioning a future of smarter technology for all, the Group continues to stand at the forefront of Intelligent Transformation with a focus on hybrid AI. The massive growth opportunities brought by hybrid AI have propelled the Group to embed a private foundation model into smart devices and build a hybrid infrastructure and solutions, in order to address the need for more personalized services, higher efficiency, and greater privacy protection. Robust innovation, together with the pursuit of profitability growth, will enhance the Group's competitiveness in next-generation product design and solutions.

Leveraging its Services business as a structural growth engine, the Group will strengthen its end-to-end service solutions, particularly its TruScale as-a-Service portfolio, in order to tackle customer pain points in hybrid work, multi-cloud management, and cybersecurity. Collaborating with leading businesses and channel partners will also create synergy for success in this area.

As a responsible corporate, the Group prides itself on setting high standards and making every effort to mitigate the environmental impact of its operations as the business strides towards achieving 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 and Reduced Carbon Transit, into the Group's service offerings designated to help customers meet their ESG goals and deliver sustainable outcomes.

Management’s discussion & analysis

Corporate Strategy Highlights

Guided by our mission of being the leader and enabler of Intelligent Transformation, Lenovo has deepened our “3S Strategy” (Smart IoT, Smart Infrastructure, Smart Verticals) with “Service-Led Transformation” and “Tech-powered Innovation”. In the past year, our strategic foresight and operational excellence have yielded much success, and we have demonstrated resilience and accelerated transformation despite the challenging market environment. The AI revolution further amplified the advantage of our 3S strategy: we will embrace new growth opportunities across 3S, and leverage the accumulated AI capability through tech-powered innovation.

FY23/24 was a challenging year for ICT market with unfavorable macro and industry environment. Despite the market downturn, the AI revolution is reshaping the industry with new growth opportunities. Amidst the challenging environment, Lenovo remained resilient and led the industry to recover growth in the second half of FY23/24. We further drove our diversified growth engines, and as a result, our non-PC business mix maintained above 40%. To better seize the AI opportunities, we also continued our investment in R&D with focus on AI and Computing. Lenovo has accumulated AI capabilities across Smart IoT, Smart Infrastructure, and Smart Verticals, and set foundation to embrace the Hybrid AI era.

Smart IoT has proven to be fundamental to intelligent transformation and AI adoption. IDG maintained PC #1 position and industry leading profitability. We also led the market in capturing the AI devices opportunity: We have defined AIPC with the 5 critical features, and has brought to the market the first batch of AI PCs equipped with Lenovo’s proprietary technologies. Guided by the strategy of three-year growth plan, MBG achieved hyper growth with market share gain.

Smart Infrastructure encountered severe market headwinds in the past year, however, ISG strategy fueled hypergrowth in storage, software, and services. We proactively seized opportunities in Hybrid AI infrastructure, and as a result, Lenovo has gained #3 position of worldwide AI infrastructure provider.

Our Smart Verticals continued to yield great success. SSG remained the growth driver and profit contributor with double-digit growth and high margin. During the past year we also invested in Horizontal Building Blocks, and achieved initial success across Digital Workplace, Hybrid Cloud, Sustainability and TruScale. SSG has further upgraded portfolio and enhanced our AI capabilities, aiming to capture the rising opportunities in AI service and solutions.

Looking ahead, the future is mixed with continuous macroenvironment challenges and Hybrid AI opportunities. We are confident that our well-designed strategy and operational excellence will help us further strengthen our resilience and improve profitability. Our consistent investments in innovation have helped us accumulate unique advantages across devices, infrastructure, services and solutions, which we believe will enable us to lead the Hybrid AI revolution.

Human resources

By the end of FY2023/24, the Group had a headcount of approximately 69,500 worldwide. The Group implements remuneration policy, bonus, employee share purchase plan and long-term incentive scheme with reference to the performance of the Group and individual employees. The Group also provides benefits such as insurance, medical and retirement funds to employees to sustain competitiveness of the Group.

Lenovo Group Material Risks

The following are the key risks that Lenovo Group considers to be of great significance, given the potential to affect the Group's business adversely and materially.

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

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

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

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

Risk Description	Key Risk Mitigations
Strategic Risks	
Artificial Intelligence (AI)	
Artificial Intelligence (AI) and related technologies are fundamentally transforming the computing ecosystem. In recognition of the impact of AI, governments and regulators around the world are paying increasing attention to how AI is being used. In this rapidly changing environment, Lenovo Group faces the risk of being overtaken technologically and competitively, and the risk that our AI products and systems are not aligned with applicable laws and regulations. This could result in potential loss of global market access, legal and regulatory liability, reputational harm, and reduced customer acceptance, among other possible impacts.	Lenovo Group is investing significantly in its "AI for All" vision, supported by its AI strategy to make transparent and reliable AI accessible to everyone, including individuals and businesses of all sizes, in a responsible, secure, and personalized manner. Lenovo embraces AI across its product lines, from client to edge to cloud and network. Lenovo Group recognizes that the realization of our vision of "AI for All" hinges upon our steadfast adherence to principles that guarantee the responsible, ethical, and safe development, deployment, and utilization of AI. Accordingly, Lenovo Group is committed to structured rules for Lenovo Group and its employees' conduct, centralized governance and monitoring, and transparency in its development, sale, and use of AI across its product lines and global operations. To ensure compliance with these high standards, Lenovo Group has appointed a Chief Security and AI Officer and is investing substantial organizational resource toward robust governance and compliance in its use and production of AI systems.

Risk Description	Key Risk Mitigations
Strategic Risks	
Mergers and Acquisitions (M&A)	
As part of Lenovo Group's business transformation and long-term growth strategy, it may acquire or make investments in companies and businesses or enter strategic alliances and joint ventures. Lenovo Group faces external risks such as an uncertain economic outlook, because of higher inflation, rising interest rates, volatile capital markets, geopolitical and regulatory uncertainty, and other challenges associated with potential acquisitions. The Group's due diligence process may fail to identify significant issues, resulting in overly optimistic financial forecasts and valuation. It may also not fully realize all the anticipated synergies/benefits of its acquisitions, which may result in lower-than-expected revenue, and earnings, or an impairment of goodwill or intangible assets.	Lenovo Group adopts a conservative approach and drives a rigorous due diligence process to ensure assets are appropriately valued and approved in accordance with the M&A approval process. Post-acquisition reviews are conducted periodically to monitor the performance of these investments. See "Notes To The Financial Statements" (pages 207 to 209) and "Key audit matters" (page 167)
Complex External Global Conditions	
Lenovo Group operates globally and, as such, its results may be impacted by global and regional changes in macro-economic, geopolitical, and social conditions, regulatory environments, natural catastrophic events, public health issues, etc. Adverse economic conditions may result in postponements of or decreases in spending and investment, affecting the Group's sales. When combined with other external conditions like geopolitical or regulatory environments, multifaceted challenges may arise in many areas of its business, such as M&A (see discussion on "Mergers and Acquisitions"), or supply chain management (see discussion on "Supply Chain Management). These external factors are beyond its control and may affect the ability or ease of doing business with customers and/or suppliers, increasing the cost of operations and uncertainty of its financial performance.	Lenovo Group has diversified its geographic sources of revenue and profit to reduce its dependency on any single country or region. It vigilantly monitors its external environment, including geo-political developments, and adapts its strategies to address shifting dynamics in the regions and countries in which it operates. It conducts sensitivity and scenario analysis to position the Group for a better outcome.

Management's discussion & analysis

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

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

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

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

Risk Description	Key Risk Mitigations
Operational Risks	
Intellectual Property (IP)	
Lenovo Group faces IP risks both from the potential insufficient protection of its own innovations as well as costs resulting from third party infringement allegations. More specially, risks include: • Inadequate protection of our innovation that could result in loss or diminished value of intellectual property as a result of legal findings of unenforceability and/or challenges to title or ownership. • Higher costs because of increased licensing demands from patent holders. • Higher legal costs to defend against claims of intellectual property infringement and potential settlement or damages. • Product design-around costs and negative impacts to customer or supplier relationships. • Disruption in the Group's ability to ship products due to injunctions or exclusion orders in particular countries resulting from adverse judgments in IP infringement cases. • Reputational harm if found to infringe a third party's valid patent.	Lenovo Group takes appropriate legal measures to protect its know-how and trade secrets, apply for and enforce patents, and register and protect trademarks and copyrights. The Group's IP team meets regularly with the business groups to understand key research priorities that would make its products more competitive and the team measures patent filings for alignment with those priorities. The Group licenses IP as appropriate and monitors its continued validity and value to the Group. It also obtains IP indemnification from, or otherwise transfer responsibility for IP coverage to, its suppliers. Lenovo Group develops, executes and monitors an IP litigation defense strategy. It continues to develop and use Lenovo patent portfolio, if appropriate, to decrease potential costs. The Group also collaborates with other technology/product companies to lobby for reform of the patent system that reduces costs.

Risk Description	Key Risk Mitigations
Operational Risks	
Information, Product & Cyber Security	
The Lenovo Group may be impacted negatively if it sustains cyber-attacks, data security breaches or similar incidents. The Group manages and stores various types of proprietary and confidential information, including sensitive categories relating to its operations and its customers and employees. In addition, Lenovo Group's cloud computing business routinely processes, stores, and transmits substantial amounts of data for its customers, including sensitive customer proprietary and personally identifiable information. Lenovo Group may be subject to attack from hackers and other malicious software programs that attempt to penetrate its networks and exploit security vulnerabilities in its systems or products. Hardware, operating system software, product software and applications that Lenovo Group produces or procures from third parties may contain "bugs" or similar threats that may unexpectedly interfere with the operation of the system or may present unidentified security risks. The Group may be required to notify regulators of security incidents or vulnerabilities found in its products. Artificial Intelligence is likely to increase the frequency and impact of cyber threats in Lenovo Group offerings or on Lenovo Group operations.	Lenovo Group continues to invest in the following: (a) Development and maintenance of a robust cybersecurity risk governance and compliance program, including policies and processes to address artificial intelligence risks, that are aligned with industry standard controls and frameworks; implementation of a robust security culture program; execution of a robust incident response process and business continuity programs; as well as training of its employees around vital data security and data protection practices. (b) Enhancements to cybersecurity controls and information security, product security and privacy awareness through a continuous risk evaluation and improvement process. (c) Compliance with mandatory privacy, security standards and protocols imposed by law, regulation, industry standards, or contractual obligations. (d) Policies and processes to ensure hardware, operating system software, and product software and applications that Lenovo Group either produces or procures from third parties adequately protects and uses customer data. (e) Policies and processes for the delivery of safe and secure products and offerings throughout the product lifecycle from the review of supplier security practices and software code reviews to the expeditious resolution of any later discovered vulnerabilities to limit customer exposure.

Risk Description	Key Risk Mitigations
Operational Risks	
Breaches of Lenovo Group's security measures and misappropriation of sensitive proprietary and confidential data about the Group and its customers and employees, if not effectively managed in a timely manner, may lead to loss of customer confidence, negative impact to reputation, disruption in business operations, exposure to potential litigation and liability and result in a loss of revenue and increased cost. Lenovo Group is subject to laws and regulations in countries where it operates relating to the collection, use, cross-border transfer, and security of customer, supply chain and employee data. The Group needs to conduct normal business activities which includes the collection, use, cross-border transfer, and retention of personal or other data pursuant to these activities. Lenovo Group may be required to notify individuals or regulators of a data security breach. Lenovo Group's complex supply chain may also result in procuring products or services from third parties that includes malicious code or other vulnerabilities which are unknowingly incorporated into Lenovo products or services and distributed to customers.	

Risk Description	Key Risk Mitigations
Operational Risks	
Human Capital Management	
Lenovo Group may face disruption in labor markets and intense competition for skilled and experienced workers due to fast-changing market dynamics and an increasingly diversified business landscape. For ongoing success, and to support growth through the Lenovo Group's "3S" strategy, it must continue to attract, develop, retain and motivate high-performing and diverse talent across the enterprise while supporting ongoing business transformation. Lenovo Group is committed to talent diversity and inclusion. It aims to provide and safeguard a diverse and inclusive environment for all employees, ensuring equal opportunities in recruitment, training, career development and promotion without regard to their gender, national origin, age, religion, cultural background, or physical disabilities. However, in a highly competitive labor market, the Group may face challenges in implementing its initiatives to expand diversity outreach efforts to engage talents. This may adversely affect the Group's competitive position, employer value proposition and ability to meet regulatory compliance requirements.	Lenovo Group continuously enhances its employer value proposition in alignment with its intelligent transformation to attract talent with the requisite new skills and experience. It has a corporate wide workforce planning process to help the Group meet business demands and achieve strategic goals. This includes expanding its talent acquisition (TA) resources and upgrading expertise to strengthen its 3S skills and tech talent hiring capabilities. It also continuously invests in talent and leadership development programs to build talent capability and accelerate the internal movement of top talent, ensuring the strength of the leadership pipeline. Lenovo Group constantly reviews and updates its compensation strategies to ensure that its compensation and benefits programs are performance driven, competitive, and flexible to support an increasingly diverse business landscape and employee population. The Group proactively incorporates diversity and inclusion initiatives such as hiring and promoting women, people of color and people with disabilities. It continues to develop Lenovo Group's equal employment opportunity programs, policies, and procedures. To further support the development of women leadership, Lenovo Group also sets annual goals for global women and US Historically Excluded Talent (HET) executive representation.

Risk Description	Key Risk Mitigations
Financial Risks	
As Lenovo Group operates globally, significant, or prolonged economic instability or financial market deterioration may materially and adversely impact the Group's financial condition. The Group is exposed to a variety of financial risks, such as foreign currency risk, cash flow risk, credit risk and liquidity risks.	Lenovo Group has put in place a financial risk management program that seeks to minimize the potential adverse impact of the financial markets on the Group's financial performance. For more analysis, see "Notes To The Financial Statements" (pages 242 to 249)
Cash & Liquidity, Credit Management	
Adverse economic conditions or other external conditions may impede customers' ability to continue paying for goods and services. Lenovo Group may experience lower revenue resulting in less cash flow, along with delayed or default in receivables collection. Trade credit insurance capacity may be reduced or withdrawn as insurers actively manage their risk exposures. This may result in an increase in the Group's uninsured losses. Volatility in the financial markets may cause reduction in funding opportunities.	Lenovo Group closely monitors market developments, reviews collection performance, and bolsters collection capabilities. It also has formal credit policies designed to appropriately manage credit risk. It proactively works with broker and credit insurers to maintain credit insurance coverage to weather adverse economic conditions. Lenovo Group also closely monitors the financial market environment and funding opportunities.
Tax Management	
Due to the international nature of its business, Lenovo Group faces continuous changes in local and international tax rules and regulations. There may be ambiguity in how such rules and regulations should be applied to its operations. Changes in tax rules and regulations may also affect the Group's tax position and the value of tax assets and liabilities carried in the balance sheet. The value of deferred tax assets depends principally on the business generating sufficient taxable profits to utilize these tax benefits. It may be necessary for some of the deferred tax assets to be reduced with corresponding charges to the income statement if there is significant adverse change in the projected taxable profits of the business.	Lenovo Group carefully monitors both business developments and the global tax environment to make sure rules and regulations are applied appropriately and risks are mitigated where possible. See "Notes To The Financial Statements" (pages 190 and 211) and "Key audit matters" (page 168)

Environment

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

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

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

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

Through Lenovo's ISO 14001:2015 certified EMS program, we conduct a Significant Environmental Aspect (SEA) evaluation annually. This process evaluates the significant or material environmental aspects while identifying risks and opportunities that may impact the business or operations. To manage the SEAs, we establish relevant environmental objectives and targets with Key Performance Indicators addressing site operations, products, and global supply chain functions. The objectives and targets are monitored and measured for progress semi-annually as part of Lenovo's ISO 14001:2015 certified Environmental Management System. Lenovo's performance against the FY 2023/24 environmental objectives and targets will be published in the FY 2023/24 ESG Report.

Climate Change

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

Management's discussion & analysis

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

Lenovo has been committed to reducing its greenhouse gas emissions for more than a decade, and is committed to following climate science, standardizing our measurements, and seeking ongoing validation for our targets and progress. Lenovo supported the development of a standard aligned with the latest climate science and was selected to road test the Science Based Targets initiative (SBTi) Net-Zero Standard before it was launched in October 2021. Lenovo also performed an initial financial and feasibility study to size the next steps to support a path to net-zero by 2050. In March 2022, Lenovo signed the SBTi Commitment Letter pledging to set net-zero targets, including a long-term science-based target. Lenovo has responded to the SBTi's urgent call for corporate climate action by committing to align with 1.5°C and net-zero through the Business Ambition for 1.5°C campaign and we became part of the United Nations Framework Convention on Climate Change (UNFCCC) Race to Zero campaign. In January 2023, Lenovo announced its commitment to achieving net-zero greenhouse gas emissions by 2050 after validation of emissions reduction targets by SBTi.

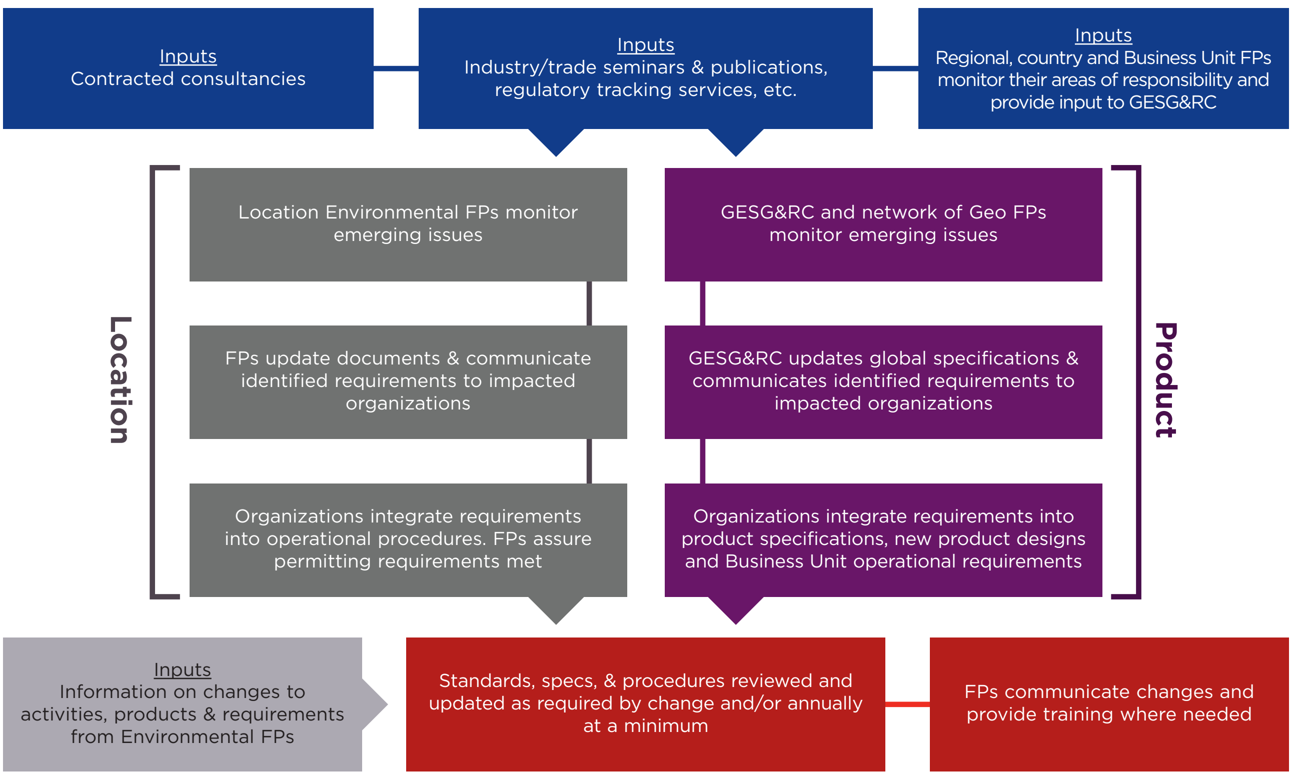
For more information about our identification process and assessment of climate-related risks and opportunities, metrics, and actions to address climate change, please read our response to the CDP Climate Change questionnaire available at www.cdp.net.

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

Compliance with environmental laws and regulations

Lenovo actively engages with a wide variety of stakeholders to safeguard compliance with applicable laws and regulations where our products are manufactured, marketed and sold. The Global ESG and Regulatory Compliance (GESG&RC) Organization supports a culture of compliance by working with a global network of focal points (FP) in the geographies, development organizations, and key functional areas, as well as with external partners. We use reliable and established processes that conform with the latest applicable laws and regulations and ensure overall effectiveness. The diagram below details the process for ensuring environmental compliance for our products and practices.

Process for establishing, monitoring, and maintaining environmental compliance



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

Ethics and compliance with relevant laws and regulations

Lenovo is committed to conducting business legally, ethically, and with integrity. Ethics and integrity serve as the foundation of all Lenovo's business practices. Results from the 2023 'Lenovo Listens' survey highlight one of the Company's greatest strengths: ethical business practices. We recognize our success hinges on our steadfast commitment to these values. This commitment is reinforced among the workforce through Lenovo's core values, which emphasize the significance of "Teamwork with Integrity and Trust," one of Lenovo's four fundamental cultural tenets.

Our Ethics and Compliance Office (ECO) was established to foster a culture that is committed to implementing these values. The ECO works in partnership with stakeholders across the globe to promote legal and ethical operations. The ECO actively raises awareness about the importance of ethical and compliant business practices to Lenovo and serves a critical role in providing employees with the information, resources, and training they need to make informed ethical decisions. The ECO also oversees Lenovo's Code of Conduct (Code), which establishes clear expectations for employee compliance with Lenovo's policies related to lawful and ethical business conduct. Lenovo's Code reflects our culture of trust and integrity and holds employees accountable for their behavior and helps employees determine when and where to seek advice. Lenovo's Code, policies, and related awareness and training materials are provided electronically and through periodic communications.

The ECO is supported by the following committees:

Board Committees

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

Other Committees

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

Business practices

Lenovo is committed to conducting business legally, ethically, and with integrity. Lenovo's Code of Conduct ("Code") mandates compliance with applicable laws in markets where it conducts business. Its policies strongly support ethical and responsible business practices, including, but not limited to areas such as anti-bribery and corruption, data privacy, anti-competitive practices and fair competition, intellectual property, and more.

Anti-Bribery and Corruption

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

Anti-competitive practices and fair competition

Lenovo competes for business ethically and lawfully. Lenovo's Code and policy on anti-competitive practices and fair competition sets out fundamental principles to serve as guidelines for employees in complying with the competition laws in every jurisdiction where the Company operates. In particular, the policies strictly prohibit employees from engaging in anti-competitive practices, including entering into an agreement or discussion that would result in setting prices, limiting the availability of goods or services on the market, or agreeing to boycott a customer or supplier.

Intellectual property

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

Trade compliance

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

Privacy & data protection

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

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

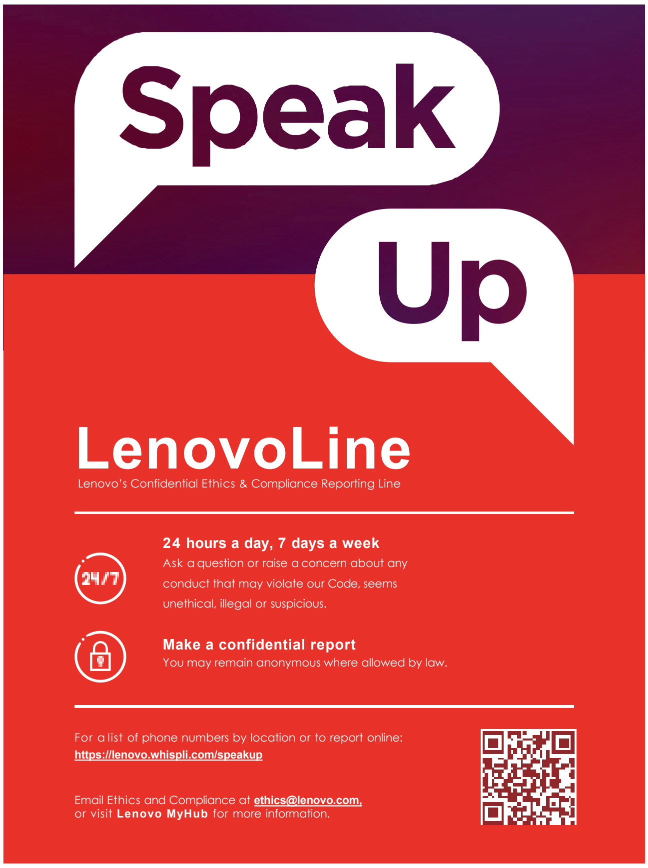
Raising questions or concerns

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

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

Lenovo also provides formal, confidential ways to report concerns, ask questions, or request guidance in person, by email, or through the LenovoLine, a confidential reporting system that is accessible 24 hours a day, seven days a week by secure website, mobile app (IOS or Android) or by telephone. Where allowed by law, employees may report concerns about business practices anonymously.

Management's discussion & analysis



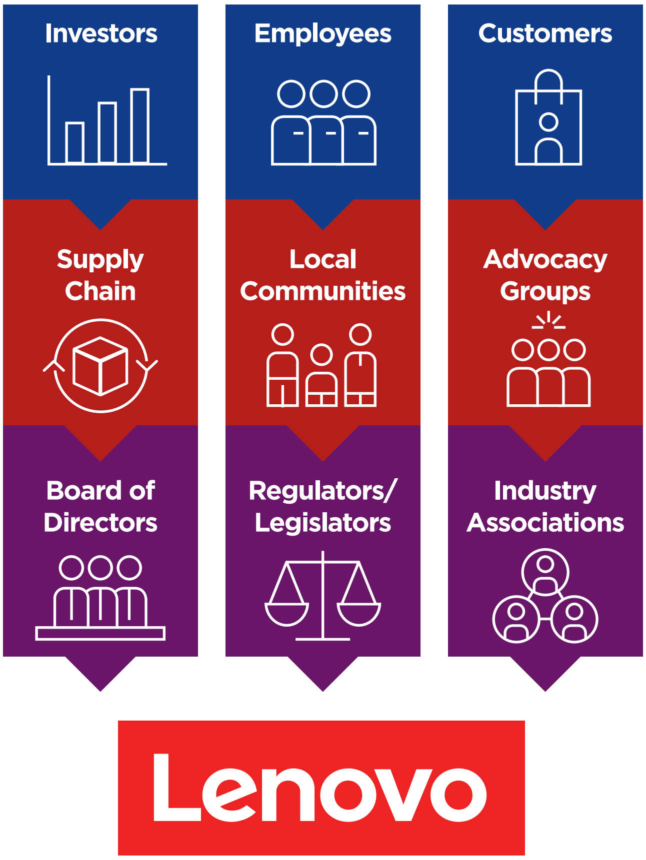
Caption to Picture: Employees are encouraged to use the LenovoLine, Lenovo's confidential ethics and compliance reporting line, to raise concerns or questions. The LenovoLine is also accessible by scanning the QR code.

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

Stakeholder engagement

Lenovo actively manages its relationships with customers, employees, suppliers, investors, regulators, members of the communities in which it operates, and other stakeholders who may be impacted by the organization's ESG performance and whose actions can affect the organization's value.

Direct and indirect stakeholder engagement is conducted through regular business practices or through interactions that target key stakeholders.



Stakeholder engagement is facilitated in several ways, including:

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

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

- Love on Global Month of Service: September 2023 marked Lenovo's seventh annual Love on Global Month of Service, engaging employees in 66 offices around the world to make a positive impact in their communities. Projects aligned to Lenovo Foundation's mission to empower underrepresented populations with access to technology and STEM education. The initiative grew again, with more employee volunteers and employee volunteer hours than ever before in 2023.
- Lenovo Foundation TransforME grant round: Lenovo philanthropy continued its investment in skilling initiatives, particularly related to emerging technologies like Artificial Intelligence (AI). To increase impact and capacity, Lenovo Foundation worked within its existing group of skilling partners to increase its impact and transformation in FY2023/24. Lenovo global philanthropy has invested more than $2M in skilling in the past 3 years, with plans to continue to provide access to resources and connections for the global organizations working in this space.

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

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

As we aim to integrate these values and principles wherever we conduct business, we are also making meaningful contributions to people and the planet and setting the stage for long-term success. This dedication begins at the top with the support and endorsement of our Chairman and CEO, Mr. Yang Yuanqing. Lenovo is proud to be recognized by professionals and prominent programs worldwide as we demonstrate leadership in corporate ESG practices. The information below contains a selection of Lenovo's FY 2023/24 ESG achievements. A detailed review of Lenovo's FY 2023/24 ESG performance is published in our ESG Report.

Key ESG recognitions and accomplishments

Environmental

Lenovo was named an EPEAT® Climate+™ Champion with more than 400 products registered on day one of Climate+ eligibility. EPEAT is a global ecolabel for electronics and technology products and their new Climate+ designation highlights products that have been thoughtfully produced with climate in mind. Lenovo products with Climate+ designation have been independently verified against EPEAT's science-based criteria on climate change mitigation. This Climate+ designation comes in addition to achieving existing EPEAT criteria on circularity, reductions of chemicals of concern, and corporate ESG performance.

Lenovo was recognized at the leadership level from CDP for its climate change (A-) and supplier engagement (A) practices and at the management level for its water security (B). CDP, a not-for-profit organization that runs a global environmental disclosures system, assesses companies on the comprehensiveness of climate and water disclosures, awareness and management of environmental risks, and demonstration of best practices associated with environmental leadership, such as setting ambitious and meaningful targets.

Lenovo aims to eliminate plastic materials from product packaging. By combining bamboo fiber technology, self-locking box, and other innovative technologies, the packaging team accomplished plastic-free primary packaging on ThinkPad X1 and Z series in FY 2022/23. In FY 2023/24, plastic-free primary packaging was expanded to all ThinkPad series (except the E series) and select smartphones.

Social

Lenovo was recognized as a "Best Workplace for Disability Inclusion" with a 100% score in the 2023 Disability Equality Index. The index recognizes companies for demonstrating leading disability inclusion practices and committing to an inclusive culture. These factors are validated through visible support from company leadership, accessible workplace and employment practices, community engagement initiatives, and supplier diversity programs.

In 2023, Lenovo achieved a record-high benchmark score from Workplace Pride, recognition of their continued commitment to foster an inclusive workplace for LGBTIQ+ employees. In addition to recognition from Workplace Pride, Lenovo was included in the Human Rights Campaign Foundation's 2024 Corporate Equality Index for the sixth year, highlighting its commitment to inclusion.

Lenovo plans to strengthen its understanding of diversity across its global workforce with the launch of a voluntary self-disclosure program, helping employees self-id based on race, gender identity, and disability status. Lenovo was named as one of America's Best Employers for Diversity 2023 by Forbes magazine.

Governance

Lenovo was presented the Gold Award in the Most Sustainable Companies and Organizations (MSCO) section (H-share companies and other Mainland enterprise category) by The Hong Kong Institute of Certified Public Accountants (HKICPA)'s 2023 Best Corporate Governance and ESG Awards. This is the eleventh consecutive year Lenovo has received awards from the HKICPA.

Lenovo was included in the 2023 Hang Seng Corporate Sustainability Index with an AA score from the associated sustainability performance assessment. Among the 517 Hong Kong listed companies covered in the sustainability assessment, Lenovo received the strongest score in the IT industry for its environmental and social achievements.

In 2023, Lenovo maintained a rating of AAA (on a scale of AAA-CCC) in the MSCI ESG Ratings assessment.

We are Lenovo

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

Employment Performance and Compensation

Lenovo continues to leverage its performance management and compensation programs to reinforce a strong commitment to excellence in business achievements and customer experience. This approach includes annual goal setting and review, continuous feedback for development, the calibration of individual ratings across organizations to ensure a fair assessment, and the recognition of individual and team performance. The performance management approach drives business objectives, while career development enables employees to grow and succeed through challenging and exciting work. The Lenovo Compensation Philosophy emphasizes our focus on competitive compensation for performance that reflects the unique status of the local market where employees are based and supports flexibility in the design of business specific programs within a consistent – Lenovo Compensation framework.

Organizational & Talent Management

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

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

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

Training & Development

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

Financial Highlights

Results

For the year ended March 31	**2024 US$'000**	2023 US$'000
Revenue	**56,863,784**	61,946,854
Gross profit	**9,803,183**	10,501,092
Gross profit margin	**17.2%**	17.0%
Operating expenses	**(7,797,399)**	(7,832,269)
Operating profit	**2,005,784**	2,668,823
Other non-operating income/(expenses) — net	**(640,330)**	(532,836)
Profit before taxation	**1,365,454**	2,135,987
Profit for the year	**1,102,312**	1,680,831
Profit attributable to equity holders of the Company	**1,010,506**	1,607,722
Earnings per share attributable to equity holders of the Company (US cents)		
— Basic	**8.41**	13.50
— Diluted	**8.05**	12.74
EBITDA	**3,696,511**	4,357,630
Non-HKFRS operating profit	**2,012,910**	2,942,317
Non-HKFRS profit before taxation	**1,377,770**	2,422,408
Non-HKFRS profit for the year	**1,098,291**	1,925,189
Non-HKFRS profit attributable to equity holders of the Company	**1,038,017**	1,878,347
Dividend per ordinary share (HK cents)		
— Interim dividend	**8**	8
— Proposed final dividend	**30**	30

For the year ended March 31, 2024, the Group achieved total sales of approximately US$56,864 million. When compared to last year, profit attributable to equity holders for the year decreased by US$597 million to approximately US$1,011 million, gross profit margin rose 0.2 percentage points to 17.2 percent. Basic and diluted earnings per share were US8.41 cents and US8.05 cents, representing a decrease of US5.09 cents and US4.69 cents respectively.

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, 2024 and 2023 is as follows:

	2024 US$'000	2023 US$'000
Selling and distribution expenses	**(3,308,889)**	(3,285,126)
Administrative expenses	**(2,491,839)**	(2,311,771)
Research and development expenses	**(2,027,532)**	(2,195,329)
Other operating income/(expenses) — net	**30,861**	(40,043)
	(7,797,399)	(7,832,269)

Operating expenses for the year remained flat as compared with last year. During the year, the Group recorded gain on remeasurement of a written put option liability of US$143 million based on the latest assessment. The Group executed resource actions and incurred severance and related costs of US$55 million (2023: US$209 million) to further enhance efficiency and competitiveness in view of industrial challenges, together with assets impairment and write-off of US$40 million. Advertising and promotional expenses increased by US$32 million for new product launch and special campaigns. Due to expense optimization, spending was reduced across multiple areas, including US$38 million in information technology expenses and US$23 million in research and development related laboratory testing, services and supplies. The Group recorded fair value gain from strategic investments amounted to US$153 million (2023: US$203 million), reflecting the change in value of the Group's portfolio. Currency fluctuations presented a challenge to the Group, resulting in a net exchange loss of US$74 million (2023: US$118 million).

Key expenses by nature comprise:

	2024 US$'000	2023 US$'000
Depreciation of property, plant and equipment	**(209,777)**	(198,415)
Depreciation of right-of-use assets	**(134,959)**	(131,697)
Amortization of intangible assets, excluding internal use software	**(211,965)**	(477,100)
Impairment and write-off of property, plant and equipment	**(10,474)**	–
Impairment and write-off of intangible assets	**(29,745)**	(895)
Employee benefit costs, including	**(4,368,317)**	(4,249,368)
— *long-term incentive awards*	***(277,574)***	*(336,128)*
— *severance and related costs*	***(54,991)***	*(208,546)*
Rental expenses	**(7,536)**	(9,407)
Net foreign exchange loss	**(73,915)**	(118,024)
Advertising and promotional expenses	**(877,955)**	(845,827)
Legal, professional and consulting expenses	**(289,569)**	(315,197)
Information technology expenses, including	**(347,305)**	(385,020)
— *amortization of internal use software*	***(196,815)***	*(212,157)*
Increase in loss allowance of trade receivables	**(105,644)**	(122,832)
Unused amounts of loss allowance of trade receivables reversed	**39,040**	101,226
Research and development related laboratory testing, services and supplies	**(355,148)**	(378,083)
Loss on disposal of property, plant and equipment	**(3,479)**	(6,195)
Loss on disposal of intangible assets	**(25)**	(442)
Loss on disposal of construction-in-progress	**(13,827)**	(1,138)
Fair value gain on financial assets at fair value through profit or loss	**153,113**	203,395
Fair value loss on a financial liability at fair value through profit or loss	**-**	(3,209)
Gain on remeasurement of a written put option liability	**143,430**	–
Dilution gain on interest in associates	**-**	2,146
Gain on disposal of interest in associates	**12**	1,293
Impairment of interest in an associate	**(6,690)**	–
Others	**(1,086,664)**	(897,480)
	(7,797,399)	(7,832,269)

Other non-operating income/(expenses) — net for the years ended March 31, 2024 and 2023 comprise:

	2024 US$'000	2023 US$'000
Finance income	**148,134**	141,667
Finance costs	**(762,805)**	(657,704)
Share of losses of associates and joint ventures	**(25,659)**	(16,799)
	(640,330)	(532,836)

Finance income mainly represents interest on bank deposits.

Finance costs for the year increased by 16 percent as compared with last year mainly due to higher market interest rate during the year, partly offset by the reduction in borrowings. The increase is mainly attributable to the increase in factoring cost of US$147 million, partly offset by decrease in interest on bank loans and overdrafts of US$11 million, interest on notes of US$10 million, interest on convertible bonds of US$10 million and interest on written put option liabilities of US$9 million.

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

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

	2024		2023	
	Revenue US$'000	**Operating profit/(loss) US$'000**	Revenue US$'000	Operating profit US$'000
IDG	**44,599,450**	**3,180,761**	49,371,447	3,598,415
ISG	**8,921,929**	**(248,260)**	9,755,596	98,084
SSG	**7,472,310**	**1,545,465**	6,663,397	1,391,752
Total	**60,993,689**	**4,477,966**	65,790,440	5,088,251
Eliminations	**(4,129,905)**	**(1,314,362)**	(3,843,586)	(1,208,064)
	56,863,784	**3,163,604**	61,946,854	3,880,187
Unallocated:				
Headquarters and corporate income/(expenses) — net		**(1,339,370)**		(1,087,716)
Restructuring costs		**(46,000)**		(208,546)
Depreciation and amortization		**(449,551)**		(548,852)
Impairment and write-off of property, plant and equipment		**(10,474)**		–
Impairment and write-off of intangible assets		**(24,723)**		–
Finance income		**132,183**		100,214
Finance costs		**(323,141)**		(154,532)
Share of losses of associates and joint ventures		**(27,822)**		(20,888)
Gain/(loss) on disposal of property, plant and equipment		**550**		(721)
Fair value gain on financial assets at fair value through profit or loss		**150,681**		174,077
Fair value loss on a financial liability at fair value through profit or loss		**-**		(3,209)
Gain on remeasurement of a written put option liability		**143,430**		–
Dilution gain on interest in associates		**-**		2,146
Gain on disposal of interest in an associate		**-**		1,190
Impairment of interest in an associate		**(6,690)**		–
Dividend income		**2,777**		2,637
Consolidated profit before taxation		**1,365,454**		2,135,987

Headquarters and corporate income/(expenses) — net for the year comprise various expenses, after appropriate allocation to business groups, of US$1,339 million (2023: US$1,088 million) such as employee benefit costs, legal, professional and consulting expenses, and research and technology expenses. In addition to the general increase in operating expenses, such as employee benefit costs, there is also increase in provision for claims as compared with last year.

Use of non-HKFRS measure

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

We define adjusted profit as profit for the year by excluding (i) net fair value changes on financial assets at fair value through profit or loss, (ii) amortization of intangible assets resulting from mergers and acquisitions, (iii) mergers and acquisitions related charges, (iv) restructuring and other charges, and (v) gain on remeasurement of a written put option liability, 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 related 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 impairment and write-off. 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.

— Lenovo recognizes gain on remeasurement of a written put option liability based on the latest assessment. Lenovo excludes this gain 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, 2024

	Operating profit US$'000	Profit before taxation US$'000	Profit for the year US$'000	Profit attributable to equity holders US$'000
As reported	**2,005,784**	**1,365,454**	**1,102,312**	**1,010,506**
Non-HKFRS adjustments				
Net fair value changes on financial assets at fair value through profit or loss	**(153,113)**	**(153,113)**	**(127,309)**	**(95,777)**
Amortization of intangible assets resulting from mergers and acquisitions	**169,407**	**174,139**	**137,353**	**137,353**
Mergers and acquisitions related charges	**2,048**	**2,352**	**2,352**	**2,352**
Restructuring and other charges	**132,214**	**132,368**	**127,013**	**127,013**
Gain on remeasurement of a written put option liability	**(143,430)**	**(143,430)**	**(143,430)**	**(143,430)**
Non-HKFRS	**2,012,910**	**1,377,770**	**1,098,291**	**1,038,017**

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

Financial Position

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

Non-current assets	2024 US$'000	2023 US$'000
Property, plant and equipment	**2,010,178**	2,006,457
Right-of-use assets	**571,305**	659,360
Construction-in-progress	**337,648**	638,047
Intangible assets	**8,345,407**	8,267,114
Interests in associates and joint ventures	**318,803**	438,267
Deferred income tax assets	**2,633,302**	2,467,281
Financial assets at fair value through profit or loss	**1,393,666**	1,233,969
Financial assets at fair value through other comprehensive income	**55,973**	66,178
Other non-current assets	**397,489**	202,531
	16,063,771	15,979,204

Property, plant and equipment

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

Right-of-use assets

Right-of-use assets comprise mainly the land use rights in respect of the manufacturing sites and headquarters in the Mainland of China ("Chinese Mainland"), and leases of land and buildings for manufacturing sites and offices in Chinese Mainland and overseas. The 13 percent decrease is mainly attributable to current year depreciation and exchange adjustments, partly offset by lease renewals and new leases entered into during the year.

Construction-in-progress

Construction-in-progress comprise mainly the Group's investments in manufacturing sites and office buildings, internal use software and research and development laboratories. Internal use software mainly comprises online platform development and system enhancement for business operations. The 47 percent decrease is mainly attributable to transfer of completed assets to property, plant and equipment and intangible assets, partly offset by further investment in internal use software, technology and buildings under construction during the year.

Intangible assets

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

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

Interests in associates and joint ventures

Interests in associates and joint ventures comprise the share of net assets of and loan to associates and joint ventures. The 27% decrease is mainly attributable to the share of losses, the partial repayment of loan by an associate of US$23 million, and partly offset by additional investment during the year. The remaining loan to the associate of US$75 million was reclassified to "Other non-current assets".

Deferred income tax assets

Deferred income tax assets amounted to US$2,633 million as at year end, representing an increase of 7 percent over last year, which is mainly attributable to tax losses and temporary differences in relation to share-based payment, provisions and accruals, tax depreciation allowance and deferred revenue arising in the normal course of business. Deferred income tax assets are recognized to the extent that realization of the related tax benefit through the future taxable profits is probable.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss increased by 13 percent during the year, which is mainly attributable to additional investments and net fair value gain recognized, partly offset by disposal of certain financial assets and exchange adjustments.

Financial assets at fair value through other comprehensive income

Financial assets at fair value through other comprehensive income decreased by 15 percent during the year, which is mainly attributable to net fair value loss recognized and exchange adjustments.

Current assets	2024 US$'000	2023 US$'000
Inventories	**6,702,677**	6,371,858
Trade and notes receivables	**8,147,695**	7,940,378
Derivative financial assets	**69,568**	37,460
Deposits, prepayments and other receivables	**3,782,366**	3,945,153
Income tax recoverable	**359,491**	324,756
Bank deposits	**65,555**	71,163
Cash and cash equivalents	**3,559,831**	4,250,085
	22,687,183	22,940,853

Inventories

The Group's inventories comprise raw materials and work-in-progress, finished goods and service parts where raw materials and work-in-progress accounted for 58 percent of total inventories. The Group's inventories purchase and production plan are primarily based on expectations on market demand. The 5 percent increase is mainly attributable to the higher raw materials inventory level in anticipation of the change in market demand.

Trade and notes receivables

Trade and notes receivables increased by 3 percent which is attributable to the increase in sales in the fourth quarter of current year over the corresponding period of last year. The Group has a credit policy in place and exposures to these credit risks are monitored on an ongoing basis. Majority of trade receivables are aged within 30 days based on invoice date.

Derivative financial assets

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

Deposits, prepayments and other receivables

Deposits, prepayments and other receivables mainly comprise amounts due from subcontractors for components sold in the ordinary course of business and other tax receivables. The 4 percent decrease is mainly attributable to the utilization of rebates from vendors during the year, partly offset by the increase in amounts due from subcontractors as a result of more business activities during the fourth quarter of current year than in the corresponding period of last year.

Cash and cash equivalents

The 16 percent decrease is mainly attributable to net cash used in investing activities and financing activities, partly offset by net cash generated from operating activities. The working capital management enables the Group to maintain sufficient cash to meet operational, financing and investing needs.

Total equity	**2024 US$'000**	2023 US$'000
Share capital	**3,500,987**	3,282,318
Reserves and others	**2,580,200**	2,764,703
	6,081,187	6,047,021

Total equity

Increase in share capital is attributable to the conversion of approximately US$219.5 million in principal amount of the 2024 Convertible Bonds during the year. Reserves and others decreased from US$2,765 million to US$2,580 million which is mainly due to dividends payment, contribution to employee share trusts, vesting of shares under long-term incentive program and exchange adjustments, partly offset by profit for the year, share-based compensation credited to reserves and capital contribution from non-controlling interests.

Non-current liabilities	2024 US$'000	2023 US$'000
Borrowings	**3,569,229**	3,683,178
Warranty provision	**161,261**	196,037
Deferred revenue	**1,436,484**	1,389,427
Retirement benefit obligations	**241,402**	257,244
Deferred income tax liabilities	**447,523**	431,688
Other non-current liabilities	**754,705**	822,105
	6,610,604	6,779,679

Borrowings

Borrowings (classified as non-current) decreased by US$114 million which is mainly attributable to the repurchase of US$136 million in principal amount of the 2025 Notes, the 2030 Notes, the 2028 Notes and the 2032 Notes in total.

Warranty provision

The Group records warranty liabilities at the time of sale for the estimated costs that will be incurred under its basic limited warranty. The specific warranty terms and conditions vary depending upon the product and the country in which it was sold, but generally includes technical support, repair parts and labour associated with warranty repair and service actions. The period ranges from one to three years. The Group revalues its estimates on a quarterly basis to assess the adequacy of its recorded warranty liabilities and adjusts the amounts as necessary. The 18 percent decrease is mainly attributable to the decrease in business activities during the year and exchange adjustment.

Deferred revenue

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

Retirement benefit obligations

The Group operates various pension schemes. The schemes are generally funded through payments to insurance companies or trustee-administered funds, determined by periodic actuarial calculations. The Group has both defined benefit and defined contribution plans. The 6 percent decrease is mainly due to contribution to the pension schemes during the year, gain from changes in actuarial assumptions and exchange adjustments with corresponding impact in equity.

Deferred income tax liabilities

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

Other non-current liabilities

Other non-current liabilities mainly comprise liabilities arising from long-term lease liabilities, deferred consideration and government incentives and grants received in advance. The 8 percent decrease is mainly due to the reclassification of lease liabilities and payables from non-current to current as it will be due within the next 12 months after the year end.

Management's discussion & analysis

Current liabilities	2024 US$'000	2023 US$'000
Trade and notes payables	**10,505,427**	9,772,934
Derivative financial liabilities	**42,555**	62,499
Other payables and accruals	**12,751,775**	12,932,781
Provisions	**920,950**	1,021,041
Deferred revenue	**1,512,645**	1,581,952
Income tax payable	**275,380**	450,534
Borrowings	**50,431**	271,616
	26,059,163	26,093,357

Trade and notes payables

The increase in trade and notes payables by 7 percent is mainly attributable to the increase in business activities in the fourth quarter of current year over the corresponding period of last year.

Derivative financial liabilities

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

Other payables and accruals

Other payables and accruals mainly comprise the obligations to pay for finished goods that have been acquired in the ordinary course of business from subcontractors; allowance for billing adjustments relating primarily to allowance for future volume discounts, price protection, rebates, and customer sales returns; accruals for salaries, commission and bonus and lease liabilities. The slight decrease is the combined effect of gain on remeasurement of a written put option liability recognized based on the latest assessment, decrease in allowance for billing adjustments together with drop in accruals for commission and bonus, partly offset by increase in payables to subcontractors, driven by increase in business activities in the fourth quarter of current year over the corresponding period of last year.

Provisions

Provisions comprise warranty provision (due within one year), environmental restoration and restructuring provisions. The 10 percent decrease is driven by the decrease in warranty provision due to the drop in revenue during the year and the settlement of restructuring provision despite additional provision was made.

Deferred revenue

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

Borrowings

Borrowings (classified as current) decreased by 81 percent which is mainly due to the conversion of US$219.5 million in principal amount of the 2024 Convertible Bonds during the year.

Capital Expenditure

The Group incurred capital expenditure of US$1,286 million (2023: US$1,578 million) during the year ended March 31, 2024, mainly for the acquisition of property, plant and equipment, additions to construction-in-progress and intangible assets. The lower capital expenditure incurred in current year is mainly attributable to less investments in buildings under construction, plant and machinery, office equipment and internal use software, partly offset by more investments in patent and technology.

Contingent Liabilities

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

Liquidity and Financial Resources

At March 31, 2024, total assets of the Group amounted to US$38,751 million (2023: US$38,920 million), which were financed by equity attributable to owners of the Company of US$5,583 million (2023: US$5,588 million), other non-controlling interests (net of put option written on non-controlling interests) of US$498 million (2023: US$459 million), and total liabilities of US$32,670 million (2023: US$32,873 million). At March 31, 2024, the current ratio of the Group was 0.87 (2023: 0.88).

At March 31, 2024, bank deposits and cash and cash equivalents totaling US$3,626 million (2023: US$4,321 million) analyzed by major currency are as follows:

	2024 %	2023 %
US dollar	**25.5**	33.7
Renminbi	**27.3**	24.9
Japanese Yen	**10.8**	7.5
Euro	**6.2**	5.3
Australian dollar	**2.7**	1.2
Other currencies	**27.5**	27.4
Total	**100.0**	100.0

The Group adopts a conservative policy to invest the surplus cash generated from operations. At March 31, 2024, 90 (2023: 87) percent of cash are bank deposits, and 10 (2023: 13) percent are investments in liquid money market funds of investment grade.

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

The Group has the following banking facilities:

Type	Date of agreement	Principal amount US$ million	Term	Utilized amount at March 31, 2024 US$ million	Utilized amount at March 31, 2023 US$ million
Revolving loan facility	May 12, 2020	300	5 years	**–**	–
Revolving loan facility	May 14, 2020	200	5 years	**–**	–
Revolving loan facility	July 4, 2022	2,000	5 years	**–**	–
Revolving loan facility	December 22, 2023	500	1 year	**–**	N/A
Revolving loan facility	January 19, 2024	500	1 year	**–**	N/A

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

Credit facilities	Total available amounts at March 31, 2024 US$ million	Total available amounts at March 31, 2023 US$ million	Utilized amounts at March 31, 2024 US$ million	Utilized amounts at March 31, 2023 US$ million
Trade lines	**4,676**	4,970	**2,861**	3,454
Short-term money market facilities	**1,926**	1,838	**41**	54
Forward foreign exchange contracts	**11,588**	9,428	**11,555**	9,384

Apart from the above facilities, notes and convertible bonds issued by the Group and outstanding at March 31, 2024 are as follows. Further details of borrowings are set out in Note 24 to the Financial Statements.

	Issue date	Principal amount	Term	Interest rate/ dividend per annum	Due date	Use of proceeds
2025 Notes	April 24, 2020 and May 12, 2020	US$965 million	5 years	5.875%	April 2025	For repayment of previous Notes and general corporate purposes
2030 Notes	November 2, 2020	US$900 million	10 years	3.421%	November 2030	For repurchase of perpetual securities and previous Notes
2028 Notes	July 27, 2022	US$600 million	5.5 years	5.831%	January 2028	For repayment of previous Notes and general corporate purposes
2032 Notes	July 27, 2022	US$563 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, 2024 and 2023 are as follows:

	2024 US$ million	2023 US$ million
Bank deposits and cash and cash equivalents	**3,626**	4,321
Borrowings		
— Short-term loans	**50**	57
— Notes	**3,013**	3,146
— Convertible bonds	**557**	752
Net cash position	**6**	366
Total equity	**6,081**	6,047
Gearing ratio (Borrowings divided by total equity)	**0.60**	0.65

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

The Group adopts a consistent hedging policy for business transactions to reduce the risk of currency fluctuation arising from daily operations. At March 31, 2024, the Group had commitments in respect of outstanding forward foreign exchange contracts amounting to US$11,555 million (2023: US$9,384 million). The Group's forward foreign exchange contracts are either used to hedge a percentage of future transactions which are highly probable, or used as fair value hedges for identified assets and liabilities.

Sustainable datacenter drives innovation in UAE.

Lenovo signed a new agreement with Al Hathboor Bikal.ai, to provide public and private sector customers with cutting-edge high performance cloud computing systems to support advanced digital transformation projects which focus on developing innovation in the UAE. Lenovo will also provide systems and expertise to support Al Hathboor Bikal.ai to build and operate a new sustainable data center at Sharjah Research Technology and Innovation Park (SRTIP).

The collaboration will see Lenovo and Al Hathboor Bikal.ai, the joint venture between Al Hathboor Group LLC and Bikal Technologies Limited, working together to leverage shared experience in High Performance Computing (HPC) and Artificial Intelligence (AI), to provide customers in the region with advanced capabilities that will enable them to use AI to address business challenges and create new digital technologies.

Commenting on the partnership, Raj Sandhu, GM Al Hathboor Bikal.ai said: “We have huge ambitions for Sharjah Research and Technology Innovation Park, and this partnership with a global leader like Lenovo, will set the path towards developing tailored infrastructure solutions that will solve both public and private organisational challenges. We look forward to leveraging Lenovo’s experience in the technology sector and enhancing our digital capabilities while also welcoming new AI-powered and data-enabled research and technologies.”

Corporate governance report

① Corporate governance principles and structure

- Compliance with corporate governance code
- Governance structure
- Corporate culture

② Leadership

How the Board leads from the front

- Board roles
- Board composition, diversity and tenure
- Nomination, appointment and election
- Directors' securities transactions
- Induction and continuous professional development
- Remuneration of directors and senior management
- Company secretary

③ Effectiveness

How the Board operates

- Board's responsibilities and delegation to management
- Board process
- Board activities
- Board committees
- Board and Board committees' effectiveness review

④ Accountability and audit

How the Board fulfils its oversight responsibilities

- Financial reporting
- Risk management and internal control
- External auditor

⑤ Investor relations

How we maintain relations with our investors

- Communications with investors
- Market recognition
- Index recognition

⑥ Shareholders

How we communicate with our shareholders and their rights

- Communications with shareholders
- Shareholders' rights
- Dividend policy
- Shareholding structure

⑦ Key shareholders information

- Listing information
- Market capitalization and public float
- Share price from April 1, 2023 to March 31, 2024

① Corporate governance principles and structure

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

Compliance with corporate governance code

Throughout the financial year ended March 31, 2024 ("FY2023/24"), the Company has complied with the code provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix C1 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. Such authorities and responsibilities include serving as chairman of the Nomination and Governance Committee meeting and/or the Board meeting considering the combined roles of Chairman and CEO; calls and chair meeting(s) with all non-executive directors at least once a year on matters deemed appropriate and provide feedback to the Chairman and/or CEO; and serves a key role in the Board evaluation process. 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.

Corporate governance report

The Board has established a clear governance structure as set out in the below diagram and the overall approach has been designed to support and work within the Group organizational structure to ensure the accountability, fairness and transparency in how the Group runs and communicate with its stakeholders as well as to meet the future challenges.

Governance structure

Key matters reserved to the Board decision

- The Board has adopted a schedule of key matters relating to strategy, finance and corporate governance which are for decision by the Board.
- Such key matters reserved by the Board for decision is set out in the table on page 83.

Board committees structure

- The Board has delegated authority for its key governance functions to three main committees, namely Audit Committee, Compensation Committee and Nomination and Governance Committee (the "Board Committees"), with the responsibilities outlined on page 89.
- Details of the activities and decisions taken by these committees during the year are shown in the relevant committees' reports.

CEO, Lenovo Executive Committee and delegated authorities

The CEO

- manages the business in line with the strategy agreed by the Board and is accountable to it. Details of the responsibilities of CEO are set out on page 64;
- is supported by the Lenovo Executive Committee, which is a management committee comprising the CEO and certain members of senior management and helps to implement strategy and manage operational performance; and
- through authority framework adopted by the Group through which he delegates certain management decisions to specific individuals and management.

The CEO Advisory Council

- comprises external experts in areas (the "Specialized Areas"), including geopolitics, economics, cybersecurity and Environmental, Social and Governance ("ESG"); and
- advises the CEO and senior management on strategic and operational issues in key areas, among others, the Specialized Areas.

ESG Executive Oversight Committee

- is a committee chaired by the Chief Legal and Corporate Responsibility Officer and comprising senior management from across the business and functional units;
- is chartered to promote Lenovo culture that encourages strong ESG performance; and
- provides strategic direction and facilitates the coordination of ESG efforts across the Group.

Corporate culture

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

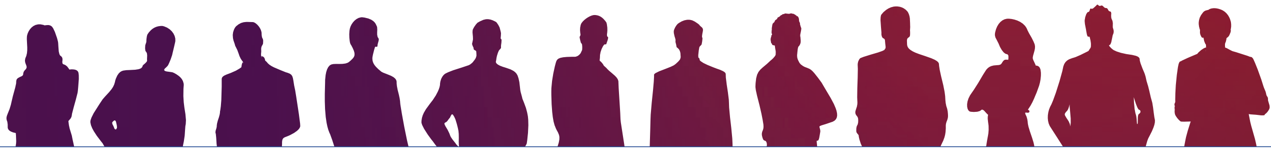
Throughout FY2023/24, Lenovo continued to enhance the culture engagement initiatives globally through employees' culture stories sharing, Big Bang Forums and Innovation Series, which helped employees to embrace Lenovo's culture values in their day-to-day work and make business impact to support service-led transformation. Employees could learn skills related to the culture values on Grow@Lenovo learning platform.

To ensure the alignment of Lenovo's culture, vision, mission, values and strategy, regular Board meeting is held every quarter. In FY2023/24, the Board reviewed the annual achievements and discussed the next year Corporate Strategy in February 2024. Further, reports from the CEO and the Chief Financial Officer (the "CFO") ("CEO and CFO Report") are submitted and presented to the Board in quarterly Board meetings to monitor and evaluate the progress of critical strategic initiatives and quarterly performance of Lenovo.

For more information about Lenovo's culture and the 3S Strategy with strategic achievements during FY2023/24, please refer to Lenovo's "Explore Career Opportunities" website, the "Chairman & CEO statement" and "Management's discussion & analysis" sections of this annual report respectively.

Corporate governance report

② Leadership



Board roles

As of the date of this annual report, there are 12 Board members consisting of one executive director, two non-executive directors and nine independent non-executive directors. The Board has a coherent framework with clearly defined responsibilities and accountabilities designed to safeguard and enhance long-term shareholder values and provide a robust platform to realise the strategy of the Group. A summary of responsibilities of leadership of the Company and those of the Lead Independent Director is set out in the diagram below.

Chairman

Mr. Yang Yuanqing N

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

Lead independent director

Mr. William O. Grabe C N

- Serves as chairman of the Nomination and Governance Committee meeting and/or the Board meeting whenever considering the combined roles of the Chairman and CEO
- In consultation with all other board members, prepares an assessment of the performance of the Chairman and/or CEO
- Calls and chairs meeting(s) with all non-executive directors at least once a year on matters deemed appropriate and provides feedbacks to the Chairman and/or CEO
- Serves a key role in the Board evaluation process
- Responds directly to questions and comments from shareholders and other stakeholders of the Company that are directed to the Lead Independent Director or to the independent non-executive directors as a group, when appropriate
- Ensures his availability for consultation and direct communication, when appropriate, if requested by major shareholders of the Company
- Performs other duties as the Board may designate

Non-executive directors

Independent non-executive directors:

Mr. William O. Grabe C N
Mr. William Tudor Brown C A
Mr. Gordon Robert Halyburton Orr A C
Mr. John Lawson Thornton N
Mr. Kasper Bo Roersted (alias Kasper Bo Rorsted) A C
Mr. Woo Chin Wan Raymond A
Ms. Yang Lan N
Ms. Cher Wang Hsiueh Hong
Professor Xue Lan N

Non-executive directors:

Mr. Zhu Linan
Mr. Zhao John Huan C

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

Chief executive officer

Mr. Yang Yuanqing N

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

Key

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

Board composition, diversity and tenure

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

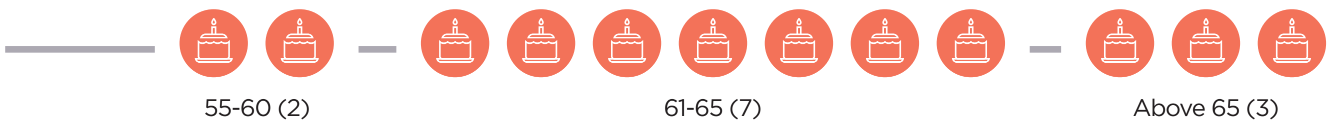
The Board adopted a board diversity policy (the "Board Diversity Policy") aiming to set out the Company's commitment to fostering a corporate culture that embraces diversity on the Board. A summary of the Board Diversity Policy including the views and measurable objectives is set out on page 68 of this annual report.

The following diagram illustrates the composition and diversity profile of the Board as at the date of this annual report while the detailed biographies of the directors are set out on pages 143 to 147 of this annual report.

Designation

Gender

Age



Corporate governance report

Finance

Risk management/Internal control (4)

Transactions (Mergers and acquisitions) (8)

Financial/Accounting/Auditing (2)

Capital market/Equity investment (5)

Global operation

(10)

Strategic planning

(11)

Legal/Regulatory & compliance

(4)

ESG

(2)

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

(5)

Investor relations

(5)

Information technology industry

(10)

Key features of the Board composition	
	Diversity The Board has a balance of gender, ethnicity, cultural background and skills with a mix of regional and industry experience.
	Independence The current composition of the Board exceeds the requirements under rules 3.10 and 3.10A of the Listing Rules, as three-quarters of its members are independent non-executive directors, thus exhibiting a strong independent element which enhances independent judgement.
	Mr. William O. Grabe, an independent non-executive director of the Company, was appointed as the Lead Independent Director for enhancing corporate governance of the Company. The roles and responsibilities of the Lead Independent Director are set out on page 64 of this annual report.
	Relationship among directors Mr. Zhu Linan and Mr. Zhao John Huan, non-executive directors of the Company, also serve on the board of directors of Legend Holdings Corporation, which held approximately 31.41% of the total number of shares in issue of the Company as of March 31, 2024 according to the interest as recorded in the Company's register maintained under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO"). The details are set out on page 112 of this annual report and pages 155 to 156 under Directors' report of this annual report.
	To the best knowledge of the Board members, there is no other relationship among the members of the Board as of the date of this annual report except for the relationships (including financial, business, family, and other material and relevant relationships) as mentioned in the biographies of directors set out on pages 143 to 147 of this annual report.

Board diversity policy

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

The Board believes that a key success factor of an effective Board is that it comprises a range and balance of skills, experience, knowledge and independence, with individuals that work as a team. The adoption of Board Diversity Policy is to ensure that diversity in its broadest sense continues to remain a feature of the Board. All Board appointments are made on merit, in the context of the skills, experience and gender diversity, the Board as a whole requires being effective. The details of the appointment process are disclosed on page 71 of this annual report.

The Nomination and Governance Committee has been delegated with the responsibilities for the review of the Board Diversity Policy, among others, the implementation and effectiveness thereof, on an annual basis. During FY2023/24, the Nomination and Governance Committee reviewed the below measurable objectives and the progress in achieving these objectives:

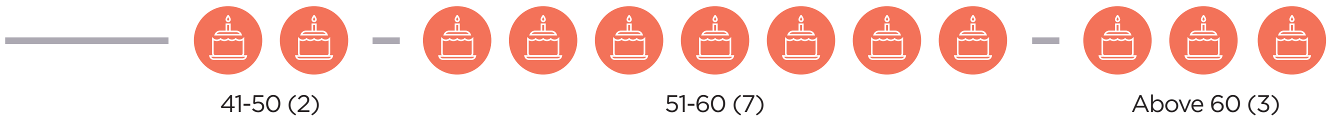
Measurable objectives	Progress for achieving objectives
Objective 1 Consider candidates for appointment as independent non-executive directors from a wide pool of candidates with different backgrounds, skills, experience and perspectives that would complement the existing Board's diversity	• In FY2023/24, the Board has appointed two independent non-executive directors pursuant to the Nomination Policy and the Board Diversity Policy • For FY2023/24, the female representation at Board level was about 16.67% (i.e. two female directors out of 12 directors). It is targeted to reach 20% female Board by FY2025/26 to promote diversity of the Board • On-going search for appropriate candidates to be appointed as independent non-executive directors and to add diversity to the existing Board • In the ordinary course of the Board succession process
Objective 2 Report annually against the objectives and other initiatives taking place within the Group which promote diversity	• The Board evaluation process includes an assessment of the Board's diversity helping to objectively consider the Board composition and effectiveness • Ongoing annually
Objective 3 Report annually on the outcome of the composition and structure of the Board as well as any issues and challenges the Board is facing when considering its diverse combination	• Make use of the Board evaluation process as an important means of monitoring the progress • Remain committed to getting the right balance of the composition of the Board and work towards understanding and managing some of the challenges the Group faces in the global information technology sector, particularly in internet, mobile, data center, software, cloud, services and solutions, telecommunications, artificial intelligence areas and ESG • Ongoing annually

Senior management diversity

With support of a diversified management team is also essential to the effectiveness of the Board. As at the date of this annual report, the Company's senior management has a balance of diversity, among others, genders and age as illustrated in the following diagram. For further details of the senior management of the Company, please refer to their biographies are set out on pages 147 to 150 of this annual report.

Gender

Age



Workforce diversity

As a global technology leader, assembling a diverse workforce that achieves its full potential through an inclusive culture is fundamental to Lenovo's competitive success. Working toward a gender balanced workforce is core to Lenovo's diversity. While FY2023/24 data shows a 37% female global workforce and industry-leading 29% female representation in technical roles, Lenovo has chosen to focus its global target on increasing representation of female executives. After meeting and exceeding 2020 executive representation targets (20% representation target, 21% percent achieved), Lenovo has established new goals to further advance our global female executive representation. Currently with 22% executive representation of women, Lenovo is persistently working towards this goal by coordinating with business leaders to ensure ownership and accountability. Lenovo has increased talent sourcing activities, established goals for hiring slates, and focused on diverse talent development and retention. The target aims to reach 27% female executive representation by 2025 and is led by Lenovo's Diversity and Inclusion Board, chaired by the Chief Diversity Officer.

To achieve its global female executive representation goal, Lenovo recognizes that it must foster a strong pipeline of diverse talent. It provides several career development programs to create that pipeline through learning, sponsorship, and mentorship programs in partnership with its employee resource groups, business leaders, and Human Resource teams. The Women's Leadership Development Program to develop female executive talent is the longest-running program of its kind at Lenovo, with its eighth cohort of high potential women leaders graduating in 2024.

Corporate governance report

Tenure

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

Tenure of Board members

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

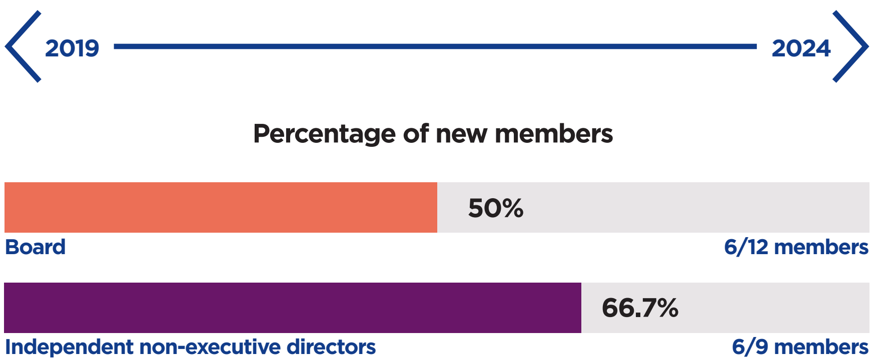
The Company agreed that the independence of directors is an important principle of the Company. In line with the best practices on corporate governance, the Board adopted the principle (the "Principle") that each term of an independent non-executive director of the Company shall not be more than three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

In accordance with the Articles of Association, Mr. Zhao John Huan, Mr. Gordon Robert Halyburton Orr, Ms. Cher Wang Hsiueh Hong, Professor Xue Lan, Mr. John Lawson Thornton and Mr. Kasper Bo Roersted will retire (if applicable) and being eligible, will offer themselves to be re-elected at the forthcoming annual general meeting to be held on July 18, 2024 ("2024 Annual General Meeting").

Refreshment of the Board

The Board's diversity and independence are enhanced by refreshing the composition of the Board. As part of the Company's continuing efforts to refresh the Board, the Board has appointed two independent non-executive directors with solid experience, fresh ideas and different skills in FY2023/24. The appointment further enhances the strong independent element of the Board and adds value to the Board from the balance of skills, knowledge, experience and diversity perspectives. The diagram below shows how the Board has been refreshed since January 2019.

Over the period from January 2019 to May 2024



Nomination, appointment and election

Nomination policy

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

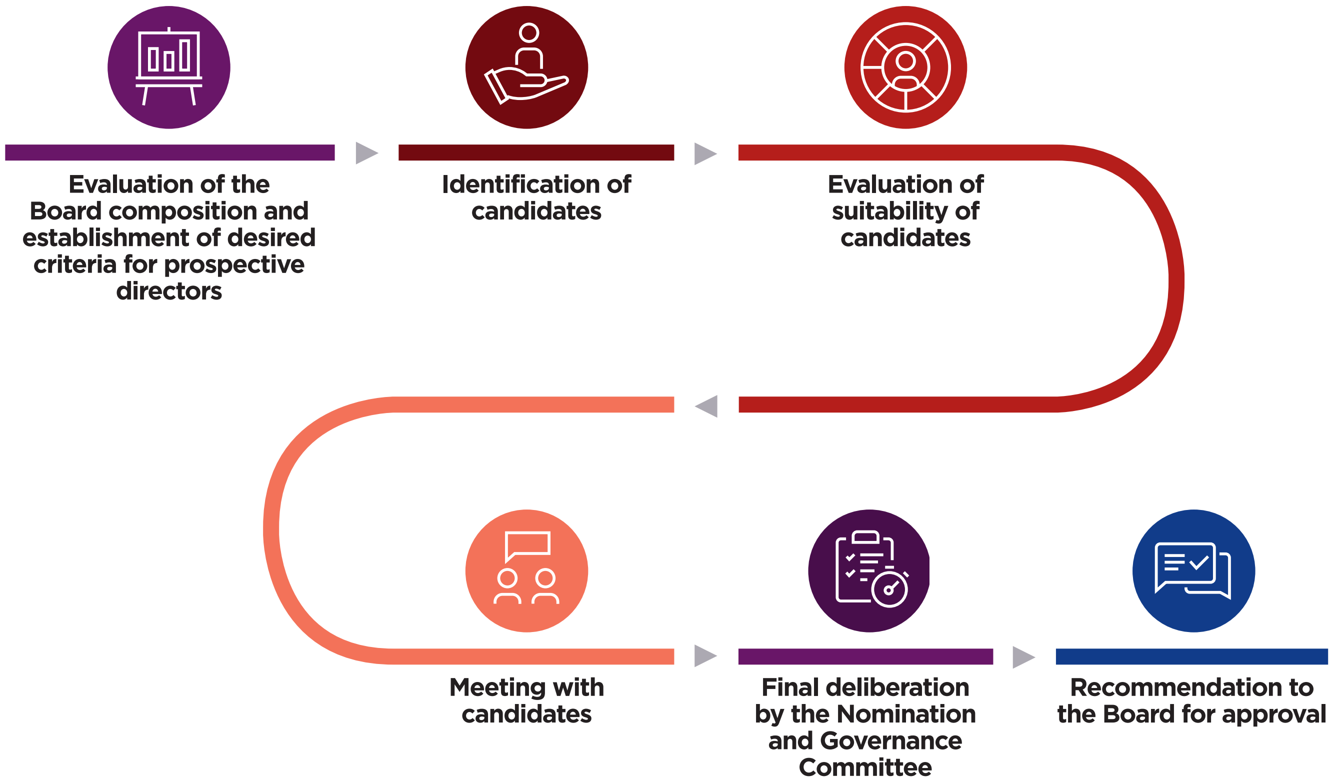
Nomination and appointment process

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

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

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

The Nomination and Governance Committee also ensures that candidates satisfy the requisite skills, experience and core competencies, commensurate with the position as directors of a listed company. The nomination process involves the following six stages:



Corporate governance report

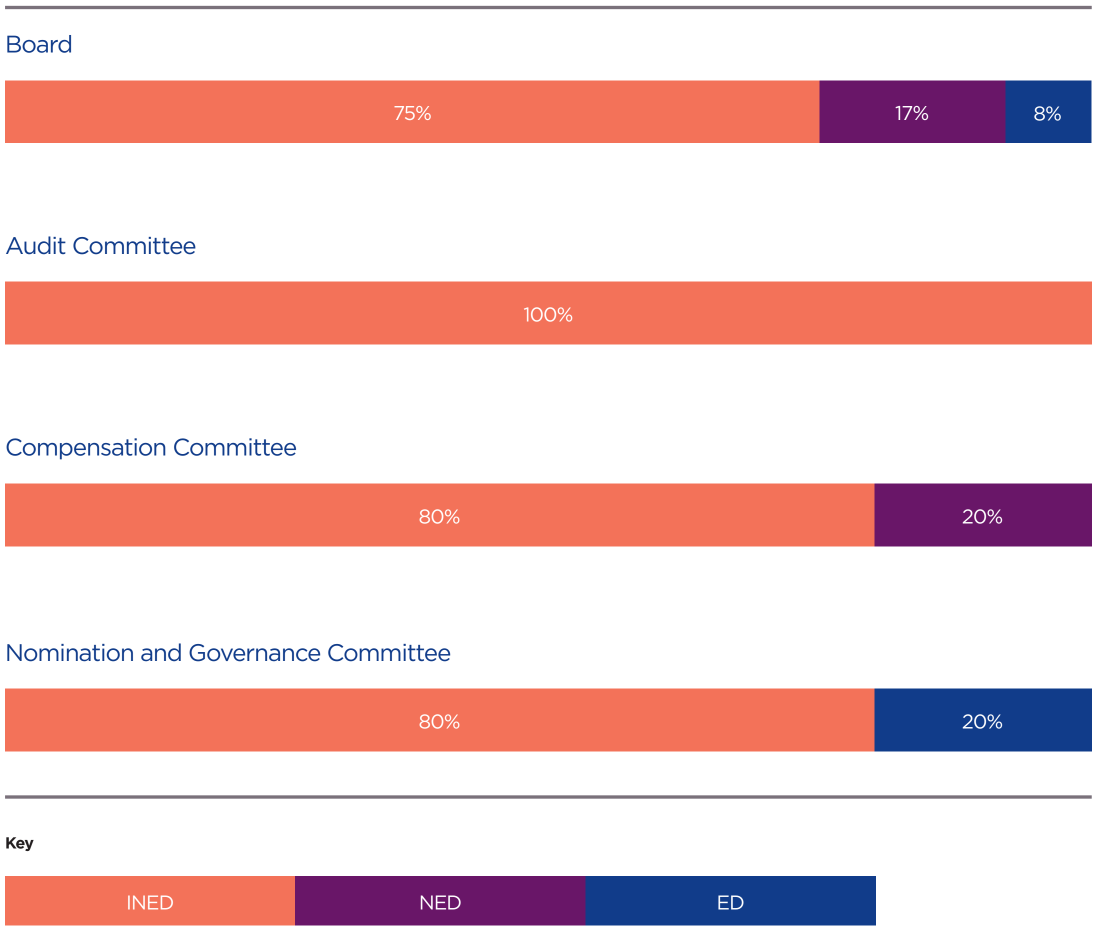
Independence

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

Each of the independent non-executive directors has made a confirmation of independence to the Company. On May 22, 2024, the Nomination and Governance Committee conducted an annual review of the independence of all independent non-executive directors of the Company for FY2023/24. Having taken into account the factors as set out in rule 3.13 of the Listing Rules in assessing the independence of independent non-executive directors, the Nomination and Governance Committee (with the relevant committee member abstaining from voting on the resolutions concerning his/her own independence) concluded that all of the independent non-executive directors satisfied the criteria of independence as set out in the Listing Rules. With support of the Nomination and Governance Committee's review on the independence of all the independent non-executive directors through the independence assessment process as set out in page 73, the Company confirmed that all the independent non-executive directors are independent.

The Nomination and Governance Committee affirmed that all independent non-executive directors of the Company provided a strong independent element on the Board, were free from any business or other relationship which could materially interfere with the exercise of their judgement, and remained independent for FY2023/24. The diagram below shows the independence weighting of the Board and the Board Committees as of March 31, 2024 and the date of this annual report.

Independence weighting



Independence assessment

Before and on appointment

- Nomination and Governance Committee will evaluate the suitability of the candidates, including an assessment of their independence, and nominate for the appointment for the Board's consideration and approval.
- The proposed new independent director is required to confirm with the Company pursuant to the requirements under the rule 3.13 of the Listing Rules.

Ongoing process

- Each of the independent non-executive directors is required to inform the Company and the Stock Exchange as soon as practicable if there is any subsequent change of circumstances which may affect his/her independence.
- The independent non-executive directors are required to confirm with the Company whether he/she has any financial, business, family or other material/relevant relationship with each other on a semi-annual basis.
- All directors have continuing obligation to update the Company on any changes to their other appointments which will be reviewed by the Company.

Annual assessment

- Each of the independent non-executive directors is requested to confirm with the Company his/her independence having regard to the criteria under rule 3.13 of the Listing Rules.
- Nomination and Governance Committee assesses and reviews the independence of independent non-executive directors annually.

Mechanisms for ensuring independent views and input

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

- The Board comprises a vast majority of nine independent non-executive directors, representing 75% of the Board as at the date of this report.
- The appointment of Lead Independent Director with broad authorities and responsibilities, among others, calls and chairs meetings with all non-executive directors without management and executive director present at least once a year. During FY2023/24, the Lead Independent Director met all other non-executive directors without management at executive sessions held after the board meetings and committee meetings, where applicable.
- All independent non-executive directors share their views and opinions through regular quarterly meetings at which heads of core divisions and particular business units would be invited to join such meetings and business segments performance from core business divisions are presented.
- Independent non-executive directors are authorised to seek independent professional advice at the Company's expense, to perform their responsibilities, if necessary.
- The Chairman has one-to-one meeting with each independent non-executive director who shares their views with the Chairman directly.

Corporate governance report

Conflicts of interest

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

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

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

Commitments

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

With respect to those directors who stand for election or re-election at 2024 Annual General Meeting, all of their directorships held in listed public companies in the past three years are also set out in the circular accompanying the notice of the 2024 Annual General Meeting.

Directorship with other listed public companies

Share ownership

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

Directors' securities transactions

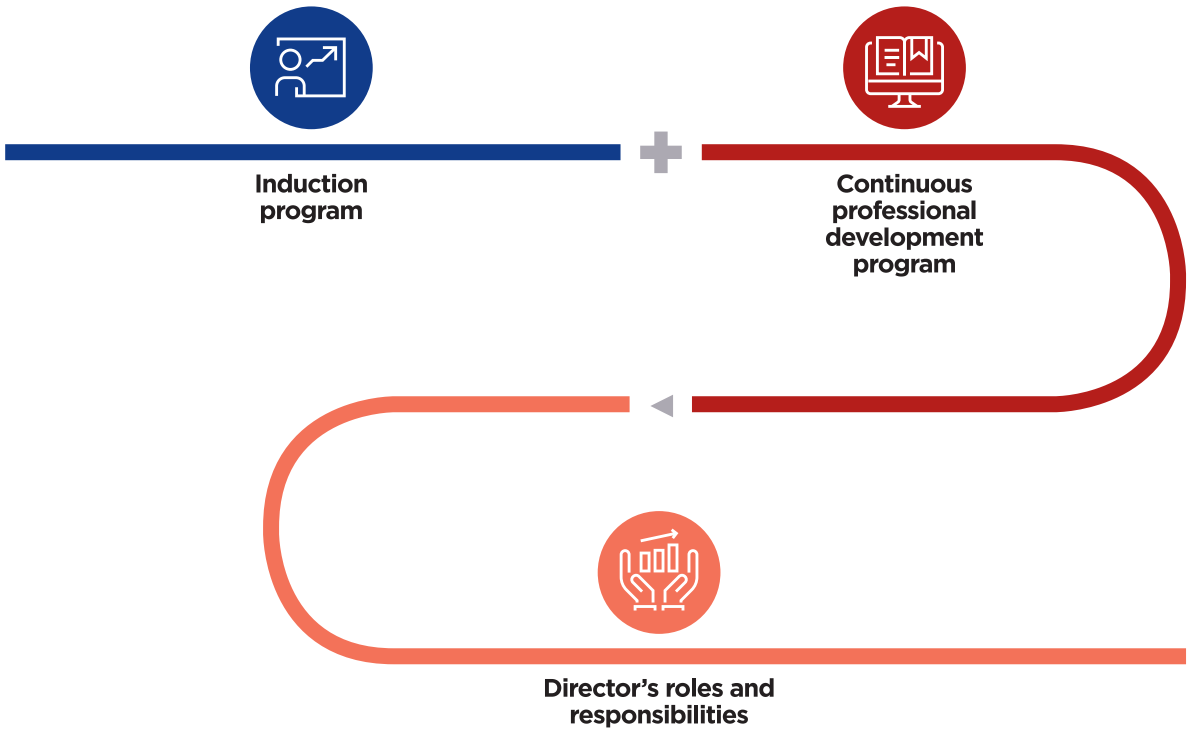
The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix C3 to the Listing Rules from time to time and devised based on the principles of the Model Code a comprehensive and operative company policy to govern securities transactions by directors of the Company. All directors of the Company have confirmed, after specific enquiry, their compliance with the required standard during FY2023/24.

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

Induction and continuous professional development

Directors shall keep abreast of regulatory developments and changes in order to effectively perform their responsibilities and to ensure understanding of his/her responsibilities and obligations as a director under the Listing Rules and the relevant regulatory requirements.

As illustrated in the below diagram, not only the Company provides the induction program to the new directors, but also regularly review and agree with each director on his/her training needs for keeping him/her updated with key business developments and to enhance his/her effectiveness in performing the director's responsibilities.



Induction program for new directors

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

Directors are also provided with an induction handbook which is designed to provide the Board members with information regarding the roles of directors and committee members, where applicable, annual agendas of the Board and Board Committees, and general information about the respective Board Committee of the Company, to make the most of their time on the Board and Board committee(s).

Before appointment

Provision of training from external lawyer

To ensure the director is fully aware of his/her responsibilities, obligations and duties of a director of a company listed on the Hong Kong Stock Exchange under the Listing Rules and other applicable regulatory requirements

On appointment

Provision of director's induction handbook

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

Following appointment

Meetings with Chairman, directors and senior management from across the business

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

Provision of briefing and presentation from senior executives and visit to business operations

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

Continuous professional development program

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

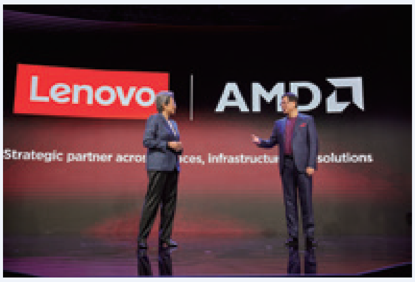
Continuous professional development program

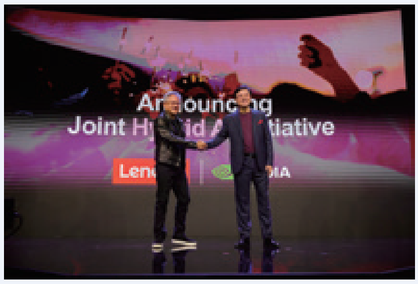
As part of the continuous professional development program, the Company would arrange senior executives to present on significant business matters, among others, financial plans and updates on corporate strategy, to the directors. Furthermore, the Company would organize site visits and seminars covering the Group's operations, the industry and governance matters for directors to facilitate their understanding of the Group's businesses and have a better awareness of the risks associated with the Group's operations. In addition to the aforesaid presentation and site visits, certain trainings and activities were held in hybrid way, i.e. face-to-face and virtually, for the directors who could attend them in person or online. During the year, the Company had arranged the following activities and provided regulatory updates to the directors of the Company to refresh their knowledge and skills as directors of the Company:

Events

In order to enhance interaction between Board members and senior management, the Company arranged directors to attend the Global Leadership Team ("GLT") annual meeting. During FY2023/24, the 2023 GLT meeting was conducted in calls, focusing on Artificial Intelligence (AI), Service-led Transformation and One Lenovo.

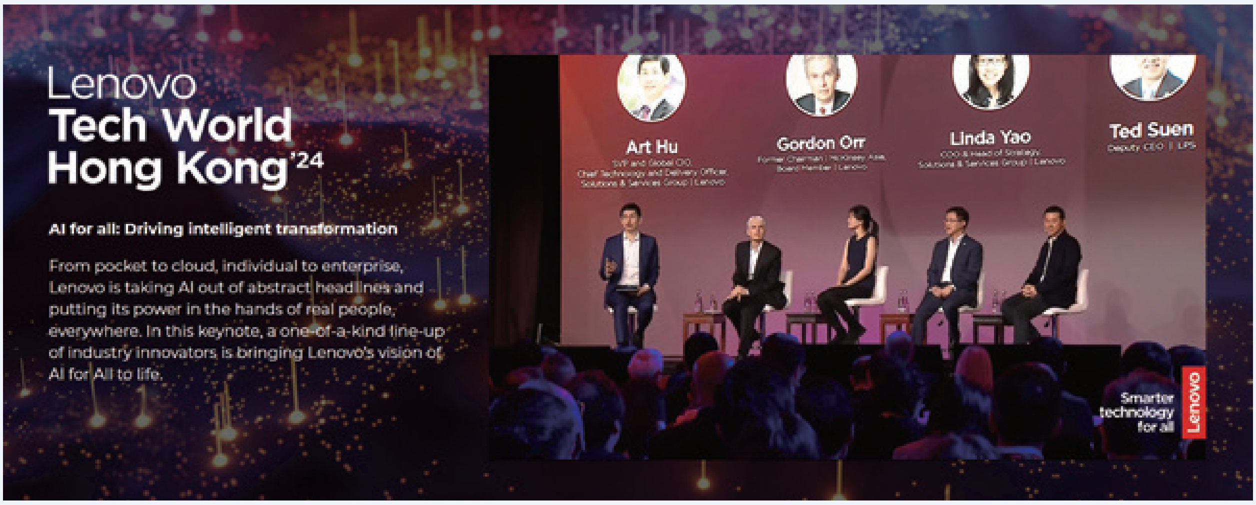
Directors were invited to join 2023 Lenovo Tech World launched by the Company on October 24, 2023 in Texas Austin with option for joining virtually. The story theme of which was "AI for all: Driving intelligent transformation", which showcased Lenovo's innovative vision and commitment to pushing the boundaries of AI and brought together Lenovo Executive Committee, the global partners, customers, tech enthusiasts, creators and more to unveil groundbreaking new partnerships, demos, products and concepts that promise to shape the future of AI. Through participation in such event, directors became more familiar with the business development of the Group.





Corporate governance report

Following the aforesaid Lenovo Tech World in Texas Austin, Lenovo Tech World has been extended as local events in key markets, including Brazil, France, Germany, Hong Kong S.A.R of China, India, Japan, Mexico, the United Kingdom. Local Lenovo Tech World events in alignment with the same story theme would be held in more key markets over the world, which would leverage the flow and content of Lenovo Tech World with lining up with local customers and partners. One of our directors was invited to act as a panel speaker to share his thoughts on AI-powered innovation, governance, ethics and risks of AI, as well as data security and data privacy during AI adoption in Lenovo Tech World Hong Kong 2024.



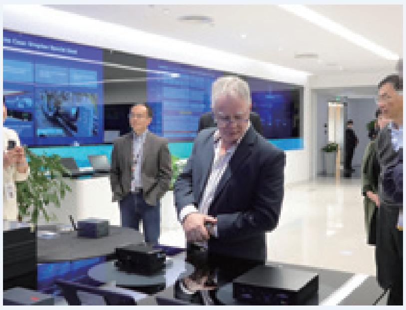
Directors were also invited to join Formula 1 (F1) — the world's most prestigious motor racing competition. Lenovo is an official technology partner of F1, whose premium hardware, next generation technology, and innovative solutions (hardware, software, and services) power the F1 experience. Lenovo's integrated technology partnership with F1 provides directors of the Company with access to these world-class races, furthering their understanding of the culture and business relationship with the stakeholders of Lenovo.

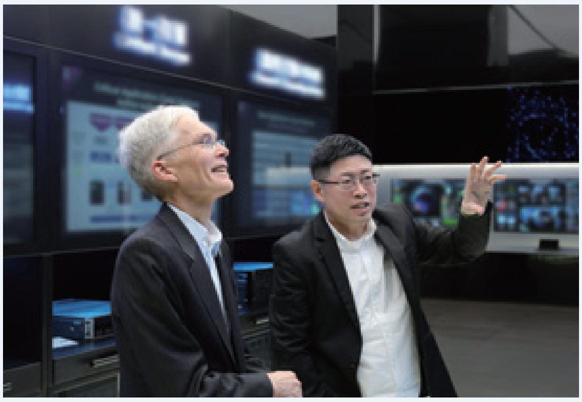
Site visits

During FY2023/24, the Company had organized certain site visits for the directors, including visiting Lenovo Beijing Future Center and manufacturing sites in Wuhan and Tianjin illustrated below.

Taking the opportunity of meeting in Lenovo Beijing campus on November 16, 2023, directors visited Lenovo Beijing Future Center, in which directors were provided with smart technology demonstrations and experiences. Lenovo Beijing Future Center showcases the various concepts of and the use of the latest technologies of the enterprise business, including new IT, Smart Internet of Things (IoT), Smart Infrastructure and Smart Vertical solutions.

These visits provided the directors updates on the businesses and the technological development of the Group.





Corporate governance report

Industry congress

Lenovo operates in an industry which is rapidly changing in terms of market trends, consumer preferences and technologies. In order to keep directors updated with the latest technologies and products development in the industry, directors were invited to attend 2024 Consumer Electronic Show in Las Vegas from January 9 to January 12, 2024 and 2024 Mobile World Congress in Barcelona from February 26 to February 29, 2024. These two events provided the best product reviews, product demonstrations and displays that showcase the technologies of the Group and also those of other players in the market.

Experts briefings and seminars

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

During FY2023/24, the Company arranged external and in-house experts briefings and seminars for directors on topics such as global economy, geopolitical dynamics, AI, corporate strategy update and regulatory updates.

Regulatory updates

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

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

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

All directors have provided the Company with a record of the training they received during FY2023/24. In addition to attending meetings and review of relevant materials provided by senior management, the directors have also attended professional trainings provided by the Company and external professional parties, where applicable, the relevant details are set out as follows:

Type of training / Name of directors	Reading regulatory updates/Company policies	Attending experts briefing/seminar/conference relevant to the Company's business or director's duties
Executive director		
Mr. Yang Yuanqing		
Non-executive directors		
Mr. Zhu Linan		
Mr. Zhao John Huan		
Independent non-executive directors		
Mr. William O. Grabe		
Mr. William Tudor Brown		
Mr. Gordon Robert Halyburton Orr		
Mr. John Lawson Thornton Note 1		
Mr. Kasper Bo Roersted Note 2		
Mr. Woo Chin Wan Raymond		
Ms. Yang Lan		
Ms. Cher Wang Hsiueh Hong		
Professor Xue Lan		
Mr. Yang Chih-Yuan Jerry Note 3		

Notes:

1. Appointed on August 18, 2023
2. Appointed on February 23, 2024
3. Resigned on November 16, 2023

Remuneration of directors and senior management

A formal and transparent procedure for fixing the remuneration packages of directors and senior management is in place. Details of remuneration policies, remuneration payable to senior management and other relevant information are set out in the Compensation Committee report of this annual report on pages 122 to 136.

Company secretary

The Company Secretary, Ms. Lam Ngan Ling ("Ms. Lam") is responsible for facilitating the Board process, as well as communications among Board members and the Board with shareholders and management. During FY2023/24, Ms. Lam undertook appropriate professional training to update her skills and knowledge.

Effectiveness

Board's responsibilities and delegation to management

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

The Company has a formal schedule of matters specifically reserved to the Board and those delegated to management. The Board reserves for its responsibility to oversee the management of the Company and its business. Key matters reserved for the Board are summarized in the table below:

The Board has given clear directions to management as to the matters that must be approved by the Board before decisions are made on behalf of the Company or entering into any commitments on behalf of the Group.

The Board delegates the daily operations and administration function of the Group, including the following, to the management under the leadership of the CEO:

- implementation of the strategy and direction determined by the Board;
- operation of the Group's businesses;
- preparation of financial statements and operating budgets; and
- compliance with applicable laws and regulations.

The aforesaid arrangements will be reviewed periodically to ensure that they remain appropriate to the Group's needs.

Key matters reserved for the Board

Financial

- Approval of the Group's financial statements and results announcements
- Recommendation on appointment or re-appointment of external auditor
- Recommendation or declaration of dividend
- Monitoring the Group's businesses against plan and budget

Group strategy and management

- Formulation of the Group's strategy and long-term objectives
- Approval of changes to capital structure
- Approval of major capital and equity transactions
- Approval of major disposals and acquisitions

Board membership and committees

- Appointment to the Board and Board Committees
- Setting, review and amendments (where necessary) to the terms of reference of Board Committees

Corporate governance and sustainability

- Review of the performance of Board and Board Committees
- Approval of shareholder communications, circular and notices of meetings
- Review of ESG practices of the Group and approval of ESG report of the Company
- Review of and/or approval of certain policies of the Group, including:
  - Nomination Policy
  - Code of Conduct
  - Board Diversity Policy
  - Dividend policy (the "Dividend Policy")
  - Continuous disclosures policy (the "Continuous Disclosures Policy")
  - Shareholders communication policy (the "Shareholders Communication Policy")
  - Lenovo Whistleblowing and Investigations Policy
  - Lenovo Anti-Bribery and Corruption Policy
  - Mechanisms to ensure independent views and input are available to the Board

Board process

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

Board meetings

Regular Board meetings

Meeting dates are set two years in advance

- To facilitate maximum attendance of directors

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

- To review financial performance, strategy and operations

Meeting agenda and notice

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

Dispatch Board papers to directors

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

Other Board meetings

Other Board meetings

- To consider ad hoc matters

Convene Board meetings

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

Dispatch Board papers to directors

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

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

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

Other key features of Board process	
Timely updates and discussion	The directors are supplied in a timely manner with all relevant documentation and financial information to assist them in discharge of their duties. Monthly updates of the financial performance of the Company are furnished to the Board between regular Board Meetings.
	In addition to standing agenda items, there may be discussions on "deep-dive" topics. During FY2023/24, "deep-dive" presentations included the Group's specific strategy, business units and functions. On top of the quarterly regular Board (earnings) meetings, board meetings focusing on the Group's strategy may be held on one to two day(s) before or after regular Board (earnings) meetings if strategy session is not included in the Board (earnings) meetings.
	Senior Management are invited to attend Board meetings, where appropriate, to report on matters relating to their areas of responsibility, and also to brief and present details to the directors on recommendations submitted for the Board's consideration. Additional information or clarification may be required to be furnished, particularly with respect to complex and technical issues tabled to the Board.
Executive sessions	As a good corporate governance practice, separate executive sessions were arranged for (i) the Chairman to meet with independent non-executive directors in the absence of management; and (ii) the Lead Independent Director to meet with other independent non-executive directors in the absence of executive director and management to discuss matters relating to any issue or matters such persons would like to raise.
Professional advice	All directors have direct access to the Chief Legal and Corporate Responsibility Officer and the Company Secretary of the Company who are responsible for advising the Board on corporate governance, ESG, legal and compliance issues.
	Written procedures are in place for directors to seek, at the Company's expense, independent professional advice in performing directors' duties.
Access to information	All directors were provided with a tablet and/or a notebook to gain access to meeting materials of the Board and Board Committee meetings through an electronic platform.
Communication with senior management	To enhance the communication between directors and senior management and understand management planning and strategy, directors are invited to attend Lenovo's GLT annual meeting and participate in small group discussions with relevant senior management. Also, senior management are invited to attend Board meetings so that they can report relevant corporate and strategic matters and reply any questions from directors.
Indemnification and insurance	As permitted by the Articles of Association, a director or a former director of the Company may be indemnified out of the Company's assets against any liability incurred by the director to a person other than the Company or an associated company of the Company that attaches to such director in his/her capacity as a director of the Company, to the extent permitted by law.
	The Company has also taken out and maintained directors' and officers' liability insurance throughout the year, which provides appropriate cover for certain legal actions brought against its directors and officers.

Corporate governance report

Board activities

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

The diagram below shows the key focus areas for the Board, which appear as items on the Board's agenda at relevant times throughout FY2023/24. Concentrated discussion of these items assists the Board in making the most appropriate decision based on the long-term opportunities for the business.

Financial and operational performance

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

Strategy and risks

- Discussion of main strategic issues relating to business groups, geographic and structural areas
- Review of processes and controls for strategic and operational risks
- Government relations and trade updates
- R&D planning

Governance and sustainability

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

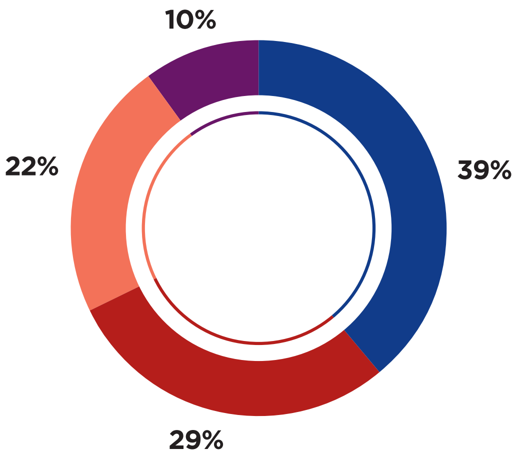
Others

- Update on corporate matters such as changes in organization structure
- Organization human resources planning
- Renewal of continuing and connected transactions
- Ad hoc projects

Main activities during FY2023/24

During FY2023/24, a total of seven Board meetings were held, of which four Board meetings were primarily to review quarterly business performance and strategy execution (including one combined with strategy session), two Board meetings focused on reviewing strategy in the business or other relevant areas, one for seeking the directors' approval on an ad hoc project. Given the geographical expansion of the Group's businesses, the Company held face-to-face meetings in Hong Kong S.A.R. of China, Beijing, China, Barcelona, Spain with video conferencing option during FY2023/24. The below chart provides an overview of how the Board allocated its agenda time during the year.

Allocation of agenda time



	FY2023/24	FY2022/23
Financial and operational performance	**39%**	38%
Strategic and risks	**29%**	32%
Governance, sustainability, training & Board Committees' reports	**22%**	20%
Other matters (including ad hoc projects and human resources matters)	**10%**	10%

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

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

Corporate governance report

The main matters and areas that the Board reviewed and considered at its seven meetings during FY2023/24 were as follows:

		2023		2024	
	May	August	November	January	February
Financial and operational performance					
• CEO and CFO Report	●	●	●		●
• Results announcement	●	●	●		●
• Annual/interim report	●		●		
• Final/interim dividend	●		●		
• Annual general meeting items, among others, general mandate to buy back shares and to issue shares, re-election of directors and notice of annual general meeting	●				
• Re-appointment of external auditor	●				
• FY2024/25 budget plan					●
Strategic and risks					
• Sharing from expert speakers					●
• Corporate strategy		●	●		●
• Research and development planning	●				
Governance and sustainability					
• Report from Audit Committee	●	●	●		●
• Report from Nomination and Governance Committee	●			●	
• Report from Compensation Committee	●		●		●
• Report from CEO Advisory Council	●		●		
• ESG Update	●	●			
• ESG Report	●				
• Board composition, diversity and Board evaluation report (if any)	●	●	●		●
• GLT and Tech World Debrief			●		
Others					
• Organization human resources planning	●				
• Renewal of continuing connected transactions					●
Ad hoc project				●	●
Executive session	●	●	●		●

Board committees

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

Board of Directors

Key responsibilities

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

Audit Committee

Key responsibilities

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

Compensation Committee

Key responsibilities

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

Nomination and Governance Committee

Key responsibilities

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

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

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

Corporate governance report

Audit Committee

The Audit Committee is delegated by the Board to perform its duties within its terms of reference. Details of the Audit committee, including its membership, responsibilities and work done during FY2023/24, are summarized in the Audit Committee report as stated on pages 115 to 121 of this annual report.

Compensation Committee

The Compensation Committee is delegated by the Board to perform its duties within its terms of reference. Details of the Compensation Committee, including its membership, responsibilities and work done during FY2023/24, are summarized in the Compensation Committee report as stated on pages 122 to 136 of this annual report.

Nomination and Governance Committee

Membership

The Nomination and Governance Committee (defined as "Committee" in this section) comprises the following members during FY2023/24 and as at the date of this annual report:

Mr. Yang Yuanqing Note 1
(Chairman)
Chairman, CEO and executive director

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

Mr. John Lawson Thornton Note 2
(Member)
Independent non-executive director

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

Professor Xue Lan Note 1
(Member)
Independent non-executive director

Notes:

1. The following were approved by the Board at the Board meeting held on May 23, 2024, both with effect from May 24, 2024:
   - Mr. Yang Yuanqing no longer acts as the chairman of the Committee, but remains as a member of the Committee; and
   - Professor Xue Lan is appointed as the chairman of the Committee.
2. Mr. John Lawson Thornton was appointed as a member of the Committee on August 18, 2023.

More information on the skills and experience of the members of the Committee is available in the directors' biographies set out on pages 143 to 147 of this annual report.

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

- Chief Legal and Corporate Responsibility Officer
- Company Secretary

Responsibilities

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

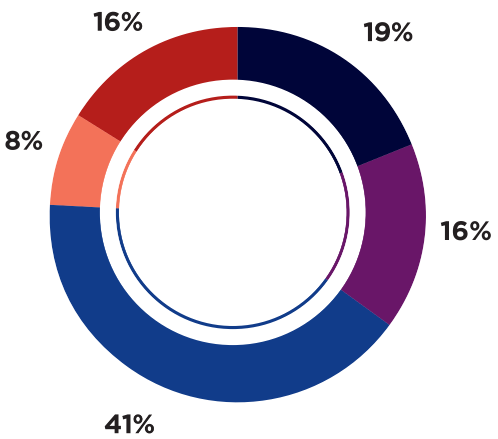
- Reviewing the composition of the Board and Board Committees to ensure they are properly constituted and balanced in terms of skills, experience and diversity;
- Making recommendation to the Board on succession planning for directors and CEO;
- Reviewing and assessing the independence of Independent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

Key features

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

Main activities during FY2023/24

In FY2023/24, the Committee held two meetings. The attendance records of the Committee's members are disclosed in page 93 in this annual report and the chart below provides an overview of how the Committee allocated its agenda.



	FY2023/24	FY2022/23
Board and Board Committees' compositions	19%	31%
Assessment of performance of the Chairman and CEO	16%	19%
Corporate governance	41%	43%
Board and Board Committees' evaluation and follow-up actions	8%	3%
Others	16%	4%

Corporate governance report

The main matters and areas that the Committee reviewed and considered during FY2023/24 were as follows:

Matters / Areas		May	November
Board and Board Committees' compositions	• Reviewed, discussed and recommended (if any) to the Board on the composition of the Board and Board Committees, among others, female representation of the Board, appointment of members of the Board and Board Committees.	●	●
	• Discussed the requirements of candidates and identified potential candidates as new board members from the perspectives of gender, skills, knowledge, qualifications and experience (if any).		●
	• Reviewed and discussed the progress against Board diversity targets.	●	●
	• Reviewed the progress on the numerical target and timeline set for achieving gender diversity of the Board.	●	●
Assessment of the performance of the Chairman and CEO	• Assessed the performance of the Chairman and CEO for FY2022/23 and provided recommendation to the Compensation Committee.	●	
	• Reviewed the arrangement of same person acting as Chairman and CEO.	●	●
Corporate governance	• Reviewed the compliance with the CG Code and the related corporate governance disclosures in 2022/23 annual report and 2023/24 interim report.	●	●
	• Reviewed and assessed the independence of independent non-executive directors and affirmed the Committee's view over their independence.	●	
	• Reviewed and discussed the continuous professional development programs for the directors and senior management of the Company.	●	●
	• Reviewed the policies and practices on corporate governance, including but not limited to Board Diversity Policy, Dividend Policy, Nomination Policy and Shareholders Communication Policy, and on the compliance with legal and regulatory requirements of the Group.	●	●
Board and Board Committees' evaluation	• Reviewed the Board evaluation proposal. • Reviewed the evaluation results for FY2023/24 and discussed and proposed actions to be taken.		●

Board meetings, Board Committee meetings and general meeting

The following diagram illustrates the number of the Board, Board Committee meetings and general meeting held during FY2023/24.

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

Key

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

Directors' attendance

During FY2023/24, the overall attendance rate of directors at Board and Board Committee meetings was about 93.8% (2022/23: 97%). Details of the attendance of each director at the Board meeting, Board Committee meetings and general meeting (attended/held) during FY2023/24 are set out in below table:

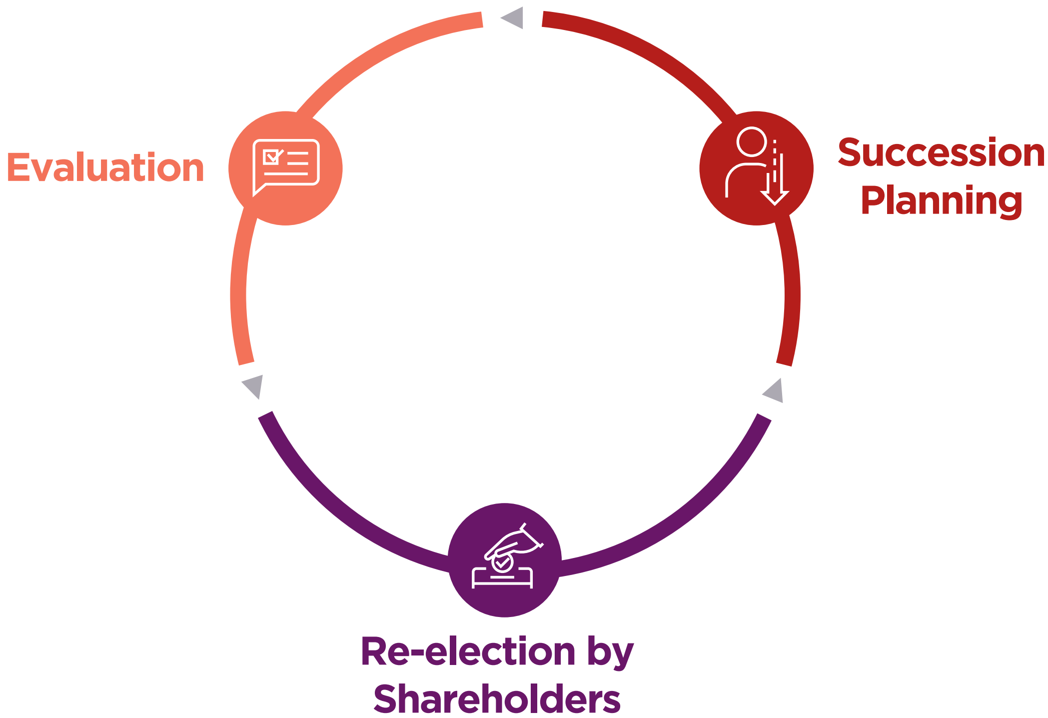
Name of directors	Meetings attended/held				
	Board *(Notes 1 & 2)*	Audit Committee *(Notes 1 & 4)*	Compensation Committee *(Note 1)*	Nomination and Governance Committee *(Notes 1 & 5)*	General Meeting *(Notes 3 & 4)*
Executive director					
Mr. Yang Yuanqing *(Chairman and CEO)*	7/7	–	–	2/2	1/1
Non-executive directors					
Mr. Zhu Linan	7/7	–	–	–	0/1
Mr. Zhao John Huan	7/7	–	3/3	–	0/1
Independent non-executive directors					
Mr. William O. Grabe *(Lead Independent Director)*	7/7	–	2/3	2/2	1/1
Mr. William Tudor Brown	7/7	4/4	3/3	–	1/1
Mr. Gordon Robert Halyburton Orr	7/7	4/4	3/3	–	1/1
Mr. John Lawson Thornton *(Note 6)*	3/4	–	–	1/1	–
Mr. Kasper Bo Roersted *(Note 7)*	1/1	–	–	–	–
Mr. Woo Chin Wan Raymond	7/7	4/4	–	–	1/1
Ms. Yang Lan	6/7	–	–	1/2	0/1
Ms. Cher Wang Hsiueh Hong	5/7	–	–	–	1/1
Professor Xue Lan	7/7	–	–	2/2	1/1
Mr. Yang Chih-Yuan Jerry *(Note 8)*	3/4	–	–	–	0/1

Notes:
(1) The attendance represents actual attendance/the number of meetings a director is entitled to attend.
(2) The Board held four regular earnings meetings, two strategy meetings and one special meeting during the year.
(3) The Company held the annual general meeting on July 20, 2023 ("2023 Annual General Meeting").
(4) Representatives of the external auditor participated in every Audit Committee meeting and the annual general meeting held during the year.
(5) For corporate governance reasons, Mr. Yang Yuanqing excused himself from the agenda item relating to assessment of the performance of the Chairman and CEO of the Nomination and Governance Committee meeting to avoid conflict of interest.
(6) Mr. John Lawson Thornton was appointed as an independent non-executive director and a member of Nomination and Governance Committee of the Company on August 18, 2023 and four Board meetings and one Committee's meeting were held after his appointment.
(7) Mr. Kasper Bo Roersted was appointed as an independent non-executive director and a member of the Audit Committee and the Compensation Committee of the Company on February 23, 2024 and one Board meeting and no Committees' meetings were held after his appointment.
(8) Mr. Yang Chih-Yuan Jerry resigned as an independent non-executive director of the Company on November 16, 2023 and four Board meetings were held before his resignation.

Corporate governance report

Board and Board Committees' effectiveness review

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



Succession planning

The Board is ultimately responsible for succession planning for directorships and key management roles. With the support of the Nomination and Governance Committee, the structure, size, composition and succession planning are regularly reviewed to ensure that the successors for key roles are identified and their performance is also assessed. Further, the Board would consider and approve the appointment of Board and Board Committee members based on the recommendations from the Nomination and Governance Committee. The Board has satisfied itself that the appropriate plan has been in place for orderly succession to the Board as well as procedures to ensure an appropriate balance of skills on the Board and its committees.

During FY2023/24, the Board and the Nomination and Governance Committee have discussed and reviewed Board composition and succession planning. As part of the succession planning, the following changes in Board and Board committee composition were taken in place during the year:

- Mr. John Lawson Thornton was appointed as an independent non-executive director and a member of the Nomination and Governance Committee of the Company on August 18, 2023;
- Mr. Yang Chih-Yuan Jerry resigned as an independent non-executive director of the Company on November 16, 2023; and
- Mr. Kasper Bo Roersted was appointed as an independent non-executive director and a member of Audit Committee and Compensation Committee of the Company on February 23, 2024. Mr. Roersted confirmed prior to his appointment, on February 1, 2024, that he has obtained the legal advice as referred to under Rule 3.09D of the Listing Rules and also understood his obligations, duties and responsibilities of a director of a company listed on the Stock Exchange under the Listing Rules.

Evaluation

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

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

During FY2023/24, the Board has conducted an evaluation on the Board and Board Committee's effectiveness and the scope of evaluation are as follows:

- Board role and responsibilities
- Board and Board Committee composition and structure
- Board conduct, Board processes and their effectiveness
- Board contributions
- Strategic and operational oversight
- Professional development
- Succession planning
- Communications with management
- Communications with shareholders and stakeholders

Evaluation process

The evaluation process involves the following three stages:

Stage 1

Determine the scope

- Determine Board and its Committees as the scope of evaluation

Determine the approach

- Conduct the evaluation by completing a comprehensive questionnaire

Stage 2

Discuss and review the results

- Prepare the draft results report
- Discuss the draft results report between the Lead Independent Director and the Chairmen of Board Committees
- Review the results report by the Nomination and Governance Committee
- Finalize the results report
- Report to the Board in a manner that did not identify individuals' specific responses, ensuring that these responses could be as open, frank and informative as possible

Stage 3

Action plan agreed

- Conclude and agree among Board members on the proposed implementation or action plan upon review of the evaluation results

Monitor and follow-up meetings

- Monitor the progress of the implementation or action taken semi-annually
- Report back to the Board on the progress by Nomination and Governance Committee

Evaluation results

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

Re-election by shareholders

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

Accountability and audit

Financial reporting

The Board acknowledges its responsibility for presenting a balanced, clear and comprehensive assessment of the Group's performance, position and prospects. The Board is also responsible for the preparation of financial statements for each financial year which gives a true and fair view of the state of affairs of the Group on going concern basis while the external auditor's responsibilities to shareholders are set out in the Independent Auditor's Report on pages 166 to 170 of this annual report.

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

Annual results

- Announce within two months
- Publish the annual report within about one month following the annual results announcement

Interim results

- Announce within about 1.5 months
- Publish the interim report within about 15 days following the interim results announcement

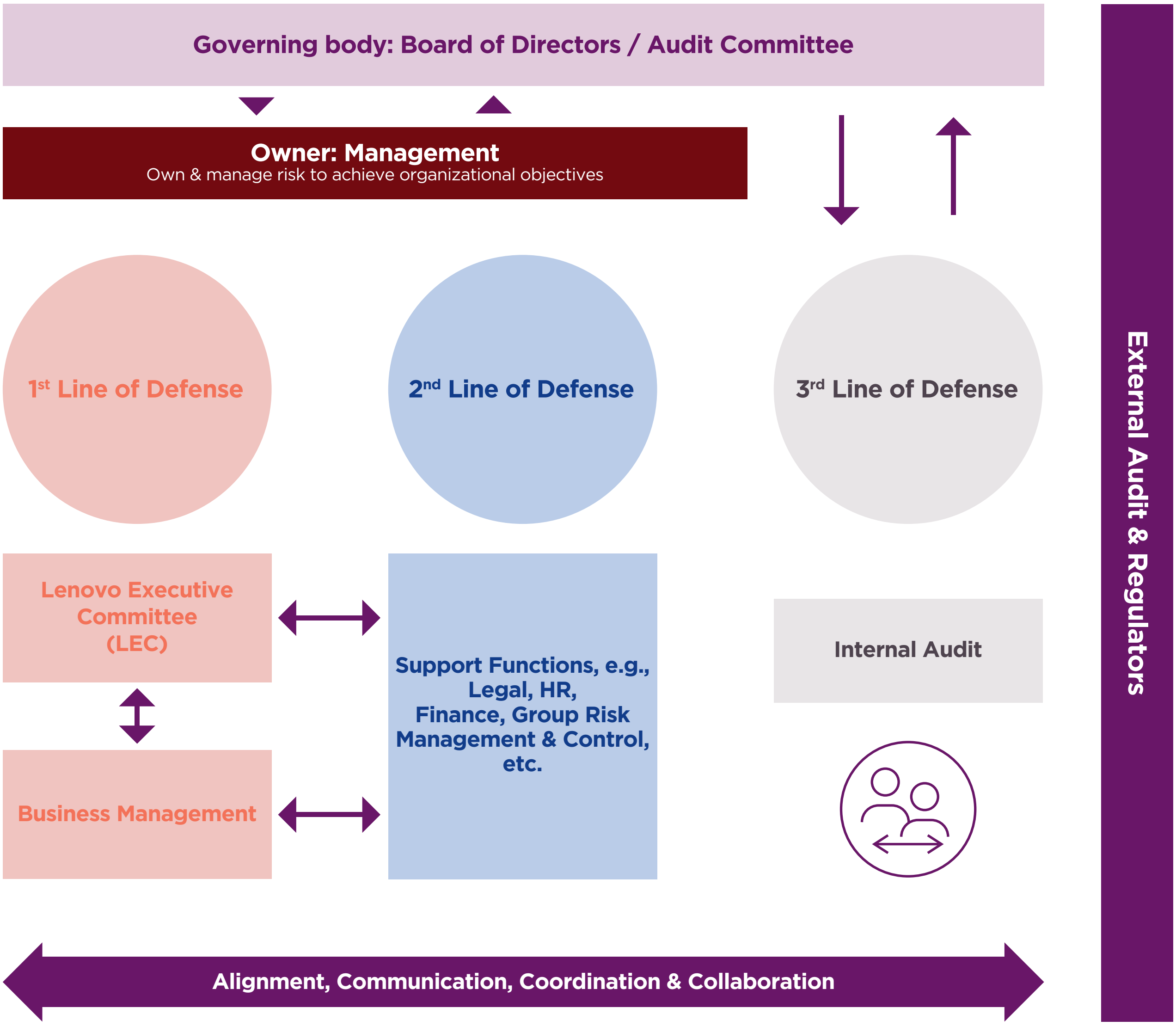
Quarterly results

- Announce within about eight weeks following quarter end, depending on timing of festive holidays

Risk management and internal control

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

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



Governance & Oversight

Board

- Responsible for overall governance of Lenovo's risk management and internal control systems.
- Oversees and monitors the effectiveness of the risk management and internal control systems through delegation to the Audit Committee, and through discussions with Management on the Group's strategies and plans.

Audit Committee

- Delegated by the Board with responsibility to assess the effectiveness of risk management and internal control systems.
- Receives regular reports from Management and Internal Audit that provide insight into the operation of the Group's risk management and control systems.
- Reviews the adequacy and effectiveness of the Internal Audit function, including its audit plans and scope.
- Reviews the Group's enterprise risk management approach, including processes to identify, assess and report key risks, related mitigation activities and action plans.

First Line - Own & manage risk to achieve organizational objectives

Lenovo Executive Committee

- Sets overall tone and expectations for identifying, mitigating, and monitoring significant business risks across the Group.
- Responsible for the design, implementation, and review of the Group's risk management framework.
- Ensures that key risks are highlighted to the Audit Committee, along with the status of any actions taken to enhance risk management.
- Establishes group wide policies and guidelines where appropriate.

Business Management

- Identifies and prioritizes risks, implements mitigation measures, and monitors execution of mitigation measures within span of responsibility.
- Appoints Risk Management & Control (RMC) liaisons to work in close collaboration with Group RMC.
- Provides quarterly management disclosure and financial certifications as part of the Group's quarter close process.

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

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

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

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

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

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

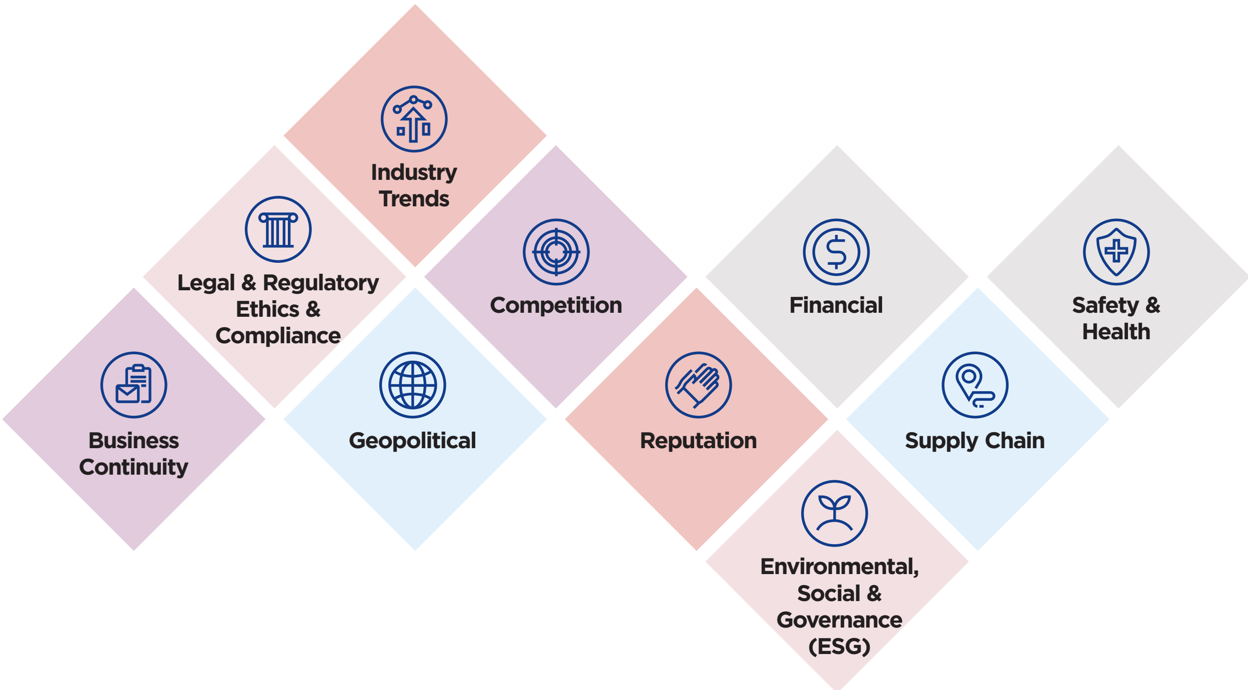
Monitoring: The internal control process is continually monitored. Modifications are made to improve internal control activities as a result of the monitoring process.

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

Corporate governance report

Risk assessment

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



One hundred percent (100%) of all operational sites are covered under the enterprise-wide risk assessment conducted annually. Through this program, management develops a holistic portfolio of the Group's enterprise risks by facilitating business and function risk assessments, performing targeted risk assessments and incorporating information regarding specific categories of risk gathered from the various Lenovo organizations. Management then develops risk response plans for risks categorized as needing management focus and response and monitors other identified risk focus areas. Management provides regular reports on the risk portfolio and risk response efforts to Senior Management and to the Audit Committee.

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

Details of some of these risks may be found under "Material risks of the Group" on pages 21 to 32.

Internal control activities & monitoring

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

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

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

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

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

To help employees understand these requirements, training on anti-bribery and corruption is provided. In FY 2023/24, 99% of the Group's computer-based employees completed the assigned anti-bribery and corruption mandatory eLearning course. In addition, 48 facilitator-led sessions focused on anti-bribery and corruption basics and case studies were provided to over 17,000 China-based employees of the Group. The Group also provides Code training to new employees, which includes anti-bribery and corruption topics. The Board of Directors and Senior Leadership Team are provided a facilitator-led training session on anti-bribery and corruption. Additionally, in FY 2023/24, Lenovo's Ethics and Compliance Office released an educational video in commemoration of International Anti-Corruption Day, urging all employees to participate in the global fight against corruption. The video garnered viewership from approximately 30,000 employees.

Bribery and corruption risks are also evaluated as part of the Group's Enterprise Risk Management Program risk assessment to ensure the Group's internal controls effectively address and mitigate bribery and corruption risk to the enterprise.

As Lenovo holds all employees to the highest ethical standards and requires compliance with applicable anti-bribery and corruption laws and regulations, it extends this obligation to its business partners. The Group's business partners are expected to adhere to the same standards of integrity that Lenovo demands of itself. All business partners are subject to the Group's Global Anti-Bribery and Corruption Policy, which includes the requirement to conduct anti-bribery and corruption due diligence on any business partner identified as presenting elevated bribery and corruption risks to the organization. The Group actively monitors these business partners to address any potential areas of concern or inquiries regarding bribery and corruption.

Reporting Ethical Concerns

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

Lenovo actively issues training and periodic communications to provide employees with information on the Group's internal investigations process and to encourage them to speak up without the fear of retaliation. The Group prohibits retaliation for reports made in good faith. In FY 2023/24, 99% of all computer-based employees[1] completed the Group's Whistleblowing and Investigations Policy training. Additional communications include detailed information about the LenovoLine, quarterly notifications from the IOC with summaries of notable investigations with no identifying details, computer screen lock messaging, posters, and more.

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

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

Inside information

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

(i) is aware of the Company's disclosure obligations under the SFO and the Listing Rules and the overriding principle under the SFO that inside information must be announced immediately unless exemption avails under the safe harbour rule provided therein;

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

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

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

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

Risk management oversight

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

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

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

In selecting the audits to perform each year, Internal Audit performs a risk assessment using information collected from process owners, the enterprise risk management team, senior executives, the external auditor, ethics & compliance, and the Board along with an analysis of prior audit issues and other data. Internal Audit develops an audit plan that prioritizes areas with significant risks or deemed to be strategic in nature to the business. The audit plan is reviewed by the Audit Committee, which is also provided quarterly updates on the performance of the plan and key findings. As necessary throughout the year, the audit plan will be modified to reflect emerging risks or changes to business plans. Ad hoc reviews of areas of concern identified by management or the Audit Committee may also be performed. During FY2023/24, Internal Audit issued multiple reports covering significant operational and financial units worldwide. Internal Audit regularly monitors the status of management action plans resulting from audit findings to ensure completion and reports progress each quarter to the Audit Committee.

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

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

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

External auditor

Independence of external auditor

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

During FY2023/24, PwC provided audit and non-audit services (including tax, non-tax and other assurance services) to the Group.

Remuneration of external auditor

The fees paid or payable to PwC for audit and non-audit services for FY2023/24 and the comparative figures for the financial year ended March 31, 2023 are as follows:

Nature of services	**FY2023/24 US$ million**	FY2022/23 US$ million
Audit services	**9.9**	9.7
Non-audit services		
— Tax	**0.1**	0.2
— Non-tax	**0.2**	0.2
— Other assurance	**0.3**	0.7
Total	**10.5**	10.8

5 Investor relations

Communications with investors

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

Shareholders communication policy

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

Investor Engagement and Communications

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

During FY2023/24, the Company held nearly 700 meetings with institutional investors and analysts, mainly from the Asia Pacific region, UK, Europe and North America. Some key channels during the year are highlighted below:

Quarterly IR Communications

Results Announcements

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

Post-Results Non-Deal Roadshows and Key Investor Meetings

Every quarter, the IR and senior management attend a Non-Deal Roadshows (NDR) to meet with current and potential investors. In FY2023/24, Lenovo arranged physical NDRs in the US, UK continental Europe, Hong Kong S.A.R. of China and Taipei to meet with investors and analysts from those regions. Other virtual NDRs were also arranged with investors from other parts of Asia and etc.

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

Communications on ESG Initiatives

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

Investor Conferences

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

Investor conferences attended in FY2023/24

Date	Conference	Location
2024		
January 12	UBS Greater China Tech tour	Beijing
March 7	Hong Kong Tech World SSG Group Investor Lunch	Hong Kong S.A.R.
March 8	Lenovo Hong Kong NDR	Hong Kong S.A.R.
March 19–20	BofA Merrill Lynch 2024 APAC TMT conference	Taipei
2023		
August 21–22	Lenovo-CLSA Non-Deal Roadshow	Hong Kong S.A.R.
September 4–6	J.P. Morgan Europe NDR	London
September 18	UBS APAC Tech Tour	Taipei
September 11–12	30th CITIC CLSA Investors' Forum	Hong Kong S.A.R.
September 19	Goldman Sachs Corporate Day	Beijing
October 19	UBS APAC ESG Corporate Day	Virtual
November 21–22	Nomura AI Technology Corporate Day 2023	Hong Kong S.A.R.
November 23	Lenovo Hong Kong NDR	Hong Kong S.A.R.
November 30–December 2	JP Morgan US NDR	New York
December 4–6	Raymond James 2023 TMT and Consumer Conference	New York

Corporate governance report

Effectiveness of the Shareholders communication policy

The Company's Shareholders Communication Policy has set out clear guidelines and standards in relation to communicating with the investment community. During FY2023/24, the Company received a variety of awards from different organizers in recognition of its efforts to facilitate open and effective communication. The Company was included as a constituent stock on the Hang Seng Index — Hong Kong's benchmark stock gauge — in March 2022, demonstrating the market's confidence in Lenovo, which is built on the Company's continuous open communication strategies.

Market recognition

- Stevie® Awards Gold Winner 2023 for Lenovo CO2 Offset Services in the Service Management Solution category
- 2023 Excellence in Customer Service Awards , The Business Intelligence Group — Technology of the year for Premium Care Plus
  - This annual business awards program recognizes those who are helping companies better communicate with their customers to provide a differentiated level of customer service.
- Bronze Stevie Award® in Customer Service Solution, The American Business Awards for Premium Care Plus
  - The American Business Awards are the premier accolades for excellence in U.S. business, honoring organizations of all sizes and industries.
- HKIRA 9th Investor Relations Awards — Certificate of Excellence
- Lenovo CES 2024 Awards, Accolades & Honors

Index recognition

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

- Hang Seng Index
- Hang Seng China Enterprises Index
- Hang Seng TECH Index
- Bloomberg World Large & Mid Cap Price Return Index
- Hang Seng Composite Index
- Bloomberg World Large, Mid & Small Cap Price Return Index
- Bloomberg Emerging Markets Large & Mid Cap Price Return Index
- Bloomberg ESG Score Universe
- Bloomberg China Large & Mid Cap Price Return Index USD
- FTSE Developed ex US All Cap Net Tax (US RIC) Index
- Hang Seng China High Dividend Yield Index
- Hang Seng Index — Commerce & Industry
- Hang Seng Composite Industry Index — Information Technology
- S&P Global BMI (US Dollar)
- Bloomberg China Large & Mid Cap Price Return Index
- Hang Seng Stock Connect Hong Kong Index
- Bloomberg Asia Emerging Markets Large & Mid Cap Price Return Index
- Hang Seng Composite LargeCap Index
- Solactive EM Asia Enhanced Banks Selection Index
- MSCI China 10/40 Net Total Return EUR Index
- FTSE Developed Large Cap Total Return Index
- Solactive ISS ESG Global Markets Net Zero Pathway Custom Index NTR
- FTSE MPF All-World Hedged Index TR
- BI Global Computer Hardware & Storage Competitive Peers
- S&P Emerging BMI (US Dollar)

IR webpage, newsletters and social media

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

Investor relations contact details

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

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

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

Follow us & stay tuned

Search **Lenovo_IR** OR

Scan the QR code below

in WeChat app

You can also follow other Lenovo channels at:

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

6 Shareholders

Communications with shareholders

The Company is committed to safeguard shareholders' interests and believes that effective communication with shareholders and other stakeholders is essential for enhancing investor relations and investor understanding of the business performance and strategies of the Group. To achieve this, the Company has established the Shareholders Communication Policy setting out various formal communication channels with shareholders and other stakeholders for ensuring fair disclosure and comprehensive and transparent reporting of the Group's performance and activities. The Nomination and Governance Committee of the Company reviews the Shareholders Communication Policy on an annual basis and considers that the Shareholders Communication Policy was properly implemented during FY2023/24 and was effective with these multiple channels in place to promote two-way communication and active engagement with shareholders.

Communication channels with shareholders and other stakeholders

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

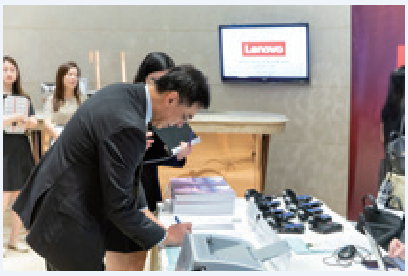
Constructive use of the general meetings

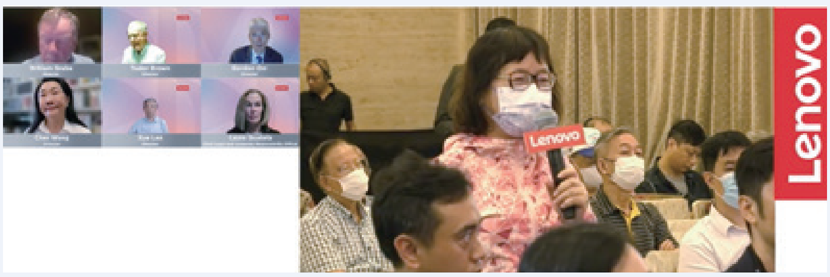
The annual general meeting and other general meetings of the Company are the primary forum for communication by the Company with its shareholders and for shareholders' participation. The Company encourages shareholders to participate in general meetings as it provides a valuable opportunity to discuss the Company, its corporate governance and other important matters. Notice of the annual general meeting and related papers are sent to shareholders at least 21 days prior to the date of the annual general meeting and at least 14 days prior to the date of other general meetings respectively. The information sent to shareholders includes a summary of the business to be covered at the general meeting, where a separate resolution is prepared for each substantive matter.

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

2023 Annual General Meeting

Similar to the arrangement of annual general meetings of the Company held in recent years, the 2023 Annual General Meeting of the Company held on July 20, 2023 was a hybrid meeting, at which shareholders of the Company could attend in person or through an online platform with live video broadcast where they could cast vote and submit questions in real-time. It provided an opportunity for shareholders to express their views and exercise their voting rights amid the special circumstances. The 2023 Annual General Meeting was attended by, among others, the Chairman of the Board/the CEO, the Chairmen of Board Committees, the Lead Independent Director, independent non-executive Directors, the Chief Financial Officer, the Chief Legal and Corporate Responsibility Officer, the Company Secretary and representatives of the external auditor, PwC, to answer questions raised by shareholders at the meeting.





Corporate governance report

Separate resolutions were proposed on each issue, including the re-election of individual retiring directors. The voting results of the following matters resolved at the 2023 Annual General Meeting are available on the Group's website (https://investor.lenovo.com/en/publications/news.php) and HKEx's website (www.hkexnews.hk).

Matters resolved at the 2023 Annual General Meeting Note

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

Note: The full text of the resolutions is set out in the notice of the 2023 Annual General Meeting

2024 annual general meeting

The 2024 Annual General Meeting will also be a hybrid meeting and is expected to be held on July 18, 2024. Details of the 2024 Annual General Meeting will be set out in the notice of the 2024 Annual General Meeting, which constitutes part of a circular to shareholders and will be dispatched, together with this annual report, to the shareholders of the Company pursuant to the Listing Rules requirements.

Shareholders' rights

Procedures for convening a general meeting

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

Procedures for putting forward proposals at an annual general meeting

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

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

Constitutional documents

Rights of the shareholders are also provided under the Articles of Association. During FY2023/24, there are no changes in the Articles of Association. An up to date consolidated version of the Articles of Association is available on the Group's website and the HKEx's website.

Dividend policy

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

Dissemination of Corporate Communication

Shareholders may, at any time, free of charge ask for printed form of corporate communications (in English and/or Chinese), and change the choice of language and/or means of receipt of the Company's corporate communication, details of which is on the Group's investor website.

Shareholding structure

Shareholding structure as of March 31, 2024

According to the register of members of the Company as of March 31, 2024, there were 692 registered shareholders of whom 98% had their registered addresses in Hong Kong S.A.R. of China and the remaining in Mainland China, United Kingdom, Canada and Macau S.A.R. of China. Based on the best available data from an external research company, the shareholders comprised institutions, private investors, related parties including substantial shareholders, directors and employees of the Company and others.

(i) Details of shareholders by category as of March 31, 2024 are as follows:

Type	Number of shares held	Percentage of the total number of shares in issue
Institutions	4,756,415,493	38.34%
Private investors	1,121,119,689	9.04%
Related parties	1,673,879,004	13.49%
Others including brokers, custodians and nominees etc.	4,853,245,116	39.13%
Total	**12,404,659,302**	**100.00%**

Corporate governance report

(ii) Details of institutional shareholders by domicile as of March 31, 2024 are as follows:

Domicile	Number of institutional Shareholders	Percentage of total number of institutional Shareholders	Number of shares held	Percentage of the total number of shares in issue
Hong Kong S.A.R. of China	78	14.10%	1,003,087,437	8.09%
United Kingdom and Ireland	68	12.30%	787,087,977	6.34%
Europe (excluding United Kingdom and Ireland)	138	24.95%	507,941,063	4.09%
America	151	27.31%	1,980,777,661	15.97%
Asia (excluding Hong Kong S.A.R. of China)	109	19.71%	469,246,048	3.78%
Rest of World	9	1.63%	8,275,307	0.07%
Subtotal of institutional shareholders	**553**	**100.00%**	**4,756,415,493**	**38.34%**

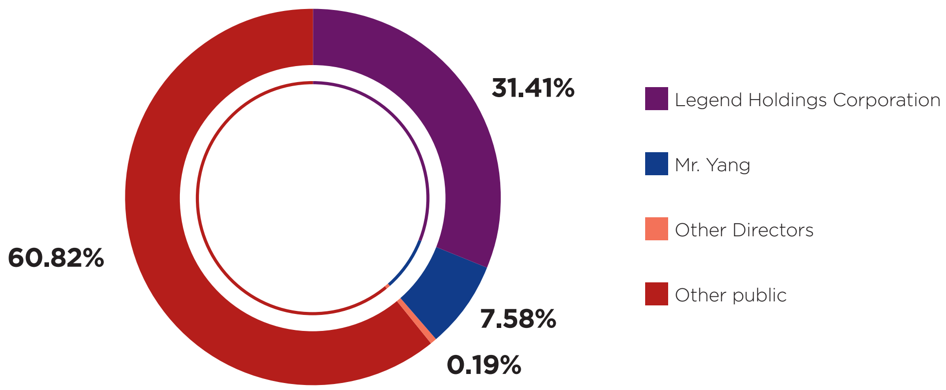
Remarks:

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

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

(iii) 76.25% of all the issued Shares were held through HKSCC Nominees Limited.

Shareholding structure according to the interest disclosed under the SFO as of March 31, 2024



Remarks:

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

(ii) The approximate percentage of shareholding is calculated on the basis of 12,404,659,302 shares of the Company in issue as of March 31, 2024.

Key shareholders information

Listing information

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

Market capitalization and public float

As at March 31, 2024, the market capitalization of the shares of the Company was approximately HK$112.51 billion, based on the total number of 12,404,659,302 shares of the Company and the closing price of HK$9.07 per share.

The daily average number of traded shares of the Company was approximately 51.20 million shares over an approximate free float of 7,358.81 million shares in FY2023/24. The highest closing price for the share was HK$11.04 per share on January 2, 2024 and the lowest was HK$7.14 per share on May 25, 2023.

Ordinary Shares (as at March 31, 2024)	
Listing	Stock Exchange
Stock code	HKD Counter Stock Code: 992 RMB Counter Stock Code: 80992
Board lot size	2,000 shares
Ordinary shares outstanding as of March 31, 2024	12,404,659,302 shares
Free float	Approximately 7,358.81 million shares
Market capitalization as of March 31, 2024	HK$112.51 billion (approximately US$14.42 billion)

Share price from April 1, 2023 to March 31, 2024

During FY2023/24, the Company's share price outperformed Hang Seng TECH Index (HSTECH) by 25.9%.

(Source: Nasdaq)

Corporate governance report

American Depositary Receipts Level I Program	
Ordinary share to ADR	20:1
Stock code	LNVGY
Basic Earnings per Share	
Basic earnings per share for FY2023/24	US8.41 cents
Dividend per Share	
Dividend per ordinary share for FY2023/24	
— Interim	HK8.0 cents
— Final [Note]	HK30.0 cents
Financial Calendar 2023/24 (Hong Kong Time)	
First Quarter Results Announcement	August 17, 2023
Interim Results Announcement	November 16, 2023
Third Quarter Results Announcement	February 22, 2024
Annual Results Announcement	May 23, 2024
2024 Annual General Meeting	July 18, 2024

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

Note: Subject to shareholders' approval at the 2024 Annual General Meeting.

Audit committee report

The Audit Committee

The audit committee (the "Audit Committee") of the board of directors (the "Board") of Lenovo Group Limited (the "Company") has been established since 1999. During the financial year ended March 31, 2024 ("FY2023/24") and as at the date of this annual report, the Audit Committee is comprised of the following members:

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

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

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

Mr. Kasper Bo Roersted
(appointed as member on February 23, 2024)
(Member)
Independent Non-executive Director

Mr. Woo, being the chairman of the Audit Committee, has appropriate professional qualifications and experience in accounting or related financial management expertise as required under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). More information on the skills and experience of the members of Audit Committee may be found in the directors' biographies set out on pages 143 to 147 of this annual report.

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

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

Audit committee report

Responsibilities

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

Audit Committee

Main areas of oversight

Financial Reporting

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

Risk Management and Internal Control

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

External Audit

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

Others

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

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

Audit committee report

Main activities during FY2023/24

The work of the Audit Committee follows an agreed annual work plan and principally falls under three main areas: financial reporting; risk management and internal control; the oversight of external audit and the management of the Company's relationship with PwC, the external auditor. The timetable of the Audit Committee for FY2023/24 is set out in the below diagram.

Specific items

	2023 May	2023 August	2023 November	2024 February
Review of Annual/Interim/Quarterly results				
• reports to the Audit Committee from Chief Financial Officer, Chief Legal and Corporate Responsibility Officer, Chief Auditor and external auditor	●	●	●	●
• results announcement	●	●	●	●
• annual report incorporating directors' report, corporate governance report and financial statements	●			
• interim report			●	
Review of enterprise risk management ("ERM")	●		●	
Review of the performance and independence of external auditor	●			
Review of annual agenda of the Audit Committee	●			
Meeting with external auditor in the absence of management	●		●	
Meeting with Chief Auditor and Chief Legal and Corporate Responsibility Officer in the absence of management	●		●	
Review of the Ethics and Compliance program of the Group		●		
Review of adequacy of resources, staff qualifications and experience, training programmes and budget				
• accounting, internal audit and financial reporting function				●
• ESG performance and reporting	●			
Recommendations to the board				
• annual/interim/quarterly results, annual/interim report and related results announcement	●	●	●	●
• re-appointment of external auditor	●			

Standing items

Financial Reporting

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

Risk Management and Internal Control

- Internal audit planning methodology/approach
- Summary of internal audit and investigations
- Internal control of the Group including key control issues
- Enterprise risk management

External Audit

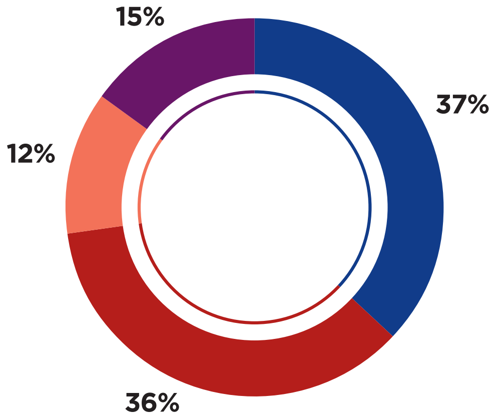
- Audit plan and status of the audit work
- Significant accounting matters and auditing matters
- Non-audit services provided by the external auditor
- Continuing connected transactions

Others

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

In FY2023/24, the Audit Committee held four meetings, with all members in attendance at each meeting. The attendance record of the Audit Committee's members is set out in the Corporate governance report on page 93 and the chart below shows how the Audit Committee allocated its agenda time during FY2023/24.

Allocation of agenda time



	FY2023/24	FY2022/23
Financial reporting	37%	40%
Risk management and internal control and compliance	36%	33%
Tax, ESG compliance, digital transformation and other matters	12%	17%
External audit	15%	10%

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

Financial reporting

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

- Reviewed and recommended to the Board for approval of financial results of the Group after discussion with the management and external auditor for:
  - (a) audited annual results of the Group for the year ended March 31, 2023, together with the related annual results announcement and the annual report incorporating the directors' report and corporate governance report;
  - (b) unaudited interim results of the Group for the six months ended September 30, 2023, together with the related interim results announcement and the interim report; and
  - (c) unaudited quarterly results of the Group for the three months ended June 30, 2023 and for the nine months ended December 31, 2023, together with its respective results announcements;
- Received reports from, and met with, external auditor and internal auditor to discuss the scope of their review and findings;
- Reviewed the impairment assessment of goodwill and other intangible assets with indefinite useful lives; and
- Reviewed and discussed with management on significant judgements and key assumptions together with presentational and disclosure issues associated with accounting standards and interpretive guidance affecting the Group's financial statements and financial results announcements; items reviewed and discussed included:
  - (a) net current liabilities position and deferred income tax assets;
  - (b) the accounting treatment for strategic business developments;
  - (c) the accounting treatment for material transactions and projects;
  - (d) the accounting treatment on the Group's goodwill; and
  - (e) the accounting provisions and treatments for indirect tax receivables, inventories, and employees benefit plans.

Audit committee report

Risk management and internal control

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

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

External audit

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

- Reviewed and considered the external auditor's statutory audit scope and results for FY2022/23, including the letter of representation to be given by the Board in respect of the financial year ended March 31, 2023;
- Reviewed and considered the external auditor's audit plan and scope for FY2023/24;
- Reviewed the auditor's report for the financial year ended March 31, 2023 together with the key audit matters and related audit procedures;
- Assessed the external auditor's independence and objectivity including a review of the non-audit services provided by the external auditor;
- Evaluated the performance of PwC and recommended to the Board for approval of the re-appointment of PwC as the external auditor of the Group for the financial year ended March 31, 2023; and
- Reviewed the annual reporting of continuing connected transactions provided by the external auditor.

Others

During FY2023/24, the Audit Committee also reviewed, among others :

- the reports from Chief Legal and Corporate Responsibility Officer regarding key litigation and other legal matters of the Group;
- the Ethics and Compliance program including the training initiatives, Lenovo Anti-Bribery & Corruption Policy and Lenovo Whistleblowing & Investigations Policy of the Group for employees to raise concerns about possible improprieties in financial reporting, internal control or other matters, and the enhancements to this program;
- updates on ESG compliance and disclosure evolution;
- updates on tax model and compliance;
- updates on global privacy and data protection compliance;
- updates on digital transformation;
- the Audit Committee report for incorporating into the annual report for FY2022/23; and
- the annual agenda of the Audit Committee for FY2023/24.

Review of FY2023/24 financial results

At the meeting held on May 22, 2024, the Audit Committee:

- reviewed the key accounting judgements and policies adopted by the Group and confirmed that these are appropriate. The significant areas of judgement identified by the Audit Committee, in conjunction with management and the external auditor, together with a number of other areas that the Audit Committee deemed to be significant in the context of the consolidated financial statements of the Group for FY2023/24 are set out in the Independent Auditor's Report on pages 166 to 170;
- after discussion with management and the external auditor, and having considered the Group's financial position, the Audit Committee was satisfied that the Group and the Company had adequate resources to continue in operational existence for the foreseeable future and confirmed to the Board that it was appropriate for the consolidated financial statements of the Group for FY2023/24 to be prepared on a going concern basis; and
- reviewed the consolidated financial statements of the Group for FY2023/24 in conjunction with the narrative sections of this annual report. The Audit Committee was satisfied that, taken as a whole, this annual report presented a balanced, clear and comprehensible assessment of the Group's performance, position and prospects.

Based on the reviews and discussions referred to above, the Audit Committee recommended to the Board the approval of the audited consolidated financial statements of the Group for FY2023/24 together with the related annual results announcement and this annual report incorporating the directors' report and corporate governance report.

Review of risk management and internal control systems

The Group's internal control system covers every activity and transaction. Within this framework, management performs periodic enterprise wide risk assessments and continuously monitors and reports the progress of actions plans to address the key risks. Further information about the risk management and internal control framework and control processes are set out in the Corporate governance report on pages 97 to 102.

Based on the information and confirmation received from management, external auditor and internal auditor, the Audit Committee concluded that for FY2023/24, the Group's risk management and internal control systems were adequate and effective. The Audit Committee also confirmed that the Group had, in FY2023/24, satisfactorily complied with the code provisions on risk management and internal control as set forth in the Corporate Governance Code in Appendix C1 to the Listing Rules.

Recommendation for re-appointment of the external auditor

The Audit Committee recognizes the importance of maintaining the independence of the external auditor. Consistent with its terms of reference, the Audit Committee has evaluated PwC's qualifications, performance, and independence, including that of the lead audit partner. The Company has established a policy pursuant to which certain types of non-assurance services have been pre-concurred in the policy and separate concurrence by the Audit Committee is required if the proposed services have not been pre-concurred or the value of such non-assurance services is above US$320,000. This policy is more fully described in the Corporate governance report on page 103. The Audit Committee has concluded that provision of the non-assurance services described in that section was compatible with maintaining the independence of PwC. In addition, PwC has provided the Audit Committee an independence statement confirming that for FY2023/24 and thereafter to the date of this annual report, they are independent of the Group in accordance with the independence requirements of the Hong Kong Institute of Certified Public Accountants.

Based on the review and discussions referred to above, the Audit Committee was satisfied with the external auditor's work, its independence and objectivity, and therefore recommended to the Board the re-appointment of PwC as the Group's external auditor for the financial year ending March 31, 2025 for shareholders' approval at the forthcoming annual general meeting to be held on July 18, 2024.

Priorities for FY2024/25

Looking ahead, the priorities of the Audit Committee for the FY2024/25 are:

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

Compensation committee report

The Compensation Committee

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

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

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

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

Mr. Kasper Bo Roersted
(appointed as a member on February 23, 2024)
(Member)
Independent Non-executive Director

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

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

More information on the skills and experience of the members of the Compensation Committee may be found in the directors' biographies set out on pages 143 to 147 of this annual report.

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

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

Responsibilities

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

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

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

Compensation committee report

Summary of work in FY2023/24

In the financial year ended March 31, 2024 ("FY2023/24"), the Compensation Committee held three meetings. The attendance record of the Compensation Committee's members is set out in the Corporate governance report on page 93.

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

Review of company and market information

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

Compensation program

- Reviewed the CEO pay and performance evaluation process;
- Reviewed and approved FY2023/24 Performance Bonus plan;
- Reviewed and approved FY2023/24 Long Term Incentive ("LTI") plan, including key plan features such as award vehicles, performance metrics, grant and vesting schedules, and LTI budget for the entire company;
- Reviewed and approved FY2023/24 target compensation level, and actual incentive pay-out for Chairman and CEO, and senior management;
- Reviewed the holding power and share ownership positions of both senior management and Non-executive Directors;
- Reviewed the analysis and recommendations from an independent consultant on FY2023/24 Non-executive Directors' fee arrangement;
- Reviewed Employee Stock Purchase Program;

Others

- Reviewed the Compensation Committee report for incorporating into the annual report for FY2022/23; and
- Reviewed and approved the annual agenda of the Compensation Committee for FY2023/24.

Compensation policy

Overall principles

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

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

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

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

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

Flexibility
Adjust to diverse businesses and talent markets

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

Support effective corporate governance practices

Non-executive directors

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

Chairman/CEO and senior management

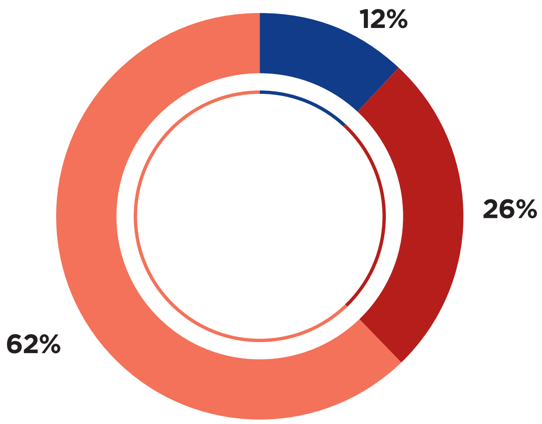
To ensure Lenovo's compensation for the Chairman/CEO and senior management reflect the policy and principles described above, the Compensation Committee considers a number of relevant factors in the determination of their compensation. Such factors include salary and total compensation paid by peer companies,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

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

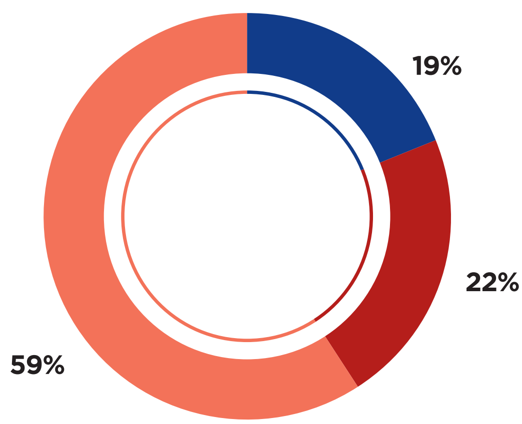
Compensation committee report

The Chairman/CEO pay mix chart reflects FY2023/24 emoluments disclosed in note 8 to the financial statements. The senior management pay mix chart reflects average FY2023/24 emolument including accounting cost of the LTI awards.

Chairman/CEO pay mix



Senior Management pay mix (average)



Fixed compensation

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

Performance bonus

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

LTI Program

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

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

(i) Share Appreciation Rights ("SARs")

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

(ii) Restricted Share Units ("RSUs")

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

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

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

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

In FY2023/24, the LTI Program continues to operate through purchasing existing shares from the market, and the Company did not issue any new shares under the LTI Program.

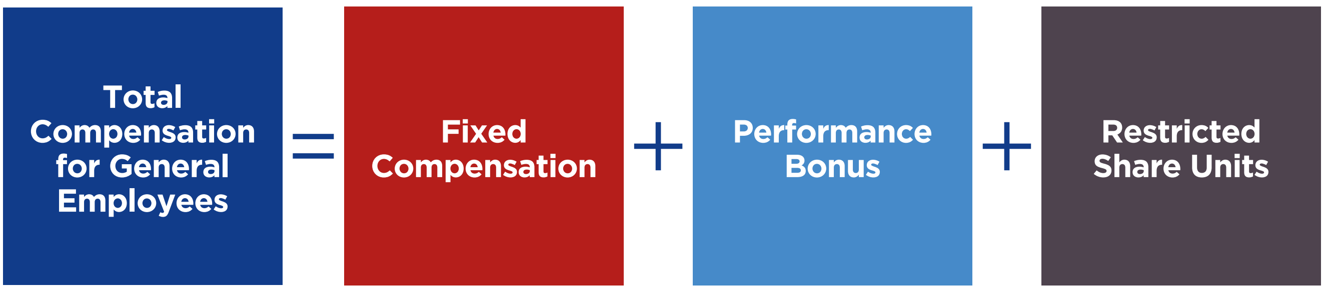
Retirement benefits

The Company operates a number of retirement schemes for its employees, including executive directors and senior management. These schemes are reviewed regularly and are intended to deliver benefit levels that are consistent with local market practices. Details of the retirement schemes are set out in the directors' report on pages 156 to 159.

General employees

By end of this financial year, the Group had a headcount of approximately 69,500 worldwide.

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



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

Compensation committee report

Remuneration reviews

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

FY2023/24 non-executive directors review

In May 2023, the Compensation Committee engaged an independent international compensation consulting firm to conduct an analysis of the compensation package of the non-executive directors. Based on the assessment, it is recommended to remain constant for FY2023/24.

Final recommendations as subsequently approved by the Board (comprising executive director of the Company only) based on the delegation from shareholders of the Company are summarized in the table below:

Compensation element	FY2023/24 (US$)	FY2022/23 (US$)
Cash retainer	**100,000 (approximately HK$780,000)**	100,000
LTI award	**240,000 (approximately HK$1,872,000)**	240,000
Total remuneration	**340,000 (approximately HK$2,652,000)**	340,000

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

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

Further details of the compensation of the Non-executive Directors are included in note 8 to the financial statements. SAR and RSU awards outstanding for Non-executive Directors as of March 31, 2024 under this scheme are presented in the "Long-Term Incentive Scheme" section of this report.

FY2023/24 chairman/CEO and senior management review

Fixed compensation

As a part of its annual review process, the Compensation Committee engaged an independent international compensation consulting firm, Mercer, to review base salary, and Target Total Direct Compensation for the Chairman/CEO and senior management in May 2023.

Based on the assessment, it is recommended to maintain the base salary for the Chairman/CEO at RMB 9,516,800 (approximately US$1,331,664) . Base salaries for senior management increased by 2.0% on average to adjust for role changes and market movement in respective countries.

Performance bonus

Chairman/CEO and senior management's FY2023/24 performance bonus pay-outs were approved at the May 2024 Compensation Committee meeting. Final bonus pay-outs for Chairman/CEO and senior management were determined based on overall pre-tax income, total revenue, services and software revenue, and customer experience delivered in FY2023/24 as well as individual performance.

LTI Program

The most recent full cycle of LTI awards including both SARs and RSUs was made in June 2023. The next cycle of LTI awards including SARs and RSUs is expected to be in June 2024.

Selected executives, including the Chairman/CEO and senior management, received LTI awards based on Company's and individual's performance achievement during a 2-year performance period.

Employee Share Purchase Plan

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

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

Remuneration of senior management

The remuneration of senior management fell within the following bands for the year ended March 31, 2024:

Remuneration bands	Number of senior management
US$3,000,000 to US$6,000,000	8
US$6,000,001 to US$9,000,000	4

Emoluments of directors for FY2023/24 and five highest paid individuals

Details of the emoluments of directors and the five highest paid individuals are set out in note 8 to the financial statements.

FY2023/24 employees review

Fixed compensation

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

Performance bonus

Performance bonus for general employees is based on individual performance and performance of their respective business unit or "Performance Groups". For FY2023/24, there were a total of approximately 125 different Performance Units within the Company each with its unique performance metrics and targets, which consist of a financial component, services and software component and a customer experience component. For FY2023/24 performance bonus, mid-year progress payment was made for general employees in December 2023, and full payment based on annual business outcomes will be trued-up in June 2024 based on approved final bonus funding.

Final Bonus Payout = **Target Bonus** × **Performance Unit Score** × **Individual Performance Modifier**

LTI Program

For FY2023/24, 23.1% of eligible employees received an award under the LTI Program.

Compensation committee report

Long Term Incentive Program

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

Name	Award type	Date of grant (mm.dd.yyyy)	Effective price (HK$)	Closing price of the shares immediately before the date the awards were granted (HK$)	The fair value of awards at the date of grant (HK$)	Weighted average closing price of the shares immediately before the dates the awards were exercised or vested (HK$)
Mr. Yang Yuanqing	SAR	08.31.2017	4.95	–	–	8.31
	SAR	06.01.2018	4.00	–	–	9.73
	SAR	06.03.2019	5.79	–	–	–
	SAR	06.01.2020	4.22	–	–	–
	SAR	06.20.2022	7.34	–	–	–
	SAR	06.01.2023	7.46	7.36	13,314,536	–
	RSU	06.01.2020	4.22	–	–	7.36
	RSU	06.01.2021	9.50	–	–	8.64
	RSU	06.20.2022	7.54	–	–	–
	RSU	06.20.2022	7.54	–	–	–
	RSU	06.01.2023	7.57	7.36	7,924,435	–
	RSU	06.01.2023	7.57	7.36	19,971,802	–
Mr. Zhu Linan	RSU	09.01.2020	5.01	–	–	8.87
	RSU	08.18.2021	7.73	–	–	7.67
	RSU	09.14.2022	6.257	–	–	8.10
	RSU	09.27.2023	8.003	7.75	1,877,080	–
Mr. Zhao John Huan	SAR	09.06.2017	4.74	–	–	10.24
	SAR	08.17.2018	4.39	–	–	–
	RSU	09.01.2020	5.01	–	–	8.87
	RSU	08.18.2021	7.73	–	–	7.67
	RSU	09.14.2022	6.257	–	–	8.10
	RSU	09.27.2023	8.003	7.75	1,877,080	–
Mr. William O. Grabe	SAR	09.06.2017	4.74	–	–	–
	SAR	08.17.2018	4.39	–	–	–
	RSU	09.01.2020	5.01	–	–	8.87
	RSU	08.18.2021	7.73	–	–	7.67
	RSU	09.14.2022	6.257	–	–	8.10
	RSU	09.27.2023	8.003	7.75	1,877,080	–
	RSU (Deferral)	09.27.2023	8.003	7.75	263,963	7.750
	RSU (Deferral)	09.27.2023	8.003	7.75	263,963	7.750
	RSU (Deferral)	12.18.2023	9.777	10.24	263,207	10.240
	RSU (Deferral)	01.15.2024	10.578	10.56	263,963	10.560

Number of units						
As at April 1, 2023 (unvested)	New grant during the year	Vested during the year	Exercised during the year	As at March 31, 2024 (unvested)	Total outstanding as at March 31, 2024 *(Note 1)*	Vesting period (mm.dd.yyyy)
–	–	–	45,893,773	–	–	06.01.2018 – 06.01.2020
–	–	–	39,305,643	–	–	06.01.2019 – 06.01.2021
–	–	–	–	–	79,451,149	06.03.2020 – 06.03.2022
6,337,338	–	6,337,338	–	–	76,048,055	06.01.2021 – 06.01.2023
30,705,901	–	–	–	30,705,901	30,705,901	06.01.2024 – 06.01.2026
–	7,356,097	–	–	7,356,097	7,356,097	06.01.2024 – 06.01.2026
1,564,689	–	1,564,689	–	–	–	06.01.2021 – 06.01.2023
4,312,582	–	3,450,066	–	862,516	862,516	06.01.2022 – 06.01.2024
4,987,562	–	–	–	4,987,562	4,987,562	06.20.2025
10,751,138	–	–	–	10,751,138	10,751,138	06.01.2024 – 06.01.2026
–	1,046,821	–	–	1,046,821	1,046,821	06.01.2026
–	2,638,283	–	–	2,638,283	2,638,283	06.01.2024 – 06.01.2026
118,626	–	118,626	–	–	–	09.01.2021 – 09.01.2023
161,204	–	80,602	–	80,602	80,602	08.18.2022 – 08.18.2024
301,069	–	100,356	–	200,713	200,713	09.14.2023 – 09.14.2025
–	234,547	–	–	234,547	234,547	09.27.2024 – 09.27.2026
–	–	–	955,316	–	–	08.21.2018 – 08.21.2020
–	–	–	–	–	1,125,232	08.17.2019 – 08.17.2021
118,626	–	118,626	–	–	–	09.01.2021 – 09.01.2023
161,204	–	80,602	–	80,602	80,602	08.18.2022 – 08.18.2024
301,069	–	100,356	–	200,713	200,713	09.14.2023 – 09.14.2025
–	234,547	–	–	234,547	234,547	09.27.2024 – 09.27.2026
–	–	–	–	–	955,316	08.21.2018 – 08.21.2020
–	–	–	–	–	1,125,232	08.17.2019 – 08.17.2021
118,626	–	118,626	–	–	–	09.01.2021 – 09.01.2023
161,204	–	80,602	–	80,602	80,602	08.18.2022 – 08.18.2024
301,069	–	100,356	–	200,713	200,713	09.14.2023 – 09.14.2025
–	234,547	–	–	234,547	234,547	09.27.2024 – 09.27.2026
–	32,983	32,983	–	–	–	Note 2
–	32,983	32,983	–	–	–	Note 2
–	26,921	26,921	–	–	–	Note 2
–	24,954	24,954	–	–	–	Note 2

Long Term Incentive Program *(continued)*

Name	Award type	Date of grant (mm.dd.yyyy)	Effective price (HK$)	Closing price of the shares immediately before the date the awards were granted (HK$)	The fair value of awards at the date of grant (HK$)	Weighted average closing price of the shares immediately before the dates the awards were exercised or vested (HK$)
Mr. William Tudor Brown	RSU	09.01.2020	5.01	–	–	8.87
	RSU	08.18.2021	7.73	–	–	7.67
	RSU	09.14.2022	6.257	–	–	8.10
	RSU	09.27.2023	8.003	7.75	1,877,080	–
Mr. Gordon Robert Halyburton Orr	SAR	09.02.2016	5.38	–	–	8.10
	SAR	09.06.2017	4.74	–	–	8.10
	SAR	08.17.2018	4.39	–	–	9.52
	RSU	09.01.2020	5.01	–	–	8.87
	RSU	08.18.2021	7.73	–	–	7.67
	RSU	09.14.2022	6.257	–	–	8.10
	RSU	09.27.2023	8.003	7.75	1,877,080	–
Mr. John Lawson Thornton	RSU	09.27.2023	8.003	7.75	1,407,816	–
Mr. Woo Chin Wan, Raymond	RSU	09.01.2020	5.01	–	–	8.87
	RSU	08.18.2021	7.73	–	–	7.67
	RSU	09.14.2022	6.257	–	–	8.10
	RSU	09.27.2023	8.003	7.75	1,877,080	–
Ms. Yang Lan	RSU	09.01.2020	5.01	–	–	8.87
	RSU	08.18.2021	7.73	–	–	7.67
	RSU	09.14.2022	6.257	–	–	8.10
	RSU	09.26.2022	6.094	–	–	7.90
	RSU	09.27.2023	8.003	7.75	1,877,080	–
	RSU	09.27.2023	8.003	7.75	586,588	–
Ms. Cher Wang Hsiueh Hong	RSU	11.15.2022	6.31	–	–	9.43
	RSU	09.27.2023	8.003	7.75	1,877,080	–
Professor Xue Lan	RSU	09.14.2022	6.257	–	–	8.10
	RSU	09.27.2023	8.003	7.75	1,877,080	–
Mr. Yang Chih-Yuan Jerry (resigned on November 16, 2023)	SAR	09.06.2017	4.74	–	–	7.51
	SAR	08.17.2018	4.39	–	–	7.51
	RSU	09.01.2020	5.01	–	–	8.87
	RSU	08.18.2021	7.73	–	–	8.73
	RSU	09.14.2022	6.257	–	–	9.22
	RSU	09.27.2023	8.003	7.75	1,877,080	9.78

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

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

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

Note 4: No units were lapsed/nullified and cancelled during the financial year.

Note 5: The Company did not grant any unit to Mr. Kasper Bo Roersted during the financial year.

Number of units						
As at April 1, 2023 (unvested)	New grant during the year	Vested during the year	Exercised during the year	As at March 31, 2024 (unvested)	Total outstanding as at March 31, 2024 *(Note 1)*	Vesting period (mm.dd.yyyy)
118,626	–	118,626	–	–	–	09.01.2021 – 09.01.2023
161,204	–	80,602	–	80,602	80,602	08.18.2022 – 08.18.2024
301,069	–	100,356	–	200,713	200,713	09.14.2023 – 09.14.2025
–	234,547	–	–	234,547	234,547	09.27.2024 – 09.27.2026
–	–	–	215,761	–	–	08.19.2017 – 08.19.2019
–	–	–	955,316	–	–	08.21.2018 – 08.21.2020
–	–	–	1,125,232	–	–	08.17.2019 – 08.17.2021
118,626	–	118,626	–	–	–	09.01.2021 – 09.01.2023
161,204	–	80,602	–	80,602	80,602	08.18.2022 – 08.18.2024
301,069	–	100,356	–	200,713	200,713	09.14.2023 – 09.14.2025
–	234,547	–	–	234,547	234,547	09.27.2024 – 09.27.2026
–	175,911	–	–	175,911	175,911	09.27.2024 – 09.27.2026
118,626	–	118,626	–	–	–	09.01.2021 – 09.01.2023
161,204	–	80,602	–	80,602	80,602	08.18.2022 – 08.18.2024
301,069	–	100,356	–	200,713	200,713	09.14.2023 – 09.14.2025
–	234,547	–	–	234,547	234,547	09.27.2024 – 09.27.2026
104,244	–	104,244	–	–	–	09.01.2021 – 09.01.2023
161,204	–	80,602	–	80,602	80,602	08.18.2022 – 08.18.2024
301,069	–	100,356	–	200,713	200,713	09.14.2023 – 09.14.2025
96,611	–	32,204	–	64,407	64,407	09.26.2023 – 09.26.2025
–	234,547	–	–	234,547	234,547	09.27.2024 – 09.27.2026
–	73,296	–	–	73,296	73,296	09.27.2024 – 09.27.2026
297,703	–	99,234	–	198,469	198,469	11.15.2023 – 11.15.2025
–	234,547	–	–	234,547	234,547	09.27.2024 – 09.27.2026
301,069	–	100,356	–	200,713	200,713	09.14.2023 – 09.14.2025
–	234,547	–	–	234,547	234,547	09.27.2024 – 09.27.2026
–	–	–	955,316	–	–	08.21.2018 – 08.21.2020
–	–	–	1,125,232	–	–	08.17.2019 – 08.17.2021
118,626	–	118,626	–	–	–	09.01.2021 – 09.01.2023
161,204	–	161,204	–	–	–	08.18.2022 – 08.18.2024
301,069	–	301,069	–	–	–	09.14.2023 – 09.14.2025
–	234,547	234,547	–	–	–	09.27.2024 – 09.27.2026

Long Term Incentive Program *(continued)*

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

Category of participants	Award type	Financial year of award grant date	Effective price (HK$)	Closing price of the shares immediately before the date the awards were granted (HK$)	The fair value of awards at the date of grant (HK$)	Weighted average closing price of the shares immediately before the dates the awards were exercised or vested (HK$)
Five highest paid individuals (excluding one director, who is the CEO of the Company)	SAR	16/17	4.79–4.90	–	–	7.60
	SAR	17/18	4.95	–	–	7.60
	SAR	19/20	5.79	–	–	10.47
	SAR	20/21	4.22	–	–	10.43
	SAR	21/22	9.45	–	–	10.40
	SAR	22/23	7.13–7.63	–	–	8.84
	SAR	23/24	7.46	7.36	20,183,907	–
	RSU	20/21	4.22	–	–	7.36
	RSU	21/22	9.50	–	–	8.64
	RSU	22/23	7.62–7.65	–	–	8.06
	RSU	23/24	7.57	7.36	55,219,183	–
Other eligible participants including other executives and selected employees	SAR	16/17	4.69–5.38	–	–	7.69
	SAR	17/18	4.39–5.01	–	–	9.15
	SAR	18/19	4.00–5.58	–	–	9.40
	SAR	19/20	5.23–5.91	–	–	9.20
	SAR	20/21	4.22–7.01	–	–	8.95
	SAR	21/22	9.45	–	–	10.25
	SAR	22/23	7.63	–	–	9.30
	SAR	23/24	7.46	7.36	148,267,057	8.72
	RSU	20/21	4.22–10.27	–	–	7.28
	RSU	21/22	7.45–9.50	–	–	8.43
	RSU	22/23	5.84–8.05	–	–	7.96
	RSU	23/24	7.57–10.47	7.24–10.90	1,785,190,990	9.14
Other eligible participants including members of the CEO Advisory Council and selected retirees	SAR	17/18	4.95	–	–	9.40
	SAR	18/19	4.00–4.39	–	–	10.92
	SAR	20/21	4.22	–	–	10.26
	SAR	21/22	9.45	–	–	9.85
	SAR	22/23	7.63	–	–	–
	RSU	20/21	4.22–5.01	–	–	7.36
	RSU	21/22	7.73–9.50	–	–	8.68
	RSU	22/23	6.09–7.65	–	–	8.03
	RSU	23/24	8.00	7.75	3,128,469	–

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

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

Number of units						
As at April 1, 2023 (unvested)	New grant during the year	Vested during the year	Exercised during the year	Lapsed/ nullified during the year	Cancelled during the year	As at March 31, 2024 (unvested)
–	–	–	4,881,200	–	–	–
–	–	–	21,869,339	–	–	–
–	–	–	31,325,209	–	–	–
6,699,872	–	6,699,872	8,513,255	–	–	–
12,688,476	–	10,150,049	3,637,605	–	–	2,538,427
47,881,508	–	27,928,006	6,490,962	–	–	19,953,502
–	11,151,330	–	–	–	–	11,151,330
1,654,199	–	1,654,199	–	–	–	–
5,370,964	–	4,296,516	–	–	–	1,074,448
22,371,776	–	14,705,468	–	–	–	7,666,308
–	7,294,476	–	–	–	–	7,294,476
–	–	–	4,151,277	45,177	–	–
–	–	–	27,250,725	–	–	–
–	–	–	45,288,666	–	–	–
–	–	–	85,716,409	–	–	–
42,841,938	–	42,823,322	125,817,078	26,062	18,616	–
74,018,649	–	55,689,204	30,221,265	4,220,495	1,624,535	16,704,910
183,230,650	–	105,187,863	42,732,911	57,498	5,316,407	72,726,380
–	81,915,501	520,999	288,445	–	2,495,349	78,899,153
23,278,327	–	23,001,524	–	–	276,803	–
75,200,030	–	55,560,070	–	–	2,760,274	16,879,686
310,647,196	–	191,999,029	–	–	7,625,593	111,022,574
–	233,036,171	1,012,313	–	–	6,040,707	225,983,151
–	–	–	1,132,956	–	–	–
–	–	–	19,551	–	–	–
571,008	–	571,008	800,000	–	–	–
1,055,437	–	844,246	664,258	–	–	211,191
517,536	–	301,826	–	–	–	215,710
1,378	–	1,378	–	–	–	–
54,797	–	38,211	–	–	–	16,586
1,056,525	–	492,129	–	–	1,677	562,719
–	390,912	–	–	–	–	390,912

Other shareholder oriented features

Share ownership guidelines

Lenovo maintains share ownership guidelines for selected executives, including the Chairman/CEO and senior management. The guidelines help to align executives with shareholders and focus executives on the long-term performance of Lenovo by requiring certain levels of share ownership. The guidelines (expressed as a multiple of base salary) vary by role and level and are expected to be achieved within five years of becoming an eligible executive. If the guidelines are not achieved, executives are required to retain a minimum portion of vested shares delivered through Lenovo's incentive plans until the guidelines are met. The guidelines are then expected to be maintained throughout the executives' remaining employment. As of financial year end, 83% of executives covered by the guidelines have achieved the targeted level of ownership, and with the upcoming annual LTI grant in FY2024/25, at least 90% of executives covered by the guidelines will achieve the targeted level of ownership. Additionally, the Non-executive Directors are subject to similar guidelines, nine of them are in full compliance, and the rest are still within the 5-year share ownership guidelines building up period.

Claw back policy

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

Directors' report

The directors of Lenovo Group Limited (the "Company") submit their report together with the audited consolidated financial statements of the Company and its subsidiaries (collectively the "Group") for the year ended March 31, 2024.

Principal business and geographical analysis of operations

The principal activity of the Company is investment holding. The activities of its principal subsidiaries are set out in note 36 to the financial statements.

Details of the analyses of the Group's performance for the year by operating segment are set out in note 3 to the financial statements.

Business review

A discussion and analysis of the activities as required by Schedule 5 to the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), including a fair review of the business and a discussion of the principal risks and uncertainties facing the Group, particulars of important events affecting the Group that have occurred since the end of the financial year 2023, and an indication of likely future development in the Group's business, can be found in the "Five-Year financial summary", "Chairman & CEO statement" and "Management's discussion & analysis" sections of this annual report. These discussions form part of this directors' report.

Results and appropriations

The results of the Group for the year are set out in the consolidated income statement on page 171 of this annual report.

The state of affairs of the Group and of the Company as at March 31, 2024 is set out in the consolidated balance sheet on pages 173 and 174 of this annual report and the balance sheet of the Company in note 35(a) to the financial statements respectively.

The cash flows of the Group for the year are set out in the consolidated cash flow statement on pages 175 and 176 of this annual report.

An interim dividend of HK8.0 cents (2023: HK8.0 cents) per ordinary share of the Company ("Share"), amounting to a total of approximately US$124.3 million (2023: approximately US$123.6 million), was paid to shareholders during the year.

The Board has resolved to recommend the payment of a final dividend of HK30.0 cents per Share for the year ended March 31, 2024 (2023: HK30.0 cents). Subject to shareholders' approval at the forthcoming annual general meeting of the Company to be held on July 18, 2024 ("AGM"), the proposed final dividend will be payable on August 14, 2024 to the shareholders whose names appear on the register of members of the Company on or about August 2, 2024.

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 11, 2024
Closure of register of members	From July 12 to July 18, 2024
Record date	July 12, 2024

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

Latest time to lodge transfer documents for registration	4:30 p.m. on August 1, 2024
Closure of register of members	August 2, 2024
Record date	August 2, 2024

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

Five-year financial summary

A summary of the results for the year and of the assets and liabilities of the Group as at March 31, 2024 and for the last four financial years are set out on page 267 of this annual report.

Distributable reserves

As at March 31, 2024, the distributable reserves of the Company amounted to US$1,784,540,000 (2023: US$1,659,991,000).

Bank borrowings

Particulars of bank borrowings as at March 31, 2024 are set out in note 24 to the financial statements.

Donations

Charitable and other donations made by the Group during the year amounted to US$11,410,000 (2023: US$20,910,000).

Share capital

Details of movement of share capital of the Company during the year are set out in note 27 to the financial statements.

Convertible bonds

On January 24, 2019, the Company issued US$675,000,000 3.375% convertible bonds due 2024 (the "2024 Convertible Bonds") to professional investors. The 2024 Convertible Bonds was listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on January 25, 2019. During the year ended March 31, 2024, the Company issued a total number of 276,529,011 Shares in respect of the 2024 Convertible Bonds in an aggregate principal amount of US$219,500,000 to the relevant bondholders from which it received conversion notices. Such bonds, representing approximately 32.52% of the initial principal amount of the 2024 Convertible Bonds, had been converted at the adjusted conversion price at the time of the respective conversion and cancelled in accordance with the terms and conditions of the 2024 Convertible Bonds. The Shares issued with respect to such conversions represent approximately 2.23% of the total Shares in issue of the Company as at March 31, 2024. As at January 17, 2024, all the outstanding 2024 Convertible Bonds had been fully converted and cancelled. Accordingly, the 2024 Convertible Bonds had been delisted from the Stock Exchange upon maturity on January 24, 2024.

On August 26, 2022, the Company issued US$675,000,000 2.50% convertible bonds due 2029 (the "2029 Convertible Bonds"), which are listed on the Stock Exchange, to professional investors. The market price of the Shares on August 18, 2022, being the closing price of the Shares on the date on which the terms of the 2029 Convertible Bonds were determined, was HK$6.99 per Share. The 2029 Convertible Bonds, assuming full conversion at the adjusted conversion price of HK$9.42 per Share, are convertible into 561,675,955 Shares (the "2029 Conversion Shares"), representing (i) approximately 4.53% of the issued share capital of the Company as at March 31, 2024; and (ii) approximately 4.33% of the issued share capital of the Company, as enlarged by the issuance of the 2029 Conversion Shares (assuming there will be no other changes in the share capital of the Company). As at March 31, 2024, the total outstanding principal amount of the 2029 Convertible Bonds was US$675,000,000.

Save for the above, there had not been any conversion of the 2024 Convertible Bonds and the 2029 Convertible Bonds, and no redemption right had been exercised by the Company in respect of the 2024 Convertible Bonds and the 2029 Convertible Bonds for the financial year ended March 31, 2024.

Convertible bonds *(continued)*

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

Shareholders	Shareholding immediately before exercise of any of the 2029 Convertible Bonds		Upon full conversion of the 2029 Convertible Bonds at the adjusted conversion price	
	Number of Shares	Approximate % of the total issued share capital	Number of Shares	Approximate % of the total issued share capital
Legend Holdings Corporation[1]	2,867,636,724	23.12%	2,867,636,724	22.12%
Right Lane Limited[2]	257,400,000	2.08%	257,400,000	1.99%
Legion Elite Limited[3]	770,863,805	6.21%	770,863,805	5.95%
Directors of the Company[4]	742,063,395	5.98%	742,063,395	5.72%
Subscribers of the 2029 Convertible Bonds	–	–	561,675,955	4.33%
Other public shareholders	7,766,695,378	62.61%	7,766,695,378	59.90%
Total	12,404,659,302	100.00%	12,966,335,257	100.00%

Notes:

(1) Legend Holdings Corporation ("Legend Holdings"), a joint-stock company incorporated with limited liability in the People's Republic of China, the H shares of which are listed on the Stock Exchange (stock code: 03396).

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

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

(4) Include the corporate interest of directors but without taking into account of the share awards held by the directors.

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

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

2029 Convertible Bonds

Conversion date	Company's share price HK$	Implied rate of return of bondholders
September 30, 2024	8.25	12%
March 31, 2025	8.35	10%

Please refer to note 24 to the financial statement and the announcements of the Company dated August 17, 2022, August 18, 2022, August 26, 2022 and August 29, 2022 for further details about the 2029 Convertible Bonds.

Debentures

During the year ended March 31, 2024, the Company has repurchased (i) US$35,000,000 in aggregate principal amount of the US$1,000,000,000 5.875% notes due 2025 issued on April 24, 2020 and May 12, 2020; (ii) approximately US$25,000,000 in aggregate principal amount of the US$625,000,000 5.831% notes due 2028 issued on July 27, 2022; (iii) US$29,000,000 in aggregate principal amount of the US$1,000,000,000 3.421% notes due 2030 issued on November 2, 2020; and (iv) approximately US$47,000,000 in aggregate principal amount of the US$625,000,000 6.536% notes due 2032 issued on July 27, 2022.

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, 2024.

Equity-linked agreements

No equity-linked agreements were entered into during the year, save for the long-term incentive program described in this report.

Subsidiaries, associates and joint ventures

Particulars of the Company's principal subsidiaries, associates and joint ventures as at March 31, 2024 are set out in notes 36 and 15 to the financial statements respectively.

Management contracts

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

Major customers and suppliers

During the year, the Group sold 24% of its goods and services to its five largest customers. The percentages of purchases for the year attributable to the Group's major suppliers are as follows:

The largest supplier	14%
Five largest suppliers combined	34%

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

Directors' report

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

Save as disclosed above and the respective trustee of the long-term incentive program and the employee share purchase plan of the Company purchased a total of 387,850,248 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, 2024. Details of these program and plan are set out under sections headed "LTI Program" and "Employee Share Purchase Plan" in the Compensation committee report on page 126 and page 129 respectively of this annual report.

Directors

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

Chairman and executive director

Mr. Yang Yuanqing

Non-executive directors

Mr. Zhu Linan
Mr. Zhao John Huan

Independent non-executive directors

Mr. William O. Grabe
Mr. William Tudor Brown
Mr. Gordon Robert Halyburton Orr
Mr. John Lawson Thornton (appointed on August 18, 2023)
Mr. Kasper Bo Roersted (alias Kasper Bo Rorsted) (appointed on February 23, 2024)
Mr. Woo Chin Wan Raymond
Ms. Yang Lan
Ms. Cher Wang Hsiueh Hong
Professor Xue Lan
Mr. Yang Chih-Yuan Jerry (resigned on November 16, 2023)

In accordance with article 95 of the Company's articles of association, Mr. John Lawson Thornton and Mr. Kasper Bo Roersted who were appointed as directors during the year, shall hold office until the forthcoming AGM and, being eligible, offer themselves for re-election.

In accordance with article 107 of the Company's articles of association, Mr. Zhao John Huan, Mr. Gordon Robert Halyburton Orr, Ms. Cher Wang Hsiueh Hong and Professor Xue Lan will retire by rotation at the AGM and, being eligible, offer themselves for re-election.

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

The list of directors who have served on the boards of directors of the subsidiaries of the Company during the year ended March 31, 2024 or during the period from April 1, 2024 to the date of this report is available on the Group's website (https://investor.lenovo.com/en/publications/list_directors.php).

Biography of directors and senior management

Honorary Chairman

Mr. Liu Chuanzhi, 80, has been the Honorary Chairman and Senior Advisor of the Company since November 3, 2011. Mr. Liu is the founder of the Group and held the positions of executive director, non-executive director and chairman of the Board at different times from 1993 until his resignation from the Board on November 3, 2011. As our Honorary Chairman, Mr. Liu is not a director or an officer of the Company or of any subsidiary of the Company, and does not have any management role in the Company or any of its subsidiaries. He graduated from the Radar Navigation Department of People's Liberation Army Institute of Telecommunication Engineering (中國人民解放軍軍事電信工程學院雷達導航系) (now known as Xidian University) in China in 1966 and has substantial experiences in corporate management.

Biography of directors

Chairman and executive director

Mr. Yang Yuanqing, 59, is the Chairman of the Board, Chief Executive Officer and an executive director of the Company. He is also a director and a shareholder of Sureinvest Holdings Limited ("Sureinvest") which holds interests in the issued Shares of the Company. Mr. Yang assumed the duties of Chief Executive Officer of the Company on February 5, 2009. Prior to that, he was the chairman of the Board from April 30, 2005. Before taking up the office as chairman, Mr. Yang was the chief executive officer and has been an executive director of the Company since December 16, 1997.

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

Non-executive directors

Mr. Zhu Linan, 61, has been a non-executive director of the Company since April 30, 2005. Mr. Zhu graduated with a Master's degree in electronic engineering from Shanghai Jiao Tong University and has more than 20 years of management experience. He was previously a senior vice president of the Group. Mr. Zhu has been re-designated as a non-executive director of Legend Holdings (HKSE listed) with effect from January 1, 2020 and prior to that, he was executive director, president and member of the executive committee of Legend Holdings, a company holding substantial interests in the issued Shares of the Company.

Mr. Zhao John Huan, 61, has been a non-executive director of the Company since November 3, 2011. Mr. Zhao holds a master's degree in business administration from the Kellogg School of Management at Northwestern University, dual master's degrees in electric engineering and physics from Northern Illinois University and a bachelor's degree in physics from Nanjing University. He has been re-designated as a non-executive director of Legend Holdings (HKSE listed) with effect from January 1, 2020 and prior to that, he was an executive director, executive vice president and member of executive committee of Legend Holdings, a company having substantial interests in the issued Shares of the Company. He is also the chairman of Hony Capital Limited.

In addition, he currently holds the following positions: non-executive director of China Glass Holdings Limited, the chairman of the board and executive director of Best Food Holding Company Limited and Goldstream Investment Limited 金涌投資有限公司 (formerly known as "International Elite Ltd.") and the chairman of the board and non-executive director of Huayi Tencent Entertainment Company Limited (all HKSE listed).

Mr. Zhao was previously a non-executive director of Zoomlion Heavy Industry Science and Technology Co., Ltd. 中聯重科股份有限公司 (HKSE and Shenzhen Stock Exchange listed), Eros STX Global Corporation (New York Stock Exchange "NYSE" listed), Shanghai Jin Jiang International Hotels Company Limited 上海錦江國際酒店股份有限公司 (Shanghai Stock Exchange listed), ENN Natural Gas Co., Ltd. 新奧天然氣股份有限公司 (Shanghai Stock Exchange listed), and Simcere Pharmaceutical Group Limited (HKSE listed).

Directors' report

Biography of directors and senior management *(continued)*

Biography of directors *(continued)*

Independent non-executive directors

Mr. William O. Grabe, 86, has been an independent non-executive director of the Company since February 8, 2012 and was appointed as the lead independent director of the Company on May 23, 2013. Before that, he was a non-executive director of the Company since May 17, 2005. Mr. Grabe is currently a director of Gartner Inc. (NYSE listed). He formerly served as a managing director and advisory director of General Atlantic LLC and has been associated with General Atlantic Group since 1992. Prior to that, he served as a corporate vice president and officer of IBM.

Mr. William Tudor Brown, 65, has been an independent non-executive director of the Company since January 30, 2013. Mr. Brown is a Chartered Engineer and holds an MA (Cantab) Degree in Electrical Sciences from Cambridge University. He is a fellow of the Institution of Engineering and Technology and a fellow of the Royal Academy of Engineering. He was awarded a Member of the Order of the British Empire (MBE) on June 15, 2013.

Mr. Brown was one of the founders of ARM Holdings plc ("ARM") (London Stock Exchange ("LSE") and NASDAQ listed). During the years with ARM, he held a broad range of leadership positions including engineering director, chief technical officer, executive vice president for global development, chief operating officer and president. He had responsibility for developing high-level relationships with industry partners and governmental agencies and for regional development. He also served as a director of ARM from October 2001 to May 3, 2012. Before joining ARM, he was the principal engineer at Acorn Computers Ltd., working exclusively on the ARM research and development programme since 1984.

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

Mr. Gordon Robert Halyburton Orr, 61, was re-designated as an independent non-executive director of the Company on September 1, 2016. Prior to that, he was a non-executive director of the Company since September 2015. He holds a Master of Arts degree in Engineering Science from Oxford University, United Kingdom and a Master of Business Administration degree from Harvard University.

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

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

Biography of directors *(continued)*

Independent non-executive directors *(continued)*

Mr. John Lawson Thornton, 70, was appointed as an independent non-executive director of the Company on August 18, 2023. Mr. Thornton is currently the chairman of Barrick Gold Corporation (Toronto Stock Exchange and NYSE listed) transitioning from executive chairman in February 2024. He is also the lead independent director of Ford Motor Company (NYSE listed).

Mr. Thornton is chairman of RedBird Capital Partners, a private investment firm, and non-executive chairman of PineBridge Investments, a global asset manager. Mr. Thornton is also lead director of both Divergent Technologies Inc., a digital advanced manufacturing company, and SparkCognition, Inc., an industrial artificial intelligence company.

Mr. Thornton is a professor and director of Tsinghua University's Global Leadership Program, and an advisory board member of Tsinghua's School of Economics and Management and its School of Public Policy and Management. Mr. Thornton is co-chair of the Asia Society, chairman emeritus of the Brookings Institution in Washington, D.C., and is also on the advisory boards or board of trustees of the China Investment Corporation (CIC), China Securities Regulatory Commission, King Abdullah University of Science and Technology, McKinsey Advisory Council, Schwarzman Scholars, and the African Leadership Academy.

Mr. Thornton joined Goldman Sachs in 1980 and retired as president and director of The Goldman Sachs Group, Inc. in 2003. He also previously served as chairman of Goldman Sachs Asia and as co-chief executive of Goldman Sachs International, overseeing the firm's business in Europe, the Middle East, and Africa. Mr. Thornton was a director of AltC Acquisition Corp. (NYSE listed).

Mr. Thornton holds a Bachelor of Arts in history from Harvard College, a Bachelor of Arts and Master of Arts in jurisprudence from Oxford University and a Master's degree in public and private management from the Yale School of Management.

Mr. Kasper Bo Roersted (alias Kasper Bo Rorsted), 62, was appointed as an independent non-executive director of the Company on February 23, 2024. Mr. Roersted is currently an independent director and a member of the Nomination Committee and the Environmental, Social and Governance Committee of A.P. Møller — Mærsk A/S (Nasdaq Stock Exchange listed), and a member of the Supervisory Board and the Innovation and Finance Committee of Siemens AG (Frankfurt Stock Exchange listed). He is a senior advisor to the private equity team of KKR & Co. Inc. (NYSE listed).

Mr. Roersted was an executive board member and the Chief Executive Officer of adidas AG (Frankfurt Stock Exchange listed), the Chief Executive Officer of Henkel AG & Co. KGaA (Frankfurt Stock Exchange listed) and a board member of Nestlé S.A. (SIX Swiss Exchange listed).

Mr. Roersted holds a Diploma in International Business Studies from the Niels Brock Copenhagen Business College, Denmark and completed a series of executive programs in Harvard Business School, the United States of America.

Mr. Woo Chin Wan Raymond, 69, has been an independent non-executive director of the Company since February 22, 2019. Mr. Woo is a retired partner of Ernst & Young ("EY"). Before his retirement in June 2015, he had held various senior positions with EY in the Greater China area. He was a director and the general manager of EY Hua Ming CPA, a member of EY's Greater China Leadership Team, and the managing partner of EY's Greater China Operations. He has more than 30 years of professional experience, specializing in audit, corporate restructuring, IPO, risk management, and mergers and acquisitions. Mr. Woo is a Canadian Chartered Accountant and a Hong Kong Certified Public Accountant. He obtained his master's degree in Business Administration from York University (Canada) in 1982. Mr. Woo was previously an independent non-executive director of Bank of Communications Co., Ltd. (HKSE listed).

Biography of directors and senior management *(continued)*

Biography of directors *(continued)*

Independent non-executive directors *(continued)*

Ms. Yang Lan, 56, has been an independent non-executive director of the Company since May 15, 2020. Ms. Yang is currently a broadcast journalist and media entrepreneur with approximately 30 years’ experience in the industry. She is the co-founder and chairperson of Sun Media Group and Sun Culture Foundation. Sun Media Group is a private media group in China with businesses ranging from production of high-quality programmes and integrated marketing in film & television, education, women’s community, publishing and location-based entertainment and sports across Mainland China, Hong Kong S.A.R. of China and the United States, while Sun Culture Foundation is a non-profit organization aiming to improve education and promote philanthropy. Ms. Yang obtained her bachelor’s degree in English Language & Literature from Beijing Foreign Studies University, China in 1990 and her master’s degree in International Affairs from Columbia University, the United States of America in 1996.

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

Ms. Cher Wang Hsiueh Hong, 65, has been an independent non-executive director of the Company since June 20, 2022. Ms. Wang is the co-founder and chairwoman of HTC Corporation 宏達國際電子股份有限公司 (Taiwan Stock Exchange listed) and has established a number of successful Information Technology related businesses, with over 40 years’ experience in the industry. Ms. Wang obtained her bachelor’s degree in Political Economy of Industrial Societies at the University of California, Berkeley in 1982.

Ms. Wang co-founded HTC Corporation in 1997, which is a multinational electronics innovation company developing products, solutions and platforms in mobile and immersive technologies and supplying worldwide. Ms. Wang also founded VIA Technologies, Inc. 威盛電子股份有限公司 in 1992 (Taiwan Stock Exchange listed), a leading developer of computing platforms connecting businesses to advanced Artificial Intelligence (AI), Internet of Things (IoT), and computer vision technology for transportation, industrial, smart city, and data center applications. She founded, was the chairwoman and is currently a director of, VIA Technologies, Inc.. Prior to these, Ms. Wang was the general manager of the PC division at First International Computer, Inc., 大眾電腦股份有限公司 and helped drive the business unit into the lucrative motherboard market.

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

Biography of directors *(continued)*

Independent non-executive directors *(continued)*

Professor Xue Lan, 64, has been an independent non-executive director of the Company since June 20, 2022. Prof. Xue is currently a professor at Tsinghua University, teaching and research interests in Public Policy and Management, Science and Technology Policy, Crisis Management and Global Governance. He is the Dean of Schwarzman College and the Dean of Institute for AI International Governance (I-AIIG) of Tsinghua University. He also serves as a director of China Institute for Science and Technology Policy, and a co-director of Global Institute for Sustainable Development Goals at Tsinghua University. He is a co-convener of the Discipline Evaluation Group (Public Administration) of the Academic Degrees Committee of the State Council. He is also an Adjunct Professor of Engineering and Public Policy at Carnegie Mellon University, a non-resident Senior Fellow of the Brookings Institution, a board member of the Sustainable Development Solutions Network (SDSN) Association, and a member of the United Nations Committee of Experts on Public Administration (CEPA).

Prof. Xue is currently an independent non-executive director of SenseTime Group Inc. (HKSE listed) and Neusoft Corporation 東軟集團股份有限公司 (Shanghai Stock Exchange listed). He is serving as the vice chairman of the board of Chinese Association of Science and Science & Technology Policy (the CASSSP) 中國科學學與科技政策研究會, the chair of the National Expert Committee on New Generation of Artificial Intelligence Governance 國家新一代人工智能治理專業委員會 and a member of the Standing Committee of the China Association for Science and Technology.

Prof. Xue obtained his bachelor's degree in optics and fine mechanics from the Changchun Institute of Optics and Fine Mechanics 長春光學精密機械學院 (currently known as Changchun University of Science and Technology 長春理工大學) in January 1982. He obtained a Master of Science degree from the State University of New York at Stony Brook in December 1987. He further received a Master of Science degree and a Ph.D. degree in engineering and public policy from Carnegie Mellon University in May 1989 and December 1991, respectively.

Biography of senior management

Ms. Gao Lan, 58, joined the Group in 2009 and is currently the Senior Vice President of Human Resources of the Company, responsible for human resources, organizational development, global talent, compensation and benefits, as well as developing the Company's culture. Prior to this, Ms. Gao held several Vice President roles leading the HR functions of many teams, including Emerging Markets Group, APLA & China Geography, Talent & Organization Capability Development and HR Strategy & Operations. Before joining the Group, Ms. Gao held senior positions in HR in various multinational companies. Ms. Gao holds a bachelor's degree of science from Nankai University, studied M.Phil. degree from Cambridge University in the UK, completed human resource management course at the Western Management Institute of Beijing and the Leadership Excellence for Business HR Program at Stanford University in the US.

Mr. He Zhiqiang, 61, joined the Group in 1986 and is currently the Senior Vice President of the Company and President of Lenovo Capital and Incubator Group. This group is responsible for driving innovation through investment in startups, spinning off new businesses and exploring new technologies. Prior to that, Mr. He held various leadership positions in the Group including the President of Cloud Services Business Group and was the Chief Technology Officer overseeing Lenovo's Research & Technology initiatives and systems. Mr. He holds a bachelor's degree in computer communication from Beijing University of Posts and Telecommunications and a master's degree in computer engineering from the Institute of Computing Technology of the Chinese Academy of Sciences.

Biography of directors and senior management *(continued)*

Biography of senior management *(continued)*

Mr. Liu Jun, 55, joined the Group in 1993 and is currently an Executive Vice President and the President of the China geography, responsible for leading the China business platform and sales across all three Lenovo business groups through an integrated go-to-market strategy. Prior to this role, he held a broad range of leadership positions at Lenovo including a Senior Vice President of the Company, the President of the Mobile Business Group, Product Group, Consumer Business Group, Idea Product Group, Global Supply Chain, Chief Operating Officer of Lenovo China, the President of Planning and Operation and the President of Lenovo Consumer and IT Business. Lenovo's famous Dual Model (Transactional and Relationship models) was developed under his direct leadership and remains a crucial part of Lenovo business to this day. Mr. Liu holds a bachelor's degree in automation and an EMBA, both from Tsinghua University. He also completed senior executive programs at Harvard and Stanford universities.

Ms. Qiao Jian, 56, joined the Group in 1990 and is currently the Senior Vice President, Chief Strategy Officer and Chief Marketing Officer of the Company, overseeing Lenovo's strategy and planning, global brand, marketing and communications. Before that, Ms. Qiao was Co-President of the Mobile Business Group focusing on Lenovo's Mobile business in China. Prior to that, Ms. Qiao was the Senior Vice President of Human Resources. Ms. Qiao held various senior positions in the Group including Senior Vice President of Strategy and Planning and Vice President of Human Resources — both before and after the acquisition of IBM's PC Division. Ms. Qiao has extensive experience in strategy, marketing and branding, and human resources, business management. She holds a bachelor's degree in management science from Fudan University and holds an EMBA from the China Europe International Business School.

Ms. Laura G. Quatela, 66, joined the Group in October 2016 as a Senior Vice President and the Chief Legal and Corporate Responsibility Officer responsible for the Group's legal, IP, government relations and ESG (environmental, social and governance) matters globally. Before joining the Group, Ms. Quatela had a 15-year career with Eastman Kodak Company ("Kodak") holding a broad range of leadership positions including Chief Intellectual Property Officer, General Counsel, Senior Vice President, Co-Chief Operating Officer and President of the company. She had responsibility for licensing Kodak's technology, patents and trademarks and leading Kodak's consumer film, photographic paper, retail photo kiosk, event imaging and OLED businesses. Prior to joining Kodak, Ms. Quatela worked for Clover Capital Management, Inc., SASIB Railway GRS, and Bausch & Lomb. In private law practice, she was a defense litigator specializing in mass tort cases. Ms. Quatela is a graduate of Denison University, B.A., International Politics and Case Western Reserve University School of Law, J.D., where she was inducted into the Society of Benchers. The Financial Times named her among the Top 20 GCs in the World in June 2021. In November 2021, she was inducted into the IP Hall of Fame as a joint winner of IAM's Inaugural Q. Todd Dickinson Award. Ms. Quatela is conversant in Mandarin.

Biography of senior management *(continued)*

Mr. Luca Rossi, 51, joined the Group in 2015 and is currently an Executive Vice President of the Company and the President of the Intelligent Devices Group (IDG) overseeing Lenovo's global business in PCs, smartphones, tablets, workstations and other products including AI devices, software, and commercial solutions. Prior to this role, he served as President of the Europe Middle East Africa (EMEA) and Latin America (LATAM) geographies, leading the PC, smartphone, tablet and server businesses. Before joining Lenovo, Mr. Rossi held numerous global leadership roles in Europe including president of EMEA of Acer, leading the consumer business and the product business of Packard Bell and general manager of Asus Europe. Mr. Rossi started his career as a 19-year-old entrepreneur setting up an Italian systems integrator under the Geo Microsystems brand. Mr. Rossi holds a diploma in accounting and studied in Bocconi University.

Dr. Yong Rui, 54, joined the Group in 2016 as Senior Vice President and Chief Technology Officer. He oversees Lenovo's corporate technical strategy, research and development directions, and leads the Lenovo Research organization. He drives Lenovo's effort in AI, AR, 5G, Edge/Cloud Computing, Device Innovation, and various smart vertical solutions. Before joining the Group, he had an 18-year career with Microsoft, where he held various leadership roles in R&D strategy, basic research, technology incubation and product development. Dr. Rui is a world-renowned technologist in computer science and artificial intelligence, a Fellow of ACM, IEEE, IAPR, and SPIE, and a Foreign Member of Academia Europaea. He received his Bachelor of Science degree from Southeast University, his Master of Science degree from Tsinghua University, and his PhD from University of Illinois at Urbana-Champaign (UIUC).

Mr. Che Min (Jammi) Tu, 52, joined the Group in 2012 and is currently the Senior Vice President and Group Operations Officer, where he is responsible for driving Lenovo's operational excellence and improving efficiency across the One Lenovo Operation by working across the numerous Business Groups to identify synergies and to standardize and streamline processes. Prior to this role, he was Chief Operating Officer of Lenovo's Intelligent Devices Group (IDG), playing a crucial role in leading that organization to record performance and Chief Financial Officer (CFO) for the Europe Middle East Africa (EMEA) region. Before joining Lenovo, Mr. Tu was the CFO of Acer Inc. (Acer) from 2009 to 2011 and he also held numerous leadership roles at Acer including Treasury Director, CFO of EMEA as well as special assistant to Chief Executive Officer. Mr. Tu holds an MBA from the University of Manchester.

Biography of directors and senior management *(continued)*

Biography of senior management *(continued)*

Mr. Ken Wong, 50, is currently the Executive Vice President and the President of Solutions and Services Group (SSG) of the Company and has become a member of the Lenovo Executive Committee since 2015. SSG was established in April 2021, as President of SSG and Executive Vice President of Lenovo, Mr. Wong is tasked with driving Lenovo to transform from the world's largest PC and laptop company into a leader in global IT solutions and services. SSG's enriched product portfolio, including support services, managed services, and projects' vertical solutions and services, empower clients to encounter the most pressing IT and business challenges.

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

In the past 20 years, in the technology industry, Mr. Wong has accumulated substantial management experience in various core areas of business strategy and operation, covering product operations, services, sales, and marketing. He is actively involved in the IT industry in Hong Kong, where he is based, and holds Director roles in the Hong Kong Cyberport Management Company Limited, Hong Kong Computer Society, and the Hong Kong Chinese Enterprises Association.

Mr. Wong graduated from The University of Hong Kong with a Bachelor of Engineering in Computer Science. He also holds an Executive MBA jointly awarded by The University of Hong Kong, Columbia University, and the London Business School.

Mr. Wong Wai Ming, 66, is currently the Executive Vice President and the Chief Financial Officer of the Company. He was previously an investment banker for more than 15 years and also held senior management positions in listed companies in Hong Kong. He was an independent non-executive director of the Company from March 30, 1999 until his appointment to the position of Chief Financial Officer in 2007. Mr. Wong is a member of the Hong Kong Institute of Certified Public Accountants and the Institute of Chartered Accountants in England and Wales and holds a bachelor's degree in management sciences from the Victoria University of Manchester in the United Kingdom.

Mr. Matthew Zielinski, 45, joined the Group in 2018 and is currently an Executive Vice President of the Company and President of the International Sales Organization (ISO) of the Company, responsible for driving revenue and profit growth across all Lenovo businesses while reinforcing a customer-centric culture. He is also a member of the Lenovo Executive Committee. He leads the ISO geographies, namely Asia Pacific, Japan, EMEA, Latin America and North America. Prior to that, he served as the President of the North America Intelligent Devices Group (IDG) where he was responsible for sales, daily operations, growth and profitability for the United States and Canada. Prior to joining Lenovo, he was the corporate vice president and general manager, head of worldwide OEM sales at AMD. He was responsible for leading AMD's end-to-end efforts for all strategic OEMs, as well as global responsibility for end-user sales through all consumer and commercial routes to market. Mr. Zielinski holds a Bachelor of Science in Engineering (BSE) degree in electrical engineering from the University of Michigan.

Directors’ service contracts

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

Directors’ material interests in transactions, arrangements or contracts

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

Directors’ indemnities and insurance

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

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

Directors’ and chief executive’s interests

As at March 31, 2024, the interests and short positions of the directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (“SFO”)) as recorded in the register maintained by the Company under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) in the Listing Rules were as follows:

Directors' and chief executive's interests *(continued)*

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

Name of director	Interests in shares/ underlying shares *(Note 1)*	Capacity and number of shares/ underlying shares held: Personal interests	Corporate interests	Aggregate long position	Approximate percentage of interests *(Note 2)*
Mr. Yang Yuanqing	Ordinary shares	170,003,299	557,004,000 *(Note 3)*	727,007,299	
	Share awards	213,847,522	–	213,847,522	
				940,854,821	7.58%
Mr. Zhu Linan	Ordinary shares	3,385,884	–	3,385,884	
	Share awards	515,862	–	515,862	
				3,901,746	0.03%
Mr. Zhao John Huan	Ordinary shares	2,570,394	–	2,570,394	
	Share awards	1,641,094	–	1,641,094	
				4,211,488	0.03%
Mr. William O. Grabe	Ordinary shares	3,554,902	–	3,554,902	
	Share awards	2,596,410	–	2,596,410	
				6,151,312	0.05%
Mr. William Tudor Brown	Ordinary shares	867,640	–	867,640	
	Share awards	515,862	–	515,862	
				1,383,502	0.01%
Mr. Gordon Robert Halyburton Orr	Ordinary shares	2,894,620	–	2,894,620	
	Share awards	515,862	–	515,862	
				3,410,482	0.03%
Mr. John Lawson Thornton	Ordinary shares	–	–	–	
	Share awards	175,911	–	175,911	
				175,911	0.00%
Mr. Kasper Bo Roersted	Ordinary shares	–	–	–	
	Share awards	–	–	–	0.00%
				–	
Mr. Woo Chin Wan Raymond	Ordinary shares	975,817	–	975,817	
	Share awards	515,862	–	515,862	
				1,491,679	0.01%
Ms. Yang Lan	Ordinary shares	606,497	–	606,497	
	Share awards	653,565	–	653,565	
				1,260,062	0.01%
Ms. Cher Wang Hsiueh Hong	Ordinary shares	99,986	–	99,986	
	Share awards	433,016	–	433,016	
				533,002	0.00%
Professor Xue Lan	Ordinary shares	100,356	–	100,356	
	Share awards	435,260	–	435,260	
				535,616	0.00%

Directors' and chief executive's interests *(continued)*

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

Name of director	Name of associated corporations	Long position/ short position	Capacity/ nature of interests	Number and class of shares/ underlying shares/registered capital held	Approximate percentage of interests *(Note 4)*
Mr. Yang Yuanqing	SHAREit Technology Holdings Inc.	Long position	Interest of corporation controlled	4,996,633 Series A preferred shares	16.06%
	北京平安聯想智慧醫療信息技術有限公司 (formerly known as 北京聯想智慧醫療信息技術有限公司)	Long position	Beneficial owner	Registered capital of RMB2,400,000	1.25%
	北京聯想雲科技有限公司	Long position	Beneficial owner	Registered capital of RMB1,199,900	5.74%
	北京聯想雲計算有限公司	Long position	Beneficial owner	Registered capital of RMB2,000,100	5.74%
	國民認證科技(重慶)有限公司 (formerly known as 國民認證科技(北京)有限公司)	Long position	Beneficial owner	Registered capital of RMB1,097,144	3.29%
	廣東聯想懂的通信有限公司	Long position	Beneficial owner	Registered capital of RMB2,584,615	2.56%
	新陽光(天津)技術服務有限公司	Long position	Beneficial owner	Registered capital of RMB157,500	0.32%
	聯想教育科技(北京)有限公司	Long position	Beneficial owner	Registered capital of RMB1,000,000	2.00%
	陽光雨露信息技術服務(北京)有限公司	Long position	Interest of corporation controlled	Registered capital of RMB157,500	0.32%
	鼎道智聯(北京)科技有限公司	Long position	Beneficial owner	Registered capital of RMB2,100,000	1.40%
	聯晟智達(海南)供應鏈管理有限責任公司	Long position	Beneficial owner	Registered capital of RMB490,918	1.50%

Directors' and chief executive's interests *(continued)*

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

Notes:

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

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

3. The shares are held by Sureinvest in which Mr. Yang Yuanqing holds more than one-third of the voting power at its general meetings. Therefore, Mr. Yang is taken to have an interest in 557,004,000 shares under the SFO and such interest is also reported under the below section headed "Substantial shareholders' and other persons' interests".

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

Save as disclosed above, as at March 31, 2024, none of the directors or chief executive of the Company or their associates had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register maintained by the Company under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Directors' rights to acquire shares or debentures

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

Details of the movements in the share awards for the year ended March 31, 2024 are set out under the section headed "Long-Term Incentive Scheme" in the Compensation committee report and in the note 7 to the financial statements.

Save as disclosed in the sections headed "Directors' and chief executive's interests" of this report, and "Long-Term Incentive Program" of the Compensation committee report, at no time during the year ended March 31, 2024 was the Company or a specified undertaking of the Company a party to any arrangements to enable the directors of the Company to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate.

Substantial shareholders' and other persons' interests

As at March 31, 2024, within the knowledge of the directors, the following corporations (other than the directors and chief executive of the Company as disclosed above) had or deemed or taken to have interests or short positions in the shares and/or underlying shares of the Company which were required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were as recorded in the register required to be kept under section 336 of the SFO:

		Capacity and number of shares/ underlying shares held				
Name	**Long position/ short position**	**Beneficial owner**	**Corporate interests**	**Investment manager**	**Aggregate long/short position**	**Approximate percentage of interests** *(Note 1)*
Legend Holdings Corporation *(Notes 2 and 3)*	Long position	2,867,636,724	1,028,263,805	–	3,895,900,529	31.41%
Right Lane Limited *(Notes 2 and 3)*	Long position	257,400,000	770,863,805	–	1,028,263,805	8.29%
Legion Elite Limited *(Note 3)*	Long position	770,863,805	–	–	770,863,805	6.21%
Lazard Asset Management LLC *(Notes 1 and 4)*	Long position	–	–	609,703,322	609,703,322	4.92%

Notes:

1. The percentages were complied based on the 12,404,659,302 ordinary shares of the Company in issue as at March 31, 2024.

2. Right Lane is wholly-owned by Legend Holdings. By virtue of the SFO, Legend Holdings is deemed to be interested in the 257,400,000 ordinary shares of the Company held by Right Lane.

3. Legion Elite is wholly-owned by Right Lane, which in turn wholly-owned by Legend Holdings. By virtue of the SFO, Right Lane and Legend Holdings are deemed to be interested in the 770,863,805 shares held by Legion Elite.

4. Based on note 1 and the Corporate Substantial Shareholder Notice filed by Lazard Asset Management LLC ("Lazard Asset") on August 1, 2023 (the latest notice filed before the date of this report), the shareholding of Lazard Asset on March 31, 2024 has been reduced from 5.03% to 4.92% due to the change in the ordinary shares of the Company in issue.

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

Save as disclosed above, as at March 31, 2024, no other persons (other than the directors and chief executive of the Company, whose interests are set out in the above section headed "Directors' and chief executive's interests") had any interests or short positions in the shares and/or underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO.

Retirement scheme arrangements

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

Defined benefit pensions plans

Chinese Mainland — Retirement Schemes

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

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

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

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

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

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

For the year ended March 31, 2024, an amount of US$1,541,673 was charged to the consolidated income statement with respect to the qualified and non-qualified plans.

Retirement scheme arrangements *(continued)*

Defined benefit pensions plans *(continued)*

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

The principal results of the most recent actuarial valuation of the plan at March 31, 2024 were the following:

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

—	Discount rate:	5.10%
—	Expected return on plan assets:	4.80%
—	Future salary increases:	N/A

- The qualified plan was 76% funded at the actuarial valuation date.
- There was a net liability of US$16,871,851 under the qualified plan for this reason at the actuarial valuation date.

Japan — Pension Plan

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

For the year ended March 31, 2024, an amount of JPY929,208,097 was charged to the consolidated income statement with respect to this plan.

The principal results of the most recent actuarial valuation of the plan at March 31, 2024 were the following:

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

—	Discount rate:	2.10%
—	Expected return on plan assets:	1.70%–1.90%
—	Future salary increases:	Age-group based

- The plan was 87% funded at the actuarial valuation date.
- There was a net liability of JPY3,649,765,660 under this plan at the actuarial valuation date.

Retirement scheme arrangements *(continued)*

Defined benefit pensions plans *(continued)*

Germany — pension plan

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

Employees hired by IBM before January 1, 1992 have a defined benefit based on a final pay formula. Employees hired from 1992 to 1999 have a combination of a defined benefit based on a final pay formula and a defined contribution plan with employee required contributions of 7% of pay above the social security ceiling and a 100% company match.

Employees hired in or after 2000 have a combination of a cash balance plan with an employer contribution of 2.95% of pay below the social security ceiling, and a voluntary defined contribution plan where employees can contribute specific amounts through salary sacrifice. Employees of Motorola Mobility have a defined benefit based on a final pay formula.

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

For the year ended March 31, 2024, an amount of EUR4,254,079 was charged to the consolidated income statement with respect to this plan.

The principal results of the most recent actuarial valuation of the plan at March 31, 2024 were the following:

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

—	Discount rate:	3.50%
—	Future salary increases:	Age-group based
—	Future pension increases:	2.25%–2.50%

- The plans were 39% funded at the actuarial valuation date.
- There was a net liability of EUR102,212,604 under this plan at the actuarial valuation date.

Retirement scheme arrangements *(continued)*

Defined contribution plans

US Lenovo Savings Plan

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

US Lenovo Executive Deferred Compensation Plan

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

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

United Kingdom ("UK") — Lenovo Stakeholders Plan

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

Canada — Defined Contribution Pension Plan

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

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

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

Directors' report

Continuing connected transactions

During the year, the Group conducted continuing connected transactions with Fujitsu Limited ("Fujitsu") and its affiliates (together, "Fujitsu Group"), being connected persons (as defined in the Listing Rules) of the Company, which are required to be disclosed pursuant to rules 14A.49 and 14A.71 of the Listing Rules.

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

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

Upon the Completion Date, FCCL became an indirect non-wholly-owned subsidiary of the Company. Fujitsu is a connected person of the Company at the subsidiary level by virtue of Fujitsu being a substantial shareholder of FCCL, whose shareholding in FCCL increased from 44% to 49% as of today following the acquisition of FCCL's shares from a third party. The transactions contemplated under the Fujitsu CCT Agreements constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules and are subject to reporting requirements under the Listing Rules.

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

On January 16, 2023, FCCL exercised its option to extend the term of the Fujitsu Trademark and Brand License Agreement (the "Agreement") to May 2, 2026 by providing a notice of extension to Fujitsu and on March 31, 2023, the annual caps of the Agreement were set for the financial year ended March 31, 2024 and two financial years ending 2025 and 2026.

On March 31, 2023, the terms of Transitional Services Agreement, Secondment Agreement, the Manufacturing Agreement (FIT) and Sales and Distribution Agreement (the "Other Renewed Fujitsu CCT Agreements", together with the Agreement the "Renewed Fujitsu CCT Agreements") were extended to May 2, 2024 by entering into side letters between FCCL and the respective parties to the Other Renewed Fujitsu CCT Agreements and the annual caps of the Other Renewed Fujitsu CCT Agreements were set for the financial year ended March 31, 2024. Details of the renewal of the Renewed Fujitsu CCT Agreements are set out in the announcement dated March 31, 2023.

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

On March 28 ,2024, the terms of Other Renewed Fujitsu CCT Agreements were extended to May 2, 2025 by entering into side letters between FCCL and the respective parties to the Other Renewed Fujitsu CCT Agreements and the annual caps of the Other Renewed Fujitsu CCT Agreements were set for the financial year ending March 31, 2025. Details of the renewal of the Other Renewed Fujitsu CCT Agreements are set out in the announcement dated March 28, 2024.

Continuing connected transactions *(continued)*

Details of such continuing connected transactions contemplated under the Renewed Fujitsu CCT Agreements conducted by the Group with Fujitsu Group during the year are set out as follows:

(i) Transitional Services Agreement

Date:	May 2, 2018 with side letters entered on March 31, 2023 and March 28, 2024 respectively
Parties:	FCCL and Fujitsu
Services provided/received:	Transitional services provided by Fujitsu to FCCL and vice versa including research and development of hardware and software, sales and marketing, information technology support, development and management, customer care support, quality control, manufacturing support, supply chain management, procurement and corporate management.
Term:	The term commenced from May 2, 2018 and expired on May 2, 2023, which was subsequently extended to May 2, 2024 and May 2, 2025 by entering into side letters on March 31, 2023 and March 28, 2024 respectively due to mutual development needs and goals of the Company and Fujitsu. The term may be extended under the same terms and conditions by mutual agreement between the parties.
Annual cap:	Expenses incurred from the use of services provided by Fujitsu to FCCL: 1/4/2023 – 31/3/2024: JPY9,306 million (approximately US$71.1 million)(Note 1) 1/4/2024 – 31/3/2025: JPY6,442 million (approximately US$42.8 million)(Note 2) Incomes generated for services to Fujitsu by FCCL: 1/4/2023 – 31/3/2024: JPY647 million (approximately US$4.9 million)(Note 1) 1/4/2024 – 31/3/2025: JPY514 million (approximately US$3.4 million)(Note 2)

Continuing connected transactions *(continued)*

(ii) Secondment Agreement

Date:	May 2, 2018 with side letters entered on March 31, 2023 and March 28, 2024 respectively
Parties:	FCCL and Fujitsu
Services provided/received:	Secondment by Fujitsu to FCCL of certain employees of Fujitsu.
Term:	The term commenced from May 2, 2018 and expired on May 2, 2023, which was subsequently extended to May 2, 2024 and May 2, 2025 by entering into side letters on March 31, 2023 and March 28, 2024 respectively due to mutual development needs and goals of the Company and Fujitsu.
Annual cap:	Expenses incurred from the use of services provided by Fujitsu to FCCL: 1/4/2023 – 31/3/2024: JPY240 million (approximately US$1.8 million)(Note 1) 1/4/2024 – 31/3/2025: JPY55 million (approximately US$0.4 million)(Note 2)

(iii) Manufacture Agreement (FIT)

Date:	May 2, 2018 with side letters entered on March 31, 2023 and March 28, 2024 respectively
Parties:	FCCL and Fujitsu Isotec Limited ("FIT")
Services provided/received:	FIT agreed to provide manufacturing services to FCCL. FCCL agreed to provide component sourcing services to FIT.
Term:	The term commenced from May 2, 2018 and expired on May 2, 2023, which was subsequently extended to May 2, 2024 and May 2, 2025 by entering into side letters on March 31, 2023 and March 28, 2024 respectively due to mutual development needs and goals of the Company and Fujitsu. The term may be extended under the same terms and conditions by mutual agreement between the parties.
Annual cap:	Expenses incurred from the use of services provided by FIT to FCCL: 1/4/2023 – 31/3/2024: JPY1,200 million (approximately US$9.2 million)(Note 1) 1/4/2024 – 31/3/2025: JPY386 million (approximately US$2.6 million)(Note 2) Incomes generated for services to FIT by FCCL(Note 3): 1/4/2023 – 31/3/2024: JPY600 million (approximately US$4.6 million)(Note 1)

Continuing connected transactions *(continued)*

(iv) Sales and Distribution Agreement

Date:	May 2, 2018 with side letters entered on March 31, 2023 and March 28, 2024 respectively
Parties:	FCCL and Fujitsu
Services provided/received:	FCCL agreed to supply Fujitsu-branded products and such other products as agreed between the parties and services to Fujitsu.
Term:	The term commenced from May 2, 2018 and expired on May 2, 2023, which was subsequently extended to May 2, 2024 and May 2, 2025 by entering into side letters on March 31, 2023 and March 28, 2024 respectively due to mutual development needs and goals of the Company and Fujitsu. The term may be extended under the same terms and conditions by mutual agreement between the parties.
Annual cap:	Incomes generated for services to Fujitsu by FCCL: 1/4/2023 – 31/3/2024: JPY278,077 million (approximately US$2,125.9 million)[Note 1] 1/4/2024 – 31/3/2025: JPY151,561 million (approximately US$1,006.2 million)[Note 2]

(v) Fujitsu Trademark and Brand License Agreement

Date:	May 2, 2018 with a notice of extension on January 16, 2023
Parties:	FCCL and Fujitsu
Services provided/received:	Fujitsu granted FCCL licenses to use Fujitsu name and trademarks.
Term:	The term commenced from May 2, 2018 and expired on May 2, 2023, which was subsequently extended to May 2, 2026 following the exercise of option by FCCL by providing a notice of extension to Fujitsu on January 16, 2023 due to mutual development needs and goals of the Company and Fujitsu. The term may be extended under the same terms and conditions by mutual agreement between the parties.
Annual cap:	Royalty payable to Fujitsu: 1/4/2023 – 31/3/2024: JPY680 million (approximately US$5.2 million)[Note 1] 1/4/2024 – 31/3/2025: JPY685 million (approximately US$5.2 million)[Note 1] 1/4/2025 – 31/3/2026: JPY639 million (approximately US$4.9 million)[Note 1]

Continuing connected transactions *(continued)*

Notes:

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

(2) The translation of Japanese yen into United States dollars is based on the exchange rate of JPY1.00 to US$0.006639 for information purposes only.

(3) FCCL has ceased and does not anticipate to provide any component sourcing services to FIT under the Manufacturing Agreement (FIT) for the financial year ending March 31, 2025.

Full details of the above continuing connected transactions are set out in the announcements published by the Company on November 2, 2017, May 2, 2018, February 21, 2020, March 31, 2023 and March 28, 2024 and on the websites of the Group and Hong Kong Exchanges and Clearing Limited.

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

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

(2) on normal commercial terms or better; and

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

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

Significant related party transactions

During the year, the Group entered into certain transactions with parties regarded as “related parties” under applicable accounting principles. Details of the significant related party transactions undertaken in the normal course of business are set out in note 34 to the financial statements. None of these transactions constitutes a discloseable connected transaction as defined under the Listing Rules.

Auditor

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

Public float

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

On behalf of the Board

Yang Yuanqing
Chairman and Chief Executive Officer
May 23, 2024

Independent auditor's report

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF LENOVO GROUP LIMITED

(incorporated in Hong Kong with limited liability)

Opinion

What we have audited

The consolidated financial statements of Lenovo Group Limited (the "Company") and its subsidiaries (the "Group"), which are set out on pages 171 to 266, comprise:

- the consolidated balance sheet as at March 31, 2024;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated cash flow statement for the year then ended; and
- the notes to the consolidated financial statements, comprising material accounting policy information and other explanatory information.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at March 31, 2024, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

Basis for opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters *(continued)*

Key audit matters identified in our audit are summarised as follows:

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

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment assessment of goodwill and other intangible assets with indefinite useful lives	
Refer to note 14 to the consolidated financial statements As at March 31, 2024, the Group had goodwill and other intangible assets with indefinite useful lives totaling US$6,169 million. The Group tests at least annually whether goodwill and other intangible assets that have indefinite useful lives have suffered any impairment. For the purpose of assessing impairment, assets are grouped at the lowest level for which there are separately identified cash flows cash generating units ("CGUs"). The recoverable amount of each CGU was determined based on value in use calculations using cash flow projections. We focused on the impairment of goodwill and other intangible assets with indefinite useful lives because the estimation of recoverable amount is subject to high degree of estimation uncertainty. The inherent risk in relation to the impairment of goodwill and other intangible assets with indefinite useful lives is considered significant due to significant management judgement to appropriately identify CGUs and to determine the key assumptions, including revenue growth rates, operating margins and discount rates. Management are of the view that there was no evidence of impairment of goodwill or other intangible assets with indefinite useful lives as at March 31, 2024.	Our procedures in relation to the Group's impairment assessment included: • Assessing the value in use calculation methodology adopted by management. • Understanding management's controls and processes for determining the recoverable amount and assessing the inherent risk of material misstatement by considering the degree of estimation uncertainty and the judgement involved in determining assumptions to be applied. • Assessing management's identification of CGUs based on the Group's accounting policies and our understanding of the Group's business. • Challenging the reasonableness of key assumptions such as revenue growth rates, operating margins and discount rates with reference to the business and industry circumstances. • Reconciling input data to supporting evidence, such as approved forecasts of future profits and strategic plans. • Considering the reasonableness of the forecasts of future profits and strategic plans by comparing them against past results achieved. • Assessing management's sensitivity analysis around the key assumptions, to ascertain the extent to which adverse changes, both individually or in aggregate, might impact on the outcome of the impairment assessment of the goodwill and other intangible assets with indefinite useful lives. We found the judgements made by management in relation to the impairment assessment to be supportable based on the available evidence.

Key audit matters *(continued)*

Key Audit Matter	How our audit addressed the Key Audit Matter
Recognition of deferred income tax assets	
Refer to note 16 to the consolidated financial statements As at March 31, 2024, the Group had deferred income tax assets of US$2,633 million. Deferred income tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and expected to apply when the related deferred tax income asset is realized. We focused on the recognition of deferred income tax assets because the estimation of future taxable profit is subject to high degree of estimation uncertainty. The inherent risk in relation to the recognition of deferred income tax assets is considered significant due to significant management judgement regarding the future financial performance of the entity in which the deferred income tax asset has been recognized. A number of factors are evaluated in considering whether there is evidence that it is probable the deferred income tax assets will be realized, including whether there will be sufficient taxable profits available during the utilization periods, existence of taxable temporary differences, group relief and tax planning strategies. Management has performed its assessment on the recognition of these deferred income tax assets and considers that the realization of these assets is probable as at March 31, 2024.	Our procedures in relation to the recognition of deferred income tax assets included: • Understanding management's controls and processes for the recognition of deferred income tax assets and assessing the inherent risk of material misstatement by considering the degree of estimation uncertainty and the judgement involved in determining assumptions to be applied. • Evaluating management's assessment as to whether there will be sufficient taxable profits in future periods by reference to forecasts of future profits/strategic plans and future reversals of taxable temporary differences to support the recognition of deferred income tax assets. • Assessing the underlying assumptions used in management's approved forecasts of future profits such as revenue growth rates and operating margins by comparison to historical results and future strategic and tax plans and with reference to the business and industry circumstances. • Testing management's reconciliations of forecast profits to forecast taxable profits to supporting evidence on a sample basis. • Validating available tax losses, including the respective expiry periods to tax returns and tax correspondence of the relevant subsidiaries. • Testing the calculation of deferred income tax assets by reference to tax rates enacted or substantively enacted by the balance sheet date. We found the judgements made by management in relation to recognition of deferred income tax assets to be supportable based on the available evidence.

Other information

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of directors and the audit committee for the consolidated financial statements

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit Committee is responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, in accordance with Section 405 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

Independent auditor's report

Auditor's responsibilities for the audit of the consolidated financial statements *(continued)*

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Shia Yuen Yee.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, May 23, 2024

Consolidated income statement

For the year ended March 31, 2024

	Note	2024 US$'000	2023 US$'000
Revenue	3	**56,863,784**	61,946,854
Cost of sales		**(47,060,601)**	(51,445,762)
Gross profit		**9,803,183**	10,501,092
Selling and distribution expenses		**(3,308,889)**	(3,285,126)
Administrative expenses		**(2,491,839)**	(2,311,771)
Research and development expenses		**(2,027,532)**	(2,195,329)
Other operating income/(expenses) — net		**30,861**	(40,043)
Operating profit	4	**2,005,784**	2,668,823
Finance income	5(a)	**148,134**	141,667
Finance costs	5(b)	**(762,805)**	(657,704)
Share of losses of associates and joint ventures	15	**(25,659)**	(16,799)
Profit before taxation		**1,365,454**	2,135,987
Taxation	6	**(263,142)**	(455,156)
Profit for the year		**1,102,312**	1,680,831
Profit attributable to:			
Equity holders of the Company		**1,010,506**	1,607,722
Other non-controlling interests		**91,806**	73,109
		1,102,312	1,680,831
Earnings per share attributable to equity holders of the Company			
Basic	9(a)	**US8.41 cents**	US13.50 cents
Diluted	9(b)	**US8.05 cents**	US12.74 cents
Dividends	10	**601,140**	587,997

Consolidated statement of comprehensive income

For the year ended March 31, 2024

	Note	**2024 US$'000**	2023 US$'000
Profit for the year		**1,102,312**	1,680,831
Other comprehensive (loss)/income:			
Items that will not be reclassified to profit or loss			
Remeasurements of post-employment benefit obligations, net of taxes	6, 26	**(6,674)**	58,524
Fair value change on financial assets at fair value through other comprehensive income, net of taxes	6, 17	**(7,802)**	650
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	6		
— Fair value gain, net of taxes		**143,653**	302,181
— Reclassified to consolidated income statement		**(92,356)**	(359,568)
Currency translation differences	6	**(366,849)**	(614,267)
Other comprehensive loss for the year		**(330,028)**	(612,480)
Total comprehensive income for the year		**772,284**	1,068,351
Total comprehensive income attributable to:			
Equity holders of the Company		**718,173**	1,019,347
Other non-controlling interests		**54,111**	49,004
		772,284	1,068,351

Consolidated balance sheet

At March 31, 2024

	Note	2024 US$'000	2023 US$'000
Non-current assets			
Property, plant and equipment	11	**2,010,178**	2,006,457
Right-of-use assets	12	**571,305**	659,360
Construction-in-progress	13	**337,648**	638,047
Intangible assets	14	**8,345,407**	8,267,114
Interests in associates and joint ventures	15	**318,803**	438,267
Deferred income tax assets	16	**2,633,302**	2,467,281
Financial assets at fair value through profit or loss	17	**1,393,666**	1,233,969
Financial assets at fair value through other comprehensive income	17	**55,973**	66,178
Other non-current assets		**397,489**	202,531
		16,063,771	15,979,204
Current assets			
Inventories	18	**6,702,677**	6,371,858
Trade and notes receivables	19(a)	**8,147,695**	7,940,378
Derivative financial assets		**69,568**	37,460
Deposits, prepayments and other receivables	19(c)	**3,782,366**	3,945,153
Income tax recoverable		**359,491**	324,756
Bank deposits	20	**65,555**	71,163
Cash and cash equivalents	20	**3,559,831**	4,250,085
		22,687,183	22,940,853
Total assets		**38,750,954**	38,920,057

Consolidated balance sheet

At March 31, 2024

	Note	2024 US$'000	2023 US$'000
Share capital	27	**3,500,987**	3,282,318
Reserves		**2,081,606**	2,305,272
Equity attributable to owners of the Company		**5,582,593**	5,587,590
Other non-controlling interests		**1,045,947**	1,006,784
Put option written on non-controlling interests	22(b), 25(b)	**(547,353)**	(547,353)
Total equity		**6,081,187**	6,047,021
Non-current liabilities			
Borrowings	24	**3,569,229**	3,683,178
Warranty provision	23	**161,261**	196,037
Deferred revenue		**1,436,484**	1,389,427
Retirement benefit obligations	26	**241,402**	257,244
Deferred income tax liabilities	16	**447,523**	431,688
Other non-current liabilities	25	**754,705**	822,105
		6,610,604	6,779,679
Current liabilities			
Trade and notes payables	21	**10,505,427**	9,772,934
Derivative financial liabilities		**42,555**	62,499
Other payables and accruals	22	**12,751,775**	12,932,781
Provisions	23	**920,950**	1,021,041
Deferred revenue		**1,512,645**	1,581,952
Income tax payable		**275,380**	450,534
Borrowings	24	**50,431**	271,616
		26,059,163	26,093,357
Total liabilities		**32,669,767**	32,873,036
Total equity and liabilities		**38,750,954**	38,920,057

On behalf of the Board

Yang Yuanqing
Chairman and Chief Executive Officer

Zhu Linan
Director

Consolidated cash flow statement

For the year ended March 31, 2024

	Note	2024 US$'000	2023 US$'000
Cash flows from operating activities			
Net cash generated from operations	31(a)	**3,368,939**	3,934,656
Interest paid		**(744,049)**	(605,144)
Tax paid		**(613,899)**	(528,110)
Net cash generated from operating activities		**2,010,991**	2,801,402
Cash flows from investing activities			
Purchase of property, plant and equipment		**(275,096)**	(428,366)
Sale of property, plant and equipment		**28,010**	32,677
Sale of construction-in-progress		**-**	2,814
Acquisition of businesses, net of cash acquired	31(c)	**(135,059)**	(403,820)
Interests acquired in associates and a joint venture		**(12,378)**	(103,057)
Loans to a related party		**-**	(11,052)
Loan to an associate and a joint venture		**(6,738)**	–
Repayment of loans to an associate and a joint venture		**30,563**	–
Payment for construction-in-progress		**(454,681)**	(688,696)
Payment for intangible assets		**(556,120)**	(461,084)
Purchase of financial assets at fair value through profit or loss		**(179,192)**	(225,982)
Purchase of financial assets at fair value through other comprehensive income		**-**	(7,000)
Net proceeds from sale of financial assets at fair value through profit or loss		**124,314**	226,539
Net proceeds from sale of financial assets at fair value through other comprehensive income		**-**	3,148
Net proceeds from disposal of interest in an associate		**313**	–
Decrease in bank deposits		**5,608**	21,351
Dividends received		**2,933**	2,782
Interest received		**144,073**	124,726
Net cash used in investing activities		**(1,283,450)**	(1,915,020)

Consolidated cash flow statement

For the year ended March 31, 2024

	Note	2024 US$'000	2023 US$'000
Cash flows from financing activities	31(b)		
Capital contribution from other non-controlling interests		**112,646**	25,053
Distribution to other non-controlling interests		**(8,868)**	(6,906)
Contribution to employee share trusts		**(469,955)**	(204,258)
Acquisition of additional interest in a subsidiary		**(76,722)**	–
Principal elements of lease payments		**(134,545)**	(168,638)
Dividends paid		**(583,273)**	(578,795)
Dividends paid to convertible preferred shares holders		**-**	(1,881)
Dividends paid to other non-controlling interests		**(36,995)**	(32,460)
Repurchase of convertible preferred shares		**-**	(46,443)
Proceeds from issue of convertible bonds		**-**	675,000
Repurchase of convertible bonds		**-**	(545,317)
Issuing cost of convertible bonds		**-**	(11,000)
Proceeds from loans		**11,792,697**	10,980,383
Repayments of loans		**(11,799,007)**	(10,979,864)
Proceeds from issue of notes		**-**	1,250,000
Repurchase and repayments of notes		**(132,083)**	(755,815)
Issuing cost of notes		**-**	(11,726)
Cash settlement of shares vested under long-term incentive program		**-**	(1,109)
Net cash used in financing activities		**(1,336,105)**	(413,776)
(Decrease)/increase in cash and cash equivalents		**(608,564)**	472,606
Effect of foreign exchange rate changes		**(81,690)**	(152,808)
Cash and cash equivalents at the beginning of the year		**4,250,085**	3,930,287
Cash and cash equivalents at the end of the year	20	**3,559,831**	4,250,085

Consolidated statement of changes in equity

For the year ended March 31, 2024

	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

Consolidated statement of changes in equity

For the year ended March 31, 2024

	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, 2023	3,282,318	(60,860)	(153,385)	(344,218)	(9,154)	(2,096,441)	163,411	4,805,919	1,006,784	(547,353)	6,047,021
Profit for the year	-	-	-	-	-	-	-	1,010,506	91,806	-	1,102,312
Other comprehensive (loss)/income	-	(7,802)	-	-	51,297	(329,154)	-	(6,674)	(37,695)	-	(330,028)
Total comprehensive (loss)/income for the year	-	(7,802)	-	-	51,297	(329,154)	-	1,003,832	54,111	-	772,284
Transfer to statutory reserve	-	-	-	-	-	-	19,370	(19,370)	-	-	-
Acquisition of subsidiaries	-	-	-	-	-	-	-	-	(3,462)	-	(3,462)
Vesting of shares under long-term incentive program	-	-	415,853	(579,749)	-	-	-	-	-	-	(163,896)
Deferred tax in relation to long-term incentive program	-	-	-	(6,487)	-	-	-	-	-	-	(6,487)
Settlement of bonus through long-term incentive program	-	-	-	2,445	-	-	-	-	-	-	2,445
Share-based compensation	-	-	-	277,574	-	-	-	-	-	-	277,574
Contribution to employee share trusts	-	-	(469,955)	-	-	-	-	-	-	-	(469,955)
Dividends paid	-	-	-	-	-	-	-	(583,273)	-	-	(583,273)
Dividends paid to other non-controlling interests	-	-	-	-	-	-	-	-	(36,995)	-	(36,995)
Capital contribution from other non-controlling interests	-	-	-	-	-	-	6,844	-	106,008	-	112,852
Distribution to other non-controlling interests	-	-	-	-	-	-	-	-	(8,868)	-	(8,868)
Change of ownership of subsidiaries without loss of control	-	-	-	-	-	-	(5,091)	-	(71,631)	-	(76,722)
Conversion of convertible bonds	218,669	-	-	-	-	-	-	-	-	-	218,669
At March 31, 2024	3,500,987	(68,662)	(207,487)	(650,435)	42,143	(2,425,595)	184,534	5,207,108	1,045,947	(547,353)	6,081,187

Notes to the financial statements
For the year ended March 31, 2024

1 General information and basis of preparation

Lenovo Group Limited (the "Company") and its subsidiaries (together, the "Group") develop, manufacture and market reliable, high-quality, secure and easy-to-use technology products and services. Its product lines include legendary Think-branded commercial personal computers and Idea-branded consumer personal computers, as well as servers, workstations, and a family of mobile internet devices, including tablets and smartphones.

The Company is a limited liability company incorporated in Hong Kong S.A.R. of China. The address of its registered office is 23rd Floor, Lincoln House, Taikoo Place, 979 King's Road, Quarry Bay, Hong Kong S.A.R. of China. The Company has its primary listing on The Stock Exchange of Hong Kong Limited.

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"). The consolidated financial statements have been prepared under the historical cost convention except that plan assets under defined benefit pension plans and certain financial assets and financial liabilities are stated at fair values, as explained in the material accounting policies set out in relevant notes to the consolidated financial statements.

The preparation of the consolidated financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. Estimates and judgments used in preparing the financial statements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances. The resulting accounting estimates will, by definition, seldom equal the related actual results. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in relevant notes to the consolidated financial statements.

Changes in accounting policies and disclosures

New and amended standards adopted by the Group

The Group has applied the following new and amended standards for its annual reporting period commencing April 1, 2023:

— HKFRS 17, Insurance contracts

— Amendments to HKAS 1 and HKFRS Practice Statement 2, Disclosure of accounting policies

— Amendments to HKAS 8, Definition of accounting estimates

— Amendments to HKAS 12, Deferred tax related to assets and liabilities arising from a single transaction

— Amendments to HKAS 12, International tax reform — pillar two model rules

Except for the Amendments to HKAS 12, Deferred tax related to assets and liabilities arising from a single transaction as disclosed in Note 16, none of the developments have had a material effect on how the Group's results and financial position for the current or prior years have been prepared or presented.

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

Changes in accounting policies and disclosures *(continued)*

Interpretation and amendments to existing standards not yet effective

The following interpretation and amendments to existing standards, which are considered appropriate and relevant to the Group's operations, have been issued but are not effective for the year ended March 31, 2024 and have not been early adopted:

	Effective for annual periods beginning on or after
Hong Kong Interpretation 5 (Revised), Presentation of financial statements — Classification by the borrower of a term loan that contains a repayment on demand clause	January 1, 2024
Amendments to HKAS 1, Classification of liabilities as current or non-current	January 1, 2024
Amendments to HKAS 1, Non-current liabilities with covenants	January 1, 2024
Amendments to HKFRS 16, Lease liability in a sale and leaseback	January 1, 2024
Amendments to HKAS 7 and HKFRS 7, Supplier finance arrangements	January 1, 2024
Amendments to HKAS 21, Lack of exchangeability	January 1, 2025
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 Material accounting policies

Other than the material accounting policies included in corresponding notes to the consolidated financial statements, the material accounting policies adopted in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Principles of consolidation and equity accounting

(i) Subsidiaries

The consolidated financial statements include the financial statements of the Company and all of its subsidiaries made up to March 31.

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group operates certain businesses in the Mainland of China ("Chinese Mainland") through the variable interest entities ("VIE"), whose equity interests are held by certain key management personnel of the Group. The Group obtained control over these VIEs by entering into a series of contractual arrangement with the legal shareholders who are also referred to as nominee shareholders. These nominee shareholders are the legal owners of the VIEs. However, the rights of those nominee shareholders have been transferred to the Group through the contractual arrangements.

2 Material accounting policies *(continued)*

(a) Principles of consolidation and equity accounting *(continued)*

(i) Subsidiaries *(continued)*

The contractual arrangements that are used to control the VIEs include loan agreements, powers of attorney, exclusive consultation service agreements, exclusive business cooperation agreement, equity pledge agreements and exclusive option agreements. Management concluded that the Group, through the contractual arrangements, has the power to direct the activities that most significantly impact the VIEs' economic performance, bears the risks of and enjoys the rewards normally associated with the ownership of the VIEs, and therefore the Group is the ultimate primary beneficiary of these VIEs. Consequently, the financial results of the VIEs were included in the Group's consolidated financial statements accordingly.

The acquisition method of accounting is used to account for business combinations by the Group (refer to Note 28).

Inter-company transactions, balances and unrealized gains on transactions between Group companies are eliminated. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset.

Adjustments have been made to the financial statements of subsidiaries when necessary to align their accounting policies to ensure consistency with the policies adopted by the Group.

For subsidiaries which adopted December 31 as their financial year end date for statutory reporting purposes, their financial statements for the years ended March 31, 2024 and 2023 have been used for the preparation of the Group's consolidated financial statements.

(ii) Changes in ownership interests

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognized in a separate reserve within equity attributable to owners of the Company.

When the Group ceases to consolidate or equity account for an investment because of a loss of control, joint control or significant influence, any retained interest in the entity is re-measured to its fair value with the change in carrying amount recognized in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequent accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized in other comprehensive income are reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs.

If the ownership interest in a joint venture or an associate is reduced but joint control or significant influence is retained, only a proportionate share of the amounts previously recognized in other comprehensive income are reclassified to profit or loss where appropriate.

(iii) Separate financial statements

Investments in subsidiaries in the Company's balance sheet are accounted for at cost less impairment. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

(iv) Associates and joint arrangements

Associates are entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights.

2 Material accounting policies *(continued)*

(a) Principles of consolidation and equity accounting *(continued)*

(iv) Associates and joint arrangements *(continued)*

Investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor, rather than the legal structures of the joint arrangements. The Group has assessed the nature of its joint arrangements and applied HKFRS 11 in preparing the consolidated financial statements.

(A) Associates and joint ventures

Interests in associates and joint ventures are accounted for using the equity method of accounting and are initially recognized at cost. The Group's interests in associates and joint ventures include goodwill identified on acquisition, net of any accumulated impairment losses.

The Group's share of its associates' and joint ventures' post-acquisition profits or losses is recognized in the consolidated income statement, and its share of post-acquisition movements in other comprehensive income or loss is recognized in other comprehensive income or loss with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate or a joint venture equals or exceeds its interest in the associate or the joint venture including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate or the joint venture.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate and joint venture is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value and recognizes the amount adjacent to share of profit/(loss) of associates and joint ventures in the consolidated income statement.

Profits and losses resulting from upstream and downstream transactions between the Group and its associates or joint ventures are recognized in the Group's consolidated financial statements only to the extent of unrelated investor's interests in the associates or the joint ventures. Unrealized losses are eliminated unless the transaction provides evidence of an impairment of the assets transferred.

Accounting policies of associates and joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

For associates and joint ventures which adopted December 31 as their financial year end date for statutory reporting purposes, their financial statements for the years ended March 31, 2024 and 2023 have been used for the preparation of the Group's consolidated financial statements.

(B) Joint operation

Joint operations arise where the investors have rights to the assets and obligations for the liabilities of an arrangement. Investments in joint operations are accounted for such that each joint operator recognizes its assets (including its share of any assets jointly held), its liabilities (including its share of any liabilities incurred jointly), its revenue (including its share of revenue from the sale of the output by the joint operation) and its expenses (including its share of any expenses incurred jointly). Each joint operator accounts for the assets and liabilities, as well as revenues and expenses, relating to its interest in the joint operation in accordance with the applicable standards.

(b) Translation of foreign currencies

(i) Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The financial statements of the Company and of the Group are presented in United States dollars, which is the Company's functional and the Group's presentation currency.

(ii) Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognized in the consolidated income statement. They are deferred in equity if they are related to qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

All foreign exchange gains and losses that relate to monetary assets and liabilities denominated in foreign currency are presented in the consolidated income statement within "Other operating income/(expenses) — net".

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on financial assets and liabilities carried at fair value are as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss ("FVPL") are recognized in the consolidated income statement as part of the fair value gain or loss and translation differences on non-monetary assets such as equities classified as fair value through other comprehensive income ("FVOCI") are recognized in other comprehensive income or loss.

(iii) The results and financial position of all the group entities that have a functional currency different from the Group's presentation currency are translated into the presentation currency as follows:

— assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

— income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rates on the dates of the transactions); and

— all resulting exchange differences are recognized in other comprehensive income or loss.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognized in other comprehensive income or loss and included in the exchange reserve in equity.

(iv) On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary, loss of joint control of a joint venture, or loss of significant influence over an associate that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the equity holders of the Company are reclassified to the consolidated income statement.

In the case of a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of the accumulated exchange differences are re-attributed to non-controlling interests and are not recognized in the consolidated income statement. For all other partial disposals (that is, reductions in the Group's ownership interest in an associate or a joint venture that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to the consolidated income statement.

3 Segment information

Accounting policy

(a) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Lenovo Executive Committee (the "LEC") that makes strategic decisions.

(b) Sale of goods and provision of services

Revenue from sale of hardware, software, peripherals and mobile devices and the provision of services is recognized when control over such products or services is transferred to the customer at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value-added tax, an allowance for estimated returns, rebates and discounts.

The Group enters into different shipping terms with customers. Control of hardware, software, peripherals and mobile devices is transferred when delivery has occurred. Delivery is generally considered as occurred once the goods are shipped. For certain transactions that the Group retains control during the course of shipment, the Group defers the recognition of revenue and cost of such products until they are delivered to the designated locations. The Group's obligation to repair or replace faulty products under the standard warranty terms is recognized as a provision.

Control of systems integration service, information technology technical service and extended warranty service is transferred over time during the contract period or when services are rendered.

The Group recognizes revenue on a gross or net basis depending on whether the Group is acting as a principal or an agent in the transaction.

No element of financing is deemed present as the sales are made with a credit term of 0 – 120 days, which is consistent with market practice. A receivable is recognized when the goods or services are delivered and consideration is unconditional because only the passage of time is required before the payment is due.

(c) Dividend income

Dividend income is recognized when the right to receive payment is established.

(d) Lease revenue

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to the ownership of an underlying assets to the lessee. If this is not the case, the lease is classified as an operating lease.

On commencement of finance leases, the Group recognizes profit up-front, and amounts due from the customer under the lease contract are recognized as finance lease receivables on the consolidated balance sheet. Interest income is recognized over the term of the lease based on the effective interest method.

Lease revenue under operating leases is recognized in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognized in profit or loss as an integral part of the aggregate net lease payments receivable. Variable lease payments that do not depend on an index or a rate are recognized as lease revenue in the accounting period in which they are earned.

When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis.

The equipment held for lease are presented within "Property, plant and equipment" in the consolidated balance sheet in accordance with Note 11.

3 Segment information *(continued)*

Critical accounting estimates and judgments

Application of various accounting principles related to the measurement and recognition of revenue requires the Group to make judgments and estimates. Specifically, complex arrangements with non-standard terms and conditions may require significant contract interpretation to determine the appropriate accounting, including whether the deliverables specified in a multiple element arrangement should be treated as separate performance obligations. Other significant judgments include determining whether the Group or a reseller is acting as the principal in a transaction and whether separate contracts are considered part of one arrangement.

The Group sells products to channels. Sales through channels are primarily made under agreements allowing for volume discounts, price protection and rebates, and marketing development funds. The Group monitors the channel inventory level with reference to historical data. Revenue recognition is also impacted by the Group's ability to estimate volume discounts, price protection and rebates, and marketing development funds. The Group considers various factors, including review of specific transactions, historical experience, market and economic conditions and channel inventory level when calculating these provisions and allowances (Note 22). Revenue is only recognized to the extent that it is highly probable that a significant reversal will not occur.

Revenue from sale of goods is recognized when the control of the goods is transferred to customers, which are generally occurred upon shipment. For certain transactions that the Group retains control during the course of shipment, the Group defers the recognition of revenue and cost of such products until they are delivered to the designated locations.

Management has determined the operating segments based on the reports reviewed by the LEC, 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.

3 Segment information *(continued)*

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

	2024		2023	
	Revenue US$'000	**Operating profit/(loss) US$'000**	Revenue US$'000	Operating profit US$'000
IDG	**44,599,450**	**3,180,761**	49,371,447	3,598,415
ISG	**8,921,929**	**(248,260)**	9,755,596	98,084
SSG	**7,472,310**	**1,545,465**	6,663,397	1,391,752
Total	**60,993,689**	**4,477,966**	65,790,440	5,088,251
Eliminations	**(4,129,905)**	**(1,314,362)**	(3,843,586)	(1,208,064)
	56,863,784	**3,163,604**	61,946,854	3,880,187
Unallocated:				
Headquarters and corporate income/(expenses) — net		**(1,339,370)**		(1,087,716)
Restructuring costs		**(46,000)**		(208,546)
Depreciation and amortization		**(449,551)**		(548,852)
Impairment and write-off of property, plant and equipment		**(10,474)**		–
Impairment and write-off of intangible assets		**(24,723)**		–
Finance income		**132,183**		100,214
Finance costs		**(323,141)**		(154,532)
Share of losses of associates and joint ventures		**(27,822)**		(20,888)
Gain/(loss) on disposal of property, plant and equipment		**550**		(721)
Fair value gain on financial assets at FVPL		**150,681**		174,077
Fair value loss on a financial liability at FVPL		**-**		(3,209)
Gain on remeasurement of a written put option liability		**143,430**		–
Dilution gain on interest in associates		**-**		2,146
Gain on disposal of interest in an associate		**-**		1,190
Impairment of interest in an associate		**(6,690)**		–
Dividend income		**2,777**		2,637
Consolidated profit before taxation		**1,365,454**		2,135,987

3 Segment information *(continued)*

(b) Analysis of revenue by geography

	2024 US$'000	2023 US$'000
China	**12,578,275**	14,859,248
Asia Pacific ("AP")	**10,028,732**	10,555,485
Europe-Middle East-Africa ("EMEA")	**14,640,785**	15,302,377
Americas ("AG")	**19,615,992**	21,229,744
	56,863,784	61,946,854

(c) Analysis of revenue by timing of revenue recognition

	2024 US$'000	2023 US$'000
Point in time	**53,875,334**	59,404,593
Over time	**2,988,450**	2,542,261
	56,863,784	61,946,854

(d) Revenue recognized in relation to deferred revenue and receipt in advance

Deferred revenue and receipt in advance (included in "Other payables and accruals") amounting to US$3,145,851,000 (2023: US$3,169,868,000) primarily relate to the Group's unfulfilled performance obligations for which consideration has been received at the reporting date. Revenue is recognized in the period when the performance obligations are fulfilled. US$1,780,441,000 (2023: US$1,707,527,000) was recognized as revenue during the year that was included in such balance at the beginning of the year.

(e) Transaction price allocated to the remaining performance obligations

The following table includes revenue expected to be recognized in the future related to performance obligations that are unsatisfied or partially unsatisfied at the reporting date.

	2024 US$'000	2023 US$'000
Within one year	**1,919,190**	2,033,300
More than one year	**2,019,627**	1,834,798
	3,938,817	3,868,098

(f) Other segment information

	IDG		ISG		SSG		Total	
	2024 US$'000	2023 US$'000	2024 US$'000	2023 US$'000	2024 US$'000	2023 US$'000	2024 US$'000	2023 US$'000
Depreciation and amortization	**737,499**	627,458	**206,034**	160,104	**20,069**	16,265	**963,602**	803,827
Finance income	**12,184**	34,884	**2,814**	5,495	**953**	1,074	**15,951**	41,453
Finance costs	**293,499**	349,195	**144,083**	152,363	**2,082**	1,614	**439,664**	503,172

The total of non-current assets other than financial instruments, deferred income tax assets and post-employment benefit assets (there are no rights arising under insurance contracts) located in the Chinese Mainland and other countries is US$5,327,891,000 (2023: US$5,350,623,000) and US$6,652,939,000 (2023: US$6,861,153,000) respectively.

4 Operating profit

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

	2024 US$'000	2023 US$'000
Depreciation of property, plant and equipment (Note 11)	**428,472**	377,418
Depreciation of right-of-use assets (Note 12)	**151,899**	151,326
Amortization of intangible assets (Note 14)	**832,782**	823,935
Impairment and write-off of property, plant and equipment (Note 11)	**10,474**	–
Impairment and write-off of intangible assets (Note 14)	**29,745**	895
Employee benefit costs (Note 7)	**5,571,043**	5,314,866
Cost of inventories sold	**43,877,276**	48,453,059
Allowance for inventories included in cost of sales	**114,569**	165,274
Auditor's remuneration (Note)		
— Audit services	**11,991**	11,315
— Non-audit services	**669**	1,070
Rental expenses	**11,641**	22,026
Government grants (Note 25(c))	**(93,338)**	(119,651)
Net foreign exchange loss	**73,915**	118,024
Net gain on foreign exchange forward contracts for cash flow hedges reclassified from equity	**(92,356)**	(359,568)
Increase in loss allowance of trade receivables (Note 19(a))	**105,644**	122,832
Unused amounts of loss allowance of trade receivables reversed (Note 19(a))	**(39,040)**	(101,226)
Loss on disposal of property, plant and equipment	**3,479**	6,195
Loss on disposal of intangible assets	**25**	442
Loss on disposal of construction-in-progress	**13,827**	1,138
Fair value gain on financial assets at FVPL	**(153,113)**	(203,395)
Fair value loss on a financial liability at FVPL	**-**	3,209
Gain on remeasurement of a written put option liability (Note 22)	**(143,430)**	–
Dilution gain on interest in associates	**-**	(2,146)
Gain on disposal of interest in associates	**(12)**	(1,293)
Impairment of interest in an associate	**6,690**	–

Note: Included in the above audit services fee, US$9,900,000 (2023: US$9,669,000) is paid or payable to the Company's auditor.

5 Finance income and costs

(a) Finance income

Accounting policy

Interest income is recognized using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired receivables is recognized using the original effective interest rate.

	2024 US$'000	2023 US$'000
Interest on bank deposits	**112,274**	106,808
Net gain on repayment of notes	**4,061**	16,941
Interest on money market funds	**22,410**	14,081
Interest income on finance lease	**9,389**	3,837
	148,134	141,667

(b) Finance costs

Accounting policy

All borrowing costs are recognized in profit or loss in the period in which they are incurred.

	2024 US$'000	2023 US$'000
Interest on bank loans and overdrafts	**49,263**	59,937
Interest on convertible bonds	**42,914**	53,332
Interest on notes	**165,957**	175,749
Interest on lease liabilities	**14,627**	15,221
Factoring costs	**484,802**	338,184
Interest on written put option liabilities	**2,442**	11,873
Others	**2,800**	3,408
	762,805	657,704

6 Taxation

Accounting policy

The tax expense for the year comprises current and deferred income tax (Note 16).

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries, joint ventures and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and considers whether it is probable that a taxation authority will accept an uncertain tax treatment. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Current and deferred tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

6 Taxation *(continued)*

Critical accounting estimates and judgments

The Group is subject to income taxes in numerous jurisdictions. Significant judgment is required in determining the worldwide provision for income taxes. There are certain transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The tax liabilities recognized are based on management's assessment of the likely outcome taking into consideration precedent tax ruling in the relevant jurisdiction.

The Group recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due.

Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax provisions and deferred income tax assets and liabilities in the period in which such determination is made.

The amount of taxation in the consolidated income statement represents:

	2024 US$'000	2023 US$'000
Current tax		
— Profits tax in Hong Kong S.A.R. of China	**61,752**	18,748
— Taxation outside Hong Kong S.A.R. of China	**391,787**	430,677
Deferred tax (Note 16)		
(Credit)/charge for the year	**(190,397)**	5,731
	263,142	455,156

Profits tax in Hong Kong S.A.R. of China has been provided for at the rate of 16.5% (2023: 16.5%) on the estimated assessable profit for the year. Taxation outside Hong Kong S.A.R. of China represents income and irrecoverable withholding taxes of subsidiaries operating in the Chinese Mainland and overseas, calculated at rates applicable in the respective jurisdictions.

The Group has been granted certain tax concessions by tax authorities in the Chinese Mainland and overseas whereby the subsidiaries operating in the respective jurisdictions are entitled to tax concessions.

The differences between the Group's expected tax charge, calculated at the domestic rates applicable to the countries concerned, and the Group's tax charge for the year are as follows:

	2024 US$'000	2023 US$'000
Profit before taxation	**1,365,454**	2,135,987
Tax calculated at domestic rates applicable in countries concerned	**273,509**	440,853
Income not subject to taxation	**(333,945)**	(313,178)
Expenses not deductible for taxation purposes	**258,051**	231,385
Recognition/utilization of previously unrecognized temporary differences/tax losses	**(76,434)**	(57,431)
Deferred income tax assets not recognized	**190,700**	142,562
(Over)/under-provision in prior years	**(48,739)**	10,965
	263,142	455,156

The weighted average applicable tax rate for the year was 20.0% (2023: 20.6%). The decrease is caused by changes in tax concessions and profitability of the Group's subsidiaries in respective countries they are operating.

6 Taxation *(continued)*

Organization for Economic Co-operation and Development ("OECD") Pillar Two model rules

The Group is within the scope of the OECD Pillar Two model rules. Pillar Two legislation was enacted or substantially enacted in several of tax jurisdictions in which the Company and its subsidiaries are incorporated and has come into effect from January 1, 2024 ("Tax Jurisdictions"). The Group applies the exception to recognizing and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes, as provided in the amendments to HKAS 12 issued in July 2023.

Under the legislation, if the constituent entities in one tax jurisdiction fail to satisfy any safe harbour rules and the Global Anti-Base Erosion (GloBE) effective tax rate is lower than the 15% global minimum rate, the Group is liable to pay a top-up tax for the difference between the GloBE effective tax rate per tax jurisdiction and the 15% minimum rate. All Tax Jurisdictions in which major entities within the Group are incorporated have an effective tax rate that exceeds 15%.

Due to the complexities in applying the legislation and calculating GloBE income, the quantitative impact of the enacted or substantively enacted legislation is not yet reasonably estimable. The Group has engaged with tax specialists to assist it with assessing the tax risk and income tax impact when applying the legislation in the tax jurisdictions in which the Company and its subsidiaries are incorporated.

The tax charge relating to components of other comprehensive income is as follows:

	2024			2023		
	Before tax US$'000	**Tax charge US$'000**	**After tax US$'000**	Before tax US$'000	Tax charge US$'000	After tax US$'000
Fair value change on financial assets at FVOCI	**(7,712)**	**(90)**	**(7,802)**	767	(117)	650
Fair value change on cash flow hedges	**51,297**	**-**	**51,297**	(57,387)	–	(57,387)
Remeasurements of post-employment benefit obligations (Note 26)	**(6,674)**	**-**	**(6,674)**	58,524	–	58,524
Currency translation differences	**(366,849)**	**-**	**(366,849)**	(614,267)	–	(614,267)
Other comprehensive loss	**(329,938)**	**(90)**	**(330,028)**	(612,363)	(117)	(612,480)
Deferred tax (Note 16)		**(90)**			(117)	

7 Employee benefit costs

Accounting policy

(a) Pension schemes

The Group operates various pension schemes. The schemes are generally funded through payments to insurance companies or trustee-administered funds, determined by periodic actuarial calculations. The Group has both defined benefit plans (Note 26) and defined contribution plans.

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. The contributions are recognized as employee benefit expense when they are due and are reduced by employer's portion of voluntary contributions forfeited by those employees who leave the scheme prior to vesting fully. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in the future payments is available.

The Group's contributions to local municipal government retirement schemes in connection with retirement benefit schemes in the Chinese Mainland are expensed as incurred. The local municipal governments in the Chinese Mainland assume the retirement benefit obligations of the qualified employees.

(b) Long-term incentive program

The Group operates a long-term incentive program to recognize employees' individual and collective contributions, and includes two types of awards, namely share appreciation rights and restricted share units ("Long-term Incentive Awards"). The Company reserves the right, at its discretion, to pay the award in cash or ordinary shares of the Company. The fair value of the employee services received in exchange for the grant of the Long-term Incentive Awards is recognized as employee benefit expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the Long-term Incentive Awards granted, including any market performance conditions (for example, an entity's share price); excluding the impact of any service and non-market performance vesting conditions (for example, profitability and sales growth targets); and including the impact of non-vesting conditions. Non-market performance and service conditions are included in assumptions about the number of Long-term Incentive Awards that are expected to become exercisable/vested. The total expense is recognized over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied.

At each balance sheet date, the Group revises its estimates of the number of Long-term Incentive Awards that are expected to become exercisable. It recognizes the impact of the revision of original estimates, if any, in the consolidated income statement, with a corresponding adjustment to share-based compensation reserve under equity.

Employee share trusts are established for the purposes of awarding shares to eligible employees under the long-term incentive program. The employee share trusts are administered by independent trustees and are funded by the Group's cash contributions and recorded as contributions to employee share trusts, an equity component. The administrator of the employee share trusts buys the Company's shares in the open market for award to employees upon vesting.

Upon vesting, the corresponding amounts in the share-based compensation reserve will be transferred to share capital for new allotment of shares to employees, or to the employee share trusts for shares awarded to employees by the employee share trusts.

(c) Termination benefit

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognizes termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the entity recognizes costs for a restructuring that is within the scope of HKAS 37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

7 Employee benefit costs *(continued)*

	2024 US$'000	2023 US$'000
Wages and salaries, including severance and related costs of US$54,991,000 (2023: US$208,546,000)	**4,281,038**	3,982,639
Long-term incentive awards granted	**277,574**	336,128
Social security costs	**391,171**	392,195
Pension costs		
— Defined contribution plans	**319,272**	308,028
— Defined benefit plans (Note 26)	**23,059**	18,909
Others	**278,929**	276,967
	5,571,043	5,314,866

The Group contributes to respective local municipal government retirement schemes which are available to all qualified employees in the Chinese Mainland. Contributions to these schemes are calculated with reference to the monthly average salaries as set out by the local municipal government.

The Group participates in various defined contribution schemes, either voluntary or mandatory, for all qualified employees. The assets of those defined contribution schemes are held separately from those of the Group in independently administered funds.

The Group also contributes to certain defined benefit pension schemes, details of which are set out in Note 26.

Long-term incentive program

A performance-related long-term incentive program was approved on May 26, 2005 for the purpose of rewarding and motivating directors, executives and top-performing employees of the Company and its subsidiaries (the "Participants"). The long-term incentive program is designed to enable the Company to attract and retain the best available personnel, and encourage and motivate Participants to work towards enhancing the value of the Company and its shares by aligning their interests with those of the shareholders of the Company.

The Company also approved a share-based compensation package for non-executive directors.

Under the long-term incentive program, the Company may grant awards, at its discretion, using any of the two types of equity-based compensation: (a) share appreciation rights and (b) restricted share units, which are described below:

(a) Share Appreciation Rights ("SARs")

An SAR entitles the holder to receive the appreciation in value of the Company's share price above a predetermined level.

(b) Restricted Share Units ("RSUs")

An RSU equals to the value of one ordinary share of the Company. Once vested, an RSU is converted to an ordinary share.

Under the two types of compensation, the Company reserves the right, at its discretion, to settle the award in cash or ordinary shares of the Company.

7 Employee benefit costs *(continued)*

Long-term incentive program *(continued)*

Movements in the number of units of award granted during the year and their related weighted average fair values are as follows:

	Number of units SARs	RSUs
Outstanding at April 1, 2022	574,088,042	398,678,729
Granted during the year	265,307,956	362,687,538
Vested during the year	(403,238,197)	(275,562,559)
Cancelled during the year	(29,609,488)	(19,224,352)
Outstanding at March 31, 2023	**406,548,313**	**466,579,356**
Granted during the year	**100,422,928**	**247,119,181**
Vested during the year	**(257,053,733)**	**(301,023,379)**
Cancelled during the year	**(9,454,907)**	**(16,705,054)**
Outstanding at March 31, 2024	**240,462,601**	**395,970,104**
Average fair value at grant date per unit (HK$)		
— At March 31, 2023	1.74	7.75
— At March 31, 2024	**1.84**	**7.69**

The fair values of the SARs awarded under the long-term incentive program were calculated by applying a Black-Scholes pricing model. For the year ended March 31, 2024, the model inputs were the fair value (i.e. market value) of the Company's shares at the grant date, taking into account the expected volatility of 40.30 percent (2023: 39.70 percent), expected dividends during the vesting periods of 5.10 percent (2023: 4.60 percent), contractual life of 4.40 years (2023: 4.40 years), and a risk-free interest rate of 3.47 percent (2023: 2.50 percent).

The remaining vesting periods of the awards under the long-term incentive program at March 31, 2024 ranged from 0.14 to 2.92 years (2023: 0.14 to 3.22 years).

8 Emoluments of directors and highest paid individuals

(a) Directors' and senior management's emoluments

Directors' emoluments comprise payments by the Group to directors of the Company in connection with the management of the affairs of the Company and its subsidiaries. The remuneration of each director and the chief executive who is also a director, for the years ended March 31, 2024 and 2023 is set out below:

	2024						
Name of Director	Fees US$'000	Salaries US$'000	Discretionary Bonuses (i) US$'000	Long-term incentive awards (ii) US$'000	Retirement payments and employer's contribution to pension schemes US$'000	Other benefits in-kind US$'000	Total US$'000
Executive director							
Mr. Yang Yuanqing (CEO)	-	1,332	5,148	11,950	133	854	19,417
Non-executive directors							
Mr. Zhu Linan	100	-	-	224	-	-	324
Mr. Zhao John Huan	100	-	-	224	-	-	324
Independent non-executive directors							
Mr. William O. Grabe	135	-	-	224	-	-	359
Mr. William Tudor Brown	125	-	-	224	-	-	349
Mr. Yang Chih-Yuan Jerry	88	-	-	473	-	-	561
Mr. Gordon Robert Halyburton Orr	100	-	-	224	-	-	324
Mr. Woo Chin Wan Raymond	135	-	-	224	-	-	359
Ms. Yang Lan	100	-	-	281	-	-	381
Professor Xue Lan	100	-	-	168	-	-	268
Ms. Cher Wang Hsiueh Hong	100	-	-	181	-	-	281
Mr. John Lawson Thornton	37	-	-	46	-	-	83
Mr. Kasper Bo Roersted	-	-	-	-	-	-	-
	1,120	1,332	5,148	14,443	133	854	23,030

8 Emoluments of directors and highest paid individuals *(continued)*

(a) Directors' and senior management's emoluments *(continued)*

	2023						
Name of Director	Fees US$'000	Salaries US$'000	Discretionary bonuses (i) US$'000	Long-term incentive awards (ii) US$'000	Retirement payments and employer's contribution to pension schemes US$'000	Other benefits in-kind US$'000	Total US$'000
Executive director							
Mr. Yang Yuanqing (CEO)	–	1,390	6,228	13,882	139	631	22,270
Non-executive directors							
Mr. Zhu Linan	100	–	–	231	–	–	331
Mr. Zhao John Huan	100	–	–	231	–	–	331
Independent non-executive directors							
Mr. William O. Grabe	135	–	–	231	–	–	366
Mr. William Tudor Brown	125	–	–	231	–	–	356
Mr. Yang Chih-Yuan Jerry	100	–	–	231	–	–	331
Mr. Gordon Robert Halyburton Orr	100	–	–	231	–	–	331
Mr. Woo Chin Wan Raymond	135	–	–	232	–	–	367
Ms. Yang Lan	100	–	–	232	–	–	332
Professor Xue Lan	78	–	–	73	–	–	151
Ms. Cher Wang Hsiueh Hong	78	–	–	49	–	–	127
	1,051	1,390	6,228	15,854	139	631	25,293

8 Emoluments of directors and highest paid individuals *(continued)*

(a) Directors' and senior management's emoluments *(continued)*

Notes:

(i) Figures shown in the table above represent discretionary bonuses receivable at March 31, 2024 and 2023 in connection with the performance bonuses for the respective two financial years then ended.

(ii) Details of the long-term incentive program of the Company are set out in Note 7. The fair value of the employee services received in exchange for the grant of the long-term incentive awards is recognized as an expense. The total amount to be amortized over the vesting period is determined by reference to the fair value of the long-term incentive awards at the date of grant. The amounts disclosed above represent the amortized amounts for the two years ended March 31, 2024 and 2023.

(iii) Mr. William O. Grabe has elected to defer his receipt of the cash of director's fee into fully vested share units under the long-term incentive program (Note 7) for the two years ended March 31, 2024 and 2023.

(iv) During the years ended March 31, 2024 and 2023, annual pension payment of US$1.5 million was made to Mr. Liu Chuanzhi, a retired director.

(v) Mr. John Lawson Thornton was appointed as an independent non-executive director on August 18, 2023.

(vi) Mr. Yang Chih-Yuan Jerry was resigned as an independent non-executive director on November 16, 2023.

(vii) Mr. Kasper Bo Roersted (alias Kasper Bo Rorsted) was appointed as an independent non-executive director on February 23, 2024.

(viii) Ms. Cher Wang Hsiueh Hong and Professor Xue Lan were appointed as independent non-executive directors on June 20, 2022.

During the year, no retirement benefits, payments or benefits in respect of termination of directors' services were paid or made, directly or indirectly, to the directors; nor any are payable (2023: nil). No consideration was provided to or receivable by third parties for making available directors' service (2023: nil). There are no loans, quasi-loans or other dealings in favour of the directors, their controlled body corporate and connected entities (2023: nil).

No director of the Company had a material interest, directly or indirectly, in any significant transactions, arrangements and contracts in relation to the Company's business to which the Company was or is a party that subsisted at the end of the year or at any time during the year (2023: nil).

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include one (2023: one) director, who is the CEO of the Group, whose emoluments are reflected in the analysis presented above. The emoluments of the remaining four (2023: four) individuals during the year are as follows:

	2024 US$'000	2023 US$'000
Basic salaries, allowances, and other benefits-in-kind	**5,797**	4,905
Discretionary bonuses (i)	**6,205**	8,344
Long-term incentive awards (ii)	**19,085**	29,034
Retirement payments and employer's contribution to pension schemes	**459**	346
	31,546	42,629

Notes:

(i) Figures shown in the table above represent discretionary bonuses receivable at March 31, 2024 and 2023 in connection with the performance bonuses for the respective two financial years then ended.

(ii) Details of the long-term incentive program of the Company are set out in Note 7. The fair value of the employee services received in exchange for the grant of the long-term incentive awards is recognized as an expense. The total amount to be amortized over the vesting period is determined by reference to the fair value of the long-term incentive awards at the date of grant. The amounts disclosed above represent the amortized amounts for the two years ended March 31, 2024 and 2023.

8 Emoluments of directors and highest paid individuals *(continued)*

(b) Five highest paid individuals *(continued)*

The emoluments fell within the following bands:

	Number of individuals	
	2024	2023
Emolument bands		
US$7,156,996 – US$7,220,896	**1**	-
US$7,540,406 – US$7,604,307	**1**	-
US$7,923,817 – US$7,987,717	**1**	-
US$8,754,539 – US$8,818,440	**1**	-
US$9,137,950 – US$9,201,850	**-**	1
US$9,521,360 – US$9,585,261	**-**	1
US$10,607,690 – US$10,671,591	**-**	1
US$13,227,662 – US$13,291,562	**-**	1

9 Earnings per share

(a) Basic

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

	2024	2023
Weighted average number of ordinary shares in issue	**12,214,994,626**	12,096,401,779
Adjustment for shares held by employee share trusts	**(192,498,286)**	(187,514,384)
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	**12,022,496,340**	11,908,887,395

	2024 US$'000	2023 US$'000
Profit attributable to equity holders of the Company used in calculating basic earnings per share	**1,010,506**	1,607,722

9 Earnings per share *(continued)*

(b) Diluted

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

The Group has three (2023: four) categories of potential ordinary shares, namely long-term incentive awards, put option written on non-controlling interests and convertible bonds (2023: 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, 2024 and 2023. Put option written on non-controlling interests were anti-dilutive for the years ended March 31, 2024 and 2023. Convertible preferred shares were anti-dilutive for the year ended March 31, 2023.

	2024	2023
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	**12,022,496,340**	11,908,887,395
Adjustment for long-term incentive awards	**232,535,133**	268,482,763
Adjustment for convertible bonds	**739,193,667**	792,407,938
Weighted average number of ordinary shares used as the denominator in calculating diluted earnings per share	**12,994,225,140**	12,969,778,096

	2024 US$'000	2023 US$'000
Profit attributable to equity holders of the Company used in calculating basic earnings per share	**1,010,506**	1,607,722
Adjustment for interest on convertible bonds, net of tax	**35,833**	44,532
Profit attributable to equity holders of the Company used in calculating diluted earnings per share	**1,046,339**	1,652,254

10 Dividends

Accounting policy

Dividend distribution to the Company's shareholders is recognized as a liability in the Group's and Company's financial statements in the period in which the dividends are approved by the Company's shareholders in case of final dividend and by the Company's directors in case of interim dividend.

	2024 US$'000	2023 US$'000
Interim dividend of HK8 cents (2023: HK8 cents) per ordinary share, paid on December 13, 2023	**124,319**	123,602
Proposed final dividend — HK30 cents (2023: HK30 cents) per ordinary share	**476,821**	464,395
	601,140	587,997

11 Property, plant and equipment

Accounting policy

Property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognized when replaced. All other repairs and maintenance are charged in the consolidated income statement during the financial period in which they are incurred.

Investment properties are shown within "Property, plant and equipment" for the building portion and "Right-of-use assets" for the leasehold land portion (Note 12) on the consolidated balance sheet. Investment properties, principally office buildings, are held for long-term rental yields and are not occupied by the Group. They are carried at historical cost less accumulated depreciation. All freehold lands are located outside Hong Kong S.A.R. of China and are not depreciated.

Depreciation on property, plant and equipment and investment properties are calculated using the straight-line method to allocate their costs to their estimated residual values over the unexpired periods of the leases or their estimated useful lives to the Group. The principal annual rates used for this purpose are:

Buildings, buildings related equipment and leasehold improvements	2% – 10%
Plant and machinery	
Tooling equipment	50% – 100%
Other machinery	14% – 20%
Furniture and fixtures	20% – 25%
Office equipment	20% – 33%
Equipment held for lease	Over the initial term of the lease
Motor vehicles	20%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. The assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gain or loss on disposal of the asset is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognized within "Other operating income/(expenses) — net" in the consolidated income statement.

11 Property, plant and equipment *(continued)*

	Freehold land and buildings US$'000	Leasehold improvements US$'000	Plant and machinery US$'000	Furniture and fixtures US$'000	Office equipment US$'000	Equipment held for lease US$'000	Motor vehicles US$'000	Total US$'000
At April 1, 2022								
Cost	969,952	577,966	1,055,283	144,738	735,022	42,702	10,267	3,535,930
Accumulated depreciation and impairment losses	190,018	376,706	751,844	101,142	468,965	4,989	5,637	1,899,301
Net book amount	779,934	201,260	303,439	43,596	266,057	37,713	4,630	1,636,629
Year ended March 31, 2023								
Opening net book amount	779,934	201,260	303,439	43,596	266,057	37,713	4,630	1,636,629
Exchange adjustment	(47,696)	(4,258)	(9,935)	(1,543)	(1,811)	(1,711)	(654)	(67,608)
Acquisition of subsidiaries	229	–	629	3,883	5,398	–	64	10,203
Additions	20,406	25,985	156,114	2,381	156,346	118,998	5,610	485,840
Transfers	273,897	6,755	38,609	35,951	1,530	–	941	357,683
Disposals	(1,156)	(788)	(15,381)	(150)	(20,961)	(4)	(432)	(38,872)
Depreciation	(29,674)	(52,606)	(142,032)	(28,106)	(101,957)	(21,120)	(1,923)	(377,418)
Closing net book amount	995,940	176,348	331,443	56,012	304,602	133,876	8,236	2,006,457
At March 31, 2023								
Cost	1,202,352	570,169	1,148,567	167,324	837,246	159,932	13,843	4,099,433
Accumulated depreciation and impairment losses	206,412	393,821	817,124	111,312	532,644	26,056	5,607	2,092,976
Net book amount	995,940	176,348	331,443	56,012	304,602	133,876	8,236	2,006,457
Year ended March 31, 2024								
Opening net book amount	**995,940**	**176,348**	**331,443**	**56,012**	**304,602**	**133,876**	**8,236**	**2,006,457**
Exchange adjustment	**(41,355)**	**(6,204)**	**(5,709)**	**(2,877)**	**(20,702)**	**(3,656)**	**(522)**	**(81,025)**
Acquisition of businesses	**8,092**	**-**	**2,443**	**430**	**424**	**67,721**	**-**	**79,110**
Additions	**8,783**	**26,933**	**100,543**	**3,711**	**79,667**	**88,443**	**4,175**	**312,255**
Transfers	**82,118**	**33,781**	**36,843**	**2,245**	**8,807**	**-**	**22**	**163,816**
Disposals	**(1,276)**	**(521)**	**(3,699)**	**(941)**	**(10,136)**	**(14,637)**	**(279)**	**(31,489)**
Depreciation	**(38,020)**	**(48,967)**	**(134,599)**	**(26,362)**	**(101,375)**	**(76,521)**	**(2,628)**	**(428,472)**
Impairment and write-off	**-**	**-**	**(8,623)**	**-**	**(1,851)**	**-**	**-**	**(10,474)**
Closing net book amount	**1,014,282**	**181,370**	**318,642**	**32,218**	**259,436**	**195,226**	**9,004**	**2,010,178**
At March 31, 2024								
Cost	**1,246,851**	**615,987**	**1,245,921**	**147,112**	**818,629**	**284,758**	**15,444**	**4,374,702**
Accumulated depreciation and impairment losses	**232,569**	**434,617**	**927,279**	**114,894**	**559,193**	**89,532**	**6,440**	**2,364,524**
Net book amount	**1,014,282**	**181,370**	**318,642**	**32,218**	**259,436**	**195,226**	**9,004**	**2,010,178**

Note: At March 31, 2024, included in "Freehold land and buildings" are the building portion of the investment properties of US$107,766,000 (2023: US$116,959,000) where the right-of-use assets for the leasehold land portion of US$117,087,000 (2023: US$126,786,000) are included in "Right-of-use assets" (Note 12). The fair value of the investment properties at March 31, 2024 is US$335,395,000 (2023: US$364,142,000).

12 Right-of-use assets

Accounting policy

Leases are recognized as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

— fixed payments (including in-substance fixed payments), less any lease incentives receivable;

— variable lease payments that are based on an index or a rate;

— amounts expected to be payable by the lessee under residual value guarantees;

— the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and

— payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Some property leases contain variable payment terms that are linked to sales generated from stores. There is a wide range of sales percentages applied. Variable payment terms are used for a variety of reasons, including minimizing the fixed costs base for newly established stores. Variable lease payments that depend on sales are recognized as a profit or loss in the period in which the event or condition that triggers those payments occurs.

Right-of-use assets are measured at cost comprising the following:

— the amount of the initial measurement of lease liabilities;

— any lease payments made at or before the commencement date less any lease incentives received;

— any initial direct costs; and

— restoration costs.

Payments associated with leases of low-value assets are recognized on a straight-line basis as an expense in the consolidated income statement. Low-value assets mainly comprise office equipment.

The Group's right-of-use assets include interest in leasehold land and building and prepaid lease payments for leasehold land. Prepaid lease payments represent the payments for land use rights held by the Group in the Chinese Mainland under term leases between 10 to 50 years. Rental contracts for leasehold land and building are typically made for fixed periods of 1 to 9 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Lease liabilities are presented within "Other payables and accruals" (for current portion) and "Other non-current liabilities" (for non-current portion) in the consolidated balance sheet.

	2024 US$'000	2023 US$'000
At the beginning of the year	**659,360**	839,233
Exchange adjustment	**(20,266)**	(53,996)
Acquisition of businesses and subsidiaries	**1,440**	10,630
Additions	**102,835**	211,802
Disposals	**(20,165)**	(191,129)
Depreciation	**(151,899)**	(157,180)
At the end of the year	**571,305**	659,360

13 Construction-in-progress

Accounting policy

Construction-in-progress represents buildings, plant and machinery and internal use software under construction and pending installation and is stated at historical cost, less any accumulated impairment losses. Historical cost comprises all direct and indirect costs of acquisition or construction or installation of buildings, plant and machinery or internal use software as well as interest expenses and exchange differences on the related funds borrowed during the construction, installation and testing periods and prior to the date when the assets were available for use. Assets that are not yet available for use are not subject to depreciation or amortization and are tested annually for impairment. On completion, the carrying values of the buildings, plant and machinery or internal use software are transferred from construction-in-progress to property, plant and equipment or intangible assets.

The assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use.

Gain or loss on disposal of construction-in-progress is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognized within "Other operating income/(expenses) — net" in the consolidated income statement.

	Property, plant and equipment		**Intangible assets**		**Total**	
	2024 US$'000	2023 US$'000	**2024 US$'000**	2023 US$'000	**2024 US$'000**	2023 US$'000
At the beginning of the year	**103,372**	103,009	**534,675**	407,202	**638,047**	510,211
Exchange adjustment	**(7,314)**	(8,260)	**(15,477)**	(12,960)	**(22,791)**	(21,220)
Acquisition of subsidiaries	**-**	2,364	**-**	–	**-**	2,364
Disposals	**(26)**	(75)	**(13,801)**	(3,877)	**(13,827)**	(3,952)
Additions	**147,826**	230,202	**306,855**	458,494	**454,681**	688,696
Transfers	**(163,816)**	(223,868)	**(554,646)**	(314,184)	**(718,462)**	(538,052)
At the end of the year	**80,042**	103,372	**257,606**	534,675	**337,648**	638,047

14 Intangible assets

Accounting policy

(a) Goodwill

Goodwill represents the excess of the consideration of an acquisition transferred, amount of any non-controlling interest in the acquired entity, and acquisition-date fair value of any previous equity interest in the acquired entity over the Group's interests in the fair value of the acquiree's identifiable assets acquired and liabilities assumed at the acquisition date. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of associates and joint ventures is included in interests in associates and joint ventures.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("CGU"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs to sell. Any impairment is recognized immediately as an expense and is not subsequently reversed.

(b) Trademarks and trade names

Separately acquired trademarks and trade names are shown at historical cost. Trademarks and trade names acquired in a business combination are recognized at fair value at the acquisition date.

Trademarks and trade names that have an indefinite useful life are tested annually for impairment and carried at cost less accumulated impairment losses. They are considered to have an indefinite useful life as there is no foreseeable limit to the period over which they are expected to generate net cash inflows. Trademarks and trade names that have a definite useful life are carried at cost less accumulated amortization.

(c) Internal use software

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software.

Development costs that are directly attributable to the design and testing of identifiable and unique software controlled by the Group are recognized as intangible assets when the following criteria are met:

— it is technically feasible to complete the software so that it will be available for use;

— management intends to complete the software and use or sell it;

— there is an ability to use or sell the software;

— it can be demonstrated how the software will generate probable future economic benefits;

— adequate technical, financial and other resources to complete the development and to use or sell the software are available; and

— the expenditure attributable to the software during its development can be reliably measured.

Development costs include the employee costs incurred as a result of developing software and an appropriate portion of relevant overheads.

Other development expenditures that do not meet these criteria are recognized as an expense as incurred. Development costs previously recognized as an expense are not recognized as an asset in a subsequent period.

Costs associated with maintaining computer software are recognized as an expense as incurred.

Acquired computer software licenses costs and computer software development costs are carried at cost less accumulated amortization.

14 Intangible assets *(continued)*

Accounting policy *(continued)*

(d) Customer relationships

Customer relationships acquired in a business combination are recognized at fair value at the acquisition date. Customer relationships have a definite useful life and are carried at cost less accumulated amortization.

(e) Patents and technology

Expenditure on acquired patents and technology is capitalized at historical cost upon acquisition and is carried at cost less accumulated amortization.

(f) Exclusive rights

An exclusive right acquired in a business combination is recognized at fair value at the acquisition date. An exclusive right has a definite useful life and is carried at cost less accumulated amortization.

The Group amortizes intangible assets with definite useful lives using the straight-line method over the following periods:

Trademarks and trade names	not more than 10 years
Internal use software	not more than 8 years
Customer relationships	not more than 15 years
Patents and technology	not more than 10 years
Exclusive rights	not more than 15 years

Impairment of intangible assets with definite useful lives

Intangible assets with definite useful lives are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use.

14 Intangible assets *(continued)*

(a)

	Goodwill (b) US$'000	Trademarks and trade names (b) US$'000	Internal use software US$'000	Customer relationships US$'000	Patents and technology (c) US$'000	Exclusive rights US$'000	Total US$'000
At April 1, 2022							
Cost	4,867,916	1,305,877	1,988,197	1,515,847	3,127,189	57,935	12,862,961
Accumulated amortization and impairment losses	–	37,400	1,483,090	1,001,579	2,262,493	11,614	4,796,176
Net book amount	4,867,916	1,268,477	505,107	514,268	864,696	46,321	8,066,785
Year ended March 31, 2023							
Opening net book amount	4,867,916	1,268,477	505,107	514,268	864,696	46,321	8,066,785
Exchange adjustment	(224,730)	(1,180)	(8,370)	(14,120)	(6,269)	(3,613)	(258,282)
Acquisition of subsidiaries	354,032	20,000	–	88,200	24,100	–	486,332
Additions	–	–	20,387	–	462,980	–	483,367
Transfers	–	–	143,819	106	170,259	–	314,184
Disposals	–	–	(428)	(11)	(3)	–	(442)
Amortization	–	(2,667)	(236,981)	(139,828)	(440,725)	(3,734)	(823,935)
Impairment	–	–	(895)	–	–	–	(895)
Closing net book amount	4,997,218	1,284,630	422,639	448,615	1,075,038	38,974	8,267,114
At March 31, 2023							
Cost	4,997,218	1,323,642	2,060,132	1,563,650	3,755,488	53,426	13,753,556
Accumulated amortization and impairment losses	–	39,012	1,637,493	1,115,035	2,680,450	14,452	5,486,442
Net book amount	4,997,218	1,284,630	422,639	448,615	1,075,038	38,974	8,267,114
Year ended March 31, 2024							
Opening net book amount	**4,997,218**	**1,284,630**	**422,639**	**448,615**	**1,075,038**	**38,974**	**8,267,114**
Exchange adjustment	**(125,451)**	**(558)**	**(9,664)**	**(2,881)**	**(4,097)**	**(475)**	**(143,126)**
Acquisition of businesses	**32,508**	**9,700**	**2,342**	**-**	**4,100**	**-**	**48,650**
Additions	**-**	**-**	**23,962**	**-**	**456,713**	**-**	**480,675**
Transfers	**-**	**-**	**401,178**	**-**	**153,468**	**-**	**554,646**
Disposals	**-**	**-**	**(25)**	**-**	**-**	**-**	**(25)**
Amortization	**-**	**(4,493)**	**(227,444)**	**(145,986)**	**(451,630)**	**(3,229)**	**(832,782)**
Impairment and write-off	**-**	**-**	**(5,231)**	**-**	**(24,514)**	**-**	**(29,745)**
Closing net book amount	**4,904,275**	**1,289,279**	**607,757**	**299,748**	**1,209,078**	**35,270**	**8,345,407**
At March 31, 2024							
Cost	**4,904,275**	**1,332,817**	**2,411,980**	**1,538,011**	**4,337,870**	**52,741**	**14,577,694**
Accumulated amortization and impairment losses	**-**	**43,538**	**1,804,223**	**1,238,263**	**3,128,792**	**17,471**	**6,232,287**
Net book amount	**4,904,275**	**1,289,279**	**607,757**	**299,748**	**1,209,078**	**35,270**	**8,345,407**

Amortization of US$424,000,000 (2023: US$134,678,000), US$6,163,000 (2023: US$7,857,000), US$333,697,000 (2023: US$402,354,000) and US$68,922,000 (2023: US$279,046,000) are included in "Cost of sales", "Selling and distribution expenses", "Administrative expenses" and "Research and development expenses" in the consolidated income statement respectively.

14 Intangible assets *(continued)*

(a) *(continued)*

The carrying amounts of goodwill and trademarks and trade names with indefinite useful lives are presented below:

	China US$ million	AP US$ million	EMEA US$ million	AG US$ million	Total US$ million
At March 31, 2024					
Goodwill					
— IDG (Note i)	**911**	**488**	**287**	**1,611**	**3,297**
— ISG	**472**	**132**	**59**	**341**	**1,004**
— SSG (Note ii)	**N/A**	**N/A**	**N/A**	**N/A**	**603**
Trademarks and trade names with indefinite useful lives					
— IDG	**182**	**54**	**121**	**480**	**837**
— ISG	**162**	**54**	**31**	**123**	**370**
— SSG (Note ii)	**N/A**	**N/A**	**N/A**	**N/A**	**58**
At March 31, 2023					
Goodwill					
— IDG	940	531	288	1,607	3,366
— ISG	488	141	63	341	1,033
— SSG (Note ii)	N/A	N/A	N/A	N/A	598
Trademarks and trade names with indefinite useful lives					
— IDG	182	54	121	480	837
— ISG	162	54	31	123	370
— SSG (Note ii)	N/A	N/A	N/A	N/A	60

Notes:

(i) At March 31, 2024, the balance comprises goodwill of US$18 million arising from the business combination during the year. The Group has not finalized the fair value assessment of such balance.

(ii) SSG is monitored as a whole and there is no allocation to geography or market.

(b) Impairment tests for goodwill and intangible assets with indefinite useful lives

Accounting policy

Assets that have an indefinite useful life are tested annually for impairment. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest level for which there are separately identifiable cash flows (CGUs).

14 Intangible assets *(continued)*

(b) Impairment tests for goodwill and intangible assets with indefinite useful lives *(continued)*

Critical accounting estimates and judgments

The Group tests at least annually whether goodwill and other assets that have indefinite useful lives have suffered any impairment. The recoverable amounts of an asset or a CGU have been determined based on value-in-use calculations. These calculations require the use of estimates.

The value-in-use calculations use cash flow projection based on financial budgets approved by management covering a five-year period with a terminal value related to the future cash flows extrapolated using constant projection of cash flows beyond the five-year period. There are a number of assumptions and estimates involved for the preparation of cash flow projections for the period covered by the approved budget and the estimated terminal value. Key assumptions include the revenue growth rates, operating margins and discount rates with reference to the business and industry circumstances.

Management prepared the financial budgets reflecting actual and prior year performance and market development expectations. Judgment is required to determine key assumptions adopted in the cash flow projections and changes to key assumptions can significantly affect these cash flow projections and therefore the results of the impairment reviews.

The Group completed its annual impairment test for goodwill allocated to the Group's various CGUs by comparing their recoverable amounts to their carrying amounts at the reporting date. The recoverable amount of a CGU is determined based on value in use. These assessments use pre-tax cash flow projections based on financial budgets approved by management covering a five-year period with a terminal value related to the future cash flow of the CGU extrapolated using constant projection of cash flows beyond the five-year period. The estimated growth rates adopted do not exceed the long-term average growth rates for the businesses in which the CGU operates.

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

Future cash flows are discounted at the rate of 10%, 12% and 13% for IDG, ISG and SSG respectively (2023: 10%, 12% and 13% respectively). The estimated compound annual growth rates of revenue used for value-in-use calculations under the five-year financial budgets period are as follows:

	2024			2023		
	IDG	**ISG**	**SSG**	IDG	ISG	SSG
China	**7%**	**20%**	**N/A**	4%	26%	N/A
AP	**1%**	**22%**	**N/A**	0%	18%	N/A
EMEA	**4%**	**11%**	**N/A**	1%	13%	N/A
AG	**5%**	**16%**	**N/A**	1%	14%	N/A
SSG	**N/A**	**N/A**	**11%**	N/A	N/A	19%

14 Intangible assets *(continued)*

(b) Impairment tests for goodwill and intangible assets with indefinite useful lives *(continued)*

Management determined budgeted gross margins based on past performance and its expectations for the market development. Key assumptions include the revenue growth rates, operating margins and discount rates with reference to the business and industry circumstances for the purpose of goodwill impairment test. The discount rates are pre-tax and reflect specific risks relating to the relevant segments.

The directors are of the view that there was no impairment of goodwill and trademarks and trade names with indefinite useful lives based on impairment tests performed at March 31, 2024 (2023: nil).

The Group has performed a sensitivity analysis on key assumptions used for the annual impairment test for goodwill. Except for ISG's China and ISG's AP, a reasonably possible change in key assumptions used in the impairment test for goodwill would not cause any CGU's carrying amount to exceed its respective recoverable amount. At March 31, 2024, the recoverable amount for ISG's China and ISG's AP (calculated based on value in use) exceeded carrying value by US$209 million (2023: US$390 million) and US$96 million (2023: US$207 million) respectively. Had the forecasted compound annual growth rate of ISG's China and ISG's AP been 3.5 percentage point lower (2023: 6.8 percentage point lower) and 4.6 percentage point lower (2023: 6.1 percentage point lower) than management's estimates, its remaining headroom would be removed respectively.

(c) At March 31, 2024, patents and technology of US$245,291,000 (2023: US$179,265,000) is under development.

15 Interests in associates and joint ventures

	2024 US$'000	2023 US$'000
Share of net assets		
— Associates	**181,031**	185,681
— Joint ventures	**93,551**	109,172
	274,582	294,853
Loans to		
— An associate (a)	**-**	98,073
— A joint venture (a)	**44,221**	45,341
	44,221	143,414
Interests in associates and joint ventures (b)	**318,803**	438,267

Notes:

(a) The loan forms an integral part of the Group's equity investment in the associate/joint venture and is recognized as such.

(b) At March 31, 2024 and 2023, there is no unrecognized share of losses, commitments and contingent liabilities.

15 Interests in associates and joint ventures *(continued)*

The following is a list of the principal associates and joint ventures:

Company name	Place of incorporation/ establishment	Interest held 2024	Interest held 2023	Principal activities
Associates				
北京閃聯雲視信息技術有限公司 (Beijing Shanlian Yunshi Information Technology Limited) (ii)	Chinese Mainland	**23.7%**	23.7%	Distribution and development of IT technology
茄子技術控股有限公司 (SHAREit Technology Holdings Inc.) (ii)	Cayman Islands	**37.3%**	37.3%	Software development
北京平安聯想智慧醫療信息技術有限公司 (Beijing Lenovo Healthcare Information Technology Limited) (ii)	Chinese Mainland	**25.4%**	25.4%	Development of hospital and regional healthcare information system
北京聯想協同科技有限公司 (Beijing Lenovo Collaborative Technology Co., Limited) (ii)	Chinese Mainland	**33.0%**	33.0%	Distribution and development of IT technology
天津聯博基業科技發展有限公司 (Tianjin Lianbo Foundation Technology Development Co., Limited) (ii)	Chinese Mainland	**39.0%**	39.0%	Distribution and development of IT technology
PCCW Network Services Limited ("PCCWNS")	British Virgin Islands	**20.0%**	20.0%	Investment holding
Joint ventures				
聯想新視界(北京)科技有限公司 (Lenovo New Vision (Beijing) Technology Co., Limited) (ii)	Chinese Mainland	**37.7%**	37.7%	Software development
深圳市浦瑞置業有限公司 (Shenzhen Purui Real Estate Co., Limited) (ii), (iii)	Chinese Mainland	**50.0%**	50.0%	Property development

Notes:

(i) Majority of the above associates and joint ventures operate principally in their respective places of incorporation or establishment.

(ii) The English name of the company is a direct translation or transliteration of its Chinese registered name.

(iii) During the year ended March 31, 2023, the Group has transferred its interest in a property under a joint operation arrangement to a joint venture at a consideration of US$262,218,000 which was close to its carrying amount. The joint venture was set up by the Group and the same joint venture partner of the joint operation to jointly develop and operate the property project. The transfer was effected pursuant to the terms of the joint operation arrangement agreed by the parties in 2015 and there is no change in the economic interest of the property project held by the Group as a result of the transfer.

The following sets out the aggregate amount of the Group's share of associates and joint ventures:

	2024 US$'000	2023 US$'000
Share of losses of associates	**10,035**	7,125
Share of losses of joint ventures	**15,624**	9,674
	25,659	16,799

16 Deferred income tax assets and liabilities

Accounting policy

Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax liabilities are not recognized if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, joint ventures and associates, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same tax authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Critical accounting estimates and judgments

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying values in the financial statements.

Deferred income tax assets are mainly recognized for temporary differences such as warranty provision, accrued sales rebates, bonus accruals, and other accrued expenses, and unused tax losses carried forward to the extent it is probable that future taxable profits will be available against which deductible temporary differences and the unused tax losses can be utilized, based on all available evidence. Recognition primarily involves judgment regarding the future financial performance of the particular legal entity or tax group in which the deferred income tax asset has been recognized. A variety of other factors are also evaluated in considering whether there is convincing evidence that it is probable that some portion or all of the deferred income tax assets will ultimately be realized, such as the existence of taxable temporary differences, group relief, tax planning strategies and the periods in which estimated tax losses can be utilized. The carrying amount of deferred income tax assets and related financial models and budgets are reviewed at each balance sheet date and to the extent that there is insufficient convincing evidence that sufficient taxable profits will be available within the utilization periods to allow utilization of the carry forward tax losses, the asset balance will be reduced and the difference charged to the consolidated income statement.

16 Deferred income tax assets and liabilities *(continued)*

Deferred income tax is calculated in full on temporary differences under the liability method using the rates applicable in the respective jurisdictions.

Deferred income tax assets and liabilities are netted off when the taxes relate to the same tax authority and where offsetting is legally enforceable. The following amounts, determined after appropriate offsetting, are shown separately on the consolidated balance sheet:

	2024 US$'000	2023 US$'000
Deferred income tax assets:		
Recoverable within 12 months	**1,135,149**	1,040,766
Recoverable after 12 months	**1,498,153**	1,426,515
	2,633,302	2,467,281
Deferred income tax liabilities:		
Settled after 12 months	**(447,523)**	(431,688)
Net deferred income tax assets	**2,185,779**	2,035,593

The movements in the net deferred income tax assets are as follows:

	2024 US$'000	2023 US$'000
At the beginning of the year	**2,035,593**	2,121,196
Reclassification and exchange adjustment	**(28,547)**	(49,827)
Credited/(charged) to consolidated income statement (Note 6)	**190,397**	(5,731)
Charged to other comprehensive income (Note 6)	**(90)**	(117)
Charged to share-based compensation reserve	**(6,487)**	(5,237)
Acquisition of businesses and subsidiaries	**(5,087)**	(24,691)
At the end of the year	**2,185,779**	2,035,593

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

The Group previously accounted for deferred income tax on leases that results in a similar outcome to the amendments, except that the deferred income tax asset or liability was recognized on a net basis. Following the amendments, the Group has recognized a separate deferred income tax asset in relation to its lease liability and a deferred income tax liability in relation to its right-of-use asset. However, there is no impact on the consolidated balance sheet at April 1, 2022 and March 31, 2023 because the balances qualify for offset under paragraph 74 of HKAS 12. There was also no impact on the opening retained earnings at April 1, 2022 and 2023, consolidated income statement and basic and diluted earnings per share for the years ended March 31, 2022 and 2023. The impact to exchange adjustment and charge to consolidated income statement of deferred income tax assets for the year ended March 31, 2023 are reclassification of US$287,000 exchange loss and US$14,576,000 respectively from deferred income tax liabilities.

16 Deferred income tax assets and liabilities *(continued)*

(a) The movements in deferred income tax assets (prior to offsetting of balances within the same tax jurisdiction), analyzed by major component, during the year are as follows:

	Provisions and accruals US$'000	Tax losses US$'000	Tax depreciation allowance US$'000	Deferred revenue US$'000	Share-based payment US$'000	Lease liabilities US$'000	Others US$'000	Total US$'000
At April 1, 2022	752,039	1,387,895	132,263	199,858	58,675	–	601	2,531,331
Change in accounting policy	(5,279)	(1,818)	29	–	–	77,404	–	70,336
Adjusted balance at April 1, 2022	746,760	1,386,077	132,292	199,858	58,675	77,404	601	2,601,667
Reclassification and exchange adjustment	(27,772)	7,027	(11,876)	(10,430)	(2)	(312)	(601)	(43,966)
(Charged)/credited to consolidated income statement	(43,166)	3,128	14,062	33,341	(6,796)	(17,686)	–	(17,117)
Charged to share-based compensation reserve	–	–	–	–	(5,237)	–	–	(5,237)
Acquisition of subsidiaries	2,020	–	–	–	–	–	–	2,020
Adjusted balance at March 31, 2023	**677,842**	**1,396,232**	**134,478**	**222,769**	**46,640**	**59,406**	**-**	**2,537,367**
Reclassification and exchange adjustment	**(7,320)**	**7,299**	**(15,636)**	**(2,932)**	**(93)**	**(3,430)**	**-**	**(22,112)**
(Charge)/credited to consolidated income statement	**(65,629)**	**34,299**	**170,342**	**20,933**	**(4,891)**	**6,573**	**-**	**161,627**
Charged to share-based compensation reserve	**-**	**-**	**-**	**-**	**(6,487)**	**-**	**-**	**(6,487)**
Acquisition of businesses	**10,519**	**-**	**-**	**-**	**-**	**-**	**-**	**10,519**
At March 31, 2024	**615,412**	**1,437,830**	**289,184**	**240,770**	**35,169**	**62,549**	**-**	**2,680,914**

Deferred income tax assets are recognized for deductible temporary differences and tax losses carried forward to the extent that realization of the related tax benefit through the future taxable profits is probable.

16 Deferred income tax assets and liabilities *(continued)*

(a) *(continued)*

At March 31, 2024, the Group did not recognize deferred income tax assets in respect of deductible temporary differences of US$2,618,834,000 (2023: US$2,430,453,000) and tax losses of US$2,810,140,000 (2023: US$2,700,302,000) that can be carried forward against future taxable income, of which, tax losses of US$1,748,044,000 (2023: US$1,584,737,000) can be carried forward indefinitely. The remaining balances of tax losses will expire as follows:

	2024 US$'000	2023 US$'000
Expiring in		
— 2023	**-**	141,821
— 2024	**170,627**	186,454
— 2025	**61,724**	49,391
— 2026	**51,646**	64,136
— 2027	**146,096**	227,273
— 2028	**306,294**	414,993
— 2029	**298,117**	1,459
— 2030	**-**	3,303
— 2031	**-**	24,470
— 2032	**6,763**	-
— 2033 and thereafter	**20,829**	2,265
	1,062,096	1,115,565

16 Deferred income tax assets and liabilities *(continued)*

(b) The movements in deferred income tax liabilities (prior to offsetting of balances within the same tax jurisdiction), analyzed by major component, during the year are as follows:

	Intangible valuation US$'000	Undistributed earnings US$'000	Property valuation US$'000	Accelerated tax depreciation US$'000	Right-of-use assets US$'000	Others US$'000	Total US$'000
At April 1, 2022	85,219	113,824	1,534	180,561	–	28,997	410,135
Change in accounting policy	–	–	–	(29)	70,365	–	70,336
Adjusted balance at April 1, 2022	85,219	113,824	1,534	180,532	70,365	28,997	480,471
Reclassification and exchange adjustment	(9,175)	(126)	(633)	(848)	(513)	17,156	5,861
(Credited)/charged to consolidated income statement	(16,209)	4,180	1,942	(30)	(12,612)	11,343	(11,386)
Charged to other comprehensive income	–	–	–	–	–	117	117
Acquisition of subsidiaries	21,830	–	–	4,881	–	–	26,711
Adjusted balance at March 31, 2023	**81,665**	**117,878**	**2,843**	**184,535**	**57,240**	**57,613**	**501,774**
Reclassification and exchange adjustment	**(1,116)**	**(658)**	**(199)**	**8,269**	**(1,110)**	**1,249**	**6,435**
(Credited)/charged to consolidated income statement	**(22,608)**	**1,325**	**1,198**	**(18,998)**	**8,810**	**1,503**	**(28,770)**
Charged to other comprehensive income	**-**	**-**	**-**	**-**	**-**	**90**	**90**
Acquisition of businesses	**4,775**	**-**	**-**	**10,831**	**-**	**-**	**15,606**
At March 31, 2024	**62,716**	**118,545**	**3,842**	**184,637**	**64,940**	**60,455**	**495,135**

17 Financial assets

(a) Financial assets at FVPL

	2024 US$'000	2023 US$'000
At the beginning of the year	**1,233,969**	1,104,408
Exchange adjustment	**(48,294)**	(73,277)
Fair value change recognized in profit or loss	**153,113**	203,395
Additions	**179,192**	225,982
Disposals	**(124,314)**	(226,539)
At the end of the year	**1,393,666**	1,233,969
Listed equity securities:		
— In Hong Kong S.A.R. of China	**24,874**	10,167
— Outside Hong Kong S.A.R. of China	**241,992**	303,315
	266,866	313,482
Unlisted equity securities	**1,126,800**	920,487
	1,393,666	1,233,969

(b) Financial assets at FVOCI

	2024 US$'000	2023 US$'000
At the beginning of the year	**66,178**	64,572
Exchange adjustment	**(2,493)**	(3,162)
Fair value change recognized in other comprehensive income	**(7,712)**	767
Additions	**-**	7,149
Disposals	**-**	(3,148)
At the end of the year	**55,973**	66,178
Listed equity securities:		
— In Hong Kong S.A.R. of China	**8,931**	16,082
— Outside Hong Kong S.A.R. of China	**28,814**	28,944
	37,745	45,026
Unlisted equity securities	**18,228**	21,152
	55,973	66,178

18 Inventories

Accounting policy

Inventories are stated at the lower of cost and net realizable value. Cost is determined on a weighted average basis. The cost of finished goods (except for trading products) and work-in-progress comprises direct materials, direct labour and an attributable proportion of production overheads. For trading products, cost represents invoiced value on purchases, less purchase returns and discounts. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

	2024 US$'000	2023 US$'000
Raw materials and work-in-progress	**3,857,581**	3,571,910
Finished goods	**2,265,554**	2,295,352
Service parts	**579,542**	504,596
	6,702,677	6,371,858

19 Receivables

Accounting policy

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. Majority of other receivables are amounts due from subcontractors for components sold in the ordinary course of business. Trade receivables are recognized initially at transaction price that is unconditional unless they contain significant financing components, when they are recognized at fair value, and subsequently measured at FVOCI, less loss allowance.

For trade receivables, the Group applies the simplified approach required by HKFRS 9, which requires expected lifetime losses to be recognized from initial recognition of the receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. Impairment losses on trade receivables are recognized in the consolidated income statement. Subsequent recoveries of amounts previously written off are credited against the same line item.

Other receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment.

If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

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

	2024 US$'000	2023 US$'000
Trade receivables	**8,130,697**	7,901,228
Notes receivable	**16,998**	39,150
	8,147,695	7,940,378

19 Receivables *(continued)*

(a) *(continued)*

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

	2024 US$'000	2023 US$'000
0 – 30 days	**6,185,814**	5,579,089
31 – 60 days	**1,080,594**	1,132,623
61 – 90 days	**235,405**	254,426
Over 90 days	**761,651**	1,039,913
	8,263,464	8,006,051
Less: loss allowance	**(132,767)**	(104,823)
Trade receivables — net	**8,130,697**	7,901,228

At March 31, 2024, trade receivables, net of loss allowance, of US$915,714,000 (2023: US$888,758,000) were past due. The ageing of these receivables, based on due date, is as follows:

	2024 US$'000	2023 US$'000
Within 30 days	**486,984**	421,876
31 – 60 days	**178,430**	185,604
61 – 90 days	**61,662**	98,447
Over 90 days	**188,638**	182,831
	915,714	888,758

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

	2024 US$'000	2023 US$'000
At the beginning of the year	**104,823**	106,620
Exchange adjustment	**(3,171)**	(4,470)
Increase in loss allowance recognized in profit or loss	**105,644**	122,832
Uncollectible receivables written off	**(35,489)**	(18,933)
Unused amounts reversed in profit or loss	**(39,040)**	(101,226)
At the end of the year	**132,767**	104,823

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

19 Receivables *(continued)*

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

	2024 US$'000	2023 US$'000
Deposits	**52,852**	187,096
Other receivables	**2,429,511**	1,971,020
Prepayments	**1,300,003**	1,787,037
	3,782,366	3,945,153

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

(d) The carrying amounts of trade and notes receivables, deposits and other receivables approximate their fair values. The maximum exposure to credit risk at the balance sheet date is the fair value of each class of receivable mentioned above.

20 Bank deposits and cash and cash equivalents

Accounting policy

For the purposes of the consolidated cash flow statement, cash and cash equivalents mainly comprise cash on hand, deposits held at call with banks, other short-term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the consolidated balance sheet.

Bank balances subjected to restrictions that result in such balances would no longer meet the definition of cash are presented as restricted bank balances in the consolidated balance sheet.

	2024 US$'000	2023 US$'000
Bank deposits		
— maturing between three to twelve months	**7,571**	10,860
— restricted bank balances	**57,984**	60,303
	65,555	71,163
Cash and cash equivalents		
— cash at bank and in hand	**3,206,279**	3,666,972
— money market funds	**353,552**	583,113
	3,559,831	4,250,085
	3,625,386	4,321,248
Maximum exposure to credit risk	**3,625,386**	4,321,248
Effective annual interest rates	**0%–10.75%**	0%–13.75%

21 Trade and notes payables

Accounting policy

Trade and notes payables are obligations to pay for components or services that have been acquired in the ordinary course of business from suppliers. Trade and notes payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

Trade and notes payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

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

	2024 US$'000	2023 US$'000
Trade payables	**8,473,990**	7,027,842
Notes payable	**2,031,437**	2,745,092
	10,505,427	9,772,934

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

	2024 US$'000	2023 US$'000
0 – 30 days	**5,201,965**	4,540,194
31 – 60 days	**2,002,588**	1,481,684
61 – 90 days	**643,980**	439,351
Over 90 days	**625,457**	566,613
	8,473,990	7,027,842

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

(c) The carrying amounts of trade and notes payables approximate their fair values.

22 Other payables and accruals

Accounting policy

Other payables and accruals mainly comprise the obligations to pay for finished goods and services that have been acquired in the ordinary course of business from subcontractors.

Allowance for billing adjustments relates primarily to allowances for future volume discounts, price protection, rebates, and customer sales returns, details of which are set out in Note 3.

The potential cash payments related to put options issued by the Group over the equity of a subsidiary are accounted for as financial liabilities. The amount that may become payable under the option on exercise is initially recognized at present value of redemption amount as a written put option liability with a corresponding charge directly to equity. A written put option liability is subsequently re-measured as a result of the change in the expected performance at each balance sheet date, with any resulting gain or loss recognized in the consolidated income statement. In the event that the option expires unexercised, the written put option liability is derecognized with a corresponding adjustment to equity.

Details of other payables and accruals are as follows:

	2024 US$'000	2023 US$'000
Accruals	**3,327,359**	3,563,634
Allowance for billing adjustments	**2,277,947**	2,524,891
Written put option liability (b)	**253,482**	450,030
Other payables	**6,791,407**	6,270,507
Lease liabilities	**101,580**	123,719
	12,751,775	12,932,781

Notes:

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

(b) Pursuant to the joint venture agreement entered into between the Company and Fujitsu Limited ("Fujitsu"), the Company and Fujitsu are respectively granted call and put options which entitle the Company to purchase from Fujitsu and Development Bank of Japan ("DBJ"), or Fujitsu and DBJ to sell to the Company, the 49% interest in Fujitsu Client Computing Limited and its subsidiaries (together "FCCL"). Both options are exercisable as at March 31, 2024. The exercise price for the call and put options will be determined based on the fair value of the 49% interest as of the day of exercising the option.

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

The put option liability shall be re-measured as a result of the change in the expected performance at each balance sheet date, with any resulting gain or loss recognized in the consolidated income statement (Note 4). In the event that the put option lapses unexercised, the liability will be derecognized with a corresponding adjustment to equity.

23 Provisions

Accounting policy

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

(a) Warranty provision

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

(b) Other provisions

Provisions for environmental restoration, restructuring costs and legal claims are recognized when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Restructuring costs provision comprises lease termination penalties and employee termination payments. Provisions are not recognized for future operating losses.

Critical accounting estimates and judgments

Warranty provision is based on the estimated cost of product warranties when revenue is recognized. Factors that affect the Group's warranty liability include the number of sold units currently under warranty, historical and anticipated rates of warranty claims on those units, and cost per claim to satisfy our warranty obligation. The estimation basis is reviewed on an on-going basis and revised where appropriate. Certain of these costs are reimbursable from the suppliers in accordance with the terms of relevant arrangements with the suppliers. These amounts are recognized as a separate asset, to the extent of the amount of the provision made, when it is virtually certain that reimbursement will be received if the Group settles the obligation.

23 Provisions *(continued)*

The components of provisions of the Group are as follows:

	Warranty US$'000	Environmental restoration US$'000	Restructuring US$'000	Total US$'000
Year ended March 31, 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
Year ended March 31, 2024				
At the beginning of the year	**1,051,839**	**26,084**	**162,577**	**1,240,500**
Exchange adjustment	**(25,797)**	**(2,703)**	**(521)**	**(29,021)**
Provisions made	**660,534**	**18,051**	**54,991**	**733,576**
Amounts utilized	**(716,985)**	**(16,096)**	**(108,108)**	**(841,189)**
	969,591	**25,336**	**108,939**	**1,103,866**
Long-term portion classified as non-current liabilities	**(161,261)**	**(21,655)**	**-**	**(182,916)**
At the end of the year	**808,330**	**3,681**	**108,939**	**920,950**

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.

24 Borrowings

Accounting policy

Borrowings are recognized initially at fair value, net of transaction costs incurred. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability, including fees and commissions paid to agents, advisers, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Borrowings are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the consolidated income statement over the period of the borrowings using the effective interest method.

The fair value of the liability portion of a convertible bond is determined using a market interest rate for an equivalent non-convertible bond. This amount is recorded as a liability on an amortized cost basis until extinguished on conversion or maturity of the bonds. The remainder of the proceeds is allocated to the conversion option. This is recognized and included in shareholders' equity, net of income tax effects.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

	2024 US$'000	2023 US$'000
Current liabilities		
Short-term loans (a)	**50,431**	57,032
Convertible bonds (c)	**-**	214,584
	50,431	271,616
Non-current liabilities		
Notes (b)	**3,012,637**	3,146,148
Convertible bonds (c)	**556,592**	537,030
	3,569,229	3,683,178
	3,619,660	3,954,794

Notes:

(a) Majority of the short-term loans are denominated in United States dollars. At March 31, 2024, the Group has total revolving and short-term loan facilities of US$5,426 million (2023: US$4,338 million) which has been utilized to the extent of US$41 million (2023: US$54 million).

24 Borrowings *(continued)*

Notes: *(continued)*

(b) Details of the outstanding notes are as follows:

Issue date	Outstanding principal amount	Term	Interest rate per annum	Due date	2024 US$'000	2023 US$'000
April 24, 2020 and May 12, 2020	US$965 million	5 years	5.875%	April 2025	**964,798**	999,593
November 2, 2020	US$900 million	10 years	3.421%	November 2030	**894,145**	922,035
July 27, 2022	US$600 million	5.5 years	5.831%	January 2028	**595,587**	619,856
July 27, 2022	US$563 million	10 years	6.536%	July 2032	**558,107**	604,664
					3,012,637	3,146,148

During the year, approximately US$35 million (2023: nil) in principal amount of the 2025 Notes, approximately US$29 million (2023: US$71 million) in principal amount of the 2030 Notes, approximately US$25 million (2023: nil) in principal amount of the 2028 Notes, approximately US$47 million (2023: US$15 million) in principal amount of the 2032 Notes were purchased by the Company. At March 31, 2024, approximately US$965 million (2023: US$1 billion) in principal amount of the 2025 Notes, approximately US$900 million (2023: US$929 million) in principal amount of the 2030 Notes, approximately US$600 million (2023: US$625 million) in principal amount of the 2028 Notes and approximately US$563 million (2023: US$610 million) in principal amount of the 2032 Notes remained outstanding.

(c) Details of the outstanding convertible bonds are as follows:

Issue date	Outstanding principal amount	Term	Interest rate per annum	Due date	2024 US$'000	2023 US$'000
January 24, 2019 (i)	–	5 years	3.375%	January 2024	**–**	214,584
August 26, 2022 (ii)	US$675 million	7 years	2.5%	August 2029	**556,592**	537,030
					556,592	751,614

(i) On January 24, 2019, the Company completed the issuance of 5-Year US$675 million convertible bonds bearing annual interest at 3.375% due in January 2024 ("the 2024 Convertible Bonds") to third party professional investors ("the bondholders"). The proceeds were used to repay previous notes and for general corporate purposes. The bondholders have the right, at any time on or after 41 days after the date of issue and up to the 10th day prior to the maturity date, to convert part or all of the outstanding principal amount of the 2024 Convertible Bonds into ordinary shares of the Company at a conversion price of HK$7.99 per share, subject to adjustments. The conversion price was adjusted to HK$6.19 per share effective on December 1, 2023.

The outstanding principal amount of the 2024 Convertible Bonds is repayable by the Company upon maturity 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 and US$0.5 million in principal amount were redeemed of even date. On August 29, 2022, approximately US$455 million in principal amount of the 2024 Convertible Bonds were purchased by the Company. During the year, the remaining US$219.5 million in principal amount of the 2024 Convertible Bonds were converted at the adjusted conversion price ranging from HK$7.79 to HK$ 7.82 per share. The entire 2024 Convertible Bonds were fully converted and cancelled (2023: US$219.5 million in principal amount remained outstanding).

(ii) On August 26, 2022, the Company completed the issuance of 7-Year US$675 million convertible bonds bearing annual interest at 2.5% due in August 2029 ("the 2029 Convertible Bonds") to the bondholders. The proceeds were used to repay previous convertible bonds and for general corporate purposes. The bondholders have the right, at any time on or after 41 days after the date of issue and up to the 10th day prior to the maturity date, to convert part or all of the outstanding principal amount of the 2029 Convertible Bonds into ordinary shares of the Company at a conversion price of HK$9.94 per share, subject to adjustments. The conversion price was adjusted to HK$9.42 per share effective July 29, 2023. Assuming full conversion of the 2029 Convertible Bonds at the conversion price of HK$9.42 per share, the 2029 Convertible Bonds will be convertible into 561,675,955 shares.

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

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

24 Borrowings *(continued)*

Notes: *(continued)*

(c) *(continued)*

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 2029 Convertible Bonds not exercised on maturity.

The exposure of all the borrowings of the Group to interest rate changes and the contractual repricing dates at March 31, 2024 and 2023 are as follows:

	2024 US$'000	2023 US$'000
Within 1 year	**50,431**	271,616
Over 1 to 2 years	**964,798**	–
Over 2 to 5 years	**595,587**	1,619,449
Over 5 years	**2,008,844**	2,063,729
	3,619,660	3,954,794

The fair values of the notes and convertible bonds at March 31, 2024 were US$2,954 million and US$827 million respectively (2023: US$3,035 million and US$1,062 million respectively). The carrying amounts of other borrowings are either at fair value or approximate their fair values as the impact of discounting is not significant.

Total bank facilities of the Group at March 31, 2024 and 2023 are as follows:

	Total available amounts		**Utilized amounts**	
	2024 US$'000	2023 US$'000	**2024 US$'000**	2023 US$'000
Revolving loans	**3,500,000**	2,500,000	**–**	–
Short-term money market facilities	**1,925,683**	1,838,182	**41,300**	53,800
Forward foreign exchange contracts	**11,587,905**	9,427,503	**11,554,595**	9,383,804
Trade lines	**4,676,387**	4,969,922	**2,861,146**	3,454,477
	21,689,975	18,735,607	**14,457,041**	12,892,081

All borrowings are unsecured and the effective annual interest rates at March 31, 2024 and 2023 are as follows:

	United States dollar 2024	2023
Short-term loans and notes	**3.29%–10.02%**	1.72%–9.28%
Convertible bonds	**6.07%**	6.07%–6.15%

25 Other non-current liabilities

Accounting policy

Grants from the government are recognized at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognized within "Other operating income/(expenses) — net" in the consolidated income statement over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to property, plant and equipment are included in "Other non-current liabilities" as deferred government grants and are credited to the consolidated income statement on a straight-line basis over the expected lives of the related assets.

Details of other non-current liabilities are as follows:

	2024 US$'000	2023 US$'000
Deferred consideration (a)	**25,072**	25,072
Written put option liability (b)	**44,251**	44,249
Lease liabilities	**240,449**	280,837
Environmental restoration (Note 23)	**21,655**	23,422
Government incentives and grants received in advance (c)	**101,095**	94,621
Others	**322,183**	353,904
	754,705	822,105

Notes:

(a) Pursuant to the joint venture agreement entered into with NEC Corporation, the Group is required to pay in cash to NEC Corporation deferred consideration. At March 31, 2024, 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 (2023: US$25 million).

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

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

Yuan Jia continues to hold 99.31% interest in ZJSB and is subject to a new option agreement entered into on January 11, 2022 whereby the Group and Yuan Jia are respectively granted call and put options which entitle the Group to purchase from Yuan Jia, or Yuan Jia to sell to the Group, the 99.31% interest in ZJSB. The call and put options will be exercisable after 54 months and from the 48 months to the 54 months respectively from the date of the new option agreement. The exercise price for the call and put options will be determined in accordance with the new option agreement, and up to a maximum of RMB500 million (approximately US$69 million).

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

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

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

26 Retirement benefit obligations

Accounting policy

(a) Pension obligations

The Group operates various pension schemes. The schemes are generally funded through payments to insurance companies or trustee-administered funds, determined by periodic actuarial calculations.

A defined benefit plan is a pension plan which defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognized in the consolidated balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. Significant portion of the defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation. In countries where there is no deep market in such bonds, the market rates on government bonds are used.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is included in employee benefit expense in the consolidated income statement.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognized in other comprehensive income or loss in the year in which they arise. They are included in retained earnings in the consolidated statement of changes in equity and in the consolidated balance sheet.

Certain defined benefit schemes require employees to contribute to reduce the cost of the benefits to the Group. Contributions from employees are linked to service and hence, the contributions reduce service cost. The Group attributes the contributions from employees to periods of service on a straight-line basis.

Changes in the present value of the defined benefit obligation resulting from plan amendments or curtailments are recognized immediately in profit or loss as past service costs.

(b) Post-employment medical benefits

The Group operates a number of post-employment medical benefit schemes, the largest being in the United States. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment using an accounting methodology similar to that for defined benefit pension plans. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognized in other comprehensive income or loss in the year in which they arise. The obligations of these schemes in the United States are valued annually by independent qualified actuaries.

Critical accounting estimates and judgments

Pension and other post-retirement benefit costs and obligations are dependent on various assumptions. The Group's major assumptions primarily relate to discount rate, expected return on assets, and salary growth. In determining the discount rate, the Group references market yields at the balance sheet date on high quality corporate bonds. The currency and term of the bonds are consistent with the currency and estimated term of the benefit obligations being valued. The expected return on plan assets is based on market expectations for returns over the life of the related assets and obligations. The salary growth assumptions reflect the Group's long-term actual experience and future and near-term outlook. Actual results that differ from the assumptions are generally recognized in the year they occur.

26 Retirement benefit obligations *(continued)*

	2024 US$'000	2023 US$'000
Pension obligation included in non-current liabilities		
Pension benefits	**212,841**	229,957
Post-employment medical benefits	**28,561**	27,287
	241,402	257,244
Expensed in consolidated income statement		
Pension benefits (Note 7)	**23,059**	18,909
Post-employment medical benefits	**1,498**	1,151
	24,557	20,060
Remeasurements for:		
Defined pension benefits	**5,740**	(57,429)
Post-employment medical benefits	**934**	(1,095)
	6,674	(58,524)

The Group's largest pension liabilities are now in Germany. The Group operates a sectionalized plan that has both defined contribution and defined benefit features in Germany, including benefits based on a final pay formula. This plan is closed to new entrants. The defined benefit plan for Motorola Mobility in Germany does not have employees, but a large number of retirees and former employees with benefits fully vested but have yet to reach retirement age.

The Group continues to maintain significant pension liabilities in Japan, where a cash balance benefit is provided for substantially all employees.

In the US, the defined benefit plan is closed to new entrants, and now covers only less than 1% of employees. There is also a supplemental defined benefit plan that covers certain executives.

The Group also operates final salary defined benefit plans in a number of countries as a result of past acquisitions.

The Group's plans are valued by qualified actuaries annually using the projected unit credit method.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income in the year in which they arise.

(a) Pension benefits

The amounts recognized in the consolidated balance sheet are determined as follows:

	2024 US$'000	2023 US$'000
Present value of funded obligations	**451,205**	467,130
Fair value of plan assets	**(373,512)**	(367,224)
Deficit of funded plans	**77,693**	99,906
Present value of unfunded obligations	**135,148**	130,051
Liability in the consolidated balance sheet	**212,841**	229,957
Representing:		
Pension benefits obligation	**212,841**	229,957

26 Retirement benefit obligations *(continued)*

(a) Pension benefits *(continued)*

The principal actuarial assumptions used are as follows:

	2024	2023
Discount rate	**1.5%–5.1%**	1.7%–4.8%
Future salary increases	**0%–5.4%**	0%–5.4%
Future pension increases	**0%–2.5%**	0%–2.3%
Life expectancy for male aged 60	**25**	25
Life expectancy for female aged 60	**29**	26

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is:

		Impact on defined benefit obligation	
2024	**Change in assumption**	**Increase in assumption**	**Decrease in assumption**
Discount rate	**0.5%**	**Decrease by 5.6%**	**Increase by 6.2%**
Salary growth rate	**0.5%**	**Increase by 1.0%**	**Decrease by 0.9%**
Pension growth rate	**0.5%**	**Increase by 3.7%**	**Decrease by 3.5%**
Life expectancy	**1 year**	**Increase by 1.4%**	**Decrease by 1.4%**

		Impact on defined benefit obligation	
2023	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate	0.5%	Decrease by 5.7%	Increase by 6.2%
Salary growth rate	0.5%	Increase by 1.2%	Decrease by 1.3%
Pension growth rate	0.5%	Increase by 5.2%	Decrease by 5.4%
Life expectancy	1 year	Increase by 1.6%	Decrease by 1.5%

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the pension liability recognized within the consolidated balance sheet.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous year.

26 Retirement benefit obligations *(continued)*

(b) Post-employment medical benefits

The Group operates a number of post-employment medical benefit schemes, principally in the US. The method of accounting, assumptions and the frequency of valuations are similar to those used for defined benefit pension schemes.

The US plan (Lenovo Future Health Account Plan) is currently an unfunded plan, and benefits to eligible retirees and dependents will be made through general assets.

As post-employment medical benefits plan made no agreements on future benefit level changes, the changes in future medical cost trend rates have no effect on the liabilities for post-employment medical benefits.

The liability recognized in the consolidated balance sheet of US$28,561,000 (2023: US$27,287,000) represents the present value of unfunded obligations.

(c) Additional information on post-employment benefits (pension and medical)

Plan assets of the Group comprise:

	2024			2023		
	Quoted US$'000	**Unquoted US$'000**	**Total US$'000**	Quoted US$'000	Unquoted US$'000	Total US$'000
Pension plan						
Equity instruments						
Information technology	**1,429**	**-**	**1,429**	1,707	–	1,707
Energy	**234**	**-**	**234**	323	–	323
Manufacturing	**2,026**	**-**	**2,026**	1,930	–	1,930
Others	**10,420**	**-**	**10,420**	10,081	–	10,081
	14,109	**-**	**14,109**	14,041	–	14,041
Debt instruments						
Government	**58,423**	**-**	**58,423**	57,896	–	57,896
Corporate bonds (investment grade)	**61,439**	**-**	**61,439**	61,704	–	61,704
Corporate bonds (Non-investment grade)	**57,916**	**-**	**57,916**	45,573	–	45,573
	177,778	**-**	**177,778**	165,173	–	165,173
Others						
Property	**-**	**23,449**	**23,449**	–	22,924	22,924
Qualifying insurance policies	**-**	**49,951**	**49,951**	–	49,691	49,691
Cash and cash equivalents	**7,048**	**-**	**7,048**	25,063	–	25,063
Investment funds	**-**	**77,328**	**77,328**	–	66,910	66,910
Structured bonds	**-**	**19,519**	**19,519**	–	19,461	19,461
Others	**-**	**4,330**	**4,330**	–	3,961	3,961
	7,048	**174,577**	**181,625**	25,063	162,947	188,010
	198,935	**174,577**	**373,512**	204,277	162,947	367,224

The long term strategic asset allocations of the plans are set and reviewed from time to time by the plans' trustees taking into account the membership, liability profile and the liquidity requirements of the plans.

The weighted average duration of the defined benefit obligation is 12.04 years (2023: 11.99 years).

26 Retirement benefit obligations *(continued)*

(c) Additional information on post-employment benefits (pension and medical) *(continued)*

Expected maturity analysis of undiscounted pension and post-employments medical benefits:

	Less than a year US$'000	Between 1-2 years US$'000	Between 2-5 years US$'000	Over 5 years US$'000	Total US$'000
At March 31, 2024					
Pension benefits	**28,815**	**28,610**	**94,889**	**741,916**	**894,230**
Post-employment medical benefits	**1,555**	**1,747**	**14,200**	**38,671**	**56,173**
Total	**30,370**	**30,357**	**109,089**	**780,587**	**950,403**
At March 31, 2023					
Pension benefits	30,314	28,846	93,556	778,146	930,862
Post-employment medical benefits	1,435	1,601	5,822	36,941	45,799
Total	31,749	30,447	99,378	815,087	976,661

Pension and medical plan assets do not include any of the Company's ordinary shares or US real estate occupied by the Group (2023: nil).

Reconciliation of fair value of plan assets of the Group:

	Pension 2024 US$'000	2023 US$'000	Medical 2024 US$'000	2023 US$'000
Opening fair value	**367,224**	409,527	**-**	–
Exchange adjustment	**(20,973)**	(23,919)	**16**	–
Interest income	**11,371**	6,873	**17**	–
Remeasurements:				
Experience gain/(loss)	**3,764**	(35,788)	**-**	–
Contributions by the employer	**31,329**	28,020	**1,110**	975
Contributions by plan participants	**1,349**	1,965	**-**	–
Benefits paid	**(20,552)**	(19,454)	**(1,143)**	(975)
Closing fair value	**373,512**	367,224	**-**	–
Actual return on plan assets	**15,135**	(28,915)	**17**	–

Contributions of US$20,635,000 are estimated to be made for the year ending March 31, 2025.

26 Retirement benefit obligations *(continued)*

(c) Additional information on post-employment benefits (pension and medical) *(continued)*

Reconciliation of movements in present value of defined benefit obligation of the Group:

	Pension **2024** **US$'000**	 2023 US$'000	Medical **2024** **US$'000**	 2023 US$'000
Opening defined benefit obligation	**597,181**	721,703	**27,287**	28,366
Exchange adjustment	**(30,959)**	(36,057)	**(32)**	(160)
Current service cost	**15,007**	13,668	**226**	299
Past service cost	**1,231**	40	**–**	–
Interest cost	**18,427**	12,236	**1,289**	852
Remeasurements:				
(Gain)/loss from changes in demographic assumptions	**(326)**	5,782	**3**	(1)
Loss/(gain) changes in financial assumptions	**405**	(92,040)	**(1,107)**	(558)
Experience loss/(gain)	**9,425**	(6,959)	**2,038**	(536)
Contributions by plan participants	**1,337**	1,221	**–**	–
Benefits paid	**(25,140)**	(23,346)	**(1,143)**	(975)
Acquisition of a subsidiary	**–**	1,095	**–**	–
Curtailment gain	**(235)**	(162)	**–**	–
Closing defined benefit obligation	**586,353**	597,181	**28,561**	27,287

During the year, benefits of US$4,588,000 were settled directly by the Group (2023: US$3,892,000).

Summary of pensions and post-retirement medical benefits of the Group:

	2024 **US$'000**	2023 US$'000	2022 US$'000	2021 US$'000	2020 US$'000
Present value of defined benefit obligation	**614,914**	624,468	750,069	876,077	855,046
Fair value of plan assets	**373,512**	367,224	409,527	444,172	396,660
Deficit	**241,402**	257,244	340,542	431,905	458,386
Actuarial (gains)/losses arising on plan assets	**(3,764)**	35,788	17,780	(6,196)	(11,476)
Actuarial losses/(gains) arising on plan liabilities	**10,438**	(94,312)	(75,974)	(29,539)	57,751
	6,674	(58,524)	(58,194)	(35,735)	46,275

26 Retirement benefit obligations *(continued)*

(c) Additional information on post-employment benefits (pension and medical) *(continued)*

The amounts recognized in the consolidated income statement are as follows:

	Pension		Medical	
	2024 US$'000	2023 US$'000	**2024 US$'000**	2023 US$'000
Current service cost	**15,007**	13,668	**226**	299
Past service cost	**1,231**	40	**–**	–
Interest cost	**18,427**	12,236	**1,289**	852
Interest income	**(11,371)**	(6,873)	**(17)**	–
Curtailment gain	**(235)**	(162)	**–**	–
Total expense recognized in the consolidated income statement	**23,059**	18,909	**1,498**	1,151

27 Share capital

Accounting policy

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Where any group company purchases the Company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes), is deducted from equity attributable to the Company's equity holders until the shares are cancelled or reissued. Where such shares are subsequently reissued, any consideration received (net of any directly attributable incremental transaction costs and the related income tax effects) is included in equity attributable to the Company's equity holders.

	2024		2023	
	Number of shares	**US$'000**	Number of shares	US$'000
Issued and fully paid:				
Voting ordinary shares:				
At the beginning of the year	**12,128,130,291**	**3,282,318**	12,041,705,614	3,203,913
Issue of ordinary shares for acquisition of subsidiaries and an associate	**–**	**–**	86,424,677	78,405
Conversion of convertible bonds (Note 24(c)(i))	**276,529,011**	**218,669**	–	–
At the end of the year	**12,404,659,302**	**3,500,987**	12,128,130,291	3,282,318

28 Significant business combinations

Accounting policy

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognizes any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognized amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognized in profit or loss.

Goodwill is initially measured as the excess of the aggregate of the consideration transferred, amount of any non-controlling interest in the acquiree and acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the net identifiable assets acquired and liabilities assumed (Note 14). If it is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized directly in the consolidated income statement.

Critical accounting estimates and judgments

The Group applies the acquisition method to account for business combinations, which requires the Group to record assets acquired and liabilities assumed at their fair values on the date of acquisition. Significant judgment is used to estimate the fair values of the assets and liabilities acquired, including estimating future cash flows from the acquired business, determining appropriate discount rates, asset lives and other assumptions.

During the year ended March 31, 2024, the Group completed the following key business combination activities:

— On July 7, 2023, the Group completed the acquisition of the entire interests in Lenovo Leasing Co., Ltd ("Lenovo Leasing"). Lenovo Leasing is principally engaged in leasing business on IT equipment in the Chinese Mainland. The consideration of the acquisition was approximately US$124 million, which was satisfied by the Group in cash at completion.

— On September 29, 2023, the Group acquired certain assets and assumed certain liabilities from FCNT Limited ("FCNT business") at a consideration of approximately US$14 million, which was satisfied by the Group in cash at completion. The acquisition enables the Group to accelerate its growth in the smartphone business in Japan.

28 Significant business combinations *(continued)*

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

	Lenovo Leasing US$'000	FCNT business US$'000	Total US$'000
Purchase consideration	**123,547**	**13,915**	**137,462**
Less: fair value of net identifiable assets attributable to the interest acquired	**(113,934)**	**(5,328)**	**(119,262)**
Goodwill	**9,613**	**8,587**	**18,200**

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

	Lenovo Leasing US$'000	FCNT business US$'000	Total US$'000
Cash and cash equivalents	**15,095**	**-**	**15,095**
Property, plant and equipment	**67,720**	**6,603**	**74,323**
Right-of-use assets	**-**	**1,440**	**1,440**
Intangible assets	**163**	**15,979**	**16,142**
Deferred income tax assets less liabilities	**(312)**	**(4,775)**	**(5,087)**
Other non-current assets	**52,357**	**1,212**	**53,569**
Net working capital except cash and cash equivalents	**(21,089)**	**(15,131)**	**(36,220)**
Fair value of net identifiable assets acquired	**113,934**	**5,328**	**119,262**

For the year ended March 31, 2024, revenue contributed by Lenovo Leasing and FCNT business was US$32 million and US$23 million respectively. Lenovo Leasing contributed profit before taxation of US$2 million and FCNT business incurred loss before taxation of US$12 million to the Group during the year. If the acquisition of Lenovo Leasing had occurred on April 1, 2023, consolidated pro-forma revenue and profit before taxation of the Group for the year ended March 31, 2024 would have been increased from US$56,864 million to US$56,874 million and remained as US$1,365 million respectively. No separate set of financial information was prepared for FCNT business before the acquisition. Accordingly, disclosure of consolidated pro-forma revenue and profit before taxation of the Group for the year ended March 31, 2024, if the acquisition of FCNT business had occurred on April 1, 2023, has not been made.

At March 31, 2024, the Group has not finalized the fair value assessments for net identifiable assets acquired (including intangible assets) from the business combinations. The relevant fair values of net identifiable assets stated above are on a provisional basis.

Acquisition-related costs of US$2 million are included in "Administrative expenses" in the consolidated income statement and in operating cash flows in the consolidated cash flow statement.

29 Financial instruments by category

Accounting policy

Financial assets

(a) Classification

The Group classifies its financial assets in the following measurement categories:

— those to be measured subsequently at fair value (either through other comprehensive income or through profit or loss), and

— those to be measured at amortized cost.

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investments at FVOCI.

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

(b) Recognition and derecognition

Regular way purchases and sales of financial assets are recognized on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

(c) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at FVPL, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

(i) Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the assets and the cash flow characteristics of the assets. There are three measurement categories into which the Group classifies its debt instruments:

— Amortized cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. Interest income from these financial assets, impairment losses, foreign exchange gains and losses, and gain or loss arising on derecognition are recognized directly in profit or loss.

— FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment losses, interest income and foreign exchange gains and losses which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss.

— FVPL: Assets that do not meet the criteria for amortized cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognized in profit or loss in the period in which it arises.

29 Financial instruments by category *(continued)*

Accounting policy *(continued)*

Financial assets *(continued)*

(c) Measurement (continued)

(ii) Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognized in profit or loss when the Group's right to receive payments is established. On disposal of these equity investments, any related balance within the investment revaluation reserve is reclassified to retained earnings. Changes in the fair value of financial assets at FVPL are recognized in profit or loss as applicable.

Financial assets at FVOCI comprise equity investments which are not held for trading, and which the Group has irrevocably elected at initial recognition to recognize in this category. These are strategic investments and the Group considers this classification to be more relevant.

Financial assets at FVPL comprise equity investments which are held for trading, and which the Group has not elected to recognize fair value gains and losses through other comprehensive income.

Details on how the fair value of financial instruments is determined are disclosed in Note 30(d).

Impairment of financial assets

The Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortized cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

Derivative financial instruments and hedging activities

Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair values at the end of each reporting period. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as either: (i) hedges of the fair value of recognized assets or liabilities or a firm commitment (fair value hedge) or (ii) hedges of highly probable forecast transactions (cash flow hedges).

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

Accounting policy *(continued)*

Derivative financial instruments and hedging activities *(continued)*

The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months, and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or liability.

(a) *Fair value hedge*

Changes in the fair value of derivatives that are designated and qualified as fair value hedges are recorded in the consolidated income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

(b) *Cash flow hedge*

The effective portion of changes in the fair value of derivatives that are designated and qualified as cash flow hedges is recognized in other comprehensive income or loss. The gain or loss relating to the ineffective portion is recognized immediately in the consolidated income statement.

Amounts accumulated in equity are reclassified to the consolidated income statement in the periods when the hedged item affects profit or loss (for example, when the forecast sale or purchase that is hedged takes place). The gain or loss relating to the effective portion of interest rate swaps hedging variable rate borrowings is recognized in the consolidated income statement within "Finance costs". The gain or loss relating to the ineffective portion is recognized within "Other operating income/(expenses) — net" in the consolidated income statement.

When a hedging instrument expires, or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gains or losses on the hedging instrument that has been recognized in other comprehensive income from the period when the hedge was effective shall remain separately in equity until the forecast transaction occurs. When a forecast transaction is no longer expected to occur, the cumulative gains or losses on the hedging instrument that has been recognized in other comprehensive income from the period when the hedge was effective shall be reclassified from equity to the consolidated income statement immediately.

(c) *Derivatives that do not qualify for hedge accounting*

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instruments that do not qualify for hedge accounting are recognized immediately in the consolidated income statement.

Critical accounting estimates and judgments

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. The Group uses its judgment to select a variety of methods and make assumptions that are mainly based on market conditions existing at each balance sheet date.

29 Financial instruments by category *(continued)*

	Financial assets at amortized cost US$'000	Financial assets at FVPL US$'000	Derivatives used for hedging US$'000	Financial assets at FVOCI (non-recycling) US$'000	Other financial assets at FVOCI (recycling) US$'000	Total US$'000
Assets						
At March 31, 2024						
Financial assets at FVPL	**–**	**1,393,666**	**–**	**–**	**–**	**1,393,666**
Financial assets at FVOCI	**–**	**–**	**–**	**55,973**	**–**	**55,973**
Trade and notes receivables	**16,998**	**–**	**–**	**–**	**8,130,697**	**8,147,695**
Derivative financial assets	**–**	**–**	**69,568**	**–**	**–**	**69,568**
Deposits and other receivables	**2,347,121**	**–**	**–**	**–**	**–**	**2,347,121**
Bank deposits	**65,555**	**–**	**–**	**–**	**–**	**65,555**
Cash and cash equivalents	**3,559,831**	**–**	**–**	**–**	**–**	**3,559,831**
	5,989,505	**1,393,666**	**69,568**	**55,973**	**8,130,697**	**15,639,409**
At March 31, 2023						
Financial assets at FVPL	–	1,233,969	–	–	–	1,233,969
Financial assets at FVOCI	–	–	–	66,178	–	66,178
Trade and notes receivables	39,150	–	–	–	7,901,228	7,940,378
Derivative financial assets	–	–	37,460	–	–	37,460
Deposits and other receivables	2,055,427	–	–	–	–	2,055,427
Bank deposits	71,163	–	–	–	–	71,163
Cash and cash equivalents	4,250,085	–	–	–	–	4,250,085
	6,415,825	1,233,969	37,460	66,178	7,901,228	15,654,660

29 Financial instruments by category *(continued)*

	Financial liabilities at amortized cost US$'000	Derivatives used for hedging US$'000	Total US$'000
Liabilities			
At March 31, 2024			
Trade and notes payables	**10,505,427**	**–**	**10,505,427**
Derivative financial liabilities	**–**	**42,555**	**42,555**
Other payables and accruals	**9,552,604**	**–**	**9,552,604**
Lease liabilities	**342,029**	**–**	**342,029**
Borrowings	**3,619,660**	**–**	**3,619,660**
Deferred consideration	**25,072**	**–**	**25,072**
Written put option liabilities	**297,733**	**–**	**297,733**
Others	**322,183**	**–**	**322,183**
	24,664,708	**42,555**	**24,707,263**
At March 31, 2023			
Trade and notes payables	9,772,934	–	9,772,934
Derivative financial liabilities	–	62,499	62,499
Other payables and accruals	9,296,058	–	9,296,058
Lease liabilities	404,556	–	404,556
Borrowings	3,954,794	–	3,954,794
Deferred consideration	25,072	–	25,072
Written put option liabilities	494,279	–	494,279
Others	353,904	–	353,904
	24,301,597	62,499	24,364,096

30 Financial risk management

The Group's activities expose it to a variety of financial risks, such as market risk (including foreign currency risk, cash flow interest rate risk and price risk), credit risk, and liquidity risk. The Group's overall financial risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to hedge certain risk exposures. Financial risk management is carried out by the centralized treasury department ("Group Treasury").

(a) Financial risk factors

(i) Foreign currency risk

The Group operates internationally and is exposed to foreign currency risk arising from various currency exposures, primarily with respect to United States dollar, Renminbi and Euro. Foreign currency risk arises from future commercial transactions, recognized assets and liabilities and net investment in foreign operations denominated in a currency that is not the group companies' functional currency.

Management has set up a policy to require group companies to manage their foreign currency risk against their functional currency. The Group's forward foreign currency contracts are either used to hedge a percentage of anticipated cash flows (mainly export sales and purchase of inventories) which are highly probable, or used as fair value hedges for the identified assets and liabilities.

For segment reporting purposes, external hedge contracts on assets, liabilities or future transactions are designated to each operating segment, as appropriate.

The following tables detail the Group's exposure at the balance sheet date to currency risk arising from recognized assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate, except for the currency risk between United States dollar and Hong Kong dollar given the two currencies are under the linked exchange rate system. For presentation purposes, the amounts of the exposure are shown in United States dollar, translated using the spot rate at the balance sheet date. Differences resulting from the translation of the financial statements of foreign operations into the Group's presentation currency are excluded.

	2024			2023		
	United States dollar US$'000	**Renminbi US$'000**	**Euro US$'000**	United States dollar US$'000	Renminbi US$'000	Euro US$'000
Trade and other receivables	**725,286**	**9,155**	**164,159**	791,954	6,836	142,161
Bank deposits and cash and cash equivalents	**108,167**	**87,364**	**171,657**	56,242	34,816	56,564
Trade and other payables	**(479,478)**	**(9,851)**	**(92,222)**	(559,397)	(12,317)	(112,514)
Intercompany balances before elimination	**1,297,061**	**3,250,149**	**(696,053)**	131,120	3,673,990	(13,973)
Gross exposure	**1,651,036**	**3,336,817**	**(452,459)**	419,919	3,703,325	72,238
Notional amounts of forward exchange contracts used as economic hedges	**2,079,772**	**597,298**	**523,050**	2,995,077	(58,142)	(2,487)
Net exposure	**3,730,808**	**3,934,115**	**70,591**	3,414,996	3,645,183	69,751

30 Financial risk management *(continued)*

(a) Financial risk factors *(continued)*

(ii) Cash flow interest rate risk

The Group's interest rate risk generally arises from short-term and long-term borrowings denominated in United States dollar. It is the Group's policy to mitigate interest rate risk through the use of appropriate interest rate hedging instruments when necessary. Generally, the Group manages its cash flow interest rate risk by using floating-to-fixed interest rate swaps. Such interest rate swaps have the economic effect of converting borrowings from floating rates to fixed rates. Under the interest rate swaps, the Group agrees with other parties to settle the difference between cash flow arising from fixed contract rates and floating-rate interest of the notional amounts at specified intervals (primarily quarterly).

The Group participates in various trade financing programs. The Group is exposed to fluctuation of interest rates of all the currencies covered by those programs.

(iii) Price risk

The Group's exposure to equity securities price risk arises from investments held by the Group and classified in the consolidated balance sheet either as financial assets at FVPL (Note 17(a)) or FVOCI (Note 17(b)).

To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Group.

The Group's listed equity investments are determined based on respective quoted market prices. The fair value of unlisted equity investments is determined based on valuation techniques, please refer to Note 30(d) for details.

(iv) Credit risk

Credit risk is managed on a group basis. Credit risk arises from cash and cash equivalents, derivative financial instruments, notes receivable, other receivables and deposits with banks and financial institutions, as well as credit exposures to customers and subcontractors, including outstanding receivables and committed transactions.

For banks and other financial institutions, the Group controls its credit risk through monitoring their credit rating and setting approved counterparty credit limits that are regularly reviewed.

The Group has no significant concentration of customer credit risk. The Group has a credit policy in place and exposures to these credit risks are monitored on an ongoing basis. No credit limits were exceeded by any customers and subcontractors during the reporting period, and management does not expect any significant losses from non-performance by these counterparties.

Except for trade receivables, the Group measures the loss allowance equal to 12 months expected credit loss, unless when there has been a significant increase in credit risk since initial recognition, the Group recognizes lifetime expected credit loss. The expected credit loss was minimal.

30 Financial risk management *(continued)*

(a) Financial risk factors *(continued)*

(iv) Credit risk *(continued)*

The Group applies the simplified approach to provide for expected credit losses prescribed by HKFRS 9, which requires the use of the lifetime expected credit loss provision for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on the shared credit risk characteristics and days past due. The gross carrying amount of the trade receivables and the loss allowance analyzed by ageing band are set out below:

	Gross carrying amount US$'000	**Loss allowance** US$'000	**Expected credit loss rate**
At March 31, 2024			
Not past due	**7,246,766**	**(31,783)**	**0%**
Past due less than 31 days	**487,343**	**(359)**	**0%**
Past due within 31 to 60 days	**178,547**	**(117)**	**0%**
Past due within 61 to 90 days	**62,326**	**(664)**	**1%**
Past due over 90 days	**288,482**	**(99,844)**	**35%**
	8,263,464	**(132,767)**	
At March 31, 2023			
Not past due	7,018,636	(6,166)	0%
Past due less than 31 days	438,115	(16,239)	4%
Past due within 31 to 60 days	188,634	(3,030)	2%
Past due within 61 to 90 days	99,608	(1,161)	1%
Past due over 90 days	261,058	(78,227)	30%
	8,006,051	(104,823)	

(v) Liquidity risk

Cash flow forecasting at least for next 12 months of the Group is performed by Group Treasury. It monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational, financing and investing needs while maintaining sufficient headroom on its undrawn committed borrowing facilities (Note 24) at all times so that the Group does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities. Such forecasting takes into consideration the Group's debt financing plans, net current liabilities position, covenant compliance, compliance with internal balance sheet ratio targets and, if applicable, external regulatory or legal requirements, for example, currency restrictions.

Surplus cash held by the operating entities over and above balances required for working capital management are transferred to Group Treasury. Group Treasury invests surplus cash in interest bearing current accounts, time deposits, money market funds and marketable securities, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient headroom as determined by the above-mentioned forecasts. At the balance sheet date, the Group held money market funds of US$353,552,000 (2023: US$583,113,000) (Note 20).

30 Financial risk management *(continued)*

(a) Financial risk factors *(continued)*

(v) Liquidity risk *(continued)*

The tables below analyze the Group's non-derivative financial liabilities and derivative financial liabilities into relevant maturity groupings based on the remaining periods at the balance sheet date to the contractual maturity dates. Derivative financial liabilities are included in the analysis if their contractual maturities are essential for an understanding of the timing of the cash flows. The amounts disclosed in the tables are the contractual undiscounted cash outflows/(inflows).

	Repayable on demand or 3 months or less US$'000	Over 3 months to 1 year US$'000	Over 1 to 3 years US$'000	Over 3 to 5 years US$'000	Over 5 years US$'000	Total US$'000
At March 31, 2024						
Borrowings	**21,187**	**210,657**	**1,210,193**	**805,524**	**2,335,798**	**4,583,359**
Trade, notes and other payables and accruals	**18,168,239**	**1,889,792**	**-**	**-**	**-**	**20,058,031**
Deferred consideration	**-**	**-**	**25,072**	**-**	**-**	**25,072**
Written put option liabilities	**253,482**	**-**	**49,452**	**-**	**-**	**302,934**
Lease liabilities	**36,013**	**96,358**	**166,189**	**78,986**	**32,302**	**409,848**
Others	**-**	**-**	**224,297**	**87,095**	**10,791**	**322,183**
Derivatives settled in gross:						
Forward foreign exchange contracts						
— outflow	**9,217,616**	**603,633**	**-**	**-**	**-**	**9,821,249**
— inflow	**(9,229,714)**	**(612,837)**	**-**	**-**	**-**	**(9,842,551)**
At March 31, 2023						
Borrowings	22,506	466,546	1,318,502	879,572	2,519,395	5,206,521
Trade, notes and other payables and accruals	17,423,290	1,645,702	–	–	–	19,068,992
Deferred consideration	–	–	25,072	–	–	25,072
Written put option liabilities	450,353	–	51,921	–	–	502,274
Lease liabilities	37,747	103,690	179,089	99,334	53,317	473,177
Others	–	–	254,071	80,535	19,298	353,904
Derivatives settled in net:						
Forward foreign exchange contracts	3,984	–	–	–	–	3,984
Derivatives settled in gross:						
Forward foreign exchange contracts						
— outflow	7,700,529	400,201	–	–	–	8,100,730
— inflow	(7,682,737)	(406,580)	–	–	–	(8,089,317)

30 Financial risk management *(continued)*

(b) Market risk sensitivity analysis

HKFRS 7 "Financial instruments: Disclosures" requires the disclosure of a sensitivity analysis for market risks that show the effects of a hypothetical change in the relevant market risk variable to which the Group is exposed to at the balance sheet date on profit or loss and total equity.

The sensitivity analysis for each type of market risks does not reflect inter-dependencies between risk variables. The sensitivity analysis assumes that a hypothetical change of the relevant risk variable had occurred at the balance sheet date and had been applied to the relevant risk variable in existence on that date. The bases and assumptions adopted in the preparation of the analyses will by definition, seldom equal to the related actual results.

The disclosure of the sensitivity analysis on market risks is solely for compliance with HKFRS 7 disclosure requirements in respect of financial instruments, and are for illustration purposes only; and it should be noted that the hypothetical amounts so generated do not represent a projection of likely future events and profits or losses of the Group.

(i) Foreign currency exchange rate sensitivity analysis

At March 31, 2024, if United States dollar had weakened/strengthened by one percent against the major currencies with all other variables held constant, pre-tax profit for the year would have been US$2.7 million higher/lower (2023: US$3.0 million higher/lower), mainly as a result of foreign exchange gains/losses on translation of unhedged portion of receivable and payable balances.

The analysis above is based on the assumption that United States dollar weakened or strengthened against all other currencies in the same direction and magnitude, but it may not be necessarily true in reality.

(ii) Interest rate sensitivity analysis

At March 31, 2024, the Group's short term borrowings at variable rate do not have significant impact on pre-tax profit for the year if interest rate on borrowings had been 25 basis points higher/lower with all other variable held constant (2023: do not have significant impact).

(iii) Price risk sensitivity analysis

The table below summarizes the impact of increase/decrease of the quoted market prices of listed equity investments and the prices of unlisted equity investments on the Group's pre-tax profit and equity for the year. The analysis is based on the assumption that the fair value of the equity investments had increased/ decreased by 5% with all other variables held constant.

	Impact on pre-tax profit		Pre-tax impact on other components of equity	
	2024 US$'000	2023 US$'000	**2024 US$'000**	2023 US$'000
Increase by 5%	**69,683**	61,698	**2,799**	3,309
Decrease by 5%	**(69,683)**	(61,698)	**(2,799)**	(3,309)

30 Financial risk management *(continued)*

(c) Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of gearing ratio. This ratio is calculated as total borrowings (including current and non-current borrowings) divided by total equity. The Group's strategy remains unchanged and the gearing ratios and net cash position of the Group at March 31, 2024 and 2023 are as follows:

	2024 US$ million	2023 US$ million
Bank deposits and cash and cash equivalents	**3,626**	4,321
Less: total borrowings	**(3,620)**	(3,955)
Net cash position	**6**	366
Total equity	**6,081**	6,047
Gearing ratio	**0.60**	0.65

(d) Fair value estimation

The table below analyzes financial instruments carried at fair value defined under different levels as follows:

— Level 1 Quoted prices (unadjusted) in active markets for identical assets or liabilities.

— Level 2 Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

— Level 3 Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. The quoted market price already incorporates the market's assumptions with respect to changes in economic climate such as rising interest rates and inflation, as well as changes due to environmental, social and governance risk ("ESG risk"). These instruments are included in Level 1.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3. This is the case for unlisted equity securities and for instruments where ESG risk gives rise to a significant unobservable adjustment.

30 Financial risk management *(continued)*

(d) Fair value estimation *(continued)*

Specific valuation techniques used to value financial instruments include:

— The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves.

— The fair value of forward foreign exchange contracts is determined using quoted forward exchange rates at the balance sheet date, with the resulting value discounted back to present value.

— Other techniques, such as estimated discounted cash flows and recent transaction for similar instruments, are used to determine fair value for the remaining financial instruments.

The following table presents the assets and liabilities that are measured at fair value at March 31, 2024 and 2023.

	2024				2023			
	Level 1 US$'000	Level 2 US$'000	Level 3 US$'000	Total US$'000	Level 1 US$'000	Level 2 US$'000	Level 3 US$'000	Total US$'000
Assets								
Financial assets at FVPL								
Listed equity investments	110,573	–	156,293	266,866	180,428	–	133,054	313,482
Unlisted equity investments	–	–	1,126,800	1,126,800	–	–	920,487	920,487
Financial assets at FVOCI								
Listed equity investments	37,745	–	–	37,745	45,026	–	–	45,026
Unlisted equity investments	–	–	18,228	18,228	–	–	21,152	21,152
Trade receivables	–	8,130,697	–	8,130,697	–	7,901,228	–	7,901,228
Derivative financial assets	–	69,568	–	69,568	–	37,460	–	37,460
	148,318	8,200,265	1,301,321	9,649,904	225,454	7,938,688	1,074,693	9,238,835
Liabilities								
Derivative financial liabilities	–	42,555	–	42,555	–	62,499	–	62,499
	–	42,555	–	42,555	–	62,499	–	62,499

30 Financial risk management *(continued)*

(d) Fair value estimation *(continued)*

The movements in the financial assets and liabilities included in Level 3 fair value hierarchy for the years ended March 31, 2024 and 2023 are as follows:

Equity securities

	Financial assets at FVPL		Financial assets at FVOCI	
	2024 US$'000	2023 US$'000	**2024 US$'000**	2023 US$'000
At the beginning of the year	**1,053,541**	957,636	**21,152**	19,280
Exchange adjustment	**(42,544)**	(62,986)	**(448)**	(1,091)
Fair value change recognized in other comprehensive income	**-**	–	**(2,476)**	(1,038)
Fair value change recognized in profit or loss	**167,267**	92,662	**-**	–
Transfer to Level 1	**(53,512)**	(54,546)	**-**	–
Additions	**179,192**	225,982	**-**	7,149
Disposals	**(20,851)**	(105,207)	**-**	(3,148)
At the end of the year	**1,283,093**	1,053,541	**18,228**	21,152

The Level 3 equity securities are valued primarily based on the latest available financial statements. The Group may make adjustments to the value based on considerations such as the value date of the net assets value provided, cash flows since the latest value date, geographic and sector exposures, market movements and the basis of accounting of the underlying equity securities. A reasonable possible change in key assumptions used in the fair value measurement of equity securities would not result in any significant potential financial impact.

During the year ended March 31, 2024, three (2023: three) investments which were categorized as Level 3 have listed their equity shares on the exchanges. With the published price quotations in active markets, related fair value measurement was transferred from Level 3 to Level 1.

Convertible preferred shares

	2024 US$'000	2023 US$'000
At the beginning of the year	**-**	45,115
Repurchase	**-**	(46,443)
Dividends paid	**-**	(1,881)
Fair value change recognized in profit or loss	**-**	3,209
At the end of the year	**-**	–

(e) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

31 Note to the consolidated cash flow statement

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

	2024 US$'000	2023 US$'000
Profit before taxation	**1,365,454**	2,135,987
Share of losses of associates and joint ventures	**25,659**	16,799
Finance income	**(148,134)**	(141,667)
Finance costs	**762,805**	657,704
Depreciation of property, plant and equipment	**428,472**	377,418
Depreciation of right-of-use assets	**151,899**	151,326
Amortization of intangible assets	**832,782**	823,935
Impairment and write-off of property, plant and equipment	**10,474**	–
Impairment and write-off of intangible assets	**29,745**	895
Impairment of interest in an associate	**6,690**	–
Share-based compensation	**277,574**	336,128
Loss on disposal of property, plant and equipment	**3,479**	6,195
Loss on disposal of intangible assets	**25**	442
Loss on disposal of construction-in-progress	**13,827**	1,138
Gain on disposal of interest in associates	**(12)**	(1,293)
Dilution gain on interest in associates	**–**	(2,146)
Fair value change on financial instruments	**(755)**	(46,216)
Fair value change on financial assets at FVPL	**(153,113)**	(203,395)
Fair value change on a financial liability at FVPL	**–**	3,209
Gain on remeasurement of a written put option liability	**(143,430)**	–
Dividend income	**(2,933)**	(2,782)
(Increase)/decrease in inventories	**(360,686)**	1,876,067
(Increase)/decrease in trade and notes receivables, deposits, prepayments and other receivables	**(190,928)**	4,719,419
Increase /(decrease) in trade and notes payables, provisions, other payables and accruals	**401,076**	(6,823,593)
Effect of foreign exchange rate changes	**58,969**	49,086
Net cash generated from operations	**3,368,939**	3,934,656

31 Note to the consolidated cash flow statement *(continued)*

(b) Reconciliation of financing liabilities

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

Financing liabilities	**2024 US$'000**	2023 US$'000
Short-term loans — current	**50,431**	57,032
Notes — non-current	**3,012,637**	3,146,148
Convertible bonds — current	**-**	214,584
Convertible bonds — non-current	**556,592**	537,030
Lease liabilities — current	**101,580**	123,719
Lease liabilities — non-current	**240,449**	280,837
	3,961,689	4,359,350
Short-term loans — variable interest rates	**43,423**	55,985
Short-term loans — fixed interest rates	**7,008**	1,047
Notes — fixed interest rates	**3,012,637**	3,146,148
Convertible bonds — fixed interest rates	**556,592**	751,614
Lease liabilities — fixed interest rates	**342,029**	404,556
	3,961,689	4,359,350

31 Note to the consolidated cash flow statement *(continued)*

(b) Reconciliation of financing liabilities *(continued)*

	Short-term loans current US$'000	Long-term loan non-current US$'000	Notes current US$'000	Notes non-current US$'000	Convertible bonds current US$'000	Convertible bonds non-current US$'000	Convertible preferred shares current US$'000	Lease liabilities current US$'000	Lease liabilities non-current US$'000	Total US$'000
Financing liabilities at April 1, 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/repurchase of borrowings	(10,979,864)	–	(686,779)	(69,036)	–	(545,317)	(46,443)	–	–	(12,327,439)
Reclassification	1,045	(1,045)	–	–	214,584	(214,584)	–	92,328	(92,328)	–
Issuing cost of borrowings	–	–	–	(11,726)	–	(11,000)	–	–	–	(22,726)
Principal elements of lease payments	–	–	–	–	–	–	–	(168,638)	–	(168,638)
Dividends paid	–	–	–	–	–	–	(1,881)	–	–	(1,881)
Foreign exchange adjustments	(1,959)	–	–	–	–	–	–	(2,045)	(3,568)	(7,572)
Equity component for issue of convertible bonds	–	–	–	–	–	(138,243)	–	–	–	(138,243)
Equity component for repurchase of convertible bonds	–	–	–	–	–	102,664	–	–	–	102,664
Other non-cash movements	–	–	1,399	(13,978)	–	27,095	3,209	56,979	113,831	188,535
Financing liabilities at March 31, 2023	**57,032**	**-**	**-**	**3,146,148**	**214,584**	**537,030**	**-**	**123,719**	**280,837**	**4,359,350**
Proceeds from borrowings	**11,792,697**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**11,792,697**
Repayments/repurchase of borrowings	**(11,799,007)**	**-**	**-**	**(132,083)**	**-**	**-**	**-**	**-**	**-**	**(11,931,090)**
Conversion of convertible bonds	**-**	**-**	**-**	**-**	**(218,669)**	**-**	**-**	**-**	**-**	**(218,669)**
Reclassification	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**96,859**	**(96,859)**	**-**
Principal elements of lease payments	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(134,545)**	**-**	**(134,545)**
Foreign exchange adjustments	**(295)**	**-**	**-**	**-**	**-**	**-**	**-**	**(1,465)**	**(7,039)**	**(8,799)**
Other non-cash movements	**4**	**-**	**-**	**(1,428)**	**4,085**	**19,562**	**-**	**17,012**	**63,510**	**102,745**
Financing liabilities at March 31, 2024	**50,431**	**-**	**-**	**3,012,637**	**-**	**556,592**	**-**	**101,580**	**240,449**	**3,961,689**

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

	2024 US$'000	2023 US$'000
Cash consideration paid	**151,870**	423,135
Less: cash and cash equivalents acquired	**(16,811)**	(19,315)
Net cash outflow — investing activities	**135,059**	403,820

32 Capital commitments

Apart from disclosed elsewhere in these financial statements, on March 31, 2024 and 2023, the Group had the following other capital commitments:

	2024 US$'000	2023 US$'000
Contracted but not provided for:		
— Property, plant and equipment	**151,716**	112,562
— Intangible assets	**3,216**	4,852
— Investment in financial assets	**17,454**	988
	172,386	118,402

33 Contingent liabilities

Accounting policy

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognized because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognized but is disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that the outflow is probable, it will then be recognized as a provision.

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.

34 Significant related party transactions

Accounting policy

A related party transaction is a transfer of resources, services or obligations between the Group and a related party of the Group, regardless of whether a price is charged.

(a) A person, or a close member of that person's family, is related to the Group if that person:

- has control or joint control over the Group;
- has significant influence over the Group; or
- is a member of the key management personnel of the Group or the Group's parent.

(b) An entity is related to the Group if any of the following conditions applies:

- The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- Both entities are joint ventures of the same third party.
- One entity is a joint venture of a third entity and the other entity is an associate of the third party.
- The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.
- The entity is controlled or jointly controlled by a person identified in (a) above.
- A person, or a close member of that person's family, who has control or joint control over the Group, has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
- The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

34 Significant related party transactions *(continued)*

(a) Other than the related party transactions disclosed in Note 15 to the financial statements, the Group had the following significant related party transactions in the normal course of business during the year:

	2024 US$'000	2023 US$'000
閃聯信息技術工程中心有限公司 (IGRS Engineering Lab Limited) (an associate) (i)		
— Purchase of goods	**7,219**	10,208
異能者(南京)電子科技有限公司		
(Superman (Nanjing) Electronic Technology Limited) (an associate) (i)		
— Purchase of goods	**7,260**	3,012
— Sale of goods	**482**	1,455
浙江恆雲智聯數字科技有限公司		
(Zhejiang Hengyun Zhilian Digital Technology Co., Ltd.) (an associate) (i)		
— Purchase of goods	**18,975**	11,496
— Sale of goods	**65**	1,529
來酷智能科技(南京)有限公司		
(Lecco Smart Technology (Nanjing) Limited) (an associate) (i)		
— Sale of goods	**30**	1,441
天津聯博基業科技發展有限公司		
(Tianjin Lianbo Foundation Technology Development Co., Limited) (an associate and its subsidiary) (i)		
— Loans granted	**85,455**	11,052

Note:

(i) The English name of the company is a direct translation or transliteration of its Chinese registered name.

(b) Key management compensation

Details on key management compensation are set out below. The emoluments shown below include one (2023: one) director and twelve (2023: twelve) senior management during the year.

	2024 US$'000	2023 US$'000
Basic salaries, allowances, and other benefits-in-kind	**13,372**	12,365
Discretionary bonuses	**19,490**	24,578
Long-term incentive awards	**49,644**	69,784
Retirement payments and employer's contribution to pension schemes	**1,292**	1,260
	83,798	107,987

35 Balance sheet and movement of reserves of the Company

(a) Balance sheet of the Company

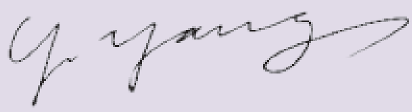
	At March 31, 2024 US$'000	2023 US$'000
Non-current assets		
Property, plant and equipment	**200**	127
Right-of-use assets	**619**	2,105
Intangible assets	**14**	78
Interest in an associate	**103,851**	101,527
Investments in subsidiaries	**14,389,781**	13,895,768
Financial assets at FVPL	**40,286**	43,511
Financial assets at FVOCI	**16,219**	24,228
Other non-current assets	**664**	–
	14,551,634	14,067,344
Current assets		
Deposits, prepayments and other receivables	**216,685**	239,066
Amounts due from subsidiaries	**8,010,112**	8,118,635
Income tax recoverable	**4,564**	4,564
Cash and cash equivalents	**30,994**	101,970
	8,262,355	8,464,235
Total assets	**22,813,989**	22,531,579

35 Balance sheet and movement of reserves of the Company *(continued)*

(a) Balance sheet of the Company *(continued)*

	At March 31, 2024 US$'000	2023 US$'000
Share capital	**3,500,987**	3,282,318
Reserves (Note 35(b))	**1,278,676**	1,461,924
Total equity	**4,779,663**	4,744,242
Non-current liabilities		
Borrowings	**3,569,229**	3,683,178
Deferred income tax liabilities	**1,669**	2,350
Other non-current liabilities	**25,576**	26,233
	3,596,474	3,711,761
Current liabilities		
Derivative financial liabilities	**43**	1,060
Other payables and accruals	**104,204**	104,750
Borrowings	**–**	214,584
Amounts due to subsidiaries	**14,333,605**	13,755,182
	14,437,852	14,075,576
Total liabilities	**18,034,326**	17,787,337
Total equity and liabilities	**22,813,989**	22,531,579

On behalf of the Board



Yang Yuanqing
Chairman and Chief Executive Officer

Zhu Linan
Director

35 Balance sheet and movement of reserves of the Company *(continued)*

(b) Movement of reserves of the Company

The changes in the reserves of the Company during the years ended March 31, 2024 and 2023 are as follows:

	Investment revaluation reserve US$'000	Share-based compensation reserve US$'000	Exchange reserve US$'000	Other reserves US$'000	Retained earnings US$'000	Total US$'000
At April 1, 2022	(18,496)	(212,964)	10,204	79,500	1,579,344	1,437,588
Profit for the year	–	–	–	–	716,520	716,520
Total comprehensive income for the year	–	–	–	–	716,520	716,520
Vesting of shares under long-term incentive program	–	(500,833)	–	–	–	(500,833)
Cash settlement of shares vested under long-term incentive program	–	(1,109)	–	–	–	(1,109)
Settlement of bonus through long-term incentive program	–	23,395	–	–	–	23,395
Share-based compensation	–	336,128	–	–	–	336,128
Dividends paid	–	–	–	–	(585,344)	(585,344)
Issue of convertible bonds	–	–	–	138,243	–	138,243
Repurchase of convertible bonds	–	–	–	(52,135)	(50,529)	(102,664)
At March 31, 2023	**(18,496)**	**(355,383)**	**10,204**	**165,608**	**1,659,991**	**1,461,924**
Profit for the year	**-**	**-**	**-**	**-**	**716,142**	**716,142**
Other comprehensive loss	**(8,067)**	**-**	**-**	**-**	**-**	**(8,067)**
Total comprehensive (loss)/ income for the year	**(8,067)**	**-**	**-**	**-**	**716,142**	**708,075**
Vesting of shares under long-term incentive program	**-**	**(579,749)**	**-**	**-**	**-**	**(579,749)**
Settlement of bonus through long-term incentive program	**-**	**2,445**	**-**	**-**	**-**	**2,445**
Share-based compensation	**-**	**277,574**	**-**	**-**	**-**	**277,574**
Dividends paid	**-**	**-**	**-**	**-**	**(591,593)**	**(591,593)**
At March 31, 2024	**(26,563)**	**(655,113)**	**10,204**	**165,608**	**1,784,540**	**1,278,676**

36 Principal subsidiaries

The following includes the principal subsidiaries directly or indirectly held by the Company and, in the opinion of the directors, are significant to the results of the year or form a substantial portion of the net assets of the Group. The directors consider that giving details of other subsidiaries would result in particulars of excessive length.

Company name	Place of incorporation/ establishment	Issued and fully paid up capital/ registered capital	Percentage of issued share capital held 2024	2023	Principal activities
Held directly:					
聯想(北京)有限公司 (Lenovo (Beijing) Limited)[1] (wholly foreign-owned enterprise)	Chinese Mainland	HK$5,650,000,000	**100%**	100%	Manufacturing and distribution of IT products and provision of IT services
聯想(上海)有限公司 (Lenovo (Shanghai) Co., Ltd.)[1] (wholly foreign-owned enterprise)	Chinese Mainland	HK$1,546,000,000	**100%**	100%	Distribution of IT products and provision of IT services
Held indirectly:					
Fujitsu Client Computing Limited	Japan	JPY400,000,000	**51%**	51%	Manufacturing and distribution of IT products
聯寶(合肥)電子科技有限公司 (LCFC (Hefei) Electronics Technology Co., Ltd.)[1] (wholly foreign-owned enterprise)	Chinese Mainland	US$265,000,000	**90%**	90%	Manufacturing and distribution of IT products
Lenovo (Asia Pacific) Limited	Hong Kong S.A.R. of China	HK$3,045,209,504.92	**100%**	100%	Investment holding and distribution of IT products
北京聯想軟件有限公司 (Beijing Lenovo Software Limited)[1] (wholly foreign-owned enterprise)	Chinese Mainland	HK$5,000,000	**100%**	100%	Provision of IT services and distribution of IT products
Lenovo (Australia & New Zealand) Pty Limited	Australia	AUD45,860,993.40	**100%**	100%	Distribution of IT products
Lenovo (Belgium) BV	Belgium	EUR639,099.20	**100%**	100%	Investment holding and distribution of IT products
聯想(北京)信息技術有限公司 (Lenovo (Beijing) Information Technology Limited)[1] (wholly foreign-owned enterprise)	Chinese Mainland	US$272,300,000.00	**100%**	100%	Investment holding and distribution of IT products

36 Principal subsidiaries *(continued)*

Company name	Place of incorporation/ establishment	Issued and fully paid up capital/ registered capital	Percentage of issued share capital held 2024	2023	Principal activities
聯想(北京)電子科技有限公司 (Lenovo (Beijing) Electronic Technology Limited)[1]	Chinese Mainland	RMB150,000,000	**100%**	100%	Provision of IT services and distribution of IT products
Lenovo (Canada) Inc.	Canada	CAD100	**100%**	100%	Distribution of IT products
Lenovo Computer Limited	Hong Kong S.A.R. of China	HK$2	**100%**	100%	Procurement agency and distribution of IT products
Lenovo (Danmark) ApS	Denmark	DKK126,000	**100%**	100%	Distribution of IT products
Lenovo (Deutschland) GmbH	Germany	EUR25,100	**100%**	100%	Distribution of IT products
Lenovo Enterprise Solutions (Singapore) Pte. Ltd.	Singapore	SGD55,958,592	**100%**	100%	Manufacturing and wholesaling of computers, computer hardware and peripheral equipment
Lenovo Enterprise Solutions LLC	Japan	JPY50,000,000	**100%**	100%	Distribution of IT products
Lenovo Enterprise Technology Company Limited	Hong Kong S.A.R. of China	US$1,499,999,496	**100%**	100%	Investment holding, distribution of IT products and data management solution
Lenovo (France) SAS	France	EUR1,837,000	**100%**	100%	Distribution of IT products
Lenovo HK Services Limited	Hong Kong S.A.R. of China	HK$2	**100%**	100%	Provision of business planning, management, global supply chain, finance and accounting, and administration support services
Lenovo Global Technology (Asia Pacific) Limited	Hong Kong S.A.R. of China	US$2,128,924.89	**100%**	100%	Investment holding and distribution of IT products
Lenovo Global Technology HK Limited	Hong Kong S.A.R. of China	US$10,000,001	**100%**	100%	Procurement agency and distribution of IT products

36 Principal subsidiaries *(continued)*

Company name	Place of incorporation/ establishment	Issued and fully paid up capital/ registered capital	Percentage of issued share capital held 2024	2023	Principal activities
Lenovo Global Technology (Hong Kong) Distribution Limited	Hong Kong S.A.R. of China	US$1	**100%**	100%	Distribution of IT products
Lenovo Global Technologies International Limited	Hong Kong S.A.R. of China	US$1,342,072,637	**100%**	100%	Investment holding and intellectual properties
Lenovo Global Technology (United States) Inc.	United States	US$10	**100%**	100%	Provision of IT services and distribution of IT products
Lenovo (Hong Kong) Limited	Hong Kong S.A.R. of China	HK$74,256,023	**100%**	100%	Distribution of IT products
惠陽聯想電子工業有限公司 (Lenovo (Huiyang) Electronic Industrial Co., Ltd.)[1] (wholly foreign-owned enterprise)	Chinese Mainland	HK$31,955,500	**100%**	100%	Manufacturing and distribution of IT products
Lenovo (India) Private Limited	India	INR8,607,471,514	**100%**	100%	Manufacturing and distribution of IT products
聯想信息產品(深圳)有限公司 (Lenovo Information Products (Shenzhen) Co. Ltd.)[1] (limited liability company (wholly-owned entity))	Chinese Mainland	RMB643,966,800	**100%**	100%	Manufacturing and distribution of IT products
Lenovo (Israel) Ltd.	Israel	ILS132,853.12	**100%**	100%	Distribution of IT products
Lenovo (Italy) S.r.l	Italy	EUR100,000	**100%**	100%	Distribution of IT products
Lenovo Japan LLC	Japan	JPY100,000,000	**95.10% (iv)**	95.10% (iv)	Distribution of IT products
Lenovo Korea LLC	Korea	KRW3,580,940,000	**100%**	100%	Wholesale and retail trade of computer, peripheral equipment and software
Lenovo Mexico, S. de R.L. de C.V.	Mexico	MXN3,426,638,114	**100%**	100%	Distribution of IT products

36 Principal subsidiaries *(continued)*

Company name	Place of incorporation/ establishment	Issued and fully paid up capital/ registered capital	Percentage of issued share capital held 2024	2023	Principal activities
摩托羅拉移動通信技術有限公司 (Motorola Mobile Communication Technology Ltd.)[1] (foreign-investment enterprise wholly-owned entity)	Chinese Mainland	RMB187,500,000	**100%**	100%	Manufacturing and distribution of IT products and provision of IT services
摩托羅拉(武漢)移動技術通信有限公司 (Motorola (Wuhan) Mobility Technologies Communication Company Limited)[1] (foreign-investment enterprise wholly-owned entity)	Chinese Mainland	RMB60,000,000	**100%**	100%	Manufacturing of mobile products
聯想凌拓科技有限公司 (Lenovo NetApp Technology Limited)[1] (Chinese-foreign equity joint venture)	Chinese Mainland	US$10,000,000	**51%**	51%	Delivering IT products and data management solution
Lenovo PC HK Limited	Hong Kong S.A.R. of China	HK$2,377,934,829.50 (ordinary shares) and HK$1,000,000 (non-voting deferred shares)	**100%**	100%	Procurement agency and distribution of IT products
Lenovo PC International Limited	Hong Kong S.A.R. of China	HK$4,758,857,785	**100%**	100%	Intellectual properties
Lenovo (Schweiz) GmbH	Switzerland	CHF2,000,000	**100%**	100%	Manufacturing and distribution of IT products
Lenovo (Singapore) Pte. Ltd.	Singapore	SGD5,693,130,233.74	**100%**	100%	Manufacturing and wholesaling of computers, computer hardware and peripheral equipment

Company name	Place of incorporation/ establishment	Issued and fully paid up capital/ registered capital	Percentage of issued share capital held 2024	2023	Principal activities
Lenovo (South Africa) (Pty) Ltd	South Africa	ZAR177,500	**100%**	100%	Distribution and marketing of IT products
Lenovo (Spain), S.L.U.	Spain	EUR37,475,456.40	**100%**	100%	Distribution of IT products
Lenovo (Sweden) AB	Sweden	SEK200,000	**100%**	100%	Distribution of IT products
聯想系統集成(深圳)有限公司 (Lenovo Systems Technology Company Limited)[1] (limited liability company (wholly-owned entity))	Chinese Mainland	RMB263,407,660	**100%**	100%	Manufacturing and distribution of IT products
Lenovo Technology (United Kingdom) Limited	United Kingdom	GBP8,629,511	**100%**	100%	Distribution of IT products
Lenovo Technology B.V.	Netherlands	EUR20,000	**100%**	100%	Distribution of IT products
Lenovo Technology Sdn. Bhd.	Malaysia	MYR1,000,000	**100%**	100%	Retail sale of computers, computer equipment and supplies
Lenovo Tecnologia (Brasil) Ltda	Brazil	BRL6,911,200,307	**100%**	100%	Manufacturing and distribution of IT products
Lenovo (Thailand) Limited	Thailand	THB252,000,000	**100%**	100%	Distribution of IT products as well as mobile phone, smartphone and tablet, server and storage
Lenovo (United States) Inc.	United States	US$1	**100%**	100%	Distribution of IT products
Lenovo (Venezuela), SA	Venezuela	VEB0	**100%**	100%	Distribution of IT products

36 Principal subsidiaries *(continued)*

Company name	Place of incorporation/ establishment	Issued and fully paid up capital/ registered capital	Percentage of issued share capital held 2024	2023	Principal activities
聯想(西安)有限公司 (Lenovo (Xian) Limited)[1] (Chinese-foreign equity joint venture)	Chinese Mainland	RMB10,000,000	**100%**	100%	Provision of IT services and distribution of IT products
Medion AG	Germany	EUR48,418,400	**90.50% (iii)**	80.08% (iii)	Retail and service business for consumer electronic products and complementary digital services
Motorola Mobility Comércio de Produtos Eletronicos Ltda.	Brazil	BRL756,663,401	**100%**	100%	Distribution of communication products, developer, owner, licensor and seller of communications hardware and software
Motorola Mobility International Sales LLC	United States	–	**100%**	100%	Holding company
Motorola Mobility LLC	United States	–	**100%**	100%	Developer, owner, licensor and seller of communications hardware and software
NEC Personal Computers, Ltd.	Japan	JPY500,000,000	**95.10% (iv)**	95.10% (iv)	Manufacturing and distribution of IT products
深圳聯想海外控股有限公司 (Shenzhen Lenovo Overseas Holdings Limited)[1] (wholly-foreign owned enterprise)	Chinese Mainland	US$804,020,300	**100%**	100%	Investment management

36 Principal subsidiaries *(continued)*

Company name	Place of incorporation/ establishment	Issued and fully paid up capital/ registered capital	Percentage of issued share capital held 2024	2023	Principal activities
Shimane Fujitsu Limited	Japan	JPY450,000,000	**51%**	51%	Manufacturing and distribution of IT products
Stoneware, Inc.	United States	US$0.1	**100%**	100%	Development and distribution of IT products
陽光雨露信息技術服務(北京)有限公司 (Sunny Information Technology Service, Inc.)[1] (Chinese-foreign equity joint venture)	Chinese Mainland	RMB50,000,000	**47.25%**	47.25%	Maintenance of electronic equipment (including repair services for computer hardware and software systems), and provision of IT outsourcing and systems integration services
Edgebricks Pte. Limited	Singapore	SGD10	**90%**	90%	Development of software and applications

Notes:

(i) All the above subsidiaries operate principally in their respective places of incorporation or establishment.

(ii) All the Chinese Mainland subsidiaries are limited liability companies. They have adopted December 31 as their financial year end date for statutory reporting purposes. For the preparation of the consolidated financial statements, financial statements of these Chinese Mainland subsidiaries for the years ended March 31, 2024 and 2023 have been used.

(iii) Medion AG is a publicly traded German stock corporation listed on the Frankfurt am Main stock exchange. The percentage of issued capital held is equivalent to approximately 98.21% (2023: 87.80%) including treasury shares.

(iv) At March 31, 2024 and 2023, the Group held 95.10% in the ordinary shares of Lenovo NEC Holdings B.V., the immediate holding company of Lenovo Japan LLC and NEC Personal Computers, Ltd., while the remaining 4.90% ordinary shares and 42,700 deferred shares of Lenovo NEC Holdings B.V. were held by NEC Corporation.

(v) The company whose English name ends with a "1" is a direct transliteration of its Chinese registered name.

36 Principal subsidiaries *(continued)*

Material non-controlling interests

Set out below is the summarized financial information of FCCL and its subsidiaries. The amounts disclosed are before inter-company eliminations with other companies of the Group.

	2024 US$'000	2023 US$'000
Revenue	**1,766,130**	2,081,522
Profit for the year	**116,981**	101,176
Other comprehensive loss	**(68,638)**	(43,001)
Total comprehensive income	**48,343**	58,175
Net assets		
Non-current assets	**145,675**	170,272
Current assets	**888,486**	944,401
Current liabilities	**(390,328)**	(471,627)
Non-current liabilities	**(49,691)**	(58,212)
	594,142	584,834
Cash flows		
Net cash generated from operating activities	**134,785**	88,980
Net cash used in investing activities	**(29,284)**	(48,786)
Net cash used in financing activities	**(4,822)**	(4,983)
Effect of foreign exchange rate changes	**(31,599)**	(18,008)
Cash and cash equivalents at the beginning of the year	**232,809**	215,606
Cash and cash equivalents at the end of the year	**301,889**	232,809

37 Approval of financial statements

The financial statements were approved by the board of directors on May 23, 2024.

Five-year financial summary

CONDENSED CONSOLIDATED INCOME STATEMENT

	2024 US$'000	2023 US$'000	2022 US$'000	2021 US$'000	2020 US$'000
Revenue	**56,863,784**	61,946,854	71,618,216	60,742,312	50,716,349
Profit before taxation	**1,365,454**	2,135,987	2,767,731	1,774,198	1,017,707
Taxation	**(263,142)**	(455,156)	(622,399)	(461,199)	(213,204)
Profit for the year	**1,102,312**	1,680,831	2,145,332	1,312,999	804,503
Profit attributable to:					
Equity holders of the Company	**1,010,506**	1,607,722	2,029,818	1,178,307	665,091
Perpetual securities holders	**–**	–	–	32,532	53,760
Other non-controlling interests	**91,806**	73,109	115,514	102,160	85,652
	1,102,312	1,680,831	2,145,332	1,312,999	804,503
Earnings per share attributable to equity holders of the Company (US cents)					
Basic	**8.41**	13.50	17.45	9.54	5.58
Diluted	**8.05**	12.74	15.77	8.91	5.43

CONDENSED CONSOLIDATED BALANCE SHEET

	2024 US$'000	2023 US$'000	2022 US$'000	2021 US$'000	2020 US$'000
Non-current assets	**16,063,771**	15,979,204	15,513,581	14,655,279	13,394,726
Current assets	**22,687,183**	22,940,853	28,996,863	23,335,352	18,733,441
Total assets	**38,750,954**	38,920,057	44,510,444	37,990,631	32,128,167
Non-current liabilities	**6,610,604**	6,779,679	6,357,008	7,008,461	4,810,751
Current liabilities	**26,059,163**	26,093,357	32,758,735	27,371,637	23,258,121
Total liabilities	**32,669,767**	32,873,036	39,115,743	34,380,098	28,068,872
Net assets	**6,081,187**	6,047,021	5,394,701	3,610,533	4,059,295

Corporate information

Honorary Chairman

Mr. Liu Chuanzhi

Board of Directors

Chairman and executive director

Mr. Yang Yuanqing

Non-executive directors

Mr. Zhu Linan
Mr. Zhao John Huan

Independent non-executive directors

Mr. William O. Grabe
Mr. William Tudor Brown
Mr. Gordon Robert Halyburton Orr
Mr. John Lawson Thornton
Mr. Kasper Bo Roersted (alias Kasper Bo Rorsted)
Mr. Woo Chin Wan Raymond
Ms. Yang Lan
Ms. Cher Wang Hsiueh Hong
Professor Xue Lan

Chief Financial Officer

Mr. Wong Wai Ming

Company Secretary

Ms. Lam Ngan Ling

Registered Office

23rd Floor, Lincoln House, Taikoo Place,
979 King's Road, Quarry Bay, Hong Kong

Principal Bankers

Bank of China
BNP Paribas
Citibank, N.A.
DBS Bank Ltd.

Independent Auditor

PricewaterhouseCoopers
Certified Public Accountants and
Registered Public Interest Entity Auditor
22nd Floor, Prince's Building
Central, Hong Kong

Share Registrar

Tricor Abacus Limited
17/F, Far East Finance Centre
16 Harcourt Road, Hong Kong

American Depositary Receipts

(Depositary and Registrar)
Citibank, N.A.
4th Floor, 390 Greenwich Street
New York, NY 10013, USA

Stock Codes

Hong Kong Stock Exchange:	
— HKD Counter	992
— RMB Counter	80992
American Depositary Receipts:	LNVGY

Website

www.lenovo.com

www.lenovo.com

This report is printed on environmentally friendly paper manufactured from elemental chlorine-free pulp. Printed on chemistry free plate system and soy ink.