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## Lenovo Group Limited 聯想集團有限公司

(Incorporated in Hong Kong with limited liability)  
(Stock Code: 992)

### FY2022/23 INTERIM RESULTS ANNOUNCEMENT

#### INTERIM RESULTS

The board of directors (the “Board”) of Lenovo Group Limited (the “Company”) announces the unaudited results of the Company and its subsidiaries (the “Group”) for the three and six months ended September 30, 2022 together with comparative figures for the corresponding period of last year, as follows:

#### FINANCIAL HIGHLIGHTS

- Profit attributable to equity holders up 8 percent year-on-year to an all-time high for the first fiscal half-year
- Strengths in multiple non-PC businesses helped the Group deliver sustainable growth, further increase net income, and expand net margin
- Solutions and Services Group achieved a 27 percent profit growth, highlighting the success of Service-led Transformation in driving market penetration and capturing growth opportunities in aaS, hybrid cloud, and ESG
- Revenue of the Infrastructure Solutions Group grew 24 percent year-on-year as investments in future growth continued with the recent launch of 50+ new products, services, and solutions, the largest portfolio launch in its history
- Intelligent Devices Group reported a 7 percent decline in sales; without currency impact, its sales would have been relatively stable year-on-year; strength in premium segments continued but overall performance was held back by demand weakness in consumer and small-medium business segments
- Net cash reached US\$1.1 billion, a US\$1.1 billion year-on-year improvement

	3 months ended	6 months ended	3 months ended	6 months ended	Year-on-year change	
	September 30, 2022	September 30, 2022	September 30, 2021	September 30, 2021	3 months ended	6 months ended
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	September 30	September 30
	US\$ million	US\$ million	US\$ million	US\$ million		
Revenue	17,090	34,045	17,869	34,798	(4%)	(2%)
Gross profit	2,877	5,745	3,006	5,830	(4%)	(1%)
Gross profit margin	16.8%	16.9%	16.8%	16.8%	0 pt	0.1 pts
Operating expenses	(2,026)	(4,117)	(2,189)	(4,271)	(7%)	(4%)
Operating profit	851	1,628	817	1,559	4%	4%
Other non-operating						
income/(expenses) - net	(141)	(227)	(75)	(167)	89%	36%
Profit before taxation	710	1,401	742	1,392	(4%)	1%
Profit for the period	554	1,093	557	1,042	(1%)	5%
Profit attributable to equity						
holders of the Company	541	1,057	512	978	6%	8%
Earnings per share attributable to						
equity holders of the Company						
Basic	US\$4.54 cents	US\$8.93 cents	US\$4.42 cents	US\$8.44 cents	US\$0.12 cents	US\$0.49 cents
Diluted	US\$4.23 cents	US\$8.24 cents	US\$3.96 cents	US\$7.50 cents	US\$0.27 cents	US\$0.74 cents
Non-HKFRS measure						
Non-HKFRS operating profit	907	1,720	900	1,575	1%	9%
Non-HKFRS profit before taxation	768	1,497	829	1,414	(7%)	6%
Non-HKFRS profit for the period	598	1,167	616	1,044	(3%)	12%
Non-HKFRS profit attributable to						
equity holders of the Company	591	1,147	591	1,005	(0%)	14%

## **INTERIM DIVIDEND**

The Board has declared an interim dividend of HK8 cents (2021/22: HK8 cents) per share for the six months ended September 30, 2022, absorbing an aggregate amount of approximately US\$123.6 million (2021/22: approximately US\$123.8 million), to shareholders whose names appear on the register of members of the Company on Tuesday, November 29, 2022. The interim dividend will be paid on Friday, December 9, 2022.

## **CLOSURE OF REGISTER OF MEMBERS**

The register of members of the Company will be closed on Tuesday, November 29, 2022, during which no transfer of shares will be registered. In order to qualify for the interim 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 no later than 4:30 p.m. on Monday, November 28, 2022. Shares of the Company will be traded ex-dividend as from Friday, November 25, 2022.

## **BUSINESS REVIEW AND OUTLOOK**

### **Highlights**

During the half year ended September 30, 2022, Lenovo (the Group) delivered solid performance at a time of exacerbated market challenges ranging from exchange rate volatility, surging global inflation, and subdued consumer spending to geopolitical uncertainties. Profit attributable to equity holders increased 8 percent to a record US\$1.1 billion, despite revenue declining by 2 percent year-on-year to US\$34 billion. Without currency impact, sales would have increased 4 percent.

Improving profitability remains the Group's prioritized medium-term financial target despite economic headwinds. Thanks to strong operating profit margin and lower tax rates, net margin grew 29 basis points year-on-year to its highest half-year level in the last 15 years, making progress in meeting its goal of doubling net margin. The robust margin improvement in a period of market turbulence is a testament to the Group's strong operational excellence and growth segments.

The Group delivered record-breaking revenue and profit on the strengths of the Infrastructure Solutions Group (ISG) and Solutions and Services Group (SSG), with their revenue growing by 24-25 percent year-on-year. Growth trajectory in these two segments remains steady thanks to resilience in the global Digital Transformation cycle and the emergence of New IT demand, which helped the Group weather the economic downturn. Non-PC businesses, including smartphone, increased their revenue contribution to 37 percent of the Group total, up 11 percent year-on-year during the period under review. The Intelligent Devices Group (IDG) reported a revenue decline of 7 percent year-on-year, primarily driven by unprecedented volatility in foreign exchange rates, and subdued demand and inventory control in certain segments.

Research & Development (R&D) spending increased 13 percent year-on-year to fuel various growth engines, business transformation, and ESG (Environmental, Social and Governance) initiatives. These strategic priorities will enable the Group to better navigate the heightened fluctuations in demand and become more agile in addressing customer demand beyond technology hardware. Other operating expense items totaled a decline of 8 percent with improved cost management.

Net cash, as measured by cash less borrowings, remained strong at US\$1.1 billion, an increase of US\$1.1 billion year-on-year. The Group's green bond was officially added to the Bloomberg MSCI Green Bond Index, a key global benchmark for ESG fixed-income funds. The Group also made its way into the 2022 Hang Seng Corporate Sustainability Index, attaining the best score within the IT industry, receiving an AA+ rating for the second year in a row. The Group ranked 14th by revenue among all Technology companies in *Fortune* Global 500 this year, climbing one spot from the previous year.

## **Group Financial Performance**

During the period under review, ISG and SSG set new sales records, while their combined operating profits grew 40 percent. IDG reported mixed results by boosting its presence in premium PC segments with an enriched sales mix. However, macro headwinds subdued demand for the PC sector as a whole, leading to a 7 percent year-on-year decline in IDG revenue. Despite the contracted top line, IDG's operating margin largely remained robust and its PC average selling prices rose by a high single-digit.

### **Performance by Business Group**

#### ***Intelligent Devices Group (IDG)***

The revenue and operating profit of IDG, which consists of the PC, tablet, smartphone, and other smart device businesses, reduced by 7 percent and 8 percent year-on-year respectively. Even with pressure on sector profitability due to the challenging market, IDG was still able to deliver leading profitability with operating margin mostly stable at 7.5 percent, a mere decline of 7 basis points year-on-year, thanks to an improved sales mix, disciplined management of expenses and operational excellence. However, while operating margin remained stable in the first fiscal quarter, it has been under pressure of late, decreasing by 16 basis points year-on-year in the second fiscal quarter.

The trend of hybrid working is here to stay, allowing IDG to execute its long-term strategy to unlock growth potential in commercial and premium segments within the PC business. In the second fiscal quarter, IDG reinforced its market leadership with an expanded lead in its market share against the two largest competitors, while attaining the largest share in the PC sector in four out of five geographical markets. IDG is the undisputed leader in commercial PC segment with a market share exceeding 26 percent in the period under review. Premium segment revenue rose 6 percent year-on-year, thanks to strong growth in gaming, as well as relative strength in Smart Collaboration, workstations, and accessories. IDG's Smart Collaboration revenue grew 50 percent year-on-year, supported by scenario-based solutions.

#### ***Infrastructure Solutions Group (ISG)***

To leverage demand from Digital Transformation prioritization and Edge computing, ISG announced over 50 new products, solutions, and services in September 2022 alone. Building a comprehensive infrastructure solutions portfolio is paying off. ISG revenue grew by 24 percent year-on-year to an all-time high of US\$4.7 billion during the period under review. Operating profit increased by US\$64 million to US\$47 million. The group has been one of the fastest growing infrastructure solutions providers globally. On top of a full-stack portfolio, ISG continued to differentiate with a broadened customer coverage, and a unique, fully integrated ODM+ (Original Design and Manufacturing) business model and solutions.

By product, revenue of server, storage and AI Edge shipments all set new records. Both server and storage product sales increased by strong double-digits off high bases. Storage revenue nearly doubled year-on-year, driven by buoyant demand from Cloud Service Provider (CSP) customers. Profitability of the CSP segment continued to improve on greater efficiency and better product mix.

Well-supported by the segment's strategy to grow its client base, product portfolio and design-in projects, CSP revenue grew at double-digit rates for nineteen out of the last twenty-eight quarters since acquisition, reaching an all-time high. Its Mexico plant has been operating at full capacity while its Hungary plant is expanding to meet the growing demand from contract wins. Its Enterprise & Small-and-medium Business (ESMB) segment revenue increased single-digit year-on-year, as enterprise customers continued to pursue Digital Transformation. The ESMB segment focused on driving its bottom line through multiple products including server, storage, Edge computing and services, while expanding its footprint in Hybrid Cloud Solutions.

## ***Solutions & Services Group (SSG)***

The financial results of SSG echoed the success of its Transformation journey, with revenue and operating profit growing 25 percent and 27 percent year-on-year to US\$3.2 billion and US\$697 million respectively. Operating margin of 21.9 percent surpassed all business groups, a gain of 0.4 percentage points from the same period last year. The Group formed a new strategic partnership with PCCW Solutions, a leading service provider in Asia Pacific. The newly established Lenovo PCCW Solutions started operations in August 2022.

By segment, revenue of Managed Services increased over 70 percent year-on-year, owing to the popularity of as-a-Service (aaS) solutions. Project & Solution Services' revenue rose 16 percent year-on-year on buoyant demand for vertical solutions. With services' penetration rate setting a new record, its Attached and Support Services revenue also increased 17 percent year-on-year.

## **Geographic Performance**

Lenovo is a global business operating in more than 180 markets. In Americas (AG), the Group delivered a 4 percent year-on-year increase in sales. ISG increased its revenue by 67% in the region, driven by a ramp-up of new orders and lasting strength in infrastructure solutions. In the PC sector, the company cemented its leading position despite the sector itself facing headwinds from inflation, US dollar appreciation, and weaker economic activities. SSG grew at a strong double-digit rate in the Latin America, achieving a higher penetration rate and driving hypergrowth in the aaS business.

The China market, affected by ongoing COVID containment measures, reported a 12 percent year-on-year revenue decline. The business segments, including PC and infrastructure businesses, contributed to the slowdown as market demand contracted.

The Group's revenue in the Europe-Middle East-Africa (EMEA) and the Asia Pacific (excluding China) regions remained broadly consistent over the same period last year. Both the ISG and SSG stayed on a strong growth trajectory, offsetting sector demand weakness for IDG products. SSG grew double-digits year-on-year in these regional markets through an enhanced delivery footprint, product differentiation, and customer expansion. ISG posted strong double-digit year-on-year growth rates in both regions, driven by the momentum of CSP and ESMB.

## **Outlook**

External challenges prevailed the global market during the period under review and could extend well into future periods. For example, with the Group's global market exposure, the increasing exchange rate fluctuation exacerbated the translation impact as more than half of the Group's revenue is denominated in non-USD currencies, many of which experienced unprecedented year-on-year depreciation against the US dollar. The currency translation impact alone on the top line was 6 percent in the first half of this fiscal year.

Meanwhile, strategic opportunities in Digital and Service-led Transformations will support long-term growth for Lenovo's end-to-end, user-friendly product and service solutions, and dependable devices. These external catalysts, coupled with the Group's investments in innovation and its global footprint, are key to mitigating external challenges and achieving its medium-term goal of doubling net margin.

IDG will lead the global race in device innovation by enhancing features for hybrid working, gaming, entertainment and ESG designs. Meanwhile, the total available market of the global PC sector should remain at a level structurally higher than the pre-pandemic period, thanks to the hybrid work model. The commercial upgrade cycle and the trend of premiumization will help IDG drive premium-to-market growth. Its smartphone business will focus on portfolio expansion and differentiation to take advantage of accelerated 5G adoption. IDG will further invest to score wins in non-PC areas, including fast-growing accessories and work collaboration solutions, which have become increasingly important for growth.

ISG has built industry-leading end-to-end infrastructure solutions and expanded from server to full-stack offerings including storage, software, which also covers Software-Defined Infrastructure (SDI), and services – all with higher profitability. The ESMB segment will also capitalize on growth opportunities in AI Powered Edge, hybrid cloud, High Performance Computing, and solutions for the Telco/communication sectors. For the CSP segment, ISG has a unique ODM+ business model to address the growing demand for vertically integrated supply chains. The business will continue to diversify its customer base and expand its share of existing accounts through design-wins across different technology platforms.

For SSG, the confluence of global economic challenges and dynamic shifts in market demand present new opportunities. Digitalization and structural changes in the workplace will unleash the demand for Premier, TruScale as-a-Service, Sustainability, and vertical solutions. Cost of capital is going up amid global interest rate hikes, leading to more cautious spending by enterprise customers and cash outlay by “sweating” their technology assets. This trend should supercharge demand for Maintenance Services to ensure the usefulness of assets during their extended life. Enterprise users will also have greater incentives to explore Asset Recovery Services to monetize and recoup the value of their end-of-life assets. The constrained headcount situation in most enterprises’ IT departments will translate into additional demand for outsourced services, presenting an opportunity for professional consulting, deployment, and managed services, further accelerating Service-led Transformation. Managed Services is well-positioned to capture aaS demand. SSG continues to broaden its service offerings in these areas while strengthening channel tools and cooperation with business partners.

### **Strategic Highlights**

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

Leveraging its Services business as a structural growth engine, the Group will strengthen its end-to-end service solutions, in particular, its TruScale as-a-Service portfolio, to address customer pain points in hybrid work, multi-cloud management, as well as cybersecurity. Synergies will also be created by working with leading business and channel partners.

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

## FINANCIAL REVIEW

### *Results for the six months ended September 30, 2022*

	<b>6 months ended September 30, 2022 (unaudited) US\$ million</b>	6 months ended September 30, 2021 (unaudited) US\$ million	Year-on-year change
Revenue	<b>34,045</b>	34,798	(2%)
Gross profit	<b>5,745</b>	5,830	(1%)
Gross profit margin	<b>16.9%</b>	16.8%	0.1 pts
Operating expenses	<b>(4,117)</b>	(4,271)	(4%)
Operating profit	<b>1,628</b>	1,559	4%
Other non-operating income/(expenses) – net	<b>(227)</b>	(167)	36%
Profit before taxation	<b>1,401</b>	1,392	1%
Profit for the period	<b>1,093</b>	1,042	5%
Profit attributable to equity holders of the Company	<b>1,057</b>	978	8%
Earnings per share attributable to equity holders of the Company			
Basic	<b>US8.93 cents</b>	US8.44 cents	US0.49 cents
Diluted	<b>US8.24 cents</b>	US7.50 cents	US0.74 cents

For the six months ended September 30, 2022, the Group achieved total sales of approximately US\$34,045 million. When compared to the corresponding period of last year, profit attributable to equity holders for the period increased by US\$79 million to approximately US\$1,057 million, gross profit margin rose 0.1 percentage points to 16.9 percent. While basic and diluted earnings per share were US8.93 cents and US8.24 cents respectively, representing an increase of US0.49 cents and US0.74 cents.

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

Analysis of operating expenses by function for the six months ended September 30, 2022 and 2021 is as follows:

	<b>6 months ended September 30, 2022 US\$'000</b>	6 months ended September 30, 2021 US\$'000
Selling and distribution expenses	<b>(1,765,605)</b>	(1,771,021)
Administrative expenses	<b>(1,232,410)</b>	(1,512,711)
Research and development expenses	<b>(1,067,066)</b>	(948,434)
Other operating income/(expenses) – net	<b>(52,227)</b>	(37,999)
	<b>(4,117,308)</b>	(4,270,165)

Operating expenses for the period decreased by 4 percent as compared with the corresponding period of last year. Employee benefit costs decreased by US\$324 million mainly due to decrease in performance-based bonus and sales commissions. During the period, the Group recorded a fair value gain from strategic investments amounted to US\$40 million (2021/22: US\$111 million), reflecting the change in value of the Group's portfolio. The Group recorded a net provision of loss allowance of trade receivables of US\$43 million (2021/22: net provision of US\$8 million) reflecting our assessment on certain doubtful amounts. Currency fluctuations presented a challenge to the Group, resulting in a net exchange loss of US\$105 million (2021/22: US\$74 million).

Key expenses by nature comprise:

	<b>6 months ended September 30, 2022 US\$'000</b>	6 months ended September 30, 2021 US\$'000
Depreciation of property, plant and equipment	(94,085)	(86,719)
Depreciation of right-of-use assets	(62,639)	(58,557)
Amortization of intangible assets, excluding internal use software	(250,699)	(232,595)
Impairment of intangible assets	-	(31,434)
Impairment of property, plant and equipment	-	(10,189)
Employee benefit costs, including	(2,112,252)	(2,436,658)
- long-term incentive awards	(158,806)	(173,594)
Rental expenses	(5,274)	(7,703)
Net foreign exchange loss	(104,671)	(73,795)
Advertising and promotional expenses	(484,921)	(509,153)
Legal, professional and consulting expenses	(122,353)	(121,755)
Information technology expenses, including	(195,431)	(155,665)
- amortization of internal use software	(101,012)	(96,738)
Increase in loss allowance of trade receivables	(61,664)	(34,887)
Unused amounts of loss allowance of trade receivables reversed	18,231	27,353
Research and development related laboratory testing, services and supplies	(188,778)	(202,073)
(Loss)/gain on disposal of property, plant and equipment	(462)	4,948
Loss on disposal of intangible assets	(301)	(4,590)
Loss on disposal of construction-in-progress	(1,063)	-
Fair value gain on financial assets at fair value through profit or loss	40,431	110,684
Fair value loss on a financial liability at fair value through profit or loss	(1,758)	(9,851)
Gain on disposal of subsidiaries	-	32,303
Others	(489,619)	(469,829)
	<b>(4,117,308)</b>	<b>(4,270,165)</b>

Other non-operating income/(expenses) - net for the six months ended September 30, 2022 and 2021 comprise:

	<b>6 months ended September 30, 2022 US\$'000</b>	6 months ended September 30, 2021 US\$'000
Finance income	56,261	23,224
Finance costs	(275,237)	(187,070)
Share of losses of associates and joint ventures	(8,626)	(3,119)
	<b>(227,602)</b>	<b>(166,965)</b>

Finance income mainly represents interest on bank deposits.

Finance costs for the period increased by 47 percent as compared with the corresponding period of last year due to utilization of factoring program, increase in market interest rate and issuance of notes and convertible bonds during the period. The increase is mainly attributable to the increase in factoring cost of US\$64 million, interest on bank loans and overdrafts of US\$20 million and interest on notes of US\$7 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:

	6 months ended September 30, 2022		6 months ended September 30, 2021	
	Revenue US\$'000	Operating profit US\$'000	Revenue US\$'000	Operating profit/(loss) US\$'000
IDG	27,989,687	2,089,397	30,004,546	2,260,510
ISG	4,700,436	47,313	3,802,635	(16,946)
SSG	3,177,071	696,910	2,547,616	548,472
Total	<b>35,867,194</b>	<b>2,833,620</b>	36,354,797	2,792,036
Eliminations	<b>(1,822,039)</b>	<b>(600,053)</b>	(1,556,871)	(466,316)
	<b><u>34,045,155</u></b>	<b><u>2,233,567</u></b>	<b><u>34,797,926</u></b>	<b><u>2,325,720</u></b>
Unallocated:				
Headquarters and corporate income/(expenses) - net		(587,378)		(682,689)
Depreciation and amortization		(280,715)		(330,939)
Impairment of intangible assets		-		(25,434)
Finance income		36,194		14,684
Finance costs		(32,264)		(40,593)
Share of losses of associates and joint ventures		(8,996)		(3,119)
(Loss)/gain on disposal of property, plant and equipment		(38)		525
Fair value gain on financial assets at fair value through profit or loss		40,431		110,684
Fair value loss on a financial liability at fair value through profit or loss		(1,758)		(9,851)
Gain on disposal of subsidiaries		-		32,303
Dividend income		1,522		1,079
Consolidated profit before taxation		<b><u>1,400,565</u></b>		<b><u>1,392,370</u></b>

Headquarters and corporate income/(expenses) - net for the period comprise various expenses, after appropriate allocation to business groups, of US\$587 million (2021/22: US\$683 million) such as employee benefit costs, legal, professional and consulting expenses, and research and technology expenses. The drop is primarily in relation to the decrease in employee benefit costs as a result of decreased performance-based bonus and long-term incentive awards, netting with the increase in net foreign exchange loss and legal and professional fees in connection to merger and acquisition activities as compared with the corresponding period of last year.

### Use of non-HKFRS measure

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

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

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

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

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

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

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

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

#### Six months ended September 30, 2022

	Operating profit (unaudited) US\$'000	Profit before taxation (unaudited) US\$'000	Profit for the period (unaudited) US\$'000	Profit attributable to equity holders (unaudited) US\$'000
As reported	1,628,167	1,400,565	1,093,312	1,056,914
<b>Non-HKFRS adjustments</b>				
Net fair value changes on financial assets at fair value through profit or loss	(40,431)	(40,431)	(36,779)	(20,854)
Amortization of intangible assets resulting from mergers and acquisitions	121,559	121,559	95,592	95,592
Mergers and acquisitions related charges	10,578	15,318	15,318	15,318
<b>Non-HKFRS</b>	<b>1,719,873</b>	<b>1,497,011</b>	<b>1,167,443</b>	<b>1,146,970</b>

#### Six months ended September 30, 2021

	Operating profit (unaudited) US\$'000	Profit before taxation (unaudited) US\$'000	Profit for the period (unaudited) US\$'000	Profit attributable to equity holders (unaudited) US\$'000
As reported	1,559,335	1,392,370	1,042,257	978,050
<b>Non-HKFRS adjustments</b>				
Net fair value changes on financial assets at fair value through profit or loss	(110,684)	(110,684)	(103,017)	(77,944)
Amortization of intangible assets resulting from mergers and acquisitions	126,217	126,217	98,849	98,849
Mergers and acquisitions related charges	-	5,862	5,862	5,862
<b>Non-HKFRS</b>	<b>1,574,868</b>	<b>1,413,765</b>	<b>1,043,951</b>	<b>1,004,817</b>

*Second Quarter 2022/23 compared to Second Quarter 2021/22*

	<b>3 months ended September 30, 2022 (unaudited) US\$ million</b>	3 months ended September 30, 2021 (unaudited) US\$ million	Year-on-year change
Revenue	<b>17,090</b>	17,869	(4%)
Gross profit	<b>2,877</b>	3,006	(4%)
Gross profit margin	<b>16.8%</b>	16.8%	0 pt
Operating expenses	<b>(2,026)</b>	(2,189)	(7%)
Operating profit	<b>851</b>	817	4%
Other non-operating income/(expenses) – net	<b>(141)</b>	(75)	89%
Profit before taxation	<b>710</b>	742	(4%)
Profit for the period	<b>554</b>	557	(1%)
Profit attributable to equity holders of the Company	<b>541</b>	512	6%
Earnings per share attributable to equity holders of the Company			
Basic	<b>US4.54 cents</b>	US4.42 cents	US0.12 cents
Diluted	<b>US4.23 cents</b>	US3.96 cents	US0.27 cents

For the three months ended September 30, 2022, the Group achieved total sales of approximately US\$17,090 million. When compared to the corresponding period of last year, profit attributable to equity holders for the period increased by US\$29 million to approximately US\$541 million, gross profit margin remains flat at 16.8 percent. While basic and diluted earnings per share were US4.54 cents and US4.23 cents respectively, representing an increase of US0.12 cents and US0.27 cents.

Analysis of operating expenses by function for the three months ended September 30, 2022 and 2021 is as follows:

	<b>3 months ended September 30, 2022 US\$ '000</b>	3 months ended September 30, 2021 US\$ '000
Selling and distribution expenses	<b>(886,268)</b>	(923,978)
Administrative expenses	<b>(545,426)</b>	(700,468)
Research and development expenses	<b>(555,651)</b>	(481,971)
Other operating income/(expenses) – net	<b>(38,311)</b>	(82,777)
	<b><u>(2,025,656)</u></b>	<u>(2,189,194)</u>

Operating expenses for the period decreased by 7 percent as compared with the corresponding period of last year. Employee benefit costs decreased by US\$180 million mainly due to decrease in performance-based bonus and sales commissions. During the period, the Group recorded a fair value gain from strategic investments amounted to US\$15 million (2021/22: loss of US\$21 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\$56 million (2021/22: US\$35 million).

Key expenses by nature comprise:

	<b>3 months ended September 30, 2022 US\$'000</b>	3 months ended September 30, 2021 US\$'000
Depreciation of property, plant and equipment	(47,581)	(43,215)
Depreciation of right-of-use assets	(30,618)	(29,623)
Amortization of intangible assets, excluding internal use software	(126,672)	(119,963)
Impairment of intangible assets	-	(16,434)
Employee benefit costs, including - long-term incentive awards	(1,023,711)	(1,203,874)
Rental expenses	(84,249)	(78,179)
Net foreign exchange loss	(2,404)	(2,674)
Advertising and promotional expenses	(56,446)	(34,968)
Legal, professional and consulting expenses	(250,296)	(267,866)
Information technology expenses, including - amortization of internal use software	(67,953)	(30,836)
Increase in loss allowance of trade receivables	(113,072)	(85,710)
Unused amounts of loss allowance of trade receivables reversed	(51,752)	(48,207)
Research and development related laboratory testing, services and supplies	(12,122)	(10,334)
(Loss)/gain on disposal of property, plant and equipment	15,686	15,411
Loss on disposal of intangible assets	(88,302)	(115,970)
Loss on disposal of construction-in-progress	(208)	4,469
Fair value gain/(loss) on financial assets at fair value through profit or loss	(293)	(4,590)
Fair value loss on a financial liability at fair value through profit or loss	(1,063)	-
Gain on disposal of subsidiaries	15,139	(20,586)
Others	(885)	(5,686)
	-	31,478
	<b>(234,855)</b>	<b>(248,223)</b>
	<b><u>(2,025,656)</u></b>	<b><u>(2,189,194)</u></b>

Other non-operating income/(expenses) - net for the three months ended September 30, 2022 and 2021 comprise:

	<b>3 months ended September 30, 2022 US\$'000</b>	3 months ended September 30, 2021 US\$'000
Finance income	37,586	14,148
Finance costs	(174,902)	(86,489)
Share of losses of associates and joint ventures	(3,550)	(2,076)
	<b><u>(140,866)</u></b>	<b><u>(74,417)</u></b>

Finance income mainly represents interest on bank deposits.

Finance costs for the period doubled as compared with the corresponding period of last year due to utilization of factoring program, increase in market interest rate and issuance of notes and convertible bonds during the period. The increase is mainly attributable to the increase in factoring cost of US\$61 million, interest on bank loans and overdrafts of US\$15 million and interest on notes of US\$11 million.

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

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

	3 months ended September 30, 2022		3 months ended September 30, 2021	
	Revenue US\$'000	Operating profit US\$'000	Revenue US\$'000	Operating profit/(loss) US\$'000
IDG	13,715,844	1,019,886	15,338,713	1,165,024
ISG	2,614,363	36,002	1,967,727	(6,155)
SSG	1,721,199	367,568	1,363,250	284,841
Total	18,051,406	1,423,456	18,669,690	1,443,710
Eliminations	(961,869)	(315,501)	(801,011)	(243,691)
	<u>17,089,537</u>	<u>1,107,955</u>	<u>17,868,679</u>	<u>1,200,019</u>

Unallocated:

Headquarters and corporate income/(expenses) - net	(267,666)	(289,297)
Depreciation and amortization	(138,715)	(165,724)
Impairment of intangible assets	-	(10,434)
Finance income	26,119	9,609
Finance costs	(28,474)	(6,171)
Share of losses of associates and joint ventures	(3,920)	(2,076)
Gain on disposal of property, plant and equipment	58	90
Fair value gain/(loss) on financial assets at fair value through profit or loss	15,139	(20,586)
Fair value loss on a financial liability at fair value through profit or loss	(885)	(5,686)
Gain on disposal of subsidiaries	-	31,478
Dividend income	441	925
Consolidated profit before taxation	<u>710,052</u>	<u>742,147</u>

Headquarters and corporate income/(expenses) - net for the period comprise various expenses, after appropriate allocation to business groups, of US\$268 million (2021/22: US\$289 million) such as employee benefit costs, legal, professional and consulting expenses, and research and technology expenses. The drop is primarily in relation to the decrease in employee benefit costs as a result of decreased performance-based bonus, netting with the increase in net foreign exchange loss and legal and professional fees in connection to merger and acquisition activities as compared with the corresponding period of last year.

### Use of non-HKFRS measure

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

#### Three months ended September 30, 2022

	Operating profit (unaudited) US\$'000	Profit before taxation (unaudited) US\$'000	Profit for the period (unaudited) US\$'000	Profit attributable to equity holders (unaudited) US\$'000
As reported	850,918	710,052	553,841	541,207
Non-HKFRS adjustments				
Net fair value changes on financial assets at fair value through profit or loss	(15,139)	(15,139)	(14,798)	(9,585)
Amortization of intangible assets resulting from mergers and acquisitions	60,399	60,399	46,273	46,273
Mergers and acquisitions related charges	10,578	12,875	12,875	12,875
Non-HKFRS	<u>906,756</u>	<u>768,187</u>	<u>598,191</u>	<u>590,770</u>

Three months ended September 30, 2021

	Operating profit (unaudited) US\$'000	Profit before taxation (unaudited) US\$'000	Profit for the period (unaudited) US\$'000	Profit attributable to equity holders (unaudited) US\$'000
As reported	816,564	742,147	557,090	511,985
Non-HKFRS adjustments				
Net fair value changes on financial assets at fair value through profit or loss	20,586	20,586	7,668	28,585
Amortization of intangible assets resulting from mergers and acquisitions	63,000	63,000	47,869	47,869
Mergers and acquisitions related charges	-	2,917	2,917	2,917
Non-HKFRS	<u>900,150</u>	<u>828,650</u>	<u>615,544</u>	<u>591,356</u>

## Capital Expenditure

The Group incurred capital expenditure of US\$770 million (2021/22: US\$558 million) during the six months ended September 30, 2022, mainly for the acquisition of property, plant and equipment, additions to construction-in-progress and intangible assets. The higher capital expenditure incurred in current period is mainly attributable to more investments in patent and technology, internal use software and plant and machinery.

## Liquidity and Financial Resources

At September 30, 2022, total assets of the Group amounted to US\$43,293 million (March 31, 2022: US\$44,511 million), which were financed by equity attributable to owners of the Company of US\$5,184 million (March 31, 2022: US\$4,991 million), other non-controlling interests (net of put option written on non-controlling interests) of US\$443 million (March 31, 2022: US\$404 million), and total liabilities of US\$37,666 million (March 31, 2022: US\$39,116 million). At September 30, 2022, the current ratio of the Group was 0.91 (March 31, 2022: 0.89).

At September 30, 2022, bank deposits and cash and cash equivalents totaling US\$5,628 million (March 31, 2022: US\$4,023 million) analyzed by major currency are as follows:

	September 30, 2022	March 31, 2022
	%	%
US dollar	47.2	37.2
Renminbi	19.3	27.3
Japanese Yen	5.4	6.0
Euro	4.7	4.1
Australian dollar	1.9	2.7
Other currencies	21.5	22.7
Total	100.0	100.0

The Group adopts a conservative policy to invest the surplus cash generated from operations. At September 30, 2022, 72 (March 31, 2022: 92) percent of cash are bank deposits, and 28 (March 31, 2022: 8) percent are investments in liquid money market funds of investment grade.

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

The Group has the following banking facilities:

Type	Date of agreement	Principal amount US\$ million	Term	Utilized amount at	
				September 30, 2022 US\$ million	March 31, 2022 US\$ million
Revolving loan facility	March 28, 2018	1,500	5 years	-	-
Revolving loan facility	May 12, 2020	300	5 years	-	-
Revolving loan facility	May 14, 2020	200	5 years	-	-
Revolving loan facility	July 4, 2022	2,000	5 years	N/A (Note)	N/A

Note: At September 30, 2022, the facility is yet to be effective as it is conditional upon the cancellation of the US\$1,500 million revolving loan facility.

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

Credit facilities	Total available amount at		Drawn down amount at	
	September 30, 2022 US\$ million	March 31, 2022 US\$ million	September 30, 2022 US\$ million	March 31, 2022 US\$ million
Trade lines	4,354	4,053	3,257	2,813
Short-term money market facilities	1,774	1,154	70	54
Forward foreign exchange contracts	13,819	12,522	13,753	12,447

Apart from the above facilities, notes, convertible bonds and convertible preferred shares issued by the Group and outstanding at September 30, 2022 are as follows:

	Issue date	Principal amount	Term	Interest rate/ dividend per annum	Due date	Use of proceeds
2023 Notes	March 29, 2018	US\$487 million	5 years	4.75%	March 2023	For repayment of previous Notes and general corporate purposes
2024 Convertible bonds	January 24, 2019	US\$220 million	5 years (Note (a))	3.375%	January 2024	For repayment of previous Notes and general corporate purposes
Convertible preferred shares	June 21, 2019	US\$40 million	N/A (Note (b))	4%	N/A (Note (b))	For general corporate funding and capital expenditure
2025 Notes	April 24, 2020 and May 12, 2020	US\$1 billion	5 years	5.875%	April 2025	For repayment of previous Notes and general corporate purposes
2030 Notes	November 2, 2020	US\$967 million	10 years	3.421%	November 2030	For repurchase of perpetual securities and previous Notes
2028 Notes	July 27, 2022	US\$625 million	5.5 years	5.831%	January 2028	For repayment of previous Notes and general corporate purposes
2032 Notes	July 27, 2022	US\$625 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 (Note (a))	2.5%	August 2029	For repayment of previous Convertible bonds and general corporate purposes

Notes:

- (a) Please refer to Note 13(c) to the Financial Information for details.  
(b) Please refer to Note 13(d) to the Financial Information for details.

Net cash position and gearing ratio of the Group at September 30 and March 31, 2022 are as follows:

	<b>September 30, 2022</b> <i>US\$ million</i>	March 31, 2022 <i>US\$ million</i>
Bank deposits and cash and cash equivalents	<b>5,628</b>	4,023
Borrowings		
- Short-term loans	<b>74</b>	58
- Long-term loan	<b>1</b>	1
- Notes	<b>3,683</b>	2,676
- Convertible bonds	<b>739</b>	641
- Convertible preferred shares	<b>46</b>	45
Net cash position	<b>1,085</b>	602
Total equity	<b>5,627</b>	5,395
Gearing ratio (Borrowings divided by total equity)	<b>0.81</b>	0.63

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

The Group adopts a consistent hedging policy for business transactions to reduce the risk of currency fluctuation arising from daily operations. At September 30, 2022, the Group had commitments in respect of outstanding forward foreign exchange contracts amounting to US\$13,753 million (March 31, 2022: US\$12,447 million). The Group's forward foreign exchange contracts are either used to hedge a percentage of future transactions which are highly probable, or used as fair value hedges for identified assets and liabilities.

### **Contingent Liabilities**

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

## FINANCIAL INFORMATION

### CONSOLIDATED INCOME STATEMENT

		<b>3 months ended</b> <b>September 30, 2022</b> <b>(unaudited)</b> <i>US\$'000</i>	<b>6 months ended</b> <b>September 30, 2022</b> <b>(unaudited)</b> <i>US\$'000</i>	3 months ended September 30, 2021 (unaudited) <i>US\$'000</i>	6 months ended September 30, 2021 (unaudited) <i>US\$'000</i>
	<i>Note</i>				
Revenue	2	17,089,537	34,045,155	17,868,679	34,797,926
Cost of sales		<u>(14,212,963)</u>	<u>(28,299,680)</u>	<u>(14,862,921)</u>	<u>(28,968,426)</u>
Gross profit		2,876,574	5,745,475	3,005,758	5,829,500
Selling and distribution expenses		(886,268)	(1,765,605)	(923,978)	(1,771,021)
Administrative expenses		(545,426)	(1,232,410)	(700,468)	(1,512,711)
Research and development expenses		(555,651)	(1,067,066)	(481,971)	(948,434)
Other operating income/(expenses) - net		<u>(38,311)</u>	<u>(52,227)</u>	<u>(82,777)</u>	<u>(37,999)</u>
Operating profit	3	850,918	1,628,167	816,564	1,559,335
Finance income	4(a)	37,586	56,261	14,148	23,224
Finance costs	4(b)	(174,902)	(275,237)	(86,489)	(187,070)
Share of losses of associates and joint ventures		<u>(3,550)</u>	<u>(8,626)</u>	<u>(2,076)</u>	<u>(3,119)</u>
Profit before taxation		710,052	1,400,565	742,147	1,392,370
Taxation	5	<u>(156,211)</u>	<u>(307,253)</u>	<u>(185,057)</u>	<u>(350,113)</u>
Profit for the period		<u>553,841</u>	<u>1,093,312</u>	<u>557,090</u>	<u>1,042,257</u>
Profit attributable to:					
Equity holders of the Company		541,207	1,056,914	511,985	978,050
Other non-controlling interests		<u>12,634</u>	<u>36,398</u>	<u>45,105</u>	<u>64,207</u>
		<u>553,841</u>	<u>1,093,312</u>	<u>557,090</u>	<u>1,042,257</u>
Earnings per share attributable to equity holders of the Company					
Basic	6(a)	<u>US4.54 cents</u>	<u>US8.93 cents</u>	US4.42 cents	US8.44 cents
Diluted	6(b)	<u>US4.23 cents</u>	<u>US8.24 cents</u>	US3.96 cents	US7.50 cents
Dividend	7		<u>123,602</u>		<u>123,771</u>

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	3 months ended September 30, 2022 (unaudited) US\$'000	6 months ended September 30, 2022 (unaudited) US\$'000	3 months ended September 30, 2021 (unaudited) US\$'000	6 months ended September 30, 2021 (unaudited) US\$'000
Profit for the period	553,841	1,093,312	557,090	1,042,257
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	94	403	1	(5,268)
Fair value change on financial assets at fair value through other comprehensive income, net of taxes	(2,049)	(2,436)	(3,151)	(3,895)
<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	370,697	682,175	119,559	72,849
- Reclassified to consolidated income statement	(261,271)	(460,208)	(58,224)	(54,719)
Currency translation differences	(376,314)	(888,411)	(143,202)	49,474
Other comprehensive (loss)/income for the period	(268,843)	(668,477)	(85,017)	58,441
Total comprehensive income for the period	<b>284,998</b>	<b>424,835</b>	472,073	1,100,698
Total comprehensive income attributable to:				
Equity holders of the Company	288,060	435,550	430,781	1,040,180
Other non-controlling interests	(3,062)	(10,715)	41,292	60,518
	<b>284,998</b>	<b>424,835</b>	472,073	1,100,698

## CONSOLIDATED BALANCE SHEET

		September 30, 2022 (unaudited) <i>US\$'000</i>	March 31, 2022 (audited) <i>US\$'000</i>
Non-current assets			
Property, plant and equipment		1,581,065	1,636,629
Right-of-use assets		623,963	839,233
Construction-in-progress		583,690	510,211
Intangible assets		8,048,747	8,066,785
Interests in associates and joint ventures		429,861	339,547
Deferred income tax assets		2,487,755	2,527,955
Financial assets at fair value through profit or loss		1,068,239	1,104,408
Financial assets at fair value through other comprehensive income		56,669	64,572
Other non-current assets		295,417	424,241
		<u>15,175,406</u>	<u>15,513,581</u>
Current assets			
Inventories	8	8,417,891	8,300,658
Trade and notes receivables	9(a)	9,786,759	11,289,547
Derivative financial assets		353,363	113,757
Deposits, prepayments and other receivables	10	3,658,592	5,014,292
Income tax recoverable		273,664	255,809
Bank deposits		60,381	92,513
Cash and cash equivalents		5,567,431	3,930,287
		<u>28,118,081</u>	<u>28,996,863</u>
Total assets		<u><u>43,293,487</u></u>	<u><u>44,510,444</u></u>

## CONSOLIDATED BALANCE SHEET (CONTINUED)

		September 30, 2022 (unaudited) US\$'000	March 31, 2022 (audited) US\$'000
	<i>Note</i>		
Share capital	<i>14</i>	<b>3,282,318</b>	3,203,913
Reserves		<b>1,901,940</b>	1,786,726
		<hr/>	<hr/>
Equity attributable to owners of the Company		<b>5,184,258</b>	4,990,639
Other non-controlling interests		<b>989,993</b>	951,415
Put option written on non-controlling interests	<i>12(b)</i>	<b>(547,353)</b>	(547,353)
		<hr/>	<hr/>
Total equity		<b>5,626,898</b>	5,394,701
		<hr/>	<hr/>
Non-current liabilities			
Borrowings	<i>13</i>	<b>3,937,047</b>	2,633,348
Warranty provision	<i>11(b)</i>	<b>227,295</b>	242,776
Deferred revenue		<b>1,334,626</b>	1,459,582
Retirement benefit obligations		<b>306,934</b>	340,542
Deferred income tax liabilities		<b>404,582</b>	406,759
Other non-current liabilities	<i>12</i>	<b>680,785</b>	1,274,001
		<hr/>	<hr/>
		<b>6,891,269</b>	6,357,008
		<hr/>	<hr/>
Current liabilities			
Trade and notes payables	<i>9(b)</i>	<b>12,348,689</b>	13,184,831
Derivative financial liabilities		<b>51,082</b>	127,625
Other payables and accruals	<i>11(a)</i>	<b>14,682,878</b>	15,744,911
Provisions	<i>11(b)</i>	<b>854,649</b>	980,112
Deferred revenue		<b>1,527,873</b>	1,440,022
Income tax payable		<b>704,088</b>	493,312
Borrowings	<i>13</i>	<b>606,061</b>	787,922
		<hr/>	<hr/>
		<b>30,775,320</b>	32,758,735
		<hr/>	<hr/>
Total liabilities		<b>37,666,589</b>	39,115,743
		<hr/>	<hr/>
Total equity and liabilities		<b>43,293,487</b>	44,510,444
		<hr/>	<hr/>

## CONSOLIDATED CASH FLOW STATEMENT

	<i>Note</i>	<b>6 months ended September 30, 2022 (unaudited) US\$'000</b>	6 months ended September 30, 2021 (unaudited) US\$'000
Cash flows from operating activities			
Net cash generated from operations	15(a)	2,896,060	2,471,820
Interest paid		(248,217)	(160,000)
Tax paid		(164,845)	(303,585)
Net cash generated from operating activities		<b>2,482,998</b>	2,008,235
Cash flows from investing activities			
Purchase of property, plant and equipment		(193,836)	(172,016)
Sale of property, plant and equipment		16,289	12,094
Acquisition of subsidiaries, net of cash acquired	15(c)	(412,388)	-
Disposal of subsidiaries, net of cash disposed		-	114,312
Interest acquired in associates and a joint venture		(83,797)	(325)
Payment for construction-in-progress		(334,671)	(226,403)
Payment for intangible assets		(241,045)	(159,399)
Purchase of financial assets at fair value through profit or loss		(135,109)	(134,499)
Purchase of financial assets at fair value through other comprehensive income		(2,000)	-
Net proceeds from sale of financial assets at fair value through profit or loss		106,601	30,861
Net proceeds from sale of financial assets at fair value through other comprehensive income		2,771	-
Decrease/(increase) in bank deposits		32,132	(24,158)
Dividends received		1,657	1,350
Interest received		49,610	23,224
Net cash used in investing activities		<b>(1,193,786)</b>	(534,959)
Cash flows from financing activities			
Capital contribution from other non-controlling interests	15(b)	11,236	41,127
Contribution to employee share trusts		(26,464)	(311,035)
Principal elements of lease payments		(67,829)	(55,378)
Dividends paid		(455,376)	(359,037)
Dividends paid to convertible preferred shares holders		(800)	(14,751)
Dividends paid to other non-controlling interests		(2,635)	-
Repurchase of convertible preferred shares		-	(208,378)
Cash received for disposal of subsidiaries without loss of control		-	5,185
Proceeds from issue of convertible bonds		675,000	-
Repurchase of convertible bonds		(545,317)	-
Proceeds from loans		7,344,324	5,887,118
Repayments of loans		(7,327,228)	(5,881,692)
Proceeds from issue of notes		1,250,000	-
Issuing cost of notes		(11,726)	-
Repayments of notes		(226,349)	-
Net cash generated from/(used in) financing activities		<b>616,836</b>	(896,841)
Increase in cash and cash equivalents		<b>1,906,048</b>	576,435
Effect of foreign exchange rate changes		(268,904)	2,658
Cash and cash equivalents at the beginning of the period		<b>3,930,287</b>	3,068,385
Cash and cash equivalents at the end of the period		<b>5,567,431</b>	3,647,478

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holders of the Company											
	Share capital	Investment	Employee	Share-based	Hedging	Exchange	Other	Retained	Other non-	Put option	Total	
	(unaudited)	revaluation	share trusts	compensation	reserve	reserve	reserves	earnings	controlling	written on non-		
US\$'000	reserve	(unaudited)	reserve	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	interests	controlling	(unaudited)	
		(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
At April 1, 2022	3,203,913	(67,176)	(332,455)	(196,562)	48,233	(1,506,279)	37,758	3,803,207	951,415	(547,353)	5,394,701	
Profit for the period	-	-	-	-	-	-	-	1,056,914	36,398	-	1,093,312	
Other comprehensive (loss)/income	-	(2,436)	-	-	221,967	(841,298)	-	403	(47,113)	-	(668,477)	
<b>Total comprehensive (loss)/income for the period</b>	<b>-</b>	<b>(2,436)</b>	<b>-</b>	<b>-</b>	<b>221,967</b>	<b>(841,298)</b>	<b>-</b>	<b>1,057,317</b>	<b>(10,715)</b>	<b>-</b>	<b>424,835</b>	
Transfer to statutory reserve	-	-	-	-	-	-	28,544	(28,544)	-	-	-	
Acquisition of subsidiaries	65,903	-	-	-	-	-	-	-	43,119	-	109,022	
Acquisition of an associate	12,502	-	-	-	-	-	-	-	-	-	12,502	
Transfer of investment revaluation reserve upon disposal of financial assets at fair value through other comprehensive income to retained earnings	-	5,448	-	-	-	-	-	(5,448)	-	-	-	
Vesting of shares under long-term incentive program	-	-	192,668	(248,405)	-	-	-	-	-	-	(55,737)	
Deferred tax in relation to long-term incentive program	-	-	-	(674)	-	-	-	-	-	-	(674)	
Settlement of bonus through long-term incentive program	-	-	-	23,395	-	-	-	-	-	-	23,395	
Share-based compensation	-	-	-	158,806	-	-	-	-	-	-	158,806	
Contribution to employee share trusts	-	-	(26,464)	-	-	-	-	-	-	-	(26,464)	
Dividends paid	-	-	-	-	-	-	-	(455,376)	-	-	(455,376)	
Dividends paid for other non-controlling interests	-	-	-	-	-	-	-	-	(2,635)	-	(2,635)	
Capital contribution from other non-controlling interests	-	-	-	-	-	-	-	-	8,944	-	8,944	
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	-	-	-	-	-	-	135	-	(135)	-	-	
<b>At September 30, 2022</b>	<b>3,282,318</b>	<b>(64,164)</b>	<b>(166,251)</b>	<b>(263,440)</b>	<b>270,200</b>	<b>(2,347,577)</b>	<b>152,545</b>	<b>4,320,627</b>	<b>989,993</b>	<b>(547,353)</b>	<b>5,626,898</b>	
At April 1, 2021	3,203,913	(49,133)	(500,277)	187,376	73,476	(1,690,948)	130,240	2,204,389	817,735	(766,238)	3,610,533	
Profit for the period	-	-	-	-	-	-	-	978,050	64,207	-	1,042,257	
Other comprehensive (loss)/income	-	(3,895)	-	-	18,130	53,163	-	(5,268)	(3,689)	-	58,441	
<b>Total comprehensive (loss)/income for the period</b>	<b>-</b>	<b>(3,895)</b>	<b>-</b>	<b>-</b>	<b>18,130</b>	<b>53,163</b>	<b>-</b>	<b>972,782</b>	<b>60,518</b>	<b>-</b>	<b>1,100,698</b>	
Transfer to statutory reserve	-	-	-	-	-	-	10,352	(10,352)	-	-	-	
Vesting of shares under long-term incentive program	-	-	320,767	(435,890)	-	-	-	-	-	-	(115,123)	
Disposal of subsidiaries	-	1	-	-	-	(15,295)	(552)	-	(365)	-	(16,211)	
Settlement of bonus through long-term incentive program	-	-	-	27,789	-	-	-	-	-	-	27,789	
Share-based compensation	-	-	-	173,594	-	-	-	-	-	-	173,594	
Contribution to employee share trusts	-	-	(311,035)	-	-	-	-	-	-	-	(311,035)	
Dividends paid	-	-	-	-	-	-	-	(359,037)	-	-	(359,037)	
Dividends provided for other non-controlling interests	-	-	-	-	-	-	-	-	(26,273)	-	(26,273)	
Capital contribution from other non-controlling interests	-	-	-	-	-	-	-	-	48,696	-	48,696	
Change of ownership of subsidiaries without loss of control	-	-	-	-	-	-	3,438	-	1,747	-	5,185	
<b>At September 30, 2021</b>	<b>3,203,913</b>	<b>(53,027)</b>	<b>(490,545)</b>	<b>(47,131)</b>	<b>91,606</b>	<b>(1,653,080)</b>	<b>143,478</b>	<b>2,807,782</b>	<b>902,058</b>	<b>(766,238)</b>	<b>4,138,816</b>	

## **1 General information and basis of preparation**

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

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

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

### Basis of preparation

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

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

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

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

### Interpretation and amendments to existing standards not yet effective

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

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

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

## **2 Segment information**

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

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

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

	6 months ended September 30, 2022		6 months ended September 30, 2021	
	Revenue US\$'000	Operating profit US\$'000	Revenue US\$'000	Operating profit/(loss) US\$'000
IDG	27,989,687	2,089,397	30,004,546	2,260,510
ISG	4,700,436	47,313	3,802,635	(16,946)
SSG	3,177,071	696,910	2,547,616	548,472
Total	35,867,194	2,833,620	36,354,797	2,792,036
Eliminations	(1,822,039)	(600,053)	(1,556,871)	(466,316)
	<u>34,045,155</u>	<u>2,233,567</u>	<u>34,797,926</u>	<u>2,325,720</u>
Unallocated:				
Headquarters and corporate income/(expenses) - net		(587,378)		(682,689)
Depreciation and amortization		(280,715)		(330,939)
Impairment of intangible assets		-		(25,434)
Finance income		36,194		14,684
Finance costs		(32,264)		(40,593)
Share of losses of associates and joint ventures		(8,996)		(3,119)
(Loss)/gain on disposal of property, plant and equipment		(38)		525
Fair value gain on financial assets at fair value through profit or loss		40,431		110,684
Fair value loss on a financial liability at fair value through profit or loss		(1,758)		(9,851)
Gain on disposal of subsidiaries		-		32,303
Dividend income		1,522		1,079
Consolidated profit before taxation		<u>1,400,565</u>		<u>1,392,370</u>

## (b) Analysis of revenue by geography

	6 months ended September 30, 2022 US\$'000	6 months ended September 30, 2021 US\$'000
China	8,221,872	9,391,121
Asia Pacific ("AP")	5,569,353	5,580,380
Europe-Middle East-Africa ("EMEA")	8,494,712	8,494,202
Americas ("AG")	11,759,218	11,332,223
	<u>34,045,155</u>	<u>34,797,926</u>

## (c) Analysis of revenue by timing of revenue recognition

	6 months ended September 30, 2022 US\$'000	6 months ended September 30, 2021 US\$'000
Point in time	32,901,398	33,911,047
Over time	1,143,757	886,879
	<u>34,045,155</u>	<u>34,797,926</u>

(d) Other segment information

	IDG		ISG		SSG		Total	
	2022	2021	2022	2021	2022	2021	2022	2021
	US\$'000							
For the six months ended September 30								
Depreciation and amortization	298,061	214,331	78,897	73,866	7,240	1,260	384,198	289,457
Finance income	15,698	7,091	3,825	1,145	544	304	20,067	8,540
Finance costs	169,844	110,880	72,543	35,263	586	334	242,973	146,477

- (e) The directors review goodwill and trademarks and trade names with indefinite useful lives with an aggregate amount of US\$6,085 million (March 31, 2022: US\$6,136 million). The carrying amounts of goodwill and trademarks and trade names with indefinite useful lives are presented below:

At September 30, 2022

	China	AP	EMEA	AG	Mature Market	Emerging Market	Total
	US\$ million	US\$ million	US\$ million				
<b>Goodwill</b>							
- PCSD	912	487	171	246	N/A	N/A	1,816
- MBG	N/A	N/A	N/A	N/A	660	775	1,435
- ISG	476	136	46	340	N/A	N/A	998
- SSG (Note)	N/A	N/A	N/A	N/A	N/A	N/A	575
<b>Trademarks and trade names with indefinite useful lives</b>							
- PCSD	186	52	89	57	N/A	N/A	384
- MBG	N/A	N/A	N/A	N/A	197	263	460
- ISG	162	54	31	123	N/A	N/A	370
- SSG (Note)	N/A	N/A	N/A	N/A	N/A	N/A	47

At March 31, 2022

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

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

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 September 30, 2022 (March 31, 2022: nil).

### 3 Operating profit

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

	<b>3 months ended September 30, 2022 US\$'000</b>	<b>6 months ended September 30, 2022 US\$'000</b>	3 months ended September 30, 2021 US\$'000	6 months ended September 30, 2021 US\$'000
Depreciation of property, plant and equipment	89,320	179,736	82,607	167,904
Depreciation of right-of-use assets	34,312	70,186	33,244	65,620
Amortization of intangible assets	209,880	414,991	197,251	386,872
Impairment of intangible assets	-	-	16,434	31,434
Impairment of property, plant and equipment	-	-	-	10,189
Employee benefit costs, including	1,277,734	2,587,749	1,435,339	2,893,101
– long-term incentive awards	84,249	158,806	78,179	173,594
Rental expenses	7,099	15,009	4,326	12,928
Loss/(gain) on disposal of property, plant and equipment	208	462	(4,469)	(4,948)
Loss on disposal of intangible assets	293	301	4,590	4,590
Loss on disposal of construction-in-progress	1,063	1,063	-	-
Fair value (gain)/loss on financial assets at fair value through profit or loss	(15,139)	(40,431)	20,586	(110,684)
Fair value loss on a financial liability at fair value through profit or loss	885	1,758	5,686	9,851
Gain on disposal of subsidiaries	-	-	(31,478)	(32,303)
	<b><u>                    </u></b>	<b><u>                    </u></b>	<b><u>                    </u></b>	<b><u>                    </u></b>

### 4 Finance income and costs

#### (a) Finance income

	<b>3 months ended September 30, 2022 US\$'000</b>	<b>6 months ended September 30, 2022 US\$'000</b>	3 months ended September 30, 2021 US\$'000	6 months ended September 30, 2021 US\$'000
Interest on bank deposits and trust	30,883	49,369	14,098	23,075
Net gain on repayment of notes	6,651	6,651	-	-
Interest on money market funds	52	241	50	149
	<b><u>                    </u></b>	<b><u>                    </u></b>	<b><u>                    </u></b>	<b><u>                    </u></b>
	<b><u>37,586</u></b>	<b><u>56,261</u></b>	<b><u>14,148</u></b>	<b><u>23,224</u></b>

(b) Finance costs

	3 months ended September 30, 2022 US\$'000	6 months ended September 30, 2022 US\$'000	3 months ended September 30, 2021 US\$'000	6 months ended September 30, 2021 US\$'000
Interest on bank loans and overdrafts	25,312	38,499	10,345	18,764
Interest on convertible bonds	16,099	26,258	10,160	20,247
Interest on notes	46,419	78,267	35,571	70,815
Interest on lease liabilities	3,655	7,582	4,828	9,407
Factoring costs	79,272	117,155	18,731	52,679
Interest on written put option liabilities	2,811	5,785	6,803	13,608
Others	1,334	1,691	51	1,550
	<b>174,902</b>	<b>275,237</b>	<b>86,489</b>	<b>187,070</b>

## 5 Taxation

The amount of taxation in the consolidated income statement represents:

	3 months ended September 30, 2022 US\$'000	6 months ended September 30, 2022 US\$'000	3 months ended September 30, 2021 US\$'000	6 months ended September 30, 2021 US\$'000
Current tax				
Profits tax in Hong Kong S.A.R. of China	28,657	53,469	45,298	85,255
Taxation outside Hong Kong S.A.R. of China	168,839	314,362	205,210	386,225
Deferred tax				
Credit for the period	(41,285)	(60,578)	(65,451)	(121,367)
	<b>156,211</b>	<b>307,253</b>	<b>185,057</b>	<b>350,113</b>

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

## 6 Earnings per share

### (a) Basic

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

	<b>3 months ended September 30, 2022</b>	<b>6 months ended September 30, 2022</b>	3 months ended September 30, 2021	6 months ended September 30, 2021
Weighted average number of ordinary shares in issue	<b>12,087,736,148</b>	<b>12,064,846,648</b>	12,041,705,614	12,041,705,614
Adjustment for shares held by employee share trusts	<b>(164,804,195)</b>	<b>(225,886,844)</b>	(456,325,542)	(449,585,970)
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	<b>11,922,931,953</b>	<b>11,838,959,804</b>	11,585,380,072	11,592,119,644
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
Profit attributable to equity holders of the Company used in calculating basic earnings per share	<b>541,207</b>	<b>1,056,914</b>	511,985	978,050

### (b) Diluted

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

The Group has four (2021/22: four) categories of potential ordinary shares, namely long-term incentive awards, put option written on non-controlling interests, convertible bonds and convertible preferred shares. Long-term incentive awards and convertible bonds were dilutive for the three and six months ended September 30, 2022 and 2021. Put option written on non-controlling interests and convertible preferred shares were anti-dilutive for the three and six months ended September 30, 2022 and 2021.

	<b>3 months ended September 30, 2022</b>	<b>6 months ended September 30, 2022</b>	3 months ended September 30, 2021	6 months ended September 30, 2021
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	<b>11,922,931,953</b>	<b>11,838,959,804</b>	11,585,380,072	11,592,119,644
Adjustment for long-term incentive awards	<b>385,227,458</b>	<b>461,354,038</b>	784,471,895	914,914,178
Adjustment for convertible bonds	<b>793,115,043</b>	<b>793,115,043</b>	762,214,157	762,214,157
Weighted average number of ordinary shares used as the denominator in calculating diluted earnings per share	<b>13,101,274,454</b>	<b>13,093,428,885</b>	13,132,066,124	13,269,247,979
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
Profit attributable to equity holders of the Company used in calculating basic earnings per share	<b>541,207</b>	<b>1,056,914</b>	511,985	978,050
Adjustment for interest on convertible bonds, net of tax	<b>13,443</b>	<b>21,926</b>	8,483	16,906
Profit attributable to equity holders of the Company used in calculating diluted earnings per share	<b>554,650</b>	<b>1,078,840</b>	520,468	994,956

## 7 Dividend

	<b>6 months ended September 30, 2022 <i>US\$'000</i></b>	6 months ended September 30, 2021 <i>US\$'000</i>
Interim dividend, declared after period end – HK8 cents (2021/22: HK8 cents) per ordinary share	<b>123,602</b>	123,771

## 8 Inventories

	<b>September 30, 2022 <i>US\$'000</i></b>	March 31, 2022 <i>US\$'000</i>
Raw materials and work-in-progress	<b>5,051,407</b>	5,527,420
Finished goods	<b>2,885,763</b>	2,315,797
Service parts	<b>480,721</b>	457,441
	<b>8,417,891</b>	8,300,658

## 9 Trade and notes receivables and trade and notes payables

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

	<b>September 30, 2022 <i>US\$'000</i></b>	March 31, 2022 <i>US\$'000</i>
Trade receivables	<b>9,767,029</b>	11,189,551
Notes receivable	<b>19,730</b>	99,996
	<b>9,786,759</b>	11,289,547

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

	<b>September 30, 2022</b> <i>US\$'000</i>	March 31, 2022 <i>US\$'000</i>
0 – 30 days	7,740,459	8,908,669
31 – 60 days	1,114,881	1,392,704
61 – 90 days	300,695	433,934
Over 90 days	758,226	560,864
	<u>9,914,261</u>	<u>11,296,171</u>
Less: loss allowance	(147,232)	(106,620)
Trade receivables – net	<u><u>9,767,029</u></u>	<u><u>11,189,551</u></u>

At September 30, 2022, trade receivables, net of loss allowance, of US\$921,102,000 (March 31, 2022: US\$784,900,000) were past due. The ageing of these receivables, based on due date, is as follows:

	<b>September 30, 2022</b> <i>US\$'000</i>	March 31, 2022 <i>US\$'000</i>
Within 30 days	483,620	430,225
31 – 60 days	186,382	191,093
61 – 90 days	82,107	59,715
Over 90 days	168,993	103,867
	<u>921,102</u>	<u>784,900</u>

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

	<b>6 months ended</b> <b>September 30, 2022</b> <i>US\$'000</i>	Year ended March 31, 2022 <i>US\$'000</i>
At the beginning of the period/year	106,620	145,206
Exchange adjustment	(2,574)	(357)
Increase in loss allowance recognized in profit or loss	61,664	90,311
Uncollectible receivables written off	(5,810)	(27,267)
Unused amounts reversed in profit or loss	(18,231)	(101,273)
Acquisition of subsidiaries	5,563	-
At the end of the period/year	<u>147,232</u>	<u>106,620</u>

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

	<b>September 30, 2022</b> <i>US\$'000</i>	March 31, 2022 <i>US\$'000</i>
Trade payables	9,782,710	11,035,924
Notes payable	2,565,979	2,148,907
	<u>12,348,689</u>	<u>13,184,831</u>

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

	<b>September 30, 2022</b> <i>US\$'000</i>	March 31, 2022 <i>US\$'000</i>
0 – 30 days	<b>5,778,382</b>	7,217,768
31 – 60 days	<b>2,135,384</b>	2,401,203
61 – 90 days	<b>846,703</b>	920,426
Over 90 days	<b>1,022,241</b>	496,527
	<b>9,782,710</b>	11,035,924

## 10 Deposits, prepayments and other receivables

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

	<b>September 30, 2022</b> <i>US\$'000</i>	March 31, 2022 <i>US\$'000</i>
Deposits	<b>161,226</b>	97,428
Other receivables	<b>2,286,253</b>	3,699,539
Prepayments	<b>1,211,113</b>	1,217,325
	<b>3,658,592</b>	5,014,292

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

## 11 Provisions, other payables and accruals

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

	<b>September 30, 2022</b> <i>US\$'000</i>	March 31, 2022 <i>US\$'000</i>
Accruals	<b>3,736,251</b>	4,441,470
Allowance for billing adjustments (i)	<b>3,315,445</b>	3,599,717
Written put option liabilities (Note 12(b)(i))	<b>411,823</b>	-
Other payables (ii)	<b>7,072,341</b>	7,558,629
Lease liabilities	<b>147,018</b>	145,095
	<b>14,682,878</b>	15,744,911

Notes:

- (i) Allowance for billing adjustments relates primarily to allowances for future volume discounts, price protection, rebates, and customer sales returns.
- (ii) Majority of other payables are obligations to pay for finished goods and services that have been acquired in the ordinary course of business from subcontractors.
- (iii) The carrying amounts of other payables and accruals approximate their fair values.

(b) The components of provisions are as follows:

	<b>Warranty</b> <i>US\$'000</i>	<b>Environmental restoration</b> <i>US\$'000</i>	<b>Total</b> <i>US\$'000</i>
Year ended March 31, 2022			
At the beginning of the year	1,173,882	32,150	1,206,032
Exchange adjustment	(1,053)	(2,656)	(3,709)
Provisions made	983,035	26,367	1,009,402
Amounts utilized	(936,966)	(25,074)	(962,040)
	<u>1,218,898</u>	<u>30,787</u>	<u>1,249,685</u>
Long-term portion classified as non-current liabilities	(242,776)	(26,797)	(269,573)
At the end of the year	<u><u>976,122</u></u>	<u><u>3,990</u></u>	<u><u>980,112</u></u>
Six months ended September 30, 2022			
At the beginning of the period	<b>1,218,898</b>	<b>30,787</b>	<b>1,249,685</b>
Exchange adjustment	<b>(52,622)</b>	<b>(4,228)</b>	<b>(56,850)</b>
Provisions made	<b>347,895</b>	<b>11,647</b>	<b>359,542</b>
Amounts utilized	<b>(435,329)</b>	<b>(12,405)</b>	<b>(447,734)</b>
	<u><b>1,078,842</b></u>	<u><b>25,801</b></u>	<u><b>1,104,643</b></u>
Long-term portion classified as non-current liabilities	<b>(227,295)</b>	<b>(22,699)</b>	<b>(249,994)</b>
At the end of the period	<u><u><b>851,547</b></u></u>	<u><u><b>3,102</b></u></u>	<u><u><b>854,649</b></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.

## 12 Other non-current liabilities

Details of other non-current liabilities are as follows:

	<b>September 30, 2022</b> <i>US\$'000</i>	March 31, 2022 <i>US\$'000</i>
Deferred consideration (a)	<b>25,072</b>	25,072
Written put option liabilities (b)	<b>41,719</b>	528,060
Lease liabilities	<b>248,093</b>	262,902
Environmental restoration (Note 11(b))	<b>22,699</b>	26,797
Government incentives and grants received in advance (c)	<b>74,876</b>	75,787
Others	<b>268,326</b>	355,383
	<u><u><b>680,785</b></u></u>	<u><u>1,274,001</u></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 September 30, 2022, the potential undiscounted amount of future payment in respect of the deferred consideration that the Group could be required to make amounted to US\$25 million (March 31, 2022: US\$25 million).
- (b) (i) Pursuant to the joint venture agreement entered into between the Company and Fujitsu Limited (“Fujitsu”), the Company and Fujitsu are respectively granted call and put options which entitle the Company to purchase from Fujitsu and Development Bank of Japan (“DBJ”), or Fujitsu and DBJ to sell to the Company, the 49% interest in Fujitsu Client Computing Limited and its subsidiary, Shimane Fujitsu Limited (together “FCCL”). Both options will be exercisable following the fifth anniversary of the date of completion. The exercise price for the call and put options will be determined based on the fair value of the 49% interest as of the day of exercising the option. At September 30, 2022, the written put option liabilities to Fujitsu has been reclassified to current liabilities as the written put option will be exercisable within the next twelve months.
- (ii) During the year ended March 31, 2019, Hefei Zhi Ju Sheng Bao Equity Investment Co., Ltd (“ZJSB”) acquired the 49% interest in a joint venture company (“JV Co”) from Compal Electronics, Inc. The Company and ZJSB respectively own 51% and 49% of the interest in the JV Co. Pursuant to the option agreement entered into between a wholly owned subsidiary of the Group and Hefei Yuan Jia Start-up Investment LLP (“Yuan Jia”), which holds 99.31% interest in ZJSB, the Group and Yuan Jia are respectively granted call and put options which entitle the Group to purchase from Yuan Jia, or Yuan Jia to sell to the Group, the 99.31% interest in ZJSB.

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

Yuan Jia continues to hold 99.31% interest in ZJSB and is subject to a new option agreement whereby the Group and Yuan Jia are respectively granted call and put options which entitle the Group to purchase from Yuan Jia, or Yuan Jia to sell to the Group, the 99.31% interest in ZJSB. The call and put options will be exercisable after 54 months and from the 48 months to the 54 months respectively from the date of the new option agreement. The exercise price for the call and put options will be determined in accordance with the new option agreement, and up to a maximum of RMB500 million (approximately US\$70 million).

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

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

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

### 13 Borrowings

	September 30, 2022 US\$'000	March 31, 2022 US\$'000
Current liabilities		
Short-term loans (a)	73,704	57,427
Notes (b)	486,284	685,380
Convertible preferred shares (d)	46,073	45,115
	<u>606,061</u>	<u>787,922</u>
Non-current liabilities		
Long-term loan (a)	524	1,045
Notes (b)	3,197,318	1,990,888
Convertible bonds (c)	739,205	641,415
	<u>3,937,047</u>	<u>2,633,348</u>
	<u><b>4,543,108</b></u>	<u><b>3,421,270</b></u>

Notes:

- (a) Majority of the short-term and long-term loans are denominated in United States dollars. At September 30, 2022, the Group has total revolving and short-term loan facilities of US\$3,774 million (March 31, 2022: US\$3,154 million) which has been utilized to the extent of US\$70 million (March 31, 2022: US\$54 million).

(b)

Issue date	Outstanding principal amount	Term	Interest rate per annum	Due date	September 30, 2022 US\$'000	March 31, 2022 US\$'000
March 29, 2018 (i)	US\$487 million	5 years	4.75%	March 2023	486,284	685,380
April 24, 2020 and May 12, 2020	US\$1 billion	5 years	5.875%	April 2025	999,496	999,397
November 2, 2020 (i)	US\$967 million	10 years	3.421%	November 2030	959,251	991,491
July 27, 2022 (ii)	US\$625 million	5.5 years	5.831%	January 2028	619,329	-
July 27, 2022 (ii)	US\$625 million	10 years	6.536%	July 2032	619,242	-
					<u>3,683,602</u>	<u>2,676,268</u>

- (i) During the period, approximately US\$200 million in principal amount of the 2023 Notes and approximately US\$33 million in principal amount of the 2030 Notes were purchased by the Company. At September 30, 2022, approximately US\$487 million (March 31, 2022: US\$687 million) in principal amount of the 2023 Notes and approximately US\$967 million (March 31, 2022: US\$1 billion) in principal amount of the 2030 Notes remained outstanding.

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

(c)

Issue date	Outstanding principal amount	Term	Interest rate per annum	Due date	September 30, 2022 US\$'000	March 31, 2022 US\$'000
January 24, 2019 (i)	US\$220 million	5 years	3.375%	January 2024	212,968	641,415
August 26, 2022 (ii)	US\$675 million	7 years	2.5%	August 2029	526,237	-
					<b>739,205</b>	<b>641,415</b>

- (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\$6.60 per share effective on August 4, 2022.

The outstanding principal amount of the 2024 Convertible bonds is repayable by the Company upon the maturity of the 2024 Convertible bonds on January 24, 2024, if not previously redeemed, converted or purchased and cancelled. On January 24, 2021, the bondholders had the right, at the bondholders’ option, to require the Company to redeem part or all of the 2024 Convertible bonds on January 24, 2021 at their principal amount and US\$0.5 million were redeemed. On August 29, 2022, approximately US\$455 million in principal amount of the 2024 Convertible bonds were purchased by the Company. Approximately US\$220 million (March 31, 2022: US\$675 million) in principal amount of the 2024 Convertible bonds remained outstanding. Assuming full conversion of the 2024 Convertible bonds at the adjusted conversion price of HK\$6.60 per share, the 2024 Convertible bonds will be convertible into 260,822,538 shares.

- (ii) On August 26, 2022, the Company completed the issuance of 7-Year US\$675 million convertible bonds bearing annual interest at 2.5% due in August 2029 (“the 2029 Convertible bonds”) to the bondholders. The proceeds were used to repay previous convertible bonds and for general corporate purposes. The bondholders have the right, at any time on or after 41 days after the date of issue and up to the 10th day prior to the maturity date, to convert part or all of the outstanding principal amount of the 2029 Convertible bonds into ordinary shares of the Company at a conversion price of HK\$9.94 per share, subject to adjustments. Assuming full conversion of the 2029 Convertible bonds at the conversion price of HK\$9.94 per share, the 2029 Convertible bonds will be convertible into 532,292,505 shares.

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

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

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

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

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

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

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

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

During the year ended March 31, 2022, the aggregate number of 1,780,819 convertible preferred shares purchased by the Group were converted into ordinary shares of LETCL. Additional 54,794 convertible preferred shares have been issued as dividend shares to the holders of the convertible preferred shares.

At September 30, 2022, 328,766 convertible preferred shares remained outstanding, representing 3.2% of the enlarged issued ordinary share capital of LETCL on an as-converted and fully diluted basis.

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

The exposure of all the borrowings of the Group to interest rate changes and the contractual repricing dates at September 30, 2022 and March 31, 2022 are as follows:

	<b>September 30, 2022</b> <i>US\$'000</i>	March 31, 2022 <i>US\$'000</i>
Within 1 year	<b>606,061</b>	787,922
Over 1 to 2 years	<b>213,492</b>	642,460
Over 2 to 5 years	<b>999,496</b>	999,397
Over 5 years	<b>2,724,059</b>	991,491
	<b>4,543,108</b>	3,421,270

## 14 Share capital

	<b>September 30, 2022</b>		March 31, 2022	
	<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	<b>12,041,705,614</b>	<b>3,203,913</b>	12,041,705,614	3,203,913
Issue of ordinary shares for acquisition of subsidiaries and an associate	<b>86,424,677</b>	<b>78,405</b>	-	-
At the end of the period/year	<b>12,128,130,291</b>	<b>3,282,318</b>	12,041,705,614	3,203,913

## 15 Note to the consolidated cash flow statement

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

	<b>6 months ended September 30, 2022</b>	6 months ended September 30, 2021
	<i>US\$'000</i>	<i>US\$'000</i>
Profit before taxation	<b>1,400,565</b>	1,392,370
Share of losses of associates and joint ventures	<b>8,626</b>	3,119
Finance income	<b>(56,261)</b>	(23,224)
Finance costs	<b>275,237</b>	187,070
Depreciation of property, plant and equipment	<b>179,736</b>	167,904
Depreciation of right-of-use assets	<b>70,186</b>	65,620
Amortization of intangible assets	<b>414,991</b>	386,872
Impairment of intangible assets	-	31,434
Impairment of property, plant and equipment	-	10,189
Share-based compensation	<b>158,806</b>	173,594
Loss/(gain) on disposal of property, plant and equipment	<b>462</b>	(4,948)
Loss on disposal of intangible assets	<b>301</b>	4,590
Loss on disposal of construction-in-progress	<b>1,063</b>	-
Gain on disposal of subsidiaries	-	(32,303)
Loss on disposal of an associate	<b>10</b>	-
Fair value change on financial instruments	<b>(94,182)</b>	17,579
Fair value change on financial assets at fair value through profit or loss	<b>(40,431)</b>	(110,684)
Fair value change on a financial liability at fair value through profit or loss	<b>1,758</b>	9,851
Dividend income	<b>(1,657)</b>	(1,350)
Increase in inventories	<b>(125,371)</b>	(2,352,394)
Decrease/(increase) in trade and notes receivables, deposits, prepayments and other receivables	<b>3,144,854</b>	(1,245,960)
(Decrease)/increase in trade and notes payables, provisions, other payables and accruals	<b>(2,675,318)</b>	3,779,967
Effect of foreign exchange rate changes	<b>232,685</b>	12,524
Net cash generated from operations	<b><u>2,896,060</u></b>	<b><u>2,471,820</u></b>

(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.

<b>Financing liabilities</b>	<b>September 30, 2022</b> <i>US\$'000</i>	March 31, 2022 <i>US\$'000</i>
Short-term loans – current	<b>73,704</b>	57,427
Long-term loan – non-current	<b>524</b>	1,045
Notes – current	<b>486,284</b>	685,380
Notes – non-current	<b>3,197,318</b>	1,990,888
Convertible bonds – non-current	<b>739,205</b>	641,415
Convertible preferred shares – current	<b>46,073</b>	45,115
Lease liabilities – current	<b>147,018</b>	145,095
Lease liabilities – non-current	<b>248,093</b>	262,902
	<b>4,938,219</b>	3,829,267
Short-term loans – variable interest rates	<b>56,404</b>	56,400
Short-term loans – fixed interest rates	<b>17,300</b>	1,027
Long-term loan – fixed interest rates	<b>524</b>	1,045
Notes – fixed interest rates	<b>3,683,602</b>	2,676,268
Convertible bonds – fixed interest rates	<b>739,205</b>	641,415
Convertible preferred shares – fair value	<b>46,073</b>	45,115
Lease liabilities – fixed interest rates	<b>395,111</b>	407,997
	<b>4,938,219</b>	3,829,267

	Short-term loans current <i>US\$'000</i>	Long-term loan non- current <i>US\$'000</i>	Notes current <i>US\$'000</i>	Notes non- current <i>US\$'000</i>	Convertible bonds non-current <i>US\$'000</i>	Convertible preferred shares current <i>US\$'000</i>	Lease liabilities current <i>US\$'000</i>	Lease liabilities non- current <i>US\$'000</i>	Total <i>US\$'000</i>
Financing liabilities at									
April 1, 2021	58,190	2,070	336,709	2,673,688	623,824	303,372	133,662	333,264	4,464,779
Proceeds from borrowings	10,311,552	-	-	-	-	-	-	-	10,311,552
Repayments of borrowings	(10,304,211)	-	-	-	-	-	-	-	(10,304,211)
Repayment of notes	-	-	(337,309)	-	-	-	-	-	(337,309)
Repurchase of convertible preferred shares	-	-	-	-	-	(254,490)	-	-	(254,490)
Transfer	1,025	(1,025)	685,380	(685,380)	-	-	131,342	(131,342)	-
Principal elements of lease payments	-	-	-	-	-	-	(146,485)	-	(146,485)
Disposal of a subsidiary	(9,319)	-	-	-	-	-	-	-	(9,319)
Dividends paid	-	-	-	-	-	(16,385)	-	-	(16,385)
Foreign exchange adjustments	190	-	-	-	-	-	2,358	3,152	5,700
Other non-cash movements	-	-	600	2,580	17,591	12,618	24,218	57,828	115,435
Financing liabilities at									
March 31, 2022	57,427	1,045	685,380	1,990,888	641,415	45,115	145,095	262,902	3,829,267
Financing liabilities at									
April 1, 2022	57,427	1,045	685,380	1,990,888	641,415	45,115	145,095	262,902	3,829,267
Proceeds from borrowings	7,344,324	-	-	1,250,000	675,000	-	-	-	9,269,324
Repayments of borrowings	(7,327,228)	-	(200,000)	(26,349)	(545,317)	-	-	-	(8,098,894)
Transfer	521	(521)	-	-	-	-	46,615	(46,615)	-
Issuing cost of borrowings	-	-	-	(11,726)	(11,000)	-	-	-	(22,726)
Principal elements of lease payments	-	-	-	-	-	-	(67,829)	-	(67,829)
Dividends paid	-	-	-	-	-	(800)	-	-	(800)
Foreign exchange adjustments	(1,340)	-	-	-	-	-	(6,390)	(6,140)	(13,870)
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	-	-	904	(5,495)	14,686	1,758	29,527	37,946	79,326
Financing liabilities at									
September 30, 2022	73,704	524	486,284	3,197,318	739,205	46,073	147,018	248,093	4,938,219

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

	<i>US\$'000</i>
Cash consideration paid	<b>431,703</b>
Less: cash and cash equivalents acquired	<b>(19,315)</b>
Net cash outflow – investing activities	<b>412,388</b>

## 16 Business combination and acquisition of an associate

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

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

The estimated total consideration for the acquisition completed during the period is approximately US\$610 million, including cash and the Company’s shares as consideration shares.

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

	<b>LPS</b> <i>US\$'000</i>	<b>PCCWNS</b> <i>US\$'000</i>	<b>Total</b> <i>US\$'000</i>
Purchase consideration:			
- Cash consideration (a)	<b>446,462</b>	<b>84,698</b>	<b>531,160</b>
- Fair value of Consideration Shares (b)	<b>65,903</b>	<b>12,502</b>	<b>78,405</b>
Total purchase consideration	<b>512,365</b>	<b>97,200</b>	<b>609,565</b>

(a) Cash consideration comprising cash paid of US\$513.6 million and an estimated upward adjustment of US\$17.6 million calculated with reference to the actual working capital amount and the actual net debt at the completion date.

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

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

	<b>LPS</b> <b>US\$'000</b>
Total purchase consideration	<b>512,365</b>
Less: fair value of net identifiable assets attributable to the interest acquired	<b>(172,474)</b>
Goodwill	<b>339,891</b>

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

	<b>LPS</b> <b>US\$'000</b>
Cash and cash equivalents	<b>19,315</b>
Property, plant and equipment	<b>12,567</b>
Right-of-use assets	<b>10,630</b>
Deferred income tax assets less liabilities	<b>(25,055)</b>
Intangible assets	<b>134,500</b>
Other non-current assets	<b>1,065</b>
Net working capital except cash and cash equivalents	<b>65,858</b>
Other non-current liabilities	<b>(3,287)</b>
Fair value of net identifiable assets acquired	<b>215,593</b>
Less: share of other non-controlling interests	<b>(43,119)</b>
Fair value of net identifiable assets attributable to the interest acquired	<b>172,474</b>

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

At September 30, 2022, the Group has not finalized the fair value assessments for net assets acquired (including intangible assets) from the business combination. The relevant fair values of net assets stated above are on a provisional basis.

For the six months ended September 30, 2022, LPS contributed revenue of US\$79 million and profit before taxation of US\$6 million to the Group's results.

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

## **DEBENTURES ISSUED**

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

## **CONVERTIBLE BONDS ISSUED**

On August 26, 2022, the Company issued US\$675,000,000 2.50% convertible bonds due 2029 (the “2029 Convertible Bonds”). Concurrently with the issuance of the 2029 Convertible Bonds, the Company partially repurchased an amount of approximately US\$455,000,000 in aggregate principal amount of the US\$675,000,000 3.375% convertible bonds due 2024 (the “2024 Convertible Bonds”) (the “Partial Repurchase”). Both the 2024 Convertible Bonds and the 2029 Convertible Bonds are listed on the Stock Exchange. The net proceeds from the issuance of the 2029 Convertible Bonds after deducting underwriting commissions and offering expenses were approximately US\$664,000,000 which was partially used to fund the Partial Repurchase and the remaining for general corporate purposes. The repurchased Existing Convertible Bonds were cancelled in accordance with Rule 10.06(5) of the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”). The remaining outstanding 2024 Convertible Bonds, assuming full conversion at the adjusted conversion price of HK\$6.60 per Share, will be convertible into 260,822,538 Shares (the “First Conversion Shares”). The 2029 Convertible Bonds, assuming full conversion at an initial conversion price of HK\$9.94 per Share, will be convertible into 532,292,505 Shares (the “Second Conversion Shares”). The First Conversion Shares and Second Conversion Shares (if and when issued) will be issued under general mandate.

## **PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S LISTED SECURITIES**

During the six months ended September 30, 2022, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities, saved 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 28,371,068 shares from the market for award to employees upon vesting. Details of these program and plan are set out in the 2021/22 annual report of the Company.

## **REVIEW BY AUDIT COMMITTEE**

The Audit Committee of the Company has been established since 1999 with the responsibility to assist the Board in providing an independent review of the financial statements, risk management and internal control systems. It acts in accordance with its terms of reference which clearly deal with its membership, authority, duties and frequency of meetings. Currently, the Audit Committee comprises three independent non-executive directors, including Mr. Woo Chin Wan Raymond, being the Chairman, Mr. William Tudor Brown and Mr. Gordon Robert Halyburton Orr.

The Audit Committee of the Company has reviewed the unaudited financial results of the Group for the six months ended September 30, 2022. It meets regularly with the management, the external auditor and the internal audit personnel to discuss the accounting principles and practices adopted by the Group and internal control and financial reporting matters.

## COMPLIANCE WITH CORPORATE GOVERNANCE CODE

None of the directors of the Company is aware of any information that would reasonably indicate that the Company is not, or was not during the six months ended September 30, 2022, in compliance with the code provisions of the Corporate Governance Code (the “CG Code”) as set out in Appendix 14 to 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 Company and is of the opinion that it is appropriate and in the best interests of the Company at the present stage for Mr. Yang Yuanqing (“Mr. Yang”) to continue to hold both the positions as it would help to maintain the continuity of the strategy execution and stability of the operations of the Company. The Board comprising a vast majority of independent non-executive directors meets regularly on a quarterly basis to review the operations of the Company led by Mr. Yang.

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

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

November 3, 2022

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