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Lenovo

Lenovo Group Limited 聯想集團有限公司

(Incorporated in Hong Kong with limited liability)

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

FY2024/25 FIRST QUARTER RESULTS ANNOUNCEMENT

QUARTERLY RESULTS

The board of directors (the “Board”) of Lenovo Group Limited (the “Company”) announces the unaudited results of the Company and its subsidiaries (the “Group”) for the three months ended June 30, 2024 together with comparative figures for the corresponding period of last year, as follows:

FINANCIAL HIGHLIGHTS

- Group revenue and profit attributable to equity holders increased by 20 percent and 38 percent year-on-year, respectively, driven by growth acceleration across computing, infrastructure, and services. R&D expenses rose by 6 percent to support critical AI innovations, reflecting the Group's commitment to sustain its leading position in Personal & Enterprise AI solutions
- SSG achieved record first fiscal quarter revenue and maintained a 21 percent operating margin, highlighting its pivotal role as a profit engine. AI powered services accelerated with strong pipeline especially in the manufacturing and retail verticals
- ISG's sales surged by 65 percent thanks to the launch of AI infrastructure products and improved supply of AI GPUs, while its recovery plan reduced segment losses by US\$23 million year-on-year
- IDG reported revenue and segment profit growth of 11 percent and 27 percent, respectively, benefiting from new products, commercial sales recovery and demand shift towards high value-added models. Leading activation share and favorable market feedback on its new AI PC models created positive trends in average selling prices and premium sales mix
- Through its strategic partnership with Alat, subsidiary of Saudi Arabia's Public Investment Fund, the Group is well-poised to leverage growth in the MEA region and further globalize its supply chain

	3 months ended June 30, 2024 (unaudited) US\$ million	3 months ended June 30, 2023 (unaudited) US\$ million	Year-on-year change
Revenue	15,447	12,900	20%
Gross profit	2,560	2,252	14%
Gross profit margin	16.6%	17.5%	(0.9) pts
Operating expenses	(2,066)	(1,862)	11%
Operating profit	494	390	27%
Other non-operating income/(expenses) - net	(181)	(162)	12%
Profit before taxation	313	228	37%
Profit for the period	253	183	38%
Profit attributable to equity holders of the Company	243	177	38%
Earnings per share attributable to equity holders of the Company			
Basic	US1.99 cents	US1.48 cents	US0.51 cents
Diluted	US1.92 cents	US1.43 cents	US0.49 cents
Non-HKFRS measure			
Non-HKFRS operating profit	572	402	42%
Non-HKFRS profit before taxation	392	241	62%
Non-HKFRS profit for the period	325	193	68%
Non-HKFRS profit attributable to equity holders of the Company	315	191	65%

BUSINESS REVIEW AND OUTLOOK

Highlights

Lenovo (the Group) achieved new performance milestones in the fiscal quarter ended June 30, 2024, capitalizing on the unprecedented opportunities brought by hybrid AI and its continued success in service-led Transformation. As a result, Group revenue reached US\$15.4 billion, marking a 20 percent year-on-year increase, while net profit attributable to equity holders surged by 38 percent to US\$243 million. The Group delivers enterprise and personal AI solutions, creating a comprehensive full-stack portfolio to transform industries and empower individuals, making the Group uniquely positioned and well-prepared to lead in the hybrid AI era. Research and development (R&D) expense increased by 6 percent year-on-year to support investments in these critical AI innovations.

Following the recent launch of its AI-optimized server models, the Group has further developed opportunities in generative AI infrastructure systems. Infrastructure Solutions Group (ISG) introduced a suite of new AI infrastructure products, services, and partnerships, leveraging collaboration with key GPU suppliers and utilizing the Group's unique Neptune warm-water liquid cooling technology. Quarterly revenue from liquid-cooling solutions reached a new high, growing by 55 percent year-on-year, driven by increased cooling demand for more powerful GPUs. The growing number of AI applications also catalyzed a strong demand recovery for general-purpose servers. As a result, ISG's revenue grew by 65 percent year-on-year, with its quarterly sales exceeding US\$3 billion for the first time in its operating history.

Intelligent Devices Group (IDG) has benefited from the growing interest in AI investments and the resurgence in commercial demand. The introduction of its first Arm-based AI PC, powered by Snapdragon X Elite from Qualcomm, marked an important milestone in the Group's AI journey, paving the way for more opportunities in new and premium devices. IDG's AI PC saw high activation rates among new users and received positive feedback. Its premium sales in PC and smartphone grew by 21 percent and 142 percent year-on-year, respectively, outpacing its blended revenue growth of 11 percent. The Solutions and Services Group (SSG) continued to grow, achieving record first fiscal quarter revenue and profit, with segment profit accounting for 33 percent of the combined segment profit across the three business groups.

Through robust profitability and prudent working capital management, the Group reported a year-on-year increase of 22 percent in operating cash flow to US\$791 million. The cash conversion cycle extended by 11 days compared to last year. This is primarily driven by the longer inventory days, in response to increased demand, new product launches, and preparation for strong seasonality. The Group's steadfast dedication to corporate governance and sustainability has been recognized once again, as it secured the 10th position in Gartner's prestigious Global Supply Chain Top 25 in 2024. On environmental responsibility, the Group is on track to reach its SBTi-aligned 2030 emissions reduction goals and has recycled 94,000 metric tons of products from customers since 2020. The Group has made significant strides in diversity and inclusion, with an industry-leading 29 percent representation of women in technical roles. These milestones highlight the Group's balanced focus on both sustainability and strategic excellence across its diversified growth engines.

The Group has entered into a Strategic Collaboration Framework Agreement with Alat, Saudi Arabia's Public Investment Fund (PIF) company focused on transformative technology investment and sustainable manufacturing. The collaboration aims to accelerate the Group's ongoing global strategic transformation, enhance its global presence, further diversify its manufacturing footprint, and capitalize on the growth momentum of the IT industry in the MEA Region. As part of the collaboration, the Group has signed a Bond Subscription Agreement for the issuance of US\$2 billion zero-coupon convertible bonds to Alat and proposed a three-year Warrants issuance program, both subject to shareholder and regulatory approvals.

Group Financial Performance

The Group continued to accelerate its growth momentum during the first fiscal quarter. Revenue grew by 20 percent, the first double-digit increase in the last two and a half years. All three business groups increased their revenue by double digits, propelled by strong performances in infrastructure, premium products, and services. These high value-added offerings helped drive segment profit margins for both IDG and ISG, while SSG's profitability held steady at a high rate of 21 percent. The Group's net profit margin increased by 21 basis points over the same quarter last year, resulting in a 38 percent increase in

net profit, while non-HKFRS (Hong Kong Financial Reporting Standards) measures showed even stronger gains – a 65 percent leap in net profit driven by 56 basis points expansion in net profit margin.

The Group's revenue strength was driven by multiple business catalysts. ISG experienced strong growth, with a 65 percent year-on-year revenue increase, fueled by stronger-than-expected demand from cloud customers and the ongoing recovery of demand from its enterprise customers. IDG continued to outpace the market for the fourth consecutive quarter, achieving growth in premium sales across both the PC and smartphone segments, with increases of 21 percent and 142 percent, respectively. Advancing along its continuous sales growth trajectory for the 13th consecutive quarter year-on-year, SSG achieved a record first-quarter revenue of US\$1.9 billion, driven by robust demand for its as-a-Service and AI-powered solutions.

Performance by Business Group

Intelligent Devices Group (IDG)

IDG, consisting of the PC, tablet, smartphone, and other smart device businesses, reported better-than-expected revenue growth of 11 percent for the fiscal quarter under review. The business group benefited from the recovery in commercial sales and the demand shift towards higher value-added models. IDG boosted its premium PC mix by 3.4 percentage points and derived nearly 70 percent of its PC revenue from the commercial segment. This had a positive impact on average selling prices. IDG's operating profit grew by 27 percent year-on-year, with segment margin expanding by 92 basis points year-on-year to 7.3 percent, which is at the upper end of its historical range. The Group has ramped up investments in transformation initiatives to take advantage of the burgeoning AI computing sector. In a strategic move just before the quarter ended, the company introduced a new AI PC model featuring Arm architecture, with an aim to reinforce the positive trends in average selling prices and sales mix going forward.

IDG's innovation extends beyond PCs. Non-PC sales, bolstered by double-digit growth in smartphone revenue, now account for 23 percent of IDG's revenue. IDG leverages its strength in product designs and pursues a focused go-to-market strategy, an approach that has proven instrumental in driving successes across both established and new markets. This is evidenced by double-digit growth in smartphone sales across key geographical markets. Excluding China, the Group's smartphone market share has advanced by 2 percentage points since the second quarter of calendar year 2020, becoming the sixth largest supplier worldwide.

Infrastructure Solutions Group (ISG)

The quarterly revenue of ISG surpassed US\$3.0 billion for the first time, with a growth rate of 65 percent year-on-year. Buoyant investments in AI infrastructure and an improved supply of AI GPUs have continued to drive AI demand. ISG's comprehensive product portfolio, which includes AI solutions, has helped attract new customers. The resulting inferencing demand from generative AI applications has also necessitated the scaling up of general compute servers. These factors contributed positively to a strong surge in ISG's compute revenue from cloud service providers and a robust growth trajectory from its enterprise customers.

Non-compute sales, including storage and high-performance computing (HPC), maintained their strong growth trajectory and accounted for 34 percent of ISG's top line. The Group has emerged as one of the fastest-growing providers of storage solutions globally, with significant advancements in new product segments. Storage revenue reached an all-time high for the first fiscal quarter, completing a streak of ten consecutive quarters of double-digit annual growth. According to the latest third-party figures, ISG's share of revenue in the global storage market continued to increase year-on-year. HPC also achieved its highest-ever revenue.

ISG's ongoing Return to Profitability initiatives have successfully reduced segment losses by US\$23 million year-on-year. However, higher investments in new products and slower-than-expected ramp-up of older projects continued to exert pressure on ISG's cost structure.

Solutions & Services Group (SSG)

Enterprise customers' pursuit of higher productivity and the latest digital capabilities, particularly AI-empowered services and solutions, drove multi-year growth in IT services. SSG continued to benefit from this trend and reported revenue of US\$1.9 billion, up 10 percent year-on-year, marking its 13th consecutive quarter of double-digit revenue growth. With an operating margin of 21 percent that topped all business groups', SSG contributed one-third of the combined operating profit of the three business groups. Operating profit increased 10 percent year-on-year to US\$396 million.

By segment, Support Service revenue growth moderated to 2 percent year-on-year, reflecting a natural time lag between hardware sales and their impact on service revenue. However, Support Service bookings have increased for three quarters in a row, aligning with recent hardware sales growth, signaling a positive outlook for Support Service revenue in the second half of the fiscal year.

Managed Services reported a 16 percent year-on-year revenue growth. The TCV (Total Contract Value) of both DaaS (Device-as-a-Service) and IaaS (Infrastructure-as-a-Service) increased by nearly 40 percent, reinforcing a robust long-term growth trajectory. During the period under review, SSG signed its largest DWS (Digital Workplace Solutions) services contract in EMEA and saw increased adoption of Green DaaS with ARS (Asset Recovery Service) and CO2 offset service attached among multinational corporations. Project & Solution Services revenue rose 18 percent year-on-year, supported by the Group's AI powered solutions, including smart factory IoT and smart warehousing solutions.

Geographic Performance

With footprint across 180 markets, the Group continued to leverage its diversified market exposures to achieve sustained revenue growth across regions. Through its One Lenovo structure, the Group creates synergy in selling across business groups and building go-to-market channels and platforms. This approach enabled sustainable growth across all business groups and supported the Group's Transformation efforts.

For the first fiscal quarter, the Group reported double-digit year-on-year growth in revenue across all operating regions. In EMEA, Group revenue posted a 26 percent year-on-year growth, fueled by continued strength in commercial PCs and substantial share gains in smartphones. Revenue growth in China accelerated to 21 percent year-on-year for the first fiscal quarter.

Revenue in Asia Pacific (excluding China) grew 20 percent year-on-year, or 28 percent excluding the local currency depreciation impact against the US dollar. The Group's underlying business in the region remained resilient, as evidenced by strong commercial PC sales in Japan, supported by Win11 upgrades and digital transformation trends. Smartphone sales in Asia Pacific also recorded their best first-quarter results on the back of premium products sales. The Americas market posted a 15 percent revenue growth, attributable to strength across PC, smartphone and infrastructure products. In North America, premium smartphones continued to drive market share gains, while demand for infrastructure products by cloud customers also contributed to the strong performances in the region.

Outlook

The Group is embracing new AI technology trends and leveraging its operational excellence to unlock diverse hybrid AI growth opportunities, while accelerating its Transformation efforts. Its first line-up of AI PCs provides on-device inferencing and AI functions, enabling instant accessibility, data security and privacy, ultimately serving as the foundation for personal and enterprise AI twins. More importantly, the Group's hybrid AI strategy spans across devices, infrastructure and services, optimizing performance across various metrics. While PC business remains core, non-PC segments now constitute a record 47 percent of the combined revenue from all three groups, underscoring early successes in driving the hybrid AI strategy which resulted in double-digit growth across business groups.

The adoption of hybrid AI is expected to propel global PC market growth and lead to a long-term recovery surpassing pre-pandemic level. AI PCs represent a major inflection point for the industry, initiating a new product cycle for commercial users. It is projected by a third-party research firm that nearly 60 percent of annual PC shipments will incorporate AI features by 2027, presenting new growth opportunities for IDG's differentiated and enhanced devices. Lenovo Xiaotian, a newly launched personalized intelligent agent,

showcases its on-device Large Language Model capabilities, enabling customized user experiences. Similarly, Lenovo's Trusted AI Controller (TAC) provides device-level security for user data and privacy.

The adoption of hybrid AI is helping IDG deliver premium-to-market growth, strong average selling prices and sustainable profitability. IDG is developing its own intellectual properties to drive improvement in areas such as inferencing speed, language model compression, and memory consumption. The business group is extending its differentiation efforts beyond hardware to components and software, including innovations like the Group's AI Core Chip, Yoga Creator Zone, ThinkShield security solution, and AI Now Personal Assistant. Further investments will be made in non-PC areas, including accessories and work collaboration solutions. The smartphone business will prioritize portfolio expansion and product premiumization to drive share gains across regions.

While the PC business remains core, non-PC segments now constitute a record 47 percent of the combined revenue from all three groups, underscoring early successes in driving the Group's hybrid AI strategy, which has resulted in double-digit growth across business groups. Playing a key role in this hybrid AI strategy, ISG aims to drive growth through improved profitability, leveraging its investments in differentiated technology solutions for 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 full-stack solutions such as server, storage, and software. The Enterprise & Small-and-Medium Business (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 Cloud Service Provider (CSP) segment, ISG adopts a unique ODM+ business model to address growing demand for vertically integrated supply chains, allowing it to continuously roll out innovative solutions across various platforms. The group is well-positioned to benefit from rising demand for liquid-cooling solutions for datacenters utilizing its proprietary Neptune technology.

AI workloads are expected to be distributed across public clouds, on-prem data centers, private and hybrid clouds, and edge devices. This trend necessitates complex infrastructure that requires comprehensive and customized solutions for enterprise customers, creating opportunities for hybrid AI native service offerings. SSG will strengthen its value propositions by embedding AI functions into existing services, such as Digital Workplace, Hybrid Cloud, and Sustainability solutions. Through collaboration with ecosystem partners and adoption of a multi-channel strategy, SSG is well-equipped to help customers accelerate their digital transformation journey. SSG's growth strategy, combined with strong TCV growth, is projected to deliver double-digit year-on-year revenue growth, further enhancing its financial contribution to the Group.

Strategic Highlights

Envisioning a future of Smarter AI for All, the Group continues to stand at the forefront of Intelligent Transformation with a focus on hybrid AI. This trend presents growth opportunities across devices, infrastructure and services, with long-term potential in Personal and Enterprise AI twins. The multi-year growth opportunities have propelled the Group to accelerate AI development through focused R&D investment. Robust innovation, together with the pursuit of profitability growth, will continue to be the key to enhancing 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, addressing customer pain points in hybrid work, multi-cloud management, and cybersecurity. Collaboration with leading businesses and channel partners will also create synergies 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 in order to help customers meet their ESG goals and deliver sustainable outcomes.

FINANCIAL REVIEW

Results for the three months ended June 30, 2024

	3 months ended June 30, 2024 (unaudited) US\$ million	3 months ended June 30, 2023 (unaudited) US\$ million	Year-on-year change
Revenue	15,447	12,900	20%
Gross profit	2,560	2,252	14%
Gross profit margin	16.6%	17.5%	(0.9) pts
Operating expenses	(2,066)	(1,862)	11%
Operating profit	494	390	27%
Other non-operating income/(expenses) – net	(181)	(162)	12%
Profit before taxation	313	228	37%
Profit for the period	253	183	38%
Profit attributable to equity holders of the Company	243	177	38%
Earnings per share attributable to equity holders of the Company			
Basic	US1.99 cents	US1.48 cents	US0.51 cents
Diluted	US1.92 cents	US1.43 cents	US0.49 cents

For the three months ended June 30, 2024, the Group achieved total sales of approximately US\$15,447 million. When compared to the corresponding period of last year, profit attributable to equity holders for the period increased by US\$67 million to approximately US\$243 million, gross profit margin eroded by 0.9 percentage points to 16.6 percent mainly due to lower profitability in ISG business. Basic and diluted earnings per share were US1.99 cents and US1.92 cents, representing an increase of US0.51 cents and US0.49 cents respectively. Net profit margin rose by 0.2 percentage points to 1.6 percent.

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

Analysis of operating expenses by function for the three months ended June 30, 2024 and 2023 is as follows:

	3 months ended June 30, 2024 US\$'000	3 months ended June 30, 2023 US\$'000
Selling and distribution expenses	(835,611)	(799,161)
Administrative expenses	(650,457)	(596,909)
Research and development expenses	(475,995)	(451,031)
Other operating income/(expenses) – net	(103,317)	(14,729)
	(2,065,380)	(1,861,830)

Operating expenses for the period increased by 11 percent as compared with the corresponding period of last year. During the period, the Group recorded assets impairment and write-off of US\$47 million. Advertising and promotional expenses increased by US\$52 million for new product launch and special campaigns. The Group recorded fair value loss from strategic investments amounted to US\$11 million (2023/24: fair value gain of US\$31 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\$17 million (2023/24: US\$44 million).

Key expenses by nature comprise:

	3 months ended June 30, 2024 US\$'000	3 months ended June 30, 2023 US\$'000
Depreciation of property, plant and equipment	(49,984)	(52,786)
Depreciation of right-of-use assets	(24,816)	(36,678)
Amortization of intangible assets, excluding internal use software	(42,963)	(46,353)
Impairment and write-off of intangible assets	(47,052)	-
Employee benefit costs, including - long-term incentive awards	(1,076,770)	(1,102,268)
Rental expenses	(2,344)	(473)
Net foreign exchange loss	(17,482)	(44,230)
Advertising and promotional expenses	(226,633)	(174,463)
Legal, professional and consulting expenses	(97,910)	(60,302)
Information technology expenses, including - amortization of internal use software	(95,679)	(75,369)
	(60,208)	(46,035)
Increase in loss allowance of trade receivables	(22,357)	(15,964)
Unused amounts of loss allowance of trade receivables reversed	3,567	14,102
Research and development related laboratory testing, services and supplies	(63,880)	(55,730)
Gain on disposal of property, plant and equipment	964	568
Loss on disposal of intangible assets	(297)	-
Loss on disposal of construction-in-progress	-	(4,087)
Fair value (loss)/gain on financial assets at fair value through profit or loss	(11,339)	30,581
Gain on deemed disposal of a subsidiary	22,627	-
Others	(313,032)	(238,378)
	(2,065,380)	(1,861,830)

Other non-operating income/(expenses) – net for the three months ended June 30, 2024 and 2023 comprise:

	3 months ended June 30, 2024 US\$'000	3 months ended June 30, 2023 US\$'000
Finance income	26,405	40,173
Finance costs	(200,307)	(197,426)
Share of losses of associates and joint ventures	(7,502)	(4,695)
	(181,404)	(161,948)

Finance income mainly represents interest on bank deposits.

Finance costs for the period increased by 1 percent as compared with the corresponding period of last year. The increase is mainly attributable to the increase in interest on bank loans and overdrafts of US\$6 million and factoring cost of US\$4 million, partly offset by decrease in interest on notes of US\$2 million and interest on convertible bonds of US\$3 million.

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

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

	3 months ended June 30, 2024		3 months ended June 30, 2023	
	Revenue US\$'000	Operating profit/(loss) US\$'000	Revenue US\$'000	Operating profit/(loss) US\$'000
IDG	11,421,635	828,377	10,260,612	649,757
ISG	3,159,797	(37,274)	1,913,766	(60,417)
SSG	1,885,338	396,102	1,713,232	361,140
Total	16,466,770	1,187,205	13,887,610	950,480
Eliminations	(1,019,714)	(327,585)	(987,683)	(307,360)
	15,447,056	859,620	12,899,927	643,120

Unallocated:

Headquarters and corporate income/(expenses) – net	(334,737)	(304,046)
Depreciation and amortization	(116,285)	(104,334)
Impairment and write-off of intangible assets	(47,052)	-
Finance income	22,249	38,233
Finance costs	(75,261)	(70,474)
Share of losses of associates and joint ventures	(7,305)	(6,147)
Gain on disposal of property, plant and equipment	413	679
Fair value (loss)/gain on financial assets at fair value through profit or loss	(11,674)	30,581
Gain on deemed disposal of a subsidiary	22,627	-
Dividend income	400	515
Consolidated profit before taxation	312,995	228,127

Headquarters and corporate income/(expenses) – net for the period comprise various expenses, after appropriate allocation to business groups, of US\$335 million (2023/24: US\$304 million) such as employee benefit costs, legal, professional and consulting expenses, and research and technology expenses. In addition to the increase in employee benefit costs driven by performance-based bonus, there is also increase in provision for claims as compared with the corresponding period of last year.

Use of non-HKFRS measure

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

We define adjusted profit as profit for the period by excluding (i) net fair value changes on financial assets at fair value through profit or loss, (ii) amortization of intangible assets resulting from mergers and acquisitions, (iii) mergers and acquisitions related charges, (iv) gain on deemed disposal of a subsidiary, and (v) impairment and write-off of intangible assets, 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 recognizes gain on deemed disposal of a subsidiary. Such gains or losses are inconsistent in amount and frequency and are significantly impacted by the timing and nature of the transactions. 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 records impairment and write-off of intangible assets, which are non-recurring in nature. 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.

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

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

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

Three months ended June 30, 2024

	Operating profit (unaudited) US\$'000	Profit before taxation (unaudited) US\$'000	Profit for the period (unaudited) US\$'000	Profit attributable to equity holders (unaudited) US\$'000
As reported	494,469	312,995	253,495	243,365
Non-HKFRS adjustments				
Net fair value changes on financial assets at fair value through profit or loss	11,339	11,339	9,627	9,873
Amortization of intangible assets resulting from mergers and acquisitions	41,981	43,164	34,014	34,014
Gain on deemed disposal of a subsidiary	(22,627)	(22,627)	(19,233)	(19,233)
Impairment and write-off of intangible assets	47,052	47,052	47,052	47,052
Non-HKFRS	<u>572,214</u>	<u>391,923</u>	<u>324,955</u>	<u>315,071</u>

Three months ended June 30, 2023

	Operating profit (unaudited) US\$'000	Profit before taxation (unaudited) US\$'000	Profit for the period (unaudited) US\$'000	Profit attributable to equity holders (unaudited) US\$'000
As reported	390,075	228,127	183,414	176,526
Non-HKFRS adjustments				
Net fair value changes on financial assets at fair value through profit or loss	(30,581)	(30,581)	(24,803)	(20,632)
Amortization of intangible assets resulting from mergers and acquisitions	42,448	43,631	34,410	34,410
Mergers and acquisitions related charges	-	304	304	304
Non-HKFRS	<u>401,942</u>	<u>241,481</u>	<u>193,325</u>	<u>190,608</u>

Capital Expenditure

The Group incurred capital expenditure of US\$305 million (2023/24: US\$331 million) during the three months ended June 30, 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 period is mainly attributable to less investments in intangible assets under construction.

Liquidity and Financial Resources

At June 30, 2024, total assets of the Group amounted to US\$40,485 million (March 31, 2024: US\$38,751 million), which were financed by equity attributable to owners of the Company of US\$5,563 million (March 31, 2024: US\$5,583 million), other non-controlling interests (net of put option written on non-controlling interests) of US\$503 million (March 31, 2024: US\$498 million), and total liabilities of US\$34,419 million (March 31, 2024: US\$32,670 million). At June 30, 2024, the current ratio of the Group was 0.85 (March 31, 2024: 0.87).

At June 30, 2024, bank deposits and cash and cash equivalents totaling US\$3,973 million (March 31, 2024: US\$3,626 million) analyzed by major currency are as follows:

	June 30, 2024	March 31, 2024
	%	%
US dollar	32.7	25.5
Renminbi	26.9	27.3
Japanese Yen	9.6	10.8
Euro	2.9	6.2
Australian dollar	2.3	2.7
Other currencies	25.6	27.5
Total	100.0	100.0

The Group adopts a conservative policy to invest the surplus cash generated from operations. At June 30, 2024, 80 (March 31, 2024: 90) percent of cash are bank deposits, and 20 (March 31, 2024: 10) 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	
				June 30, 2024 US\$ million	March 31, 2024 US\$ million
Revolving loan facility	May 12, 2020	300	5 years	N/A (Note)	-
Revolving loan facility	May 14, 2020	200	5 years	N/A (Note)	-
Revolving loan facility	July 4, 2022	2,000	5 years	-	-
Revolving loan facility	December 22, 2023	500	1 year	-	-
Revolving loan facility	January 19, 2024	500	1 year	-	-

Note: The revolving loan facilities were cancelled on May 7, 2024.

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

Credit facilities	Total available amount at		Utilized amount at	
	June 30, 2024 US\$ million	March 31, 2024 US\$ million	June 30, 2024 US\$ million	March 31, 2024 US\$ million
Trade lines	5,379	4,676	3,248	2,861
Short-term money market facilities	2,170	1,926	40	41
Forward foreign exchange contracts	11,488	11,588	11,459	11,555

Apart from the above facilities, notes and convertible bonds issued by the Group and outstanding at June 30, 2024 are as follows. Further details of borrowings are set out in Note 12 to the Financial Information.

	Issue date	Principal amount	Term	Interest rate/ dividend per annum	Due date	Use of proceeds
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 June 30 and March 31, 2024 are as follows:

	June 30, 2024 US\$ million	March 31, 2024 US\$ million
Bank deposits and cash and cash equivalents	3,973	3,626
Borrowings		
- Short-term loans	49	50
- Notes	3,013	3,013
- Convertible bonds	562	557
Net cash position	349	6
Total equity	6,065	6,081
Gearing ratio (Borrowings divided by total equity)	0.60	0.60

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

The Group adopts a consistent hedging policy for business transactions to reduce the risk of currency fluctuation arising from daily operations. At June 30, 2024, the Group had commitments in respect of outstanding forward foreign exchange contracts amounting to US\$11,459 million (March 31, 2024: US\$11,555 million). The Group's forward foreign exchange contracts are either used to hedge a percentage of future transactions which are highly probable, or used as fair value hedges for identified assets and liabilities.

Contingent Liabilities

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

FINANCIAL INFORMATION

CONSOLIDATED INCOME STATEMENT

		3 months ended June 30, 2024 (unaudited) US\$'000	3 months ended June 30, 2023 (unaudited) US\$'000
	<i>Note</i>		
Revenue	2	15,447,056	12,899,927
Cost of sales		(12,887,207)	(10,648,022)
Gross profit		2,559,849	2,251,905
Selling and distribution expenses		(835,611)	(799,161)
Administrative expenses		(650,457)	(596,909)
Research and development expenses		(475,995)	(451,031)
Other operating income/(expenses) - net		(103,317)	(14,729)
Operating profit	3	494,469	390,075
Finance income	4(a)	26,405	40,173
Finance costs	4(b)	(200,377)	(197,426)
Share of losses of associates and joint ventures		(7,502)	(4,695)
Profit before taxation		312,995	228,127
Taxation	5	(59,500)	(44,713)
Profit for the period		253,495	183,414
Profit attributable to:			
Equity holders of the Company		243,365	176,526
Other non-controlling interests		10,130	6,888
		253,495	183,414
Earnings per share attributable to equity holders of the Company			
Basic	6(a)	US1.99 cents	US1.48 cents
Diluted	6(b)	US1.92 cents	US1.43 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	3 months ended June 30, 2024 (unaudited) US\$'000	3 months ended June 30, 2023 (unaudited) US\$'000
Profit for the period	253,495	183,414
Other comprehensive income/(loss):		
<u>Items that will not be reclassified to profit or loss</u>		
Remeasurements of post-employment benefit obligations, net of taxes	47	97
Fair value change on financial assets at fair value through other comprehensive income, net of taxes	(2,141)	1,163
<u>Items that have been reclassified or may be subsequently reclassified to profit or loss</u>		
Fair value change on cash flow hedges from foreign exchange forward contracts, net of taxes		
- Fair value gain, net of taxes	82,775	56,510
- Reclassified to consolidated income statement	(65,903)	(8,791)
Currency translation differences	(320,301)	(237,821)
Other comprehensive loss for the period	(305,523)	(188,842)
Total comprehensive loss for the period	(52,028)	(5,428)
Total comprehensive (loss)/income attributable to:		
Equity holders of the Company	(6,080)	11,818
Other non-controlling interests	(45,948)	(17,246)
	(52,028)	(5,428)

CONSOLIDATED BALANCE SHEET

		June 30, 2024 (unaudited) US\$'000	March 31, 2024 (audited) US\$'000
Non-current assets			
Property, plant and equipment		1,987,325	2,010,178
Right-of-use assets		544,115	571,305
Construction-in-progress		299,564	337,648
Intangible assets		8,198,827	8,345,407
Interests in associates and joint ventures		314,521	318,803
Deferred income tax assets		2,704,923	2,633,302
Financial assets at fair value through profit or loss		1,404,907	1,393,666
Financial assets at fair value through other comprehensive income		53,073	55,973
Other non-current assets		420,085	397,489
		<u>15,927,340</u>	<u>16,063,771</u>
Current assets			
Inventories	7	7,777,587	6,702,677
Trade and notes receivables	8(a)	8,654,796	8,147,695
Derivative financial assets		94,372	69,568
Deposits, prepayments and other receivables	9	3,665,552	3,782,366
Income tax recoverable		391,867	359,491
Bank deposits		62,028	65,555
Cash and cash equivalents		3,911,121	3,559,831
		<u>24,557,323</u>	<u>22,687,183</u>
Total assets		<u><u>40,484,663</u></u>	<u><u>38,750,954</u></u>

CONSOLIDATED BALANCE SHEET (CONTINUED)

		June 30, 2024	March 31, 2024
		(unaudited)	(audited)
	<i>Note</i>	<i>US\$'000</i>	<i>US\$'000</i>
Share capital	<i>13</i>	3,500,987	3,500,987
Reserves		2,061,608	2,081,606
		<hr/>	<hr/>
Equity attributable to owners of the Company		5,562,595	5,582,593
Other non-controlling interests		1,050,094	1,045,947
Put option written on non-controlling interests	<i>10(a), 11(b)</i>	(547,353)	(547,353)
		<hr/>	<hr/>
Total equity		6,065,336	6,081,187
		<hr/>	<hr/>
Non-current liabilities			
Borrowings	<i>12</i>	2,610,011	3,569,229
Warranty provision	<i>10(b)</i>	153,282	161,261
Deferred revenue		1,463,179	1,436,484
Retirement benefit obligations		237,561	241,402
Deferred income tax liabilities		438,449	447,523
Other non-current liabilities	<i>11</i>	677,818	754,705
		<hr/>	<hr/>
		5,580,300	6,610,604
		<hr/>	<hr/>
Current liabilities			
Trade and notes payables	<i>8(b)</i>	11,924,646	10,505,427
Derivative financial liabilities		23,884	42,555
Other payables and accruals	<i>10(a)</i>	13,209,921	12,751,775
Provisions	<i>10(b)</i>	889,472	920,950
Deferred revenue		1,427,579	1,512,645
Income tax payable		349,844	275,380
Borrowings	<i>12</i>	1,013,681	50,431
		<hr/>	<hr/>
		28,839,027	26,059,163
		<hr/>	<hr/>
Total liabilities		34,419,327	32,669,767
		<hr/>	<hr/>
Total equity and liabilities		40,484,663	38,750,954
		<hr/>	<hr/>

CONSOLIDATED CASH FLOW STATEMENT

	<i>Note</i>	3 months ended June 30, 2024 (unaudited) US\$'000	3 months ended June 30, 2023 (unaudited) US\$'000
Cash flows from operating activities			
Net cash generated from operations	<i>14(a)</i>	1,091,604	1,057,119
Interest paid		(193,256)	(190,906)
Tax paid		(106,956)	(216,452)
Net cash generated from operating activities		791,392	649,761
Cash flows from investing activities			
Purchase of property, plant and equipment		(81,296)	(61,732)
Sale of property, plant and equipment		5,836	16,560
Acquisition of businesses, net of cash acquired		(1,537)	-
Deemed disposal of a subsidiary, net of cash disposed		(14,272)	-
Loan to an associate and a joint venture		(6,207)	(1,093)
Repayment of loan to an associate		-	20,695
Payment for construction-in-progress		(73,237)	(113,108)
Payment for intangible assets		(149,988)	(156,621)
Purchase of financial assets at fair value through profit or loss		(37,584)	(38,699)
Net proceeds from sale of financial assets at fair value through profit or loss		7,910	90,397
Decrease in bank deposits		3,527	2,739
Dividends received		691	660
Interest received		26,405	40,173
Net cash used in investing activities		(319,752)	(200,029)
Cash flows from financing activities			
Capital contribution from other non-controlling interests	<i>14(b)</i>	462	2,760
Distribution to other non-controlling interests		(641)	(3,995)
Contribution to employee share trusts		(9,985)	(218,043)
Acquisition of additional interest in a subsidiary		-	(32,738)
Principal elements of lease payments		(34,671)	(35,013)
Dividends paid to other non-controlling interests		(1,986)	(6,353)
Proceeds from loans		3,150,952	1,417,795
Repayments of loans		(3,151,341)	(1,407,798)
Net cash used in financing activities		(47,210)	(283,385)
Increase in cash and cash equivalents		424,430	166,347
Effect of foreign exchange rate changes		(73,140)	(61,630)
Cash and cash equivalents at the beginning of the period		3,559,831	4,250,085
Cash and cash equivalents at the end of the period		3,911,121	4,354,802

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holders of the Company										
	Share capital	Investment revaluation reserve	Employee share trusts	Share-based compensation reserve	Hedging reserve	Exchange reserve	Other reserves	Retained earnings	Other non-controlling interests	Put option written on non-controlling interests	Total
	(unaudited) US\$'000	(unaudited) US\$'000	(unaudited) US\$'000	(unaudited) US\$'000	(unaudited) US\$'000	(unaudited) US\$'000	(unaudited) US\$'000	(unaudited) US\$'000	(unaudited) US\$'000	(unaudited) US\$'000	(unaudited) US\$'000
At April 1, 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
Profit for the period	-	-	-	-	-	-	-	243,365	10,130	-	253,495
Other comprehensive (loss)/income	-	(2,141)	-	-	16,872	(304,091)	-	47	(16,210)	-	(305,523)
Total comprehensive (loss)/income for the period	-	(2,141)	-	-	16,872	(304,091)	-	243,412	(6,080)	-	(52,028)
Transfer to statutory reserve	-	-	-	-	-	-	15,134	(15,134)	-	-	-
Deemed disposal of a subsidiary	-	-	-	-	-	15,219	(135)	-	(718)	-	14,366
Vesting of shares under long-term incentive program	-	-	138,034	(199,337)	-	-	-	-	-	-	(61,303)
Deferred tax in relation to long-term incentive program	-	-	-	19,748	-	-	-	-	-	-	19,748
Settlement of bonus through long-term incentive program	-	-	-	561	-	-	-	-	-	-	561
Share-based compensation	-	-	-	61,869	-	-	-	-	-	-	61,869
Contribution to employee share trusts	-	-	(9,985)	-	-	-	-	-	-	-	(9,985)
Dividends paid to other non-controlling interests	-	-	-	-	-	-	-	-	(1,986)	-	(1,986)
Capital contribution from other non-controlling interests	-	-	-	-	-	-	(24)	-	13,572	-	13,548
Distribution to other non-controlling interests	-	-	-	-	-	-	-	-	(641)	-	(641)
At June 30, 2024	3,500,987	(70,803)	(79,438)	(767,594)	59,015	(2,714,467)	199,509	5,435,386	1,050,094	(547,353)	6,065,336
At April 1, 2023	3,282,318	(60,860)	(153,385)	(344,218)	(9,154)	(2,096,441)	163,411	4,805,919	1,006,784	(547,353)	6,047,021
Profit for the period	-	-	-	-	-	-	-	176,526	6,888	-	183,414
Other comprehensive income/(loss)	-	1,163	-	-	47,719	(213,687)	-	97	(24,134)	-	(188,842)
Total comprehensive income/(loss) for the period	-	1,163	-	-	47,719	(213,687)	-	176,623	(17,246)	-	(5,428)
Transfer to statutory reserve	-	-	-	-	-	-	19,180	(19,180)	-	-	-
Acquisition of subsidiaries	-	-	-	-	-	-	-	-	(2,285)	-	(2,285)
Vesting of shares under long-term incentive program	-	-	177,615	(239,174)	-	-	-	-	-	-	(61,559)
Deferred tax in relation to long-term incentive program	-	-	-	4,443	-	-	-	-	-	-	4,443
Settlement of bonus through long-term incentive program	-	-	-	2,434	-	-	-	-	-	-	2,434
Share-based compensation	-	-	-	68,633	-	-	-	-	-	-	68,633
Contribution to employee share trusts	-	-	(218,043)	-	-	-	-	-	-	-	(218,043)
Dividends paid to other non-controlling interests	-	-	-	-	-	-	-	-	(6,353)	-	(6,353)
Capital contribution from other non-controlling interests	-	-	-	-	-	-	8,315	-	56,535	-	64,850
Distribution to other non-controlling interests	-	-	-	-	-	-	-	-	(3,995)	-	(3,995)
Change of ownership of subsidiaries without loss of control	-	-	-	-	-	-	5,511	-	(38,249)	-	(32,738)
At June 30, 2023	3,282,318	(59,697)	(193,813)	(507,882)	38,565	(2,310,128)	196,417	4,963,362	995,191	(547,353)	5,856,980

1 General information and basis of preparation

The financial information relating to the year ended March 31, 2024 included in the FY2024/25 first quarter results announcement does not constitute the Company's statutory annual consolidated financial statements for that year but is derived from those consolidated financial statements. Further information relating to these statutory consolidated financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance is as follows:

The Company will deliver the consolidated financial statements for the year ended March 31, 2024 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance.

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

Basis of preparation

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

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

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

- Hong Kong Interpretation 5 (Revised), Presentation of financial statements –
Classification by the borrower of a term loan that contains a repayment on demand clause
- Amendments to HKAS 1, Classification of liabilities as current or non-current
- Amendments to HKAS 1, Non-current liabilities with covenants
- Amendments to HKFRS 16, Lease liability in a sale and leaseback
- Amendments to HKAS 7 and HKFRS 7, Supplier finance arrangements

2 Segment information

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

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

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

	3 months ended June 30, 2024		3 months ended June 30, 2023	
	Revenue US\$'000	Operating profit/(loss) US\$'000	Revenue US\$'000	Operating profit/(loss) US\$'000
IDG	11,421,635	828,377	10,260,612	649,757
ISG	3,159,797	(37,274)	1,913,766	(60,417)
SSG	1,885,338	396,102	1,713,232	361,140
Total	<u>16,466,770</u>	<u>1,187,205</u>	13,887,610	950,480
Eliminations	<u>(1,019,714)</u>	<u>(327,585)</u>	(987,683)	(307,360)
	<u><u>15,447,056</u></u>	<u><u>859,620</u></u>	<u><u>12,899,927</u></u>	<u><u>643,120</u></u>

Unallocated:

Headquarters and corporate income/(expenses) – net	(334,737)			(304,046)
Depreciation and amortization	(116,285)			(104,334)
Impairment and write-off of intangible assets	(47,052)			-
Finance income	22,249			38,233
Finance costs	(75,261)			(70,474)
Share of losses of associates and joint ventures	(7,305)			(6,147)
Gain on disposal of property, plant and equipment	413			679
Fair value (loss)/gain on financial assets at fair value through profit or loss	(11,674)			30,581
Gain on deemed disposal of a subsidiary	22,627			-
Dividend income	400			515
Consolidated profit before taxation	<u><u>312,995</u></u>			<u><u>228,127</u></u>

(b) Analysis of revenue by geography

	3 months ended June 30, 2024 US\$'000	3 months ended June 30, 2023 US\$'000
China	3,443,196	2,852,490
Asia Pacific (“AP”)	2,680,064	2,230,213
Europe-Middle East-Africa (“EMEA”)	3,837,547	3,046,680
Americas (“AG”)	5,486,249	4,770,544
	<u><u>15,447,056</u></u>	<u><u>12,899,927</u></u>

(c) Analysis of revenue by timing of revenue recognition

	3 months ended June 30, 2024 US\$'000	3 months ended June 30, 2023 US\$'000
Point in time	14,744,126	12,211,599
Over time	702,930	688,328
	<u><u>15,447,056</u></u>	<u><u>12,899,927</u></u>

(d) Other segment information

	IDG		ISG		SSG		Total	
	2024	2023	2024	2023	2024	2023	2024	2023
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
For the three months ended June 30								
Depreciation and amortization	166,699	181,187	58,907	48,366	4,466	5,708	230,072	235,261
Finance income	2,782	1,310	887	608	487	22	4,156	1,940
Finance costs	79,874	93,399	44,818	33,055	424	498	125,116	126,952

- (e) The directors review goodwill and trademarks and trade names with indefinite useful lives with an aggregate amount of US\$6,105 million (March 31, 2024: US\$6,169 million). The carrying amounts of goodwill and trademarks and trade names with indefinite useful lives are presented below:

At June 30, 2024

	China US\$ million	AP US\$ million	EMEA US\$ million	AG US\$ million	Total US\$ million
Goodwill					
- IDG	905	469	284	1,580	3,238
- ISG	470	128	59	340	997
- SSG (Note)	N/A	N/A	N/A	N/A	604
Trademarks and trade names with indefinite useful lives					
- IDG	182	55	121	480	838
- ISG	162	54	31	123	370
- SSG (Note)	N/A	N/A	N/A	N/A	58

At March 31, 2024

	China US\$ million	AP US\$ million	EMEA US\$ million	AG US\$ million	Total US\$ million
Goodwill					
- IDG	911	488	287	1,611	3,297
- ISG	472	132	59	341	1,004
- SSG (Note)	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)	N/A	N/A	N/A	N/A	58

Note: SSG is monitored as a whole and there is no allocation to geography or market.

The directors are of the view that there was no impairment of goodwill and trademarks and trade names with indefinite useful lives based on impairment tests performed at June 30, 2024 (March 31, 2024: nil).

3 Operating profit

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

	3 months ended June 30, 2024 US\$'000	3 months ended June 30, 2023 US\$'000
Depreciation of property, plant and equipment	107,323	101,901
Depreciation of right-of-use assets	28,922	41,117
Amortization of intangible assets	210,112	196,577
Impairment and write-off of intangible assets	47,052	-
Employee benefit costs, including	1,411,029	1,409,064
– long-term incentive awards	61,869	68,633
Rental expenses	4,084	2,018
Gain on disposal of property, plant and equipment	(964)	(568)
Loss on disposal of intangible assets	297	-
Loss on disposal of construction-in-progress	-	4,087
Fair value loss/(gain) on financial assets at fair value through profit or loss	11,339	(30,581)
Gain on deemed disposal of a subsidiary	(22,627)	-
	<u>26,627</u>	<u>(30,581)</u>

4 Finance income and costs

(a) Finance income

	3 months ended June 30, 2024 US\$'000	3 months ended June 30, 2023 US\$'000
Interest on bank deposits	20,882	32,596
Interest on money market funds	2,270	6,243
Interest income on finance lease	3,253	1,334
	<u>26,405</u>	<u>40,173</u>

(b) Finance costs

	3 months ended June 30, 2024 US\$'000	3 months ended June 30, 2023 US\$'000
Interest on bank loans and overdrafts	16,377	10,048
Interest on convertible bonds	9,192	12,387
Interest on notes	40,325	42,517
Interest on lease liabilities	3,140	3,876
Factoring costs	130,240	125,931
Interest on written put option liabilities	541	827
Others	562	1,840
	<u>200,377</u>	<u>197,426</u>

5 Taxation

The amount of taxation in the consolidated income statement represents:

	3 months ended June 30, 2024 US\$'000	3 months ended June 30, 2023 US\$'000
Current tax		
Profits tax in Hong Kong S.A.R. of China	26,169	32,163
Taxation outside Hong Kong S.A.R. of China	108,303	60,666
Deferred tax		
Credit for the period	(74,972)	(48,116)
	59,500	44,713

Profits tax in Hong Kong S.A.R. of China has been provided for at the rate of 16.5% (2023/24: 16.5%) on the estimated assessable profit for the period. Taxation outside Hong Kong S.A.R. of China represents income and irrecoverable withholding taxes of subsidiaries operating in the Chinese Mainland and overseas, calculated at rates applicable in the respective jurisdictions.

6 Earnings per share

(a) Basic

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

	3 months ended June 30, 2024	3 months ended June 30, 2023
Weighted average number of ordinary shares in issue	12,404,659,302	12,128,130,291
Adjustment for shares held by employee share trusts	(172,643,029)	(204,622,258)
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	12,232,016,273	11,923,508,033
	3 months ended June 30, 2024 US\$'000	3 months ended June 30, 2023 US\$'000
Profit attributable to equity holders of the Company used in calculating basic earnings per share	243,365	176,526

(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 (2023/24: three) categories of potential ordinary shares, namely long-term incentive awards, put option written on non-controlling interests and convertible bonds (2023/24: long-term incentive awards, put option written on non-controlling interests and convertible bonds). Long-term incentive awards and convertible bonds were dilutive for the three months ended June 30, 2024 and 2023. Put option written on non-controlling interests were anti-dilutive for the three months ended June 30, 2024 and 2023.

	3 months ended June 30, 2024	3 months ended June 30, 2023
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	12,232,016,273	11,923,508,033
Adjustment for long-term incentive awards	303,250,490	304,195,786
Adjustment for convertible bonds	561,675,955	804,325,063
	13,096,942,718	13,032,028,882
	3 months ended June 30, 2024	3 months ended June 30, 2023
	<i>US\$'000</i>	<i>US\$'000</i>
Profit attributable to equity holders of the Company used in calculating basic earnings per share	243,365	176,526
Adjustment for interest on convertible bonds, net of tax	7,676	10,343
	251,041	186,869

7 Inventories

	June 30, 2024	March 31, 2024
	<i>US\$'000</i>	<i>US\$'000</i>
Raw materials and work-in-progress	4,552,998	3,857,581
Finished goods	2,642,604	2,265,554
Service parts	581,985	579,542
	7,777,587	6,702,677

8 Trade and notes receivables and trade and notes payables

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

	June 30, 2024	March 31, 2024
	<i>US\$'000</i>	<i>US\$'000</i>
Trade receivables	8,614,793	8,130,697
Notes receivable	40,003	16,998
	8,654,796	8,147,695

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

	June 30, 2024 <i>US\$'000</i>	March 31, 2024 <i>US\$'000</i>
0 – 30 days	6,559,707	6,185,814
31 – 60 days	1,145,039	1,080,594
61 – 90 days	342,656	235,405
Over 90 days	711,667	761,651
	<u>8,759,069</u>	<u>8,263,464</u>
Less: loss allowance	<u>(144,276)</u>	<u>(132,767)</u>
Trade receivables – net	<u>8,614,793</u>	<u>8,130,697</u>

At June 30, 2024, trade receivables, net of loss allowance, of US\$1,028,431,000 (March 31, 2024: US\$915,714,000) were past due. The ageing of these receivables, based on due date, is as follows:

	June 30, 2024 <i>US\$'000</i>	March 31, 2024 <i>US\$'000</i>
Within 30 days	523,040	486,984
31 – 60 days	195,606	178,430
61 – 90 days	110,814	61,662
Over 90 days	198,971	188,638
	<u>1,028,431</u>	<u>915,714</u>

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

	3 months ended June 30, 2024 <i>US\$'000</i>	Year ended March 31, 2024 <i>US\$'000</i>
At the beginning of the period/year	132,767	104,823
Exchange adjustment	(92)	(3,171)
Increase in loss allowance recognized in profit or loss	22,357	105,644
Uncollectible receivables written off	(7,189)	(35,489)
Unused amounts reversed in profit or loss	(3,567)	(39,040)
At the end of the period/year	<u>144,276</u>	<u>132,767</u>

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

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

	June 30, 2024 <i>US\$'000</i>	March 31, 2024 <i>US\$'000</i>
Trade payables	9,582,461	8,473,990
Notes payable	2,342,185	2,031,437
	<u>11,924,646</u>	<u>10,505,427</u>

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

	June 30, 2024 <i>US\$'000</i>	March 31, 2024 <i>US\$'000</i>
0 – 30 days	6,149,549	5,201,965
31 – 60 days	1,950,058	2,002,588
61 – 90 days	941,581	643,980
Over 90 days	541,273	625,457
	9,582,461	8,473,990

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

9 Deposits, prepayments and other receivables

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

	June 30, 2024 <i>US\$'000</i>	March 31, 2024 <i>US\$'000</i>
Deposits	51,570	52,852
Other receivables	2,337,838	2,429,511
Prepayments	1,276,144	1,300,003
	3,665,552	3,782,366

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

10 Provisions, other payables and accruals

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

	June 30, 2024 <i>US\$'000</i>	March 31, 2024 <i>US\$'000</i>
Accruals	3,369,992	3,327,359
Allowance for billing adjustments (i)	2,097,984	2,277,947
Written put option liability (ii)	239,020	253,482
Other payables (iii)	7,416,086	6,791,407
Lease liabilities	86,839	101,580
	13,209,921	12,751,775

Notes:

- (i) Allowance for billing adjustments relates primarily to allowances for future volume discounts, price protection, rebates, and customer sales returns.
- (ii) Pursuant to the joint venture agreement entered into between the Company and Fujitsu Limited (“Fujitsu”), the Company and Fujitsu are respectively granted call and put options which entitle the Company to purchase from Fujitsu and Development Bank of Japan (“DBJ”), or Fujitsu and DBJ to sell to the Company, the 49% interest in Fujitsu Client Computing Limited and its subsidiaries (together “FCCL”). Both options are exercisable at June 30, 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. In the event that the put option lapses unexercised, the liability will be derecognized with a corresponding adjustment to equity.

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

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

(b) The components of provisions are as follows:

	Warranty <i>US\$'000</i>	Environmental restoration <i>US\$'000</i>	Restructuring <i>US\$'000</i>	Total <i>US\$'000</i>
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)
	<u>969,591</u>	<u>25,336</u>	<u>108,939</u>	<u>1,103,866</u>
Long-term portion classified as non-current liabilities	(161,261)	(21,655)	-	(182,916)
At the end of the year	<u><u>808,330</u></u>	<u><u>3,681</u></u>	<u><u>108,939</u></u>	<u><u>920,950</u></u>
Three months ended June 30, 2024				
At the beginning of the period	969,591	25,336	108,939	1,103,866
Exchange adjustment	(4,396)	(1,288)	(91)	(5,775)
Provisions made	166,549	2,200	-	168,749
Amounts utilized	(162,400)	(2,497)	(38,947)	(203,844)
	<u>969,344</u>	<u>23,751</u>	<u>69,901</u>	<u>1,062,996</u>
Long-term portion classified as non-current liabilities	(153,282)	(20,242)	-	(173,524)
At the end of the period	<u><u>816,062</u></u>	<u><u>3,509</u></u>	<u><u>69,901</u></u>	<u><u>889,472</u></u>

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

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

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

11 Other non-current liabilities

Details of other non-current liabilities are as follows:

	June 30, 2024 US\$'000	March 31, 2024 US\$'000
Deferred consideration (a)	25,072	25,072
Written put option liability (b)	44,533	44,251
Lease liabilities	223,062	240,449
Environmental restoration (Note 10(b))	20,242	21,655
Government incentives and grants received in advance (c)	103,411	101,095
Others	261,498	322,183
	<u>677,818</u>	<u>754,705</u>

Notes:

- (a) Pursuant to the joint venture agreement entered into with NEC Corporation, the Group is required to pay in cash to NEC Corporation deferred consideration. At June 30, 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 (March 31, 2024: 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.

12 Borrowings

	June 30, 2024 <i>US\$'000</i>	March 31, 2024 <i>US\$'000</i>
Current liabilities		
Short-term loans (a)	48,836	50,431
Notes (b)	964,845	-
	1,013,681	50,431
Non-current liabilities		
Notes (b)	2,048,445	3,012,637
Convertible bonds (c)	561,566	556,592
	2,610,011	3,569,229
	3,623,692	3,619,660

Notes:

- (a) Majority of the short-term loans are denominated in United States dollars. At June 30, 2024, the Group has total revolving and short-term loan facilities of US\$5,170 million (March 31, 2024: US\$5,426 million) which has been utilized to the extent of US\$40 million (March 31, 2024: US\$41 million).

- (b) Details of the outstanding notes are as follows:

Issue date	Outstanding principal amount	Term	Interest rate per annum	Due date	June 30, 2024 <i>US\$'000</i>	March 31, 2024 <i>US\$'000</i>
April 24, 2020 and May 12, 2020	US\$965 million	5 years	5.875%	April 2025	964,845	964,798
November 2, 2020	US\$900 million	10 years	3.421%	November 2030	894,366	894,145
July 27, 2022	US\$600 million	5.5 years	5.831%	January 2028	595,841	595,587
July 27, 2022	US\$563 million	10 years	6.536%	July 2032	558,238	558,107
					3,013,290	3,012,637

- (c) Details of the outstanding convertible bonds are as follows:

Issue date	Outstanding principal amount	Term	Interest rate per annum	Due date	June 30, 2024 <i>US\$'000</i>	March 31, 2024 <i>US\$'000</i>
August 26, 2022	US\$675 million	7 years	2.5%	August 2029	561,566	556,592

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\$9.06 per share effective on August 3, 2024. Assuming full conversion of the 2029 Convertible Bonds at the conversion price of HK\$9.06 per share, the 2029 Convertible Bonds will be convertible into 583,994,205 shares.

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

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

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

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

The exposure of all the borrowings of the Group to interest rate changes and the contractual repricing dates at June 30, 2024 and March 31, 2024 are as follows:

	June 30, 2024	March 31, 2024
	<i>US\$'000</i>	<i>US\$'000</i>
Within 1 year	1,013,681	50,431
Over 1 to 2 years	-	964,798
Over 2 to 5 years	595,841	595,587
Over 5 years	2,014,170	2,008,844
	3,623,692	3,619,660

13 Share capital

	June 30, 2024		March 31, 2024	
	<i>Number of shares</i>	<i>US\$'000</i>	<i>Number of shares</i>	<i>US\$'000</i>
<i>Issued and fully paid:</i>				
Voting ordinary shares:				
At the beginning of the period/year	12,404,659,302	3,500,987	12,128,130,291	3,282,318
Conversion of convertible bonds	-	-	276,529,011	218,669
At the end of the period/year	12,404,659,302	3,500,987	12,404,659,302	3,500,987

14 Note to the consolidated cash flow statement

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

	3 months ended June 30, 2024	3 months ended June 30, 2023
	<i>US\$'000</i>	<i>US\$'000</i>
Profit before taxation	312,995	228,127
Share of losses of associates and joint ventures	7,502	4,695
Finance income	(26,405)	(40,173)
Finance costs	200,377	197,426
Depreciation of property, plant and equipment	107,323	101,901
Depreciation of right-of-use assets	28,922	41,117
Amortization of intangible assets	210,112	196,577
Impairment and write-off of intangible assets	47,052	-
Share-based compensation	61,869	68,633
Gain on disposal of property, plant and equipment	(964)	(568)
Loss on disposal of intangible assets	297	3
Loss on disposal of construction-in-progress	-	4,087
Gain on deemed disposal of a subsidiary	(22,627)	-
Fair value change on financial instruments	(26,603)	(39,959)
Fair value change on financial assets at fair value through profit or loss	11,339	(30,581)
Dividend income	(691)	(660)
(Increase)/decrease in inventories	(1,085,457)	453,052
(Increase)/decrease in trade and notes receivables, deposits, prepayments and other receivables	(393,387)	421,060
Increase/(decrease) in trade and notes payables, provisions, other payables and accruals	1,727,407	(667,739)
Effect of foreign exchange rate changes	(67,457)	120,121
Net cash generated from operations	1,091,604	1,057,119

(b) Reconciliation of financing liabilities

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

	June 30, 2024	March 31, 2024
	<i>US\$'000</i>	<i>US\$'000</i>
Financing liabilities		
Short-term loans – current	48,836	50,431
Notes – current	964,845	-
Notes – non-current	2,048,445	3,012,637
Convertible bonds – non-current	561,566	556,592
Lease liabilities – current	86,839	101,580
Lease liabilities – non-current	223,062	240,449
	3,933,593	3,961,689
Short-term loans – variable interest rates	39,739	43,423
Short-term loans – fixed interest rates	9,097	7,008
Notes – fixed interest rates	3,013,290	3,012,637
Convertible bonds – fixed interest rates	561,566	556,592
Lease liabilities – fixed interest rates	309,901	342,029
	3,933,593	3,961,689

	Short-term loans current US\$'000	Notes current US\$'000	Notes non-current US\$'000	Convertible bonds current US\$'000	Convertible bonds non-current US\$'000	Lease liabilities current US\$'000	Lease liabilities non-current US\$'000	Total US\$'000
Financing liabilities at								
April 1, 2023	57,032	-	3,146,148	214,584	537,030	123,719	280,837	4,359,350
Proceeds from borrowings	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
Financing liabilities at								
April 1, 2024	50,431	-	3,012,637	-	556,592	101,580	240,449	3,961,689
Proceeds from borrowings	3,150,952	-	-	-	-	-	-	3,150,952
Repayments of borrowings	(3,151,341)	-	-	-	-	-	-	(3,151,341)
Reclassification	-	964,814	(964,814)	-	-	20,052	(20,052)	-
Principal elements of lease payments	-	-	-	-	-	(34,671)	-	(34,671)
Foreign exchange adjustments	(1,206)	-	-	-	-	(682)	(1,507)	(3,395)
Other non-cash movements	-	31	622	-	4,974	560	4,172	10,359
Financing liabilities at June 30, 2024	48,836	964,845	2,048,445	-	561,566	86,839	223,062	3,933,593

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

Save as the respective trustee of the long-term incentive program and the employee share purchase plan of the Company purchased a total of 7,082,222 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 shares during the three months ended June 30, 2024. Details of these program and plan are set out in the 2023/24 Annual Report of the Company.

REVIEW BY AUDIT COMMITTEE

The Audit Committee of the Company has reviewed the unaudited financial results of the Group for the three months ended June 30, 2024. It meets regularly with the management, the external auditor and the internal audit personnel to discuss the accounting principles and practices adopted by the Group and internal control and financial reporting matters. Currently, the Audit Committee comprises four independent non-executive directors, including Mr. Woo Chin Wan Raymond, being the Chairman, Mr. William Tudor Brown, Mr. Gordon Robert Halyburton Orr and Mr. Kasper Bo Roersted.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

During the three months ended June 30, 2024, the Company has complied with the code provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix C1 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), with the exception that the roles of the chairman of the Board (the "Chairman") and the chief executive officer of the Company (the "CEO") have not been segregated as required by code provision C.2.1 of the CG Code.

The Board has reviewed the organization human resources planning of the Group and is of the opinion that the vesting of the roles of Chairman and the CEO in Mr. Yang Yuanqing ("Mr. Yang") is appropriate and beneficial to the Group as it provides consistency of the strategy execution and stability of the operations of the Group. The Board comprising a vast majority of independent non-executive directors meets regularly on a quarterly basis to review the operations of the Group led by Mr. Yang.

The Board also appointed Mr. William O. Grabe as the lead independent director (the "Lead Independent Director") with broad authorities and responsibilities. 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.

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

August 15, 2024

As at the date of this announcement, the executive director is Mr. Yang Yuanqing; the non-executive directors are Mr. Zhu Linan and Mr. Zhao John Huan; and the independent non-executive directors are Mr. William O. Grabe, Mr. William Tudor Brown, Mr. 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 and Professor Xue Lan.