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Lenovo

Lenovo Group Limited 聯想集團有限公司

(Incorporated in Hong Kong with limited liability)

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

FY2024/25 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, 2024 together with comparative figures for the corresponding period of last year, as follows:

FINANCIAL HIGHLIGHTS

- Group revenue and profit attributable to equity holders increased by 22 percent and 41 percent year-on-year, respectively, during the period under review, with all three business groups achieving double-digit revenue growth. R&D expenses rose by 8 percent year-on-year to support critical AI innovations
- ISG's revenue surged by 65 percent thanks to strong cloud opportunities and a recovering enterprise business; segment loss reduced by 36 percent but challenges remain due to higher investments and mix shift to cloud business
- IDG's revenue grew by 15 percent for the first fiscal half-year period, spurred by premium-to-market growth in both PCs and smartphones, along with the rapid rise in popularity of five feature AI PCs. Operational excellence and ASP expansion led to industry-leading operating margin of 7.3 percent
- SSG's revenue hit a record high, maintaining a 21 percent operating margin and solidifying its status as a profit engine
- Free cash flow nearly tripled year-on-year during the first fiscal half-year period; net cash balance strengthened to US\$595 million
- Through its strategic partnership with Alat, subsidiary of Saudi Arabia's Public Investment Fund, the Group is well-poised to leverage growth in the MEA region and further globalize its supply chain

	3 months ended	6 months ended	3 months ended	6 months ended	Year-on-year change	
	September 30, 2024 (unaudited) US\$ million	September 30, 2024 (unaudited) US\$ million	September 30, 2023 (unaudited) US\$ million	September 30, 2023 (unaudited) US\$ million	3 months ended September 30	6 months ended September 30
Revenue	17,850	33,297	14,410	27,310	24%	22%
Gross profit	2,796	5,356	2,522	4,774	11%	12%
Gross profit margin	15.7%	16.1%	17.5%	17.5%	(1.8) pts	(1.4) pts
Operating expenses	(2,145)	(4,211)	(2,008)	(3,870)	7%	9%
Operating profit	651	1,145	514	904	27%	27%
Other non-operating income/(expenses) – net	(178)	(359)	(156)	(318)	13%	13%
Profit before taxation	473	786	358	586	32%	34%
Profit for the period	383	637	289	472	33%	35%
Profit attributable to equity holders of the Company	359	602	249	426	44%	41%
Earnings per share attributable to equity holders of the Company						
Basic	US2.92 cents	US4.91 cents	US2.09 cents	US3.57 cents	US0.83 cents	US1.34 cents
Diluted	US2.78 cents	US4.71 cents	US1.99 cents	US3.43 cents	US0.79 cents	US1.28 cents
Non-HKFRS measure						
Non-HKFRS operating profit	692	1,264	512	914	35%	38%
Non-HKFRS profit before taxation	516	908	357	598	45%	52%
Non-HKFRS profit for the period	423	747	285	479	48%	56%
Non-HKFRS profit attributable to equity holders of the Company	404	719	273	463	48%	55%

INTERIM DIVIDEND

The Board has declared an interim dividend of HK8.5 cents (2023/24: HK8.0 cents) per share for the six months ended September 30, 2024, absorbing an aggregate amount of approximately US\$135.5 million (2023/24: approximately US\$124.3 million), to shareholders whose names appear on the register of members of the Company on Friday, November 29, 2024. The interim dividend will be paid on or about Thursday, December 12, 2024.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed on Friday, November 29, 2024, 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 Thursday, November 28, 2024. Shares of the Company will be traded ex-dividend as from Wednesday, November 27, 2024.

BUSINESS REVIEW AND OUTLOOK

Highlights

During the six months ended September 30, 2024, Lenovo (the Group) achieved several new performance records. Group revenue surged 22 percent year-on-year, reaching US\$33.3 billion, while profit attributable to equity holders increased at an even faster pace of 41 percent. For the first time in three years, all three business groups have achieved robust double-digit revenue growth simultaneously. The Group has been building a comprehensive full-stack AI (Artificial Intelligence) portfolio, ranging from infrastructure to edge devices and services, positioning itself as a sector leader amid the AI paradigm shift. To bolster these critical AI advancements, research and development (R&D) expenses increased by 8 percent year-on-year.

The Group's non-PC segment rose to a record 46 percent of total revenue across its three business groups, underscoring growth opportunities beyond the core PC business. Revenue of Infrastructure Solutions Group (ISG) surged by 65 percent year-on-year, reaching US\$6.5 billion for the first time in its operating history. Its cloud customers are investing heavily in infrastructure to enable AI. This growth, along with a recovering enterprise business, has elevated ISG's market position to No. 5 globally and No. 3 in China, according to the latest third-party research data. Solutions and Services Group (SSG)'s revenue increased by 12 percent year-on-year to US\$4.0 billion, driven by robust demand for its as-a-Service and AI-powered solutions. SSG's segment profit accounted for 32 percent of the combined segment profit across the three business groups. The Group continued to expand its recurring revenue base, with deferred revenue reaching a record US\$3.1 billion.

Intelligent Devices Group (IDG) has offered a comprehensive AI PC portfolio for both consumer and commercial segments. The Group is investing in its vibrant AI application ecosystem and central to this effort, IDG has developed its own personal AI agents customized for different markets. IDG's revenue grew by 15 percent, with its five-feature AI PCs – equipped with personal intelligent agent – reaching 14 percent of total notebook shipments in China in the second fiscal quarter, the only geographical market and period where these new PCs were widely available. In smartphone, IDG delivered high double-digit revenue growth, with its market share expanding year-on-year for more than a year, fueled by hypergrowth in Asia Pacific, EMEA, and North America.

Free cash flow was enhanced by US\$801 million year-on-year during the first fiscal half-year period, on strength of business recovery and improved profitability. As a result, net cash position amounted to US\$595 million at the end of the period. The Group has been consistently recognized for its steadfast dedication to corporate governance and sustainability and has retained AA rating in the 2024 Hang Seng Corporate Sustainability Index. With respect to environmental responsibility, the Lenovo Intelligent Sustainability Solutions Advisor (LISSA), a newly launched AI-powered advisory platform, has won the SEAL Sustainable Innovation Award, while its Neptune liquid cooling technology was honored with the BIG Sustainability Product of the Year Award. These various milestones highlight the Group's balanced focus on sustainability and strategic excellence across its diverse growth engines.

The Group's shareholders have approved the strategic business transactions, including the issuance of a US\$2.0 billion zero coupon convertible bond to Alcatel, and 1.15 billion warrants. These transactions aim to raise funds to accelerate the Group's growth and transformation initiatives. Alcatel's involvement is expected to diversify the Group's global supply chain and broaden its presence in the MEA region.

Group Financial Performance

The Group has shown accelerated performance across revenue, pre-tax income, and profit attributable to equity holders during the period under review.

The Group capitalized on demand tailwinds to drive a 22 percent growth in Group revenue. The successful execution of its share gain strategy resulted in double-digit revenue growth across all three business groups. During the period under review, IDG and SSG improved their segment margins by 42 and 20 basis points year-on-year, respectively. Despite ISG's success in reducing losses by 36 percent year-on-year, challenges to segment performance remain and in response to this, management has put in place a profitability recovery plan to drive further improvements. Management effectively controlled the Group's expenses, leading to a reduction of operating expense-to-revenue ratio by 1.6 percentage points year-on-year to 12.6 percent. Profit attributable to equity holders increased by 41 percent, while non-HKFRS (Hong Kong Financial Reporting Standards) measures indicated even stronger gains, with a 55 percent leap in net profit.

Performance by Product Business Group

Intelligent Devices Group (IDG)

IDG, encompassing the PC, tablet, smartphone, and other smart device businesses, reported better-than-expected revenue growth of 15 percent in the period under review. IDG expanded its leading position in the PC market, further widening the gap with its top two competitors. Commercial revenue growth remained robust, and the consumer tailwinds derived from successful game title launches, including *Black Myth: Wukong*, translated into strong double-digit boost in revenue of gaming models, leading to a demand shift towards higher value-added models within the consumer mix.

IDG has unveiled a suite of AI products, including AI PC models equipped with cutting-edge silicon technology, designed to deliver industry-leading performance alongside unparalleled personalization, productivity and security. During the period under review, two versions of personal AI agents were introduced utilizing natural language interactions and the user's personal knowledge base. Together with other proprietary AI software capabilities, these innovations have positioned the Group to capitalize on the rapidly growing demand for AI computing.

The success of these innovations has also strengthened non-PC revenue, with the most significant success derived from the smartphone segment. Under the Motorola brand, smartphone revenue grew at a strong double-digit rate year-on-year, thanks to the growing popularity of its attractive foldable phone designs as a way to supercharge its go-to-market strategy.

Infrastructure Solutions Group (ISG)

Surging AI investments, coupled with a recovering enterprise business, has driven a 65 percent year-on-year revenue growth for ISG during the period under review. ISG's comprehensive AI product portfolio and improved time-to-market have led to a robust pipeline and a steady increase in confirmed orders. In addition, to address the heightened power demands posed by the use of more advanced GPUs, ISG has leveraged its expertise in liquid-cooling technology from HPC (High-Performance Computing) and repurposed its patented Neptune liquid-cooled solutions for AI GPU servers to attract new orders.

Non-compute revenue, including storage and HPC, maintained a strong growth trajectory and accounted for 33 percent of ISG's top line. ISG's share of global storage revenue continued to increase year-on-year, according to the latest third-party data. As the dominant player in the global market, HPC achieved record revenue during the first fiscal half-year by winning more orders from key customers, including DreamWorks, Max Planck, Korea Meteorological Administration and Karlsruhe Institute of Technology.

Due to high investment requirements for AI servers and lower profitability profile in the fast-growing cloud business, losses remained at US\$73 million in the first half of the fiscal year. ISG will continue to execute its performance improvement plan through simplifying portfolio, improving operations, and diversifying cloud customers.

Solutions & Services Group (SSG)

SSG reported revenue of US\$4.0 billion in the first half of the fiscal year, up 12 percent year-on-year. Operating profit also increased by 13 percent year-on-year to US\$838 million, sustaining a high operating margin of 21 percent.

Managed Services reported a 19 percent year-on-year revenue growth. The TCV (Total Contract Value) for both DaaS (Device-as-a-Service) and IaaS (Infrastructure-as-a-Service) increased by strong double digits, reinforcing a robust long-term growth trajectory. Project & Solution Services revenue rose 19 percent year-on-year, supported by the Group's AI powered solutions, including GenAI-powered avatars, smart factory IoT, and smart warehousing solutions. Support Service revenue growth moderated to 3 percent year-on-year, reflecting a natural time lag between hardware revenue and their impact on service revenue. However, Support Service bookings have increased for a year, in line with recent hardware revenue growth, indicating a positive outlook for revenue recovery.

Geographic Performance

With an expansive global footprint across 180 markets, the Group has effectively leveraged its diversified market exposure to achieve sustained revenue growth across regions. For the first fiscal half-year period, all operating regions reported double-digit year-on-year revenue growth. Revenue in China grew 26 percent, as the Group continued to realize premium-to-market growth in PC. Premium products, including AI and gaming PCs, delivered strong growth, partially owing to China's recent economic stimulus packages. Infrastructure and services also exhibited strength, benefiting from new customer acquisitions and AI-powered vertical solutions.

Revenue growth in Asia Pacific (AP, excluding China), EMEA and Americas for the first fiscal half-year period was 28 percent, 22 percent, and 16 percent, respectively. Two common market highlights stood out across all regions: strong smartphone revenue and premium PC growth. In AP, smartphone revenue registered triple-digit growth, particularly in India and Japan, driven by the success of the premium products Edge and Razer. The Group continued to gain market share in smartphone in select EMEA countries, while in North America, the Razer has been the best-selling foldable phone in the prepaid market for the first fiscal half-year period.

Within the premium PC segment, gaming laptops played a significant role in driving revenue growth. The LOQ sub-brand of gaming laptops, known for its strong design features and appeal to a broader gaming community, helped bolster gaming PC market share across the regions. Other specific regional drivers include strong commercial PC revenue in Japan, supported by Win11 upgrades and digital transformation trends, aiding growth in AP. Demand for infrastructure products from cloud customers further contributed to the North America's strong performance.

Outlook

The Group has realigned to deliver AI technology that enhances quality of life, promotes sustainability, and boosts enterprise productivity. To achieve optimal productivity gains, enterprises are likely to need to build private clouds for AI training and inferencing using proprietary enterprise data. As data security becomes essential, enterprise Hybrid AI requires seamless integration in both cloud and edge environments. The Group aims to leverage this shift by providing personal and enterprise AI twins while establishing itself as a key infrastructure supplier.

IDG has unveiled the latest lineup of next-generation AI PCs, while enhancing components and software to support strong average selling prices and sustainable profitability. AI NOW, the Group's personalized intelligent agent supported by heterogeneous computing, provides fast and secure on-device AI features. ThinkShield, the Group's security solution, ensures a secure environment by filtering out harmful text and images. The "one personal AI, multiple devices" approach, featuring Smart Connect, facilitates centralized data management across various devices, creating a seamless and secure user experience. Alongside other proprietary technologies including Lenovo Creator Zone and Lenovo Learning Zone, the Group is well-

positioned for global leadership in the AI PC segment. IDG's smartphone business is rapidly growing, particularly with its premium Motorola Razr and Edge lineups, leveraging Large Action Models to enhance moto ai capabilities.

ISG's Hybrid AI strategy revolves around designing and deploying next-generation AI solutions in partnership with Nvidia, AMD, and Intel. With a balanced focus on revenue and profitability, ISG provides over 80 AI-optimized products, from edge devices to 8-GPU LLM servers. The Enterprise & Small-and-Medium Business (ESMB) segment will also target growth in AI-powered edge, Hybrid Cloud, High-Performance Computing, and telco/communication solutions, while the Cloud Service Provider (CSP) segment utilizes an ODM+ business model to drive innovative solutions. ISG's Neptune liquid-cooling technology remains a global leader in datacenter cooling, with its sixth-generation model supporting AI workloads in a sustainable way.

SSG's AI Fast Start service provides customizable solutions from Lenovo AI Library, enabling rapid development of generative AI applications using customer data. SSG will also embed AI functions into existing service offerings, including Digital Workplace, Hybrid Cloud, and Sustainability solutions.

Strategic Highlights

Envisioning a future of Smarter AI for All, the Group remains at the forefront of Intelligent Transformation to capture growth opportunities across devices, infrastructure, and services. The multi-year growth opportunities have propelled the Group to accelerate AI development through focused R&D investment. Robust innovation, together with the pursuit of profitability growth, will continue to be the key to enhancing the Group's competitiveness in next-generation product design and solutions.

By leveraging its Services business as a structural growth engine, the Group aims to strengthen its end-to-end service solutions, particularly its TruScale as-a-Service portfolio, which addresses customer pain points in hybrid work, multi-cloud management, and cybersecurity.

As a responsible corporate, the Group prides itself on setting high standards and making every effort to mitigate the environmental impact of its operations as the business strides towards achieving net zero emissions by 2050. To capitalize on growing ESG awareness, management will broaden its sustainability initiatives. This includes incorporating innovative ESG features, such as a CO2 offset service and Reduced Carbon Transit, into the Group's service offerings to help customers achieve their ESG goals.

FINANCIAL REVIEW

Results for the six months ended September 30, 2024

	6 months ended September 30, 2024 (unaudited) US\$ million	6 months ended September 30, 2023 (unaudited) US\$ million	Year-on-year change
Revenue	33,297	27,310	22%
Gross profit	5,356	4,774	12%
Gross profit margin	16.1%	17.5%	(1.4) pts
Operating expenses	(4,211)	(3,870)	9%
Operating profit	1,145	904	27%
Other non-operating income/(expenses) – net	(359)	(318)	13%
Profit before taxation	786	586	34%
Profit for the period	637	472	35%
Profit attributable to equity holders of the Company	602	426	41%
Earnings per share attributable to equity holders of the Company			
Basic	US4.91 cents	US3.57 cents	US1.34 cents
Diluted	US4.71 cents	US3.43 cents	US1.28 cents

For the six months ended September 30, 2024, the Group achieved total sales of approximately US\$33,297 million. When compared to the corresponding period of last year, profit attributable to equity holders for the period increased by US\$176 million to approximately US\$602 million, gross profit margin eroded by 1.4 percentage points to 16.1 percent mainly due to lower profitability in ISG business. Basic and diluted earnings per share were US4.91 cents and US4.71 cents, representing an increase of US1.34 cents and US1.28 cents respectively. Net profit margin rose by 0.2 percentage points to 1.8 percent.

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, 2024 and 2023 is as follows:

	6 months ended September 30, 2024 US\$'000	6 months ended September 30, 2023 US\$'000
Selling and distribution expenses	(1,703,318)	(1,591,084)
Administrative expenses	(1,397,457)	(1,234,613)
Research and development expenses	(1,023,523)	(949,242)
Other operating income/(expenses) – net	(86,233)	(94,651)
	(4,210,531)	(3,869,590)

Operating expenses for the period increased by 9 percent as compared with the corresponding period of last year. Employee benefit costs increased by US\$137 million mainly due to increase in performance-based bonus and sales commissions. During the period, the Group recorded assets impairment and write-off of US\$67 million. Advertising and promotional expenses increased by US\$72 million for new product launch and special campaigns. The Group recorded fair value gain from strategic investments amounted to US\$9 million (2023/24: US\$77 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\$9 million (2023/24: US\$64 million).

Key expenses by nature comprise:

	6 months ended September 30, 2024 US\$'000	6 months ended September 30, 2023 US\$'000
Depreciation of property, plant and equipment	(100,470)	(105,763)
Depreciation of right-of-use assets	(47,916)	(71,733)
Amortization of intangible assets, excluding internal use software	(86,127)	(109,583)
Impairment and write-off of intangible assets	(67,052)	-
Employee benefit costs, including	(2,299,426)	(2,162,474)
- long-term incentive awards	(138,742)	(149,089)
Rental expenses	(6,233)	(3,727)
Net foreign exchange loss	(9,330)	(63,887)
Advertising and promotional expenses	(477,215)	(405,076)
Legal, professional and consulting expenses	(202,719)	(121,599)
Information technology expenses, including	(198,941)	(164,986)
- amortization of internal use software	(120,141)	(88,018)
Increase in loss allowance of trade receivables	(51,818)	(26,493)
Unused amounts of loss allowance of trade receivables reversed	10,927	19,066
Research and development related laboratory testing, services and supplies	(157,551)	(125,797)
Gain/(loss) on disposal of property, plant and equipment	1,141	(1,117)
Loss on disposal of intangible assets	(301)	(24)
Loss on disposal of construction-in-progress	-	(9,856)
Fair value gain on financial assets at fair value through profit or loss	9,153	76,784
Gain on deemed disposal of a subsidiary	22,627	-
Others	(549,280)	(593,325)
	(4,210,531)	(3,869,590)

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

	6 months ended September 30, 2024 US\$'000	6 months ended September 30, 2023 US\$'000
Finance income	55,150	82,496
Finance costs	(399,507)	(387,804)
Share of losses of associates and joint ventures	(14,530)	(13,021)
	(358,887)	(318,329)

Finance income mainly represents interest on bank deposits.

Finance costs for the period increased by 3 percent as compared with the corresponding period of last year. The increase is mainly attributable to the increase in interest on bank loans and overdrafts of US\$12 million and factoring cost of US\$12 million, partly offset by decrease in interest on notes of US\$4 million and interest on convertible bonds of US\$6 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, 2024		6 months ended September 30, 2023	
	Revenue <i>US\$'000</i>	Operating profit/(loss) <i>US\$'000</i>	Revenue <i>US\$'000</i>	Operating profit/(loss) <i>US\$'000</i>
IDG	24,935,700	1,818,363	21,775,171	1,496,550
ISG	6,465,167	(73,002)	3,915,525	(113,855)
SSG	4,049,892	838,319	3,631,308	744,511
Total	<u>35,450,759</u>	<u>2,583,680</u>	<u>29,322,004</u>	<u>2,127,206</u>
Eliminations	<u>(2,153,609)</u>	<u>(677,006)</u>	<u>(2,012,291)</u>	<u>(629,201)</u>
	<u><u>33,297,150</u></u>	<u><u>1,906,674</u></u>	<u><u>27,309,713</u></u>	<u><u>1,498,005</u></u>
Unallocated:				
Headquarters and corporate income/(expenses) – net		(739,413)		(679,684)
Depreciation and amortization		(233,681)		(214,778)
Impairment and write-off of intangible assets		(67,052)		-
Finance income		45,538		77,055
Finance costs		(143,057)		(157,137)
Share of losses of associates and joint ventures		(14,256)		(14,522)
Loss on disposal of property, plant and equipment		(386)		(577)
Fair value gain on financial assets at fair value through profit or loss		7,680		76,784
Gain on deemed disposal of a subsidiary		22,627		-
Dividend income		1,507		600
Consolidated profit before taxation		<u><u>786,181</u></u>		<u><u>585,746</u></u>

Headquarters and corporate income/(expenses) – net for the period comprise various expenses, after appropriate allocation to business groups, of US\$739 million (2023/24: US\$680 million) such as employee benefit costs, legal, professional and consulting expenses, and research and technology expenses. The increase is primarily in relation to the increase in employee benefit costs driven by performance-based bonus, partly offset by the decrease in net foreign exchange loss as compared with the corresponding period of last year.

Second Quarter 2024/25 compared to Second Quarter 2023/24

	3 months ended September 30, 2024 (unaudited) US\$ million	3 months ended September 30, 2023 (unaudited) US\$ million	Year-on-year change
Revenue	17,850	14,410	24%
Gross profit	2,796	2,522	11%
Gross profit margin	15.7%	17.5%	(1.8) pts
Operating expenses	(2,145)	(2,008)	7%
Operating profit	651	514	27%
Other non-operating income/(expenses) – net	(178)	(156)	13%
Profit before taxation	473	358	32%
Profit for the period	383	289	33%
Profit attributable to equity holders of the Company	359	249	44%
Earnings per share attributable to equity holders of the Company			
Basic	US2.92 cents	US2.09 cents	US0.83 cents
Diluted	US2.78 cents	US1.99 cents	US0.79 cents

For the three months ended September 30, 2024, the Group achieved total sales of approximately US\$17,850 million. When compared to the corresponding period of last year, profit attributable to equity holders for the period increased by US\$110 million to approximately US\$359 million, gross profit margin eroded by 1.8 percentage points to 15.7 percent mainly due to lower profitability in ISG business. Basic and diluted earnings per share were US2.92 cents and US2.78 cents, representing an increase of US0.83 cents and US0.79 cents respectively. Net profit margin rose by 0.3 percentage points to 2.0 percent.

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

	3 months ended September 30, 2024 US\$'000	3 months ended September 30, 2023 US\$'000
Selling and distribution expenses	(867,707)	(791,923)
Administrative expenses	(747,000)	(637,704)
Research and development expenses	(547,528)	(498,211)
Other operating income/(expenses) – net	17,084	(79,922)
	(2,145,151)	(2,007,760)

Operating expenses for the period increased by 7 percent as compared with the corresponding period of last year. Employee benefit costs increased by US\$162 million mainly due to increase in performance-based bonus and sales commissions. During the period, the Group recorded assets impairment of US\$20 million. Advertising and promotional expenses increased by US\$20 million for new product launch and special campaigns. The Group recorded fair value gain from strategic investments amounted to US\$20 million (2023/24: US\$46 million), reflecting the change in value of the Group's portfolio. Currency fluctuations resulted in a net exchange gain of US\$8 million (2023/24: net exchange loss of US\$20 million).

Key expenses by nature comprise:

	3 months ended September 30, 2024	3 months ended September 30, 2023
	<i>US\$'000</i>	<i>US\$'000</i>
Depreciation of property, plant and equipment	(50,486)	(52,977)
Depreciation of right-of-use assets	(23,100)	(35,055)
Amortization of intangible assets, excluding internal use software	(43,164)	(63,230)
Impairment of intangible assets	(20,000)	-
Employee benefit costs, including	(1,222,656)	(1,060,206)
- long-term incentive awards	(76,873)	(80,456)
Rental expenses	(3,889)	(3,254)
Net foreign exchange gain/(loss)	8,152	(19,657)
Advertising and promotional expenses	(250,582)	(230,613)
Legal, professional and consulting expenses	(104,809)	(61,297)
Information technology expenses, including	(103,262)	(89,617)
- amortization of internal use software	(59,933)	(41,983)
Increase in loss allowance of trade receivables	(29,461)	(10,529)
Unused amounts of loss allowance of trade receivables reversed	7,360	4,964
Research and development related laboratory testing, services and supplies	(93,671)	(70,067)
Gain/(loss) on disposal of property, plant and equipment	177	(1,685)
Loss on disposal of intangible assets	(4)	(21)
Loss on disposal of construction-in-progress	-	(5,769)
Fair value gain on financial assets at fair value through profit or loss	20,492	46,203
Others	(236,248)	(354,950)
	(2,145,151)	(2,007,760)

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

	3 months ended September 30, 2024	3 months ended September 30, 2023
	<i>US\$'000</i>	<i>US\$'000</i>
Finance income	28,745	42,323
Finance costs	(199,130)	(190,378)
Share of losses of associates and joint ventures	(7,028)	(8,326)
	(177,413)	(156,381)

Finance income mainly represents interest on bank deposits.

Finance costs for the period increased by 5 percent as compared with the corresponding period of last year. The increase is mainly attributable to the increase in interest on bank loans and overdrafts of US\$6 million and factoring cost of US\$8 million, partly offset by decrease in interest on notes of US\$2 million and interest on convertible bonds of US\$3 million.

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

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

	3 months ended September 30, 2024		3 months ended September 30, 2023	
	Revenue US\$'000	Operating profit/(loss) US\$'000	Revenue US\$'000	Operating profit/(loss) US\$'000
IDG	13,514,065	989,986	11,514,559	846,793
ISG	3,305,370	(35,728)	2,001,759	(53,438)
SSG	2,164,554	442,217	1,918,076	383,371
Total	18,983,989	1,396,475	15,434,394	1,176,726
Eliminations	(1,133,895)	(349,421)	(1,024,608)	(321,841)
	17,850,094	1,047,054	14,409,786	854,885
Unallocated:				
Headquarters and corporate income/(expenses) – net		(404,676)		(375,638)
Depreciation and amortization		(117,396)		(110,444)
Impairment of intangible assets		(20,000)		-
Finance income		23,289		38,822
Finance costs		(67,796)		(86,663)
Share of losses of associates and joint ventures		(6,951)		(8,375)
Loss on disposal of property, plant and equipment		(799)		(1,256)
Fair value gain on financial assets at fair value through profit or loss		19,354		46,203
Dividend income		1,107		85
Consolidated profit before taxation		473,186		357,619

Headquarters and corporate income/(expenses) – net for the period comprise various expenses, after appropriate allocation to business groups, of US\$405 million (2023/24: US\$376 million) such as employee benefit costs, legal, professional and consulting expenses, and research and technology expenses. The increase is primarily in relation to the increase in employee benefit costs driven by performance-based bonus, partly offset by the decrease in net foreign exchange loss as compared with the corresponding period of last year.

Use of non-HKFRS measure

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

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

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

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

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

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

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

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

Six months ended September 30, 2024

	Operating profit (unaudited) US\$'000	Profit before taxation (unaudited) US\$'000	Profit for the period (unaudited) US\$'000	Profit attributable to equity holders (unaudited) US\$'000
As reported	1,145,068	786,181	636,771	601,897
Non-HKFRS adjustments				
Net fair value changes on financial assets at fair value through profit or loss	(9,153)	(9,153)	(5,261)	1,016
Amortization of intangible assets resulting from mergers and acquisitions	84,068	86,434	68,150	68,150
Gain on deemed disposal of a subsidiary	(22,627)	(22,627)	(19,233)	(19,233)
Impairment and write-off of intangible assets	67,052	67,052	67,052	67,052
Non-HKFRS	<u>1,264,408</u>	<u>907,887</u>	<u>747,479</u>	<u>718,882</u>

Six months ended September 30, 2023

	Operating profit (unaudited) US\$'000	Profit before taxation (unaudited) US\$'000	Profit for the period (unaudited) US\$'000	Profit attributable to equity holders (unaudited) US\$'000
As reported	904,075	585,746	472,467	425,766
Non-HKFRS adjustments				
Net fair value changes on financial assets at fair value through profit or loss	(76,784)	(76,784)	(64,759)	(33,254)
Amortization of intangible assets resulting from mergers and acquisitions	84,524	86,890	68,565	68,565
Mergers and acquisitions related charges	2,048	2,352	2,352	2,352
Non-HKFRS	<u>913,863</u>	<u>598,204</u>	<u>478,625</u>	<u>463,429</u>

Three months ended September 30, 2024

	Operating profit (unaudited) US\$'000	Profit before taxation (unaudited) US\$'000	Profit for the period (unaudited) US\$'000	Profit attributable to equity holders (unaudited) US\$'000
As reported	650,599	473,186	383,276	358,532
Non-HKFRS adjustments				
Net fair value changes on financial assets at fair value through profit or loss	(20,492)	(20,492)	(14,888)	(8,857)
Amortization of intangible assets resulting from mergers and acquisitions	42,087	43,270	34,136	34,136
Impairment of intangible assets	20,000	20,000	20,000	20,000
Non-HKFRS	<u>692,194</u>	<u>515,964</u>	<u>422,524</u>	<u>403,811</u>

Three months ended September 30, 2023

	Operating profit (unaudited) US\$'000	Profit before taxation (unaudited) US\$'000	Profit for the period (unaudited) US\$'000	Profit attributable to equity holders (unaudited) US\$'000
As reported	514,000	357,619	289,053	249,240
Non-HKFRS adjustments				
Net fair value changes on financial assets at fair value through profit or loss	(46,203)	(46,203)	(39,956)	(12,622)
Amortization of intangible assets resulting from mergers and acquisitions	42,076	43,259	34,155	34,155
Mergers and acquisitions related charges	2,048	2,048	2,048	2,048
Non-HKFRS	<u>511,921</u>	<u>356,723</u>	<u>285,300</u>	<u>272,821</u>

Capital Expenditure

The Group incurred capital expenditure of US\$550 million (2023/24: US\$677 million) during the six months ended September 30, 2024, mainly for the acquisition of property, plant and equipment, additions to construction-in-progress and intangible assets. The lower capital expenditure incurred in current period is mainly attributable to less investments in patent and technology and intangible assets under construction.

Liquidity and Financial Resources

At September 30, 2024, total assets of the Group amounted to US\$44,464 million (March 31, 2024: US\$38,751 million), which were financed by equity attributable to owners of the Company of US\$5,477 million (March 31, 2024: US\$5,583 million), other non-controlling interests (net of put option written on non-controlling interests) of US\$614 million (March 31, 2024: US\$498 million), and total liabilities of US\$38,373 million (March 31, 2024: US\$32,670 million). At September 30, 2024, the current ratio of the Group was 0.86 (March 31, 2024: 0.87).

At September 30, 2024, bank deposits and cash and cash equivalents totaling US\$4,239 million (March 31, 2024: US\$3,626 million) analyzed by major currency are as follows:

	September 30, 2024	March 31, 2024
	%	%
US dollar	33.0	25.5
Renminbi	29.2	27.3
Japanese Yen	11.6	10.8
Euro	3.0	6.2
Australian dollar	3.1	2.7
Other currencies	20.1	27.5
Total	100.0	100.0

The Group adopts a conservative policy to invest the surplus cash generated from operations. At September 30, 2024, 80 (March 31, 2024: 90) percent of cash are bank deposits, and 20 (March 31, 2024: 10) percent are investments in liquid money market funds of investment grade.

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

The Group has the following banking facilities:

Type	Date of agreement	Principal amount <i>US\$ million</i>	Term	Utilized amount at	
				September 30, 2024 <i>US\$ million</i>	March 31, 2024 <i>US\$ million</i>
Revolving loan facility	May 12, 2020	300	5 years	N/A (Note)	-
Revolving loan facility	May 14, 2020	200	5 years	N/A (Note)	-
Revolving loan facility	July 4, 2022	2,000	5 years	-	-
Revolving loan facility	December 22, 2023	500	1 year	-	-
Revolving loan facility	January 19, 2024	500	1 year	-	-

Note: The revolving loan facilities were cancelled on May 14, 2024.

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

Credit facilities	Total available amount at		Utilized amount at	
	September 30, 2024 <i>US\$ million</i>	March 31, 2024 <i>US\$ million</i>	September 30, 2024 <i>US\$ million</i>	March 31, 2024 <i>US\$ million</i>
Trade lines	6,905	4,676	4,769	2,861
Short-term money market facilities	2,204	1,926	25	41
Forward foreign exchange contracts	12,861	11,588	12,831	11,555

Apart from the above facilities, notes and convertible bonds issued by the Group and outstanding at September 30, 2024 are as follows. Further details of borrowings are set out in Note 13 to the Financial Information.

	Issue date	Principal amount	Term	Interest rate/ dividend per annum	Due date	Use of proceeds
2025 Notes	April 24, 2020 and May 12, 2020	US\$965 million	5 years	5.875%	April 2025	For repayment of previous Notes and general corporate purposes
2030 Notes	November 2, 2020	US\$900 million	10 years	3.421%	November 2030	For repurchase of perpetual securities and previous Notes
2028 Notes	July 27, 2022	US\$600 million	5.5 years	5.831%	January 2028	For repayment of previous Notes and general corporate purposes
2032 Notes	July 27, 2022	US\$563 million	10 years	6.536%	July 2032	For financing of eligible projects under the Green Finance Framework
2029 Convertible Bonds	August 26, 2022	US\$675 million	7 years	2.5%	August 2029	For repayment of previous convertible bonds and general corporate purposes

Net cash position and gearing ratio of the Group at September 30 and March 31, 2024 are as follows:

	September 30, 2024 <i>US\$ million</i>	March 31, 2024 <i>US\$ million</i>
Bank deposits and cash and cash equivalents	4,239	3,626
Borrowings		
- Short-term loans	63	50
- Notes	3,014	3,013
- Convertible bonds	567	557
Net cash position	595	6
Total equity	6,091	6,081
Gearing ratio (Borrowings divided by total equity)	0.60	0.60

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

The Group adopts a consistent hedging policy for business transactions to reduce the risk of currency fluctuation arising from daily operations. At September 30, 2024, the Group had commitments in respect of outstanding forward foreign exchange contracts amounting to US\$12,831 million (March 31, 2024: US\$11,555 million). The Group's forward foreign exchange contracts are either used to hedge a percentage of future transactions which are highly probable, or used as fair value hedges for identified assets and liabilities.

Contingent Liabilities

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

FINANCIAL INFORMATION

CONSOLIDATED INCOME STATEMENT

		3 months ended September 30, 2024 (unaudited) <i>US\$'000</i>	6 months ended September 30, 2024 (unaudited) <i>US\$'000</i>	3 months ended September 30, 2023 (unaudited) <i>US\$'000</i>	6 months ended September 30, 2023 (unaudited) <i>US\$'000</i>
	<i>Note</i>				
Revenue	2	17,850,094	33,297,150	14,409,786	27,309,713
Cost of sales		<u>(15,054,344)</u>	<u>(27,941,551)</u>	<u>(11,888,026)</u>	<u>(22,536,048)</u>
Gross profit		2,795,750	5,355,599	2,521,760	4,773,665
Selling and distribution expenses		(867,707)	(1,703,318)	(791,923)	(1,591,084)
Administrative expenses		(747,000)	(1,397,457)	(637,704)	(1,234,613)
Research and development expenses		(547,528)	(1,023,523)	(498,211)	(949,242)
Other operating income/(expenses) - net		<u>17,084</u>	<u>(86,233)</u>	<u>(79,922)</u>	<u>(94,651)</u>
Operating profit	3	650,599	1,145,068	514,000	904,075
Finance income	4(a)	28,745	55,150	42,323	82,496
Finance costs	4(b)	(199,130)	(399,507)	(190,378)	(387,804)
Share of losses of associates and joint ventures		<u>(7,028)</u>	<u>(14,530)</u>	<u>(8,326)</u>	<u>(13,021)</u>
Profit before taxation		473,186	786,181	357,619	585,746
Taxation	5	<u>(89,910)</u>	<u>(149,410)</u>	<u>(68,566)</u>	<u>(113,279)</u>
Profit for the period		<u>383,276</u>	<u>636,771</u>	<u>289,053</u>	<u>472,467</u>
Profit attributable to:					
Equity holders of the Company		358,532	601,897	249,240	425,766
Other non-controlling interests		<u>24,744</u>	<u>34,874</u>	<u>39,813</u>	<u>46,701</u>
		<u>383,276</u>	<u>636,771</u>	<u>289,053</u>	<u>472,467</u>
Earnings per share attributable to equity holders of the Company					
Basic	6(a)	<u>US2.92 cents</u>	<u>US4.91 cents</u>	<u>US2.09 cents</u>	<u>US3.57 cents</u>
Diluted	6(b)	<u>US2.78 cents</u>	<u>US4.71 cents</u>	<u>US1.99 cents</u>	<u>US3.43 cents</u>
Dividend	7		<u>135,518</u>		<u>124,319</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	3 months ended September 30, 2024 (unaudited) US\$'000	6 months ended September 30, 2024 (unaudited) US\$'000	3 months ended September 30, 2023 (unaudited) US\$'000	6 months ended September 30, 2023 (unaudited) US\$'000
Profit for the period	383,276	636,771	289,053	472,467
Other comprehensive income/(loss):				
<u>Items that will not be reclassified to profit or loss</u>				
Remeasurements of post-employment benefit obligations, net of taxes	-	47	-	97
Fair value change on financial assets at fair value through other comprehensive income, net of taxes	(3,201)	(5,342)	(1,187)	(24)
<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 (loss)/gain, net of taxes	(206,895)	(124,120)	96,225	152,735
- Reclassified to consolidated income statement	60,775	(5,128)	(57,084)	(65,875)
Currency translation differences	321,213	912	(92,172)	(329,993)
Other comprehensive income/(loss) for the period	171,892	(133,631)	(54,218)	(243,060)
Total comprehensive income for the period	555,168	503,140	234,835	229,407
Total comprehensive income attributable to:				
Equity holders of the Company	493,387	447,439	204,116	215,934
Other non-controlling interests	61,781	55,701	30,719	13,473
	555,168	503,140	234,835	229,407

CONSOLIDATED BALANCE SHEET

		September 30, 2024 (unaudited) <i>US\$'000</i>	March 31, 2024 (audited) <i>US\$'000</i>
	<i>Note</i>		
Non-current assets			
Property, plant and equipment		2,020,333	2,010,178
Right-of-use assets		540,354	571,305
Construction-in-progress		332,460	337,648
Intangible assets		8,257,733	8,345,407
Interests in associates and joint ventures		319,557	318,803
Deferred income tax assets		2,796,603	2,633,302
Financial assets at fair value through profit or loss		1,470,597	1,393,666
Financial assets at fair value through other comprehensive income		52,899	55,973
Other non-current assets		467,297	397,489
		<u>16,257,833</u>	<u>16,063,771</u>
Current assets			
Inventories	8	9,118,816	6,702,677
Trade and notes receivables	9(a)	9,476,319	8,147,695
Derivative financial assets		29,893	69,568
Deposits, prepayments and other receivables	10	4,901,236	3,782,366
Income tax recoverable		441,038	359,491
Bank deposits		60,234	65,555
Cash and cash equivalents		4,178,915	3,559,831
		<u>28,206,451</u>	<u>22,687,183</u>
Total assets		<u><u>44,464,284</u></u>	<u><u>38,750,954</u></u>

CONSOLIDATED BALANCE SHEET (CONTINUED)

		September 30, 2024 (unaudited) US\$'000	March 31, 2024 (audited) US\$'000
	<i>Note</i>		
Share capital	<i>14</i>	3,500,987	3,500,987
Reserves		1,976,365	2,081,606
		<hr/>	<hr/>
Equity attributable to owners of the Company		5,477,352	5,582,593
Other non-controlling interests		1,161,518	1,045,947
Put option written on non-controlling interests	<i>11(a), 12(b)</i>	(547,353)	(547,353)
		<hr/>	<hr/>
Total equity		6,091,517	6,081,187
		<hr/>	<hr/>
Non-current liabilities			
Borrowings	<i>13</i>	2,615,696	3,569,229
Warranty provision	<i>11(b)</i>	157,005	161,261
Deferred revenue		1,556,971	1,436,484
Retirement benefit obligations		246,951	241,402
Deferred income tax liabilities		453,053	447,523
Other non-current liabilities	<i>12</i>	661,040	754,705
		<hr/>	<hr/>
		5,690,716	6,610,604
		<hr/>	<hr/>
Current liabilities			
Trade and notes payables	<i>9(b)</i>	14,229,350	10,505,427
Derivative financial liabilities		130,022	42,555
Other payables and accruals	<i>11(a)</i>	14,385,688	12,751,775
Provisions	<i>11(b)</i>	870,977	920,950
Deferred revenue		1,556,470	1,512,645
Income tax payable		481,649	275,380
Borrowings	<i>13</i>	1,027,895	50,431
		<hr/>	<hr/>
		32,682,051	26,059,163
		<hr/>	<hr/>
Total liabilities		38,372,767	32,669,767
		<hr/>	<hr/>
Total equity and liabilities		44,464,284	38,750,954
		<hr/>	<hr/>

CONSOLIDATED CASH FLOW STATEMENT

	6 months ended September 30, 2024 (unaudited) US\$'000	6 months ended September 30, 2023 (unaudited) US\$'000
	<i>Note</i>	
Cash flows from operating activities		
Net cash generated from operations	<i>15(a)</i> 2,322,711	1,811,768
Interest paid	(384,652)	(378,370)
Tax paid	(159,973)	(329,847)
Net cash generated from operating activities	1,778,086	1,103,551
Cash flows from investing activities		
Purchase of property, plant and equipment	(167,551)	(129,091)
Sale of property, plant and equipment	12,569	19,122
Acquisition of businesses, net of cash acquired	(1,537)	(122,367)
Interest acquired in associates	(6,435)	(12,324)
Deemed disposal of a subsidiary, net of cash disposed	(14,272)	-
Loan to an associate and a joint venture	(9,984)	(1,093)
Repayment of loan to an associate and a joint venture	15,562	30,563
Payment for construction-in-progress	(139,216)	(237,371)
Payment for intangible assets	(243,546)	(310,243)
Purchase of financial assets at fair value through profit or loss	(65,415)	(94,618)
Net proceeds from sale of financial assets at fair value through profit or loss	32,698	100,316
Decrease in bank deposits	5,321	9,184
Dividends received	1,960	745
Interest received	55,150	78,435
Net cash used in investing activities	(524,696)	(668,742)
Cash flows from financing activities	<i>15(b)</i>	
Capital contribution from other non-controlling interests	77,755	76,471
Distribution to other non-controlling interests	(4,250)	(5,319)
Contribution to employee share trusts	(167,398)	(291,670)
Acquisition of additional interest in a subsidiary	-	(76,722)
Principal elements of lease payments	(62,258)	(61,797)
Dividends paid	(474,331)	(458,771)
Dividends paid to other non-controlling interests	(12,917)	(10,528)
Proceeds from loans	6,609,053	2,516,056
Repayments of loans	(6,639,913)	(2,494,689)
Repurchase of notes	-	(51,277)
Net cash used in financing activities	(674,259)	(858,246)
Increase/(decrease) in cash and cash equivalents	579,131	(423,437)
Effect of foreign exchange rate changes	39,953	(89,664)
Cash and cash equivalents at the beginning of the period	3,559,831	4,250,085
Cash and cash equivalents at the end of the period	4,178,915	3,736,984

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holders of the Company										
	Share capital	Investment revaluation reserve	Employee share trusts	Share-based compensation reserve	Hedging reserve	Exchange reserve	Other reserves	Retained earnings	Other non-controlling interests	Put option written on non-controlling interests	Total
	(unaudited) US\$'000	(unaudited) US\$'000	(unaudited) US\$'000	(unaudited) US\$'000	(unaudited) US\$'000	(unaudited) US\$'000	(unaudited) US\$'000	(unaudited) US\$'000	(unaudited) US\$'000	(unaudited) US\$'000	(unaudited) US\$'000
At April 1, 2024	3,500,987	(68,662)	(207,487)	(650,435)	42,143	(2,425,595)	184,534	5,207,108	1,045,947	(547,353)	6,081,187
Profit for the period	-	-	-	-	-	-	-	601,897	34,874	-	636,771
Other comprehensive (loss)/income	-	(5,342)	-	-	(129,248)	(19,915)	-	47	20,827	-	(133,631)
Total comprehensive (loss)/income for the period	-	(5,342)	-	-	(129,248)	(19,915)	-	601,944	55,701	-	503,140
Transfer to statutory reserve	-	-	-	-	-	-	15,476	(15,476)	-	-	-
Deemed disposal of a subsidiary	-	-	-	-	-	15,219	(135)	-	(718)	-	14,366
Vesting of shares under long-term incentive program	-	-	190,670	(267,454)	-	-	-	-	-	-	(76,784)
Deferred tax in relation to long-term incentive program	-	-	-	11,470	-	-	-	-	-	-	11,470
Settlement of bonus through long-term incentive program	-	-	-	561	-	-	-	-	-	-	561
Share-based compensation	-	-	-	138,742	-	-	-	-	-	-	138,742
Contribution to employee share trusts	-	-	(167,398)	-	-	-	-	-	-	-	(167,398)
Dividends paid	-	-	-	-	-	-	-	(474,331)	-	-	(474,331)
Dividends paid to other non-controlling interests	-	-	-	-	-	-	-	-	(12,917)	-	(12,917)
Capital contribution from other non-controlling interests	-	-	-	-	-	-	(24)	-	77,755	-	77,731
Distribution to other non-controlling interests	-	-	-	-	-	-	-	-	(4,250)	-	(4,250)
At September 30, 2024	3,500,987	(74,004)	(184,215)	(767,116)	(87,105)	(2,430,291)	199,851	5,319,245	1,161,518	(547,353)	6,091,517
At April 1, 2023	3,282,318	(60,860)	(153,385)	(344,218)	(9,154)	(2,096,441)	163,411	4,805,919	1,006,784	(547,353)	6,047,021
Profit for the period	-	-	-	-	-	-	-	425,766	46,701	-	472,467
Other comprehensive (loss)/income	-	(24)	-	-	86,860	(296,765)	-	97	(33,228)	-	(243,060)
Total comprehensive (loss)/income for the period	-	(24)	-	-	86,860	(296,765)	-	425,863	13,473	-	229,407
Transfer to statutory reserve	-	-	-	-	-	-	19,370	(19,370)	-	-	-
Acquisition of subsidiaries	-	-	-	-	-	-	-	-	(2,285)	-	(2,285)
Vesting of shares under long-term incentive program	-	-	236,824	(321,923)	-	-	-	-	-	-	(85,099)
Deferred tax in relation to long-term incentive program	-	-	-	4,443	-	-	-	-	-	-	4,443
Settlement of bonus through long-term incentive program	-	-	-	2,445	-	-	-	-	-	-	2,445
Share-based compensation	-	-	-	149,089	-	-	-	-	-	-	149,089
Contribution to employee share trusts	-	-	(291,670)	-	-	-	-	-	-	-	(291,670)
Dividends paid	-	-	-	-	-	-	-	(458,771)	-	-	(458,771)
Dividends paid to other non-controlling interests	-	-	-	-	-	-	-	-	(10,528)	-	(10,528)
Capital contribution from other non-controlling interests	-	-	-	-	-	-	8,315	-	68,156	-	76,471
Distribution to other non-controlling interests	-	-	-	-	-	-	-	-	(5,319)	-	(5,319)
Change of ownership of subsidiaries without loss of control	-	-	-	-	-	-	(5,091)	-	(71,631)	-	(76,722)
At September 30, 2023	3,282,318	(60,884)	(208,231)	(510,164)	77,706	(2,393,206)	186,005	4,753,641	998,650	(547,353)	5,578,482

1 General information and basis of preparation

The financial information relating to the year ended March 31, 2024 included in the FY2024/25 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, 2024 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance.

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

Basis of preparation

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

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

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

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

2 Segment information

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

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

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

	6 months ended September 30, 2024		6 months ended September 30, 2023	
	Revenue US\$'000	Operating profit/(loss) US\$'000	Revenue US\$'000	Operating profit/(loss) US\$'000
IDG	24,935,700	1,818,363	21,775,171	1,496,550
ISG	6,465,167	(73,002)	3,915,525	(113,855)
SSG	4,049,892	838,319	3,631,308	744,511
Total	<u>35,450,759</u>	<u>2,583,680</u>	29,322,004	2,127,206
Eliminations	<u>(2,153,609)</u>	<u>(677,006)</u>	<u>(2,012,291)</u>	<u>(629,201)</u>
	<u>33,297,150</u>	<u>1,906,674</u>	<u>27,309,713</u>	<u>1,498,005</u>

Unallocated:

Headquarters and corporate income/(expenses) – net	(739,413)	(679,684)
Depreciation and amortization	(233,681)	(214,778)
Impairment and write-off of intangible assets	(67,052)	-
Finance income	45,538	77,055
Finance costs	(143,057)	(157,137)
Share of losses of associates and joint ventures	(14,256)	(14,522)
Loss on disposal of property, plant and equipment	(386)	(577)
Fair value gain on financial assets at fair value through profit or loss	7,680	76,784
Gain on deemed disposal of a subsidiary	22,627	-
Dividend income	1,507	600
Consolidated profit before taxation	<u>786,181</u>	<u>585,746</u>

(b) Analysis of revenue by geography

	6 months ended September 30, 2024 US\$'000	6 months ended September 30, 2023 US\$'000
China	7,728,326	6,148,651
Asia Pacific (“AP”)	6,095,125	4,768,515
Europe-Middle East-Africa (“EMEA”)	8,110,057	6,627,738
Americas (“AG”)	11,363,642	9,764,809
	<u>33,297,150</u>	<u>27,309,713</u>

(c) Analysis of revenue by timing of revenue recognition

	6 months ended September 30, 2024 US\$'000	6 months ended September 30, 2023 US\$'000
Point in time	31,897,447	25,865,372
Over time	1,399,703	1,444,341
	<u>33,297,150</u>	<u>27,309,713</u>

(d) Other segment information

	IDG		ISG		SSG		Total	
	2024	2023	2024	2023	2024	2023	2024	2023
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
For the six months ended September 30								
Depreciation and amortization	339,727	363,048	120,266	98,651	7,862	10,854	467,855	472,553
Finance income	8,347	3,430	1,209	1,283	56	728	9,612	5,441
Finance costs	147,819	159,560	107,823	70,275	808	832	256,450	230,667

- (e) The directors review goodwill and trademarks and trade names with indefinite useful lives with an aggregate amount of US\$6,238 million (March 31, 2024: US\$6,169 million). The carrying amounts of goodwill and trademarks and trade names with indefinite useful lives are presented below:

At September 30, 2024

	China	AP	EMEA	AG	Total
	US\$ million	US\$ million	US\$ million	US\$ million	US\$ million
Goodwill					
- IDG	931	514	296	1,588	3,329
- ISG	482	136	68	341	1,027
- SSG (Note)	N/A	N/A	N/A	N/A	613
Trademarks and trade names with indefinite useful lives					
- IDG	182	54	124	480	840
- ISG	162	54	31	123	370
- SSG (Note)	N/A	N/A	N/A	N/A	59

At March 31, 2024

	China	AP	EMEA	AG	Total
	US\$ million	US\$ million	US\$ million	US\$ million	US\$ million
Goodwill					
- IDG	911	488	287	1,611	3,297
- ISG	472	132	59	341	1,004
- SSG (Note)	N/A	N/A	N/A	N/A	603
Trademarks and trade names with indefinite useful lives					
- IDG	182	54	121	480	837
- ISG	162	54	31	123	370
- SSG (Note)	N/A	N/A	N/A	N/A	58

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

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

3 Operating profit

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

	3 months ended September 30, 2024 <i>US\$'000</i>	6 months ended September 30, 2024 <i>US\$'000</i>	3 months ended September 30, 2023 <i>US\$'000</i>	6 months ended September 30, 2023 <i>US\$'000</i>
Depreciation of property, plant and equipment	114,240	221,563	101,344	203,245
Depreciation of right-of-use assets	27,367	56,289	39,283	80,400
Amortization of intangible assets	213,572	423,684	207,109	403,686
Impairment and write-off of intangible assets	20,000	67,052	-	-
Employee benefit costs, including	1,571,475	2,982,504	1,356,914	2,765,976
– long-term incentive awards	76,873	138,742	80,456	149,089
Rental expenses	5,719	9,803	5,642	7,662
(Gain)/loss on disposal of property, plant and equipment	(177)	(1,141)	1,685	1,117
Loss on disposal of intangible assets	4	301	21	24
Loss on disposal of construction-in-progress	-	-	5,769	9,856
Fair value gain on financial assets at fair value through profit or loss	(20,492)	(9,153)	(46,203)	(76,784)
Gain on deemed disposal of a subsidiary	-	(22,627)	-	-
	_____	_____	_____	_____

4 Finance income and costs

(a) Finance income

	3 months ended September 30, 2024 <i>US\$'000</i>	6 months ended September 30, 2024 <i>US\$'000</i>	3 months ended September 30, 2023 <i>US\$'000</i>	6 months ended September 30, 2023 <i>US\$'000</i>
Interest on bank deposits	21,909	42,791	29,828	62,424
Net gain on repayment of notes	-	-	4,061	4,061
Interest on money market funds	3,002	5,272	6,027	12,270
Interest income on finance lease	3,834	7,087	2,407	3,741
	_____	_____	_____	_____
	28,745	55,150	42,323	82,496

(b) Finance costs

	3 months ended September 30, 2024 US\$'000	6 months ended September 30, 2024 US\$'000	3 months ended September 30, 2023 US\$'000	6 months ended September 30, 2023 US\$'000
Interest on bank loans and overdrafts	10,573	26,950	4,547	14,595
Interest on convertible bonds	9,321	18,513	12,528	24,915
Interest on notes	40,609	80,934	42,277	84,794
Interest on lease liabilities	3,187	6,327	3,879	7,755
Factoring costs	134,088	264,328	125,971	251,902
Interest on written put option liabilities	561	1,102	518	1,345
Others	791	1,353	658	2,498
	199,130	399,507	190,378	387,804

5 Taxation

The amount of taxation in the consolidated income statement represents:

	3 months ended September 30, 2024 US\$'000	6 months ended September 30, 2024 US\$'000	3 months ended September 30, 2023 US\$'000	6 months ended September 30, 2023 US\$'000
Current tax				
Profits tax in Hong Kong S.A.R. of China	21,127	47,296	33,052	65,215
Taxation outside Hong Kong S.A.R. of China	119,030	227,333	62,055	122,721
Deferred tax				
Credit for the period	(50,247)	(125,219)	(26,541)	(74,657)
	89,910	149,410	68,566	113,279

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

6 Earnings per share

(a) Basic

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

	3 months ended September 30, 2024	6 months ended September 30, 2024	3 months ended September 30, 2023	6 months ended September 30, 2023
Weighted average number of ordinary shares in issue	12,404,659,302	12,404,659,302	12,128,130,291	12,128,130,291
Adjustment for shares held by employee share trusts	(106,724,885)	(139,503,853)	(211,431,729)	(208,045,599)
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	12,297,934,417	12,265,155,449	11,916,698,562	11,920,084,692
	3 months ended September 30, 2024	6 months ended September 30, 2024	3 months ended September 30, 2023	6 months ended September 30, 2023
	<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	358,532	601,897	249,240	425,766

(b) Diluted

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

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

	3 months ended September 30, 2024	6 months ended September 30, 2024	3 months ended September 30, 2023	6 months ended September 30, 2023
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	12,297,934,417	12,265,155,449	11,916,698,562	11,920,084,692
Adjustment for long-term incentive awards	283,424,132	284,419,123	315,212,468	298,558,503
Adjustment for convertible bonds	575,746,156	568,749,499	826,771,889	815,671,810
Weighted average number of ordinary shares used as the denominator in calculating diluted earnings per share	13,157,104,705	13,118,324,071	13,058,682,919	13,034,315,005
	3 months ended September 30, 2024 US\$'000	6 months ended September 30, 2024 US\$'000	3 months ended September 30, 2023 US\$'000	6 months ended September 30, 2023 US\$'000
Profit attributable to equity holders of the Company used in calculating basic earnings per share	358,532	601,897	249,240	425,766
Adjustment for interest on convertible bonds, net of tax	7,783	15,459	10,461	20,804
Profit attributable to equity holders of the Company used in calculating diluted earnings per share	366,315	617,356	259,701	446,570

7 Dividend

	6 months ended September 30, 2024 US\$'000	6 months ended September 30, 2023 US\$'000
Interim dividend, declared after period end – HK8.5 cents (2023/24: HK8.0 cents) per ordinary share	135,518	124,319

8 Inventories

	September 30, 2024 US\$'000	March 31, 2024 US\$'000
Raw materials and work-in-progress	5,094,381	3,857,581
Finished goods	3,408,454	2,265,554
Service parts	615,981	579,542
	9,118,816	6,702,677

9 Trade and notes receivables and trade and notes payables

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

	September 30, 2024 US\$'000	March 31, 2024 US\$'000
Trade receivables	9,449,829	8,130,697
Notes receivable	26,490	16,998
	9,476,319	8,147,695

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

	September 30, 2024 <i>US\$'000</i>	March 31, 2024 <i>US\$'000</i>
0 – 30 days	6,870,576	6,185,814
31 – 60 days	1,467,687	1,080,594
61 – 90 days	459,937	235,405
Over 90 days	815,424	761,651
	<u>9,613,624</u>	<u>8,263,464</u>
Less: loss allowance	(163,795)	(132,767)
Trade receivables – net	<u><u>9,449,829</u></u>	<u><u>8,130,697</u></u>

At September 30, 2024, trade receivables, net of loss allowance, of US\$969,108,000 (March 31, 2024: US\$915,714,000) were past due. The ageing of these receivables, based on due date, is as follows:

	September 30, 2024 <i>US\$'000</i>	March 31, 2024 <i>US\$'000</i>
Within 30 days	502,432	486,984
31 – 60 days	99,847	178,430
61 – 90 days	94,836	61,662
Over 90 days	271,993	188,638
	<u>969,108</u>	<u>915,714</u>

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

	6 months ended September 30, 2024 <i>US\$'000</i>	Year ended March 31, 2024 <i>US\$'000</i>
At the beginning of the period/year	132,767	104,823
Exchange adjustment	515	(3,171)
Increase in loss allowance recognized in profit or loss	51,818	105,644
Uncollectible receivables written off	(10,378)	(35,489)
Unused amounts reversed in profit or loss	(10,927)	(39,040)
At the end of the period/year	<u>163,795</u>	<u>132,767</u>

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

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

	September 30, 2024 <i>US\$'000</i>	March 31, 2024 <i>US\$'000</i>
Trade payables	10,595,823	8,473,990
Notes payable	3,633,527	2,031,437
	<u>14,229,350</u>	<u>10,505,427</u>

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

	September 30, 2024 <i>US\$'000</i>	March 31, 2024 <i>US\$'000</i>
0 – 30 days	6,703,639	5,201,965
31 – 60 days	2,407,017	2,002,588
61 – 90 days	1,029,251	643,980
Over 90 days	455,916	625,457
	10,595,823	8,473,990

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

10 Deposits, prepayments and other receivables

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

	September 30, 2024 <i>US\$'000</i>	March 31, 2024 <i>US\$'000</i>
Deposits	54,236	52,852
Other receivables	3,514,552	2,429,511
Prepayments	1,332,448	1,300,003
	4,901,236	3,782,366

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

11 Provisions, other payables and accruals

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

	September 30, 2024 <i>US\$'000</i>	March 31, 2024 <i>US\$'000</i>
Accruals	3,885,958	3,327,359
Allowance for billing adjustments (i)	2,218,740	2,277,947
Written put option liability (ii)	268,955	253,482
Other payables (iii)	7,919,841	6,791,407
Lease liabilities	92,194	101,580
	14,385,688	12,751,775

Notes:

- (i) Allowance for billing adjustments relates primarily to allowances for future volume discounts, price protection, rebates, and customer sales returns.
- (ii) Pursuant to the joint venture agreement entered into between the Company and Fujitsu Limited (“Fujitsu”), the Company and Fujitsu are respectively granted call and put options which entitle the Company to purchase from Fujitsu and Development Bank of Japan (“DBJ”), or Fujitsu and DBJ to sell to the Company, the 49% interest in Fujitsu Client Computing Limited and its subsidiaries (together “FCCL”). Both options are exercisable at September 30, 2024. The exercise price for the call and put options will be determined based on the fair value of the 49% interest as of the day of exercising the option.

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

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

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

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

(b) The components of provisions are as follows:

	Warranty <i>US\$'000</i>	Environmental restoration <i>US\$'000</i>	Restructuring <i>US\$'000</i>	Total <i>US\$'000</i>
Year ended March 31, 2024				
At the beginning of the year	1,051,839	26,084	162,577	1,240,500
Exchange adjustment	(25,797)	(2,703)	(521)	(29,021)
Provisions made	660,534	18,051	54,991	733,576
Amounts utilized	(716,985)	(16,096)	(108,108)	(841,189)
	<u>969,591</u>	<u>25,336</u>	<u>108,939</u>	<u>1,103,866</u>
Long-term portion classified as non-current liabilities	(161,261)	(21,655)	-	(182,916)
At the end of the year	<u><u>808,330</u></u>	<u><u>3,681</u></u>	<u><u>108,939</u></u>	<u><u>920,950</u></u>
Six months ended September 30, 2024				
At the beginning of the period	969,591	25,336	108,939	1,103,866
Exchange adjustment	5,993	1,424	469	7,886
Provisions made	340,153	6,847	-	347,000
Amounts utilized	(350,339)	(7,431)	(49,797)	(407,567)
	<u>965,398</u>	<u>26,176</u>	<u>59,611</u>	<u>1,051,185</u>
Long-term portion classified as non-current liabilities	(157,005)	(23,203)	-	(180,208)
At the end of the period	<u><u>808,393</u></u>	<u><u>2,973</u></u>	<u><u>59,611</u></u>	<u><u>870,977</u></u>

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

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

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

12 Other non-current liabilities

Details of other non-current liabilities are as follows:

	September 30, 2024 US\$'000	March 31, 2024 US\$'000
Deferred consideration (a)	25,072	25,072
Written put option liability (b)	46,689	44,251
Lease liabilities	215,035	240,449
Environmental restoration (Note 11(b))	23,203	21,655
Government incentives and grants received in advance (c)	82,495	101,095
Others	268,546	322,183
	<u>661,040</u>	<u>754,705</u>

Notes:

- (a) Pursuant to the joint venture agreement entered into with NEC Corporation, the Group is required to pay in cash to NEC Corporation deferred consideration. At September 30, 2024, the potential undiscounted amount of future payment in respect of the deferred consideration that the Group could be required to make amounted to US\$25 million (March 31, 2024: US\$25 million).
- (b) During the year ended March 31, 2019, Hefei Zhi Ju Sheng Bao Equity Investment Co., Ltd (“ZJSB”) acquired the 49% interest in a joint venture company (“JV Co”) from Compal Electronics, Inc. The Company and ZJSB respectively own 51% and 49% of the interest in the JV Co. Pursuant to the option agreement entered into between a wholly owned subsidiary of the Group and Hefei Yuan Jia Start-up Investment LLP (“Yuan Jia”), which holds 99.31% interest in ZJSB, the Group and Yuan Jia are respectively granted call and put options which entitle the Group to purchase from Yuan Jia, or Yuan Jia to sell to the Group, the 99.31% interest in ZJSB.

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

Yuan Jia continues to hold 99.31% interest in ZJSB and is subject to a new option agreement entered into on January 11, 2022 whereby the Group and Yuan Jia are respectively granted call and put options which entitle the Group to purchase from Yuan Jia, or Yuan Jia to sell to the Group, the 99.31% interest in ZJSB. The call and put options will be exercisable after 54 months and from the 48 months to the 54 months respectively from the date of the new option agreement. The exercise price for the call and put options will be determined in accordance with the new option agreement, and up to a maximum of RMB500 million (approximately US\$71 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, 2024	March 31, 2024
	<i>US\$'000</i>	<i>US\$'000</i>
Current liabilities		
Short-term loans (a)	63,002	50,431
Notes (b)	964,893	-
	1,027,895	50,431
Non-current liabilities		
Notes (b)	2,049,057	3,012,637
Convertible bonds (c)	566,639	556,592
	2,615,696	3,569,229
	3,643,591	3,619,660

Notes:

- (a) Majority of the short-term loans are denominated in United States dollars. At September 30, 2024, the Group has total revolving and short-term loan facilities of US\$5,204 million (March 31, 2024: US\$5,426 million) which has been utilized to the extent of US\$25 million (March 31, 2024: US\$41 million).

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

Issue date	Outstanding principal amount	Term	Interest rate per annum	Due date	September 30, 2024 <i>US\$'000</i>	March 31, 2024 <i>US\$'000</i>
April 24, 2020 and May 12, 2020	US\$965 million	5 years	5.875%	April 2025	964,893	964,798
November 2, 2020	US\$900 million	10 years	3.421%	November 2030	894,589	894,145
July 27, 2022	US\$600 million	5.5 years	5.831%	January 2028	596,098	595,587
July 27, 2022	US\$563 million	10 years	6.536%	July 2032	558,370	558,107
					3,013,950	3,012,637

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

Issue date	Outstanding principal amount	Term	Interest rate per annum	Due date	September 30, 2024 <i>US\$'000</i>	March 31, 2024 <i>US\$'000</i>
August 26, 2022	US\$675 million	7 years	2.5%	August 2029	566,639	556,592

On August 26, 2022, the Company completed the issuance of 7-Year US\$675 million convertible bonds bearing annual interest at 2.5% due in August 2029 (“the 2029 Convertible Bonds”) to the bondholders. The proceeds were used to repay previous convertible bonds and for general corporate purposes. The bondholders have the right, at any time on or after 41 days after the date of issue and up to the 10th day prior to the maturity date, to convert part or all of the outstanding principal amount of the 2029 Convertible Bonds into ordinary shares of the Company at a conversion price of HK\$9.94 per share, subject to adjustments. The conversion price was adjusted to HK\$9.06 per share effective on August 3, 2024. Assuming full conversion of the 2029 Convertible Bonds at the conversion price of HK\$9.06 per share, the 2029 Convertible Bonds will be convertible into 583,994,205 shares.

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

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

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

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

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

	September 30, 2024	March 31, 2024
	<i>US\$'000</i>	<i>US\$'000</i>
Within 1 year	1,027,895	50,431
Over 1 to 2 years	-	964,798
Over 2 to 5 years	1,162,737	595,587
Over 5 years	1,452,959	2,008,844
	3,643,591	3,619,660

14 Share capital

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

15 Note to the consolidated cash flow statement

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

	6 months ended September 30, 2024	6 months ended September 30, 2023
	<i>US\$'000</i>	<i>US\$'000</i>
Profit before taxation	786,181	585,746
Share of losses of associates and joint ventures	14,530	13,021
Finance income	(55,150)	(82,496)
Finance costs	399,507	387,804
Depreciation of property, plant and equipment	221,563	203,245
Depreciation of right-of-use assets	56,289	80,400
Amortization of intangible assets	423,684	403,686
Impairment and write-off of intangible assets	67,052	-
Share-based compensation	138,742	149,089
(Gain)/loss on disposal of property, plant and equipment	(1,141)	1,117
Loss on disposal of intangible assets	301	24
Loss on disposal of construction-in-progress	-	9,856
Gain on deemed disposal of a subsidiary	(22,627)	-
Fair value change on financial instruments	(2,106)	(25,045)
Fair value change on financial assets at fair value through profit or loss	(9,153)	(76,784)
Dividend income	(1,960)	(745)
(Increase)/decrease in inventories	(2,437,556)	186,538
Increase in trade and notes receivables, deposits, prepayments and other receivables	(2,523,657)	(1,130,421)
Increase in trade and notes payables, provisions, other payables and accruals	5,406,076	948,772
Effect of foreign exchange rate changes	(137,864)	157,961
Net cash generated from operations	2,322,711	1,811,768

(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.

	September 30, 2024	March 31, 2024
	<i>US\$'000</i>	<i>US\$'000</i>
Financing liabilities		
Short-term loans – current	63,002	50,431
Notes – current	964,893	-
Notes – non-current	2,049,057	3,012,637
Convertible bonds – non-current	566,639	556,592
Lease liabilities – current	92,194	101,580
Lease liabilities – non-current	215,035	240,449
	3,950,820	3,961,689
Short-term loans – variable interest rates	60,797	43,423
Short-term loans – fixed interest rates	2,205	7,008
Notes – fixed interest rates	3,013,950	3,012,637
Convertible bonds – fixed interest rates	566,639	556,592
Lease liabilities – fixed interest rates	307,229	342,029
	3,950,820	3,961,689

	Short-term loans current US\$'000	Notes current US\$'000	Notes non-current US\$'000	Convertible bonds current US\$'000	Convertible bonds non-current US\$'000	Lease liabilities current US\$'000	Lease liabilities non-current US\$'000	Total US\$'000
Financing liabilities at								
April 1, 2023	57,032	-	3,146,148	214,584	537,030	123,719	280,837	4,359,350
Proceeds from borrowings	11,792,697	-	-	-	-	-	-	11,792,697
Repayments/repurchase of borrowings	(11,799,007)	-	(132,083)	-	-	-	-	(11,931,090)
Conversion of convertible bonds	-	-	-	(218,669)	-	-	-	(218,669)
Reclassification	-	-	-	-	-	96,859	(96,859)	-
Principal elements of lease payments	-	-	-	-	-	(134,545)	-	(134,545)
Foreign exchange adjustments	(295)	-	-	-	-	(1,465)	(7,039)	(8,799)
Other non-cash movements	4	-	(1,428)	4,085	19,562	17,012	63,510	102,745
Financing liabilities at March 31, 2024	50,431	-	3,012,637	-	556,592	101,580	240,449	3,961,689
Financing liabilities at								
April 1, 2024	50,431	-	3,012,637	-	556,592	101,580	240,449	3,961,689
Proceeds from borrowings	6,609,053	-	-	-	-	-	-	6,609,053
Repayments of borrowings	(6,639,913)	-	-	-	-	-	-	(6,639,913)
Reclassification	-	964,814	(964,814)	-	-	42,171	(42,171)	-
Principal elements of lease payments	-	-	-	-	-	(62,258)	-	(62,258)
Foreign exchange adjustments	43,431	-	-	-	-	1,319	(1,273)	43,477
Other non-cash movements	-	79	1,234	-	10,047	9,382	18,030	38,772
Financing liabilities at September 30, 2024	63,002	964,893	2,049,057	-	566,639	92,194	215,035	3,950,820

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

Save as the respective trustee of the long-term incentive program and the employee share purchase plan of the Company purchased a total of 131,584,639 shares from the market for award to employees upon vesting, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended September 30, 2024. Details of these program and plan are set out in the 2023/24 Annual Report of the Company.

REVIEW BY AUDIT COMMITTEE

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

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

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

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

The Board also appointed Mr. William O. Grabe as the lead independent director (the "Lead Independent Director") with broad authorities and responsibilities. Such authorities and responsibilities include serving as chairman of the Nomination and Governance Committee meeting and/or the Board meeting considering the combined roles of Chairman and CEO; calls and chair meeting(s) with all non-executive directors at least once a year on matters deemed appropriate and provide feedback to the Chairman and/or CEO; and serves a key role in the Board evaluation process. Accordingly, the Board believes that the current Board structure with combined roles of Chairman and CEO, the appointment of Lead Independent Director and a vast majority of independent non-executive directors provide an effective check and balance of powers and authorizations between the Board and the management of the Company.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

This interim results announcement is published on the website of The Stock Exchange of Hong Kong Limited (<https://www.hkexnews.hk>) and the Group's website (<https://investor.lenovo.com/en/publications/news.php>). The 2024/25 interim report of the Company will be available on the same websites and despatched to shareholders of the Company in accordance with the requirements of the Listing Rules in due course.

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

November 15, 2024

As at the date of this announcement, the executive director is Mr. Yang Yuanqing; the non-executive directors are Mr. Zhu Linan and Mr. Zhao John Huan; and the independent non-executive directors are Mr. William O. Grabe, Mr. William Tudor Brown, Mr. Gordon Robert Halyburton Orr, Mr. John Lawson Thornton, Mr. Kasper Bo Roersted (alias Kasper Bo Rorsted), Mr. Woo Chin Wan Raymond, Ms. Yang Lan, Ms. Cher Wang Hsiueh Hong and Professor Xue Lan.