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**Lenovo Group Limited 聯想集團有限公司**  
*(Incorporated in Hong Kong with limited liability)*  
**(Stock Code: 992)**

**FY2020/21 THIRD QUARTER RESULTS ANNOUNCEMENT**

**THIRD QUARTER 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 nine months ended December 31, 2020 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 and 53 percent year-on-year, respectively, to all-time highs, thanks to operational excellence, product innovation, and quick time-to-market to capture new demand across business groups
- Software and Services business, which carries the highest margin profile among all products, delivered record performance with its invoiced revenue growing 36 percent year-on-year, representing around 8.1 percent of the Group’s revenue
- The PC and Smart Device business outperformed the market with sales and pre-tax profit growth of 27 and 35 percent to set new records; its unique hybrid manufacturing strategy provided greater efficiency, control, and flexibility to facilitate share gain
- The Data Center Group achieved its highest quarterly revenue ever and further narrowed the pre-tax loss by US\$14 million year-on-year to a pre-tax loss of US\$33 million, partly driven by a higher services attach rate and upselling of premier services
- The Mobile Business Group resumed profitability with 10 percent revenue growth; continued efforts to optimize the product portfolio has helped drive a mix shift towards higher-end models and expand average selling price
- Net cash generated from operating activities was US\$2.0 billion, up US\$1.4 billion year-on-year

	3 months ended	9 months ended	3 months ended	9 months ended	Year-on-year change	
	December 31, 2020 (unaudited) US\$ million	December 31, 2020 (unaudited) US\$ million	December 31, 2019 (unaudited) US\$ million	December 31, 2019 (unaudited) US\$ million	3 months ended December 31	9 months ended December 31
Revenue	17,245	45,112	14,103	40,137	22%	12%
Gross profit	2,786	7,080	2,265	6,496	23%	9%
Gross profit margin	16.2%	15.7%	16.1%	16.2%	0.1 pts	(0.5) pts
Operating expenses	(2,085)	(5,378)	(1,777)	(5,223)	17%	3%
Operating profit	701	1,702	488	1,273	44%	34%
Other non-operating income/(expenses) - net	(110)	(308)	(98)	(333)	12%	(7)%
Profit before taxation	591	1,394	390	940	52%	48%
Profit for the period	431	1,028	305	741	41%	39%
Profit attributable to equity holders of the Company	395	918	258	623	53%	47%
Earnings per share attributable to equity holders of the Company						
Basic	US3.31 cents	US7.70 cents	US2.16 cents	US5.22 cents	US1.15 cents	US2.48 cents
Diluted	US3.08 cents	US7.37 cents	US2.07 cents	US5.01 cents	US1.01 cents	US2.36 cents

## **BUSINESS REVIEW AND OUTLOOK**

### **Highlights**

During the three months ended December 31, 2020, Lenovo (the Group) delivered many new performance records, including all-time high revenue and profit. The Group achieved 22 percent and 53 percent year-on-year growth in revenue and profit attributable to equity holders, respectively. The strong performance has been fueled by Lenovo's robust growth across business groups as well as structural changes in lifestyle and work habits since the onset of the COVID-19 pandemic. The PC and Smart Device (PCSD) and Data Center Group (DCG) achieved record revenue while Mobile Business Group (MBG) grew its top-line by double-digits.

The Group set new milestones in terms of service contract wins and pursuing service-led transformation. The Software and Services business, which carries the highest margin profile among all products, reported invoiced revenue and deferred revenue growth of 36 and 30 percent year-on-year, respectively. It represented around 8.1 percent of the Group's revenue. Among the three key business segments, Managed Services including Device-as-a-Service (DaaS) enjoyed 73 percent growth thanks to strong progress in contract wins globally. Complex Solutions posted 49 percent growth from all verticals. Attached Services continued to grow steadily, up 26 percent during the quarter under review.

Net cash generated from operating activities was US\$2.0 billion in 3QFY21 and increased US\$1.4 billion year-on-year thanks to the Group's strong revenue growth during the quarter. Given its strength in cash generation, the company's net debt reduced by US\$755 million year-on-year. On January 20, 2021, Lenovo's board of directors approved the issuance of Chinese depositary receipts ("CDRs"), to be listed and traded on the Science and Technology Innovation Board of the Shanghai Stock Exchange. The Company plans to use the proceeds for research and development, strategic investments in related sectors, and replenishment of working capital.

### **Group Financial Performance**

The Group's revenue reached US\$17.2 billion, up 22 percent year-on-year, during the period under review. Gross profit increased 23 percent and profit attributable to equity holders rose by 53 percent to US\$395 million. The Group's operating expense-to-revenue ratio was lowered by 0.5 percentage points to 12.1 percent. The change in the PCSD product mix, with growing contribution from consumer and Chromebook sales, continued to have an impact on the expense structure as both products require fewer operating costs. The Group recognized fair value gains from its strategic investments amounting to US\$67 million during the quarter under review. The total segment pre-tax profit, excluding the impact of one-time items, grew by 41 percent year-on-year to US\$902 million.

By business group, PCSD grew its revenues 27 percent year-on-year and its market share reached 25.3 percent in the global PC sector, representing an annual increase of 0.6 percentage points. It optimized share gain by leveraging operational excellence, product innovation and quick time-to-market to capture new demand. The Group's hybrid manufacturing strategy provides greater efficiency, control, and flexibility to further expand market share leadership relative to the competition.

The MBG business aggressively expanded its product portfolio through multiple 5G model launches, resulting in 10 percent year-on-year growth in revenue. Revenue of DCG also reached an all-time high thanks to record sales in its Enterprise and SMB (ESMB) segment and robust momentum in its Cloud Service Provider (CSP) segment.

### **Geographic Performance**

Lenovo is a global business operating in more than 180 markets. For the period under review, the Group reported consistent strength across all regional markets, with revenues up 25-30 percent year-on-year in America, Europe-Middle East-Africa (EMEA) and China. Even in Asia Pacific (excluding China), which was impacted by a slowdown in commercial sales, regional revenue still increased by 4 percent year-on-year.

In China, the Group's revenue grew 30 percent year-on-year on the back of strong demand and market share gain in its PCSD and DCG's ESMB businesses. In EMEA, the Group achieved strong performance in both PC and smartphone businesses, becoming the top PC vendor in the region for the first time. Its smartphone sales in Europe rose 82 percent year-on-year and contributed to the double-digit revenue growth of the MBG business relative to the same period last year. In North America, the Group delivered strong double-digit sales growth across the three business groups, driven by the improved smartphone portfolio, strength in consumer and education PC demand, and cloud infrastructure investment.

## **Performance by Product Business Group**

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

The IDG Group, consisting of the PCSD and MBG businesses, outperformed the sector in the third fiscal quarter. The Group grew its revenue by 25 percent year-on-year at US\$15.6 billion while its pre-tax profit increased 36 percent to reach US\$935 million, both representing record highs. Market share gains in the strong PC sector and recovery of smartphone sales were key growth drivers for IDG's profitability. The PCSD business sustained its top global position by leveraging operational excellence, product innovations and time-to-market capabilities, while taking advantage of "new normal" tailwinds. MBG posted annual revenue growth exceeding 10 percent, boosted by an expanded premium product portfolio and 5G launches.

### ***Intelligent Devices Group - PC and Smart Device (PCSD) Business***

During the period under review, the PCSD business achieved all-time high revenue and pre-tax profit. The worldwide PC market outperformed on the back of lifestyle changes including the one PC per person trend. Usage intensity of PC products also rose on accelerated market trends including work-from-home, e-learning, and e-commerce revolution. The Group was able to grow faster than its competitors across education and Small and Medium Business (SMB) segments.

PCSD revenue grew 27 percent year-on-year to US\$14,011 million, contributing to 81 percent of the Group's total revenue. Its pre-tax margin expanded 0.4 percentage points year-on-year to a record 6.6 percent. Its pre-tax profit increased 35 percent year-on-year to US\$925 million for the period under review. The Group delivered stellar results in high-growth segments and high-margin services, driving a structural shift in the sales mix to provide a clear propellant for its long-term profitability.

The Software and Services business showcased strong growth during the period and its invoiced revenue increased 46 percent year-on-year. The Group's e-commerce take-off benefited direct customer engagement and share gain in the consumer and SMB market segments. This has led to a record number of transactions through Lenovo's on-line franchise and resulted in 39 percent year-on-year growth in e-commerce revenue. High-growth segment sales also performed well. Work-from-home demand remained a strong stimulus for thin-and-light notebook PC sales which grew 31 percent year-on-year. The Gaming PC segment has been a beneficiary of casual gaming demand. Its improved product portfolio led to revenue growth of 61 percent year-on-year. E-learning has prompted a 281 percent year-on-year increase in Chromebook shipments.

### ***Intelligent Devices Group - Mobile Business Group (MBG)***

MBG revenue increased by 10 percent from the same period last year to US\$1,521 million. It has continued to expand its smartphone product portfolio and carrier ranging during the quarter. MBG's product portfolio now carries attractive models across all price spectrums. It has been successful in driving a mix shift towards higher-end models and expanding average selling prices. The revenue contribution from 5G models improved 5 percentage points quarter-over-quarter to 13 percent. The average selling prices of MBG products increased 6 percent quarter-on-quarter and 19 percent year-on-year thanks to increased popularity of premium and flagship models. The MBG business accounted for 9 percent of the Group's total revenue.

Despite challenges from the hike in logistics costs and industry-wide component shortages, MBG resumed profitability. Its pre-tax profit amounted to US\$10 million for the period under review, up US\$7 million year-on-year. The business will continue to drive profitable growth and win market share. MBG's "5G for all" strategy, aiming to make 5G connectivity more accessible across all price segments, has been a success, as evidenced by its recent launches. The MBG business is planning more 5G launches across its franchise portfolio.

### ***Data Center Group (DCG)***

In the third fiscal quarter, DCG's revenue increased by 2 percent year-on-year to a record US\$1,634 million and contributed 9 percent of the Group's total sales. The Group also narrowed its loss further by US\$14 million year-on-year to a pre-tax loss of US\$33 million. The DCG business continued to grow its services attach rate and upsell premier services. The strategic partnership with SAP to beef up TruScale solution, a scalable consumption-based services offering, is well positioned to benefit from an improved pipeline.

By segment, the CSP revenue grew 4 percent year-on-year during the quarter under review. The robust cloud demand and ongoing client diversification have led to double-digit sales growth across all regions except for China, where orders with better profitability are given higher regional priority. Therefore, revenue from its Enterprise and SMB (ESMB) segment increased by double-digits year-on-year, as the less profitable CSP orders were reduced. The ESMB business continued to drive success in four growth products: software defined infrastructure (SDI), storage, high-performance computing, and software and services. These product sales reached their highest level ever in the quarter under review, resulting in the highest revenue for ESMB segment in last three years. According to third-party research, Lenovo surpassed two competitors to become the second largest global supplier in entry storage. The DCG business group aims to scale up and enhance profitability to pursue long-term growth.

### **Outlook**

Despite uncertainties since the outbreak of the COVID-19 pandemic, the Group has taken advantage of tailwind opportunities to drive earnings growth and furthered its business transformation. With regional economies including China on pace to expand and signs of a rebound in certain areas of enterprise spending, the Group will continue to capitalize on recovery-led opportunities. The business has also ratcheted up investments on service-led transformation which should bode well for long-term growth and profitability.

For its PCSD business, the Group will continue addressing opportunities emerging from structural changes in the sector. It will leverage its operational excellence and global franchise to meet strong segment demand, drive consistent premium-to-market growth, and maintain profitability leadership.

For its Mobile business, the Group will further push product innovation and accelerate 5G smartphone launches. It will also seek to enhance competitiveness in Latin America, North America, and Europe to grow at a premium to the sector and drive profitable growth.

In its DCG business, the Group aims to deliver premium-to-market growth and enhance profitability. In the ESMB segment, the Group will grow its high-margin services attach rate, upsell premier services and expand hybrid cloud solutions to drive a paradigm shift in computing with its edge-to-cloud solutions. For its CSP business, the Group's recent design wins will attract new customers and expand its share with existing accounts. To achieve that the business will leverage its unique strengths in the global supply chain and worldwide reach and expand its product portfolio with advanced configuration and storage platforms. The business will also grow its in-house design and manufacturing capabilities to continue scale expansion.

Given a surge in market interest in its service capability since the outbreak of the pandemic, the Group has been building a strong pipeline of new orders for Attached Services, Managed Services which includes Device as a Service, and Complex Solutions.

## Strategic Highlights

The Group continues to execute its strategy to be the leader and enabler of Intelligent Transformation. It has the vision of bringing smarter technology to all - through Smart Infrastructure, Smart Verticals, and Smart IoT. This “3S” strategy, in parallel with its customer-centric positioning, has led to structural growth in new businesses including Software and Services.

**Smart Infrastructure** provides the computing, storage, and networking power to support smart devices. The Group’s next-generation data center solutions in the hybrid cloud are based on the ThinkAgile platform, with strong growth coming from Smart City and data center project wins in China. The Group’s Smart Infrastructure revenue grew 5 percent year-on-year, representing a temporary deceleration as enterprise customers take time to reassess their business priorities and purchase decision amid COVID-19. The Group will continue to engage clients and expand the pipeline to resume its growth momentum.

**Smart Verticals** combine big data generated by smart devices and the computing power of smart infrastructure to provide more insights and improve processes for customers. The Group has expanded its footprint to win multiple projects across different industry verticals such as smart cities, smart education, and healthcare industries around the world. Its revenue grew by more than 54 percent year-on-year during the period under review.

The Group will continue to invest in **Smart IoT**, consisting of a network of many touchpoints for the connected world we live in. Specifically, the Group’s investments will accelerate in the area of edge computing, cloud, big data, and AI in vertical industries. This will strengthen the Group’s capability as a competitive end-to-end solution provider in the era of Intelligent Transformation. The Smart IoT business has delivered 44 percent year-on-year revenue growth. In particular, Attached and Managed Services has grown significantly thanks to its Device-as-a-Service project wins across worldwide markets.

## New Organizational Structure for FY2021/22

Lenovo is also today announcing a new organizational structure designed to capitalize on the Group’s service-led transformation growth opportunities. Effective April 1, 2021, Lenovo will bring together services and solutions teams and capabilities from across the company to form a dedicated organization - the new **Solutions & Services Group (SSG)**. SSG will further drive the company’s transformation by delivering incremental business across smart verticals, attached services, managed services and our “as a service” offerings including DaaS and Truscale™.

With this, Lenovo’s business will be structured into three main business groups aligned to the company’s 3S strategy of Smart IoT, Smart Infrastructure and Smart Verticals, namely **IDG (Intelligent Devices Group)** – focused on Smart IoT; **ISG (Infrastructure Solutions Group)**, renamed from DCG, Data Center Group) – focused on Smart Infrastructure; and **SSG** – focused on Smart Verticals & Services. IDG will be led globally by **Luca Rossi** (currently SVP & President of PCSD in EMEA and Latin America). ISG will continue to be led globally by **Kirk Skaugen**. And the newly formed global Lenovo SSG will be led by **Ken Wong** (currently SVP & President of PCSD in Asia Pacific).

In addition, Lenovo’s sales organizations in markets around the world will split into a **China GEO** and an **International Sales Organization**, led respectively by **Liu Jun** (currently EVP & President of IDG in China) and **Matt Zielinski** (currently SVP & President of PCSD in North America), to drive greater synergies and efficiencies between business groups. All above five leaders will report directly to Yuanqing Yang and sit on the Lenovo Executive Committee (LEC).

**Gianfranco Lanci**, Lenovo’s Corporate President and COO has also announced his plans to retire from the company in September 2021. Until then, he will continue to serve in his role as President and Chief Operating Officer of Lenovo Group and be responsible for Lenovo’s global business operations across all of Business Groups and Sales.

## FINANCIAL REVIEW

### *Results for the nine months ended December 31, 2020*

	<b>9 months ended December 31, 2020 (unaudited) US\$ million</b>	9 months ended December 31, 2019 (unaudited) US\$ million	Year-on-year change
Revenue	<b>45,112</b>	40,137	12%
Gross profit	<b>7,080</b>	6,496	9%
Gross profit margin	<b>15.7%</b>	16.2%	(0.5) pts
Operating expenses	<b>(5,378)</b>	(5,223)	3%
Operating profit	<b>1,702</b>	1,273	34%
Other non-operating income/(expenses) – net	<b>(308)</b>	(333)	(7)%
Profit before taxation	<b>1,394</b>	940	48%
Profit for the period	<b>1,028</b>	741	39%
Profit attributable to equity holders of the Company	<b>918</b>	623	47%
Earnings per share attributable to equity holders of the Company			
Basic	<b>US7.70 cents</b>	US5.22 cents	US2.48 cents
Diluted	<b>US7.37 cents</b>	US5.01 cents	US2.36 cents

For the nine months ended December 31, 2020, the Group achieved total sales of approximately US\$45,112 million. Profit attributable to equity holders for the period surged by US\$295 million to approximately US\$918 million when compared to the corresponding period of last year. In the same reporting period, gross profit margin eroded 0.5 percentage points to 15.7 percent, mainly due to higher costs in freight and transportation; while basic and diluted earnings per share were US7.70 cents and US7.37 cents respectively, representing an increase of US2.48 cents and US2.36 cents.

Analysis of operating expenses by function for the nine months ended December 31, 2020 and 2019 is as follows:

	<b>9 months ended December 31, 2020 US\$ '000</b>	9 months ended December 31, 2019 US\$ '000
Selling and distribution expenses	<b>(2,221,362)</b>	(2,357,394)
Administrative expenses	<b>(2,163,584)</b>	(1,804,407)
Research and development expenses	<b>(1,037,203)</b>	(988,575)
Other operating income/(expenses) – net	<b>43,772</b>	(72,681)
	<b><u>(5,378,377)</u></b>	<u>(5,223,057)</u>

Operating expenses for the period increased by 3 percent as compared with the corresponding period of last year. Employee benefit costs increased by US\$407 million mainly due to increase in bonus, sales commission, wages and salaries and recognition of severance costs of US\$75 million, and the Group recorded an impairment loss of intangible assets related to patent and technology of US\$53 million (2019/20: nil). Amortization of intangible assets increased by US\$47 million with more investments in patent and technology and internal use software. On the other hand, the Group recorded a gain on disposal of non-core property assets of US\$79 million (2019/20: nil), and a fair value gain from strategic investments amounting to US\$232 million (2019/20: US\$49 million), including a dilution gain on interest in an associate of US\$31 million (2019/20: nil) and a gain on deemed disposal of subsidiaries of US\$3 million (2019/20: nil), reflecting the change in value of the Group's portfolio. The overall increase was also partially offset by the reduction in advertising and promotional expenses of US\$151 million.

Key expenses by nature comprise:

	<b>9 months ended December 31, 2020 US\$'000</b>	9 months ended December 31, 2019 US\$'000
Depreciation of property, plant and equipment	(120,952)	(116,340)
Depreciation of right-of-use assets	(61,073)	(66,517)
- <i>prepaid lease payments</i>	(1,988)	(1,952)
- <i>leasehold land and buildings</i>	(59,085)	(64,565)
Amortization of intangible assets	(456,411)	(409,862)
Impairment of intangible assets	(52,606)	-
Employee benefit costs, including	(3,231,195)	(2,823,892)
- <i>long-term incentive awards</i>	(189,119)	(192,675)
- <i>severance and related costs</i>	(75,006)	-
Rental expenses under operating leases	(5,139)	(8,504)
Net foreign exchange loss	(37,435)	(70,310)
Advertising and promotional expenses	(568,882)	(719,777)
Legal and professional fees	(165,705)	(149,125)
Information technology expenses	(103,718)	(75,283)
Gain/(loss) on disposal of property, plant and equipment	71,964	(1,348)
Fair value gain on financial assets at fair value through profit or loss	197,279	49,435
Fair value loss on a financial liability at fair value through profit or loss	(7,373)	(13,000)
Dilution gain on interest in an associate	31,374	-
Gain on deemed disposal of subsidiaries	2,964	-
Gain on disposal of subsidiaries	1,064	12,844
Gain on disposal of interest in an associate	-	3,922
Others	(872,533)	(835,300)
	<b>(5,378,377)</b>	<b>(5,223,057)</b>

Other non-operating income/(expenses) - net for the nine months ended December 31, 2020 and 2019 comprise:

	<b>9 months ended December 31, 2020 US\$'000</b>	9 months ended December 31, 2019 US\$'000
Finance income	24,573	37,843
Finance costs	(308,372)	(358,835)
Share of losses of associates and joint ventures	(23,849)	(11,107)
	<b>(307,648)</b>	<b>(332,099)</b>

Finance income mainly represents interest on bank deposits.

Finance costs for the period decreased by 14 percent as compared with the corresponding period of last year. The change is a combined effect of the decrease in interest on bank loans and overdrafts of US\$34 million and factoring costs of US\$53 million, partially offset by the increase in interest on notes of US\$33 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 and DCG. Segment revenue and pre-tax income/(loss) for reportable segments are as follows:

	<b>9 months ended December 31, 2020</b>		9 months ended December 31, 2019	
	<b>Revenue from external customers US\$'000</b>	<b>Pre-tax income/ (loss) US\$'000</b>	Revenue from external customers US\$'000	Pre-tax income/ (loss) US\$'000
IDG	<b>40,387,424</b>	<b>2,255,903</b>	35,849,817	1,835,835
DCG	<b>4,724,784</b>	<b>(138,340)</b>	4,287,161	(149,716)
Segment total	<b><u>45,112,208</u></b>	<b><u>2,117,563</u></b>	<u>40,136,978</u>	<u>1,686,119</u>
Unallocated:				
Headquarters and corporate income/(expenses) - net		<b>(640,072)</b>		(503,272)
Depreciation and amortization		<b>(158,385)</b>		(118,338)
Impairment of intangible assets		<b>(52,606)</b>		-
Finance income		<b>13,954</b>		19,526
Finance costs		<b>(159,116)</b>		(176,453)
Share of losses of associates and joint ventures		<b>(23,849)</b>		(11,107)
Gain/(loss) on disposal of property, plant and equipment		<b>70,424</b>		(726)
Fair value gain on financial assets at fair value through profit or loss		<b>197,279</b>		49,435
Fair value loss on a financial liability at fair value through profit or loss		<b>(7,373)</b>		(13,000)
Dilution gain on interest in an associate		<b>31,374</b>		-
Gain on deemed disposal of subsidiaries		<b>2,964</b>		-
Gain on disposal of interest in an associate		<b>-</b>		3,922
Dividend income		<b>1,784</b>		4,303
Consolidated profit before taxation		<b><u>1,393,941</u></b>		<u>940,409</u>

Headquarters and corporate income/(expenses) - net for the period comprise various expenses, after appropriate allocation to business groups, of US\$640 million (2019/20: US\$503 million) such as employee benefit costs, legal and professional fees, and research and technology expenses. The increase is mainly due to employee benefit costs rising by US\$174 million as a result of recognition of severance costs of US\$75 million and an increase in bonus accrual. Also, fair value gain on bonus warrants decreased by US\$15 million as compared with the corresponding period of last year. There was a one-time charge associated with the execution of previously announced resource actions at the corporate level of US\$48 million last year.

*Third Quarter 2020/21 compared to Third Quarter 2019/20*

	<b>3 months ended December 31, 2020 (unaudited) US\$ million</b>	3 months ended December 31, 2019 (unaudited) US\$ million	Year-on-year change
Revenue	<b>17,245</b>	14,103	22%
Gross profit	<b>2,786</b>	2,265	23%
Gross profit margin	<b>16.2%</b>	16.1%	0.1 pts
Operating expenses	<b>(2,085)</b>	(1,777)	17%
Operating profit	<b>701</b>	488	44%
Other non-operating income/(expenses) – net	<b>(110)</b>	(98)	12%
Profit before taxation	<b>591</b>	390	52%
Profit for the period	<b>431</b>	305	41%
Profit attributable to equity holders of the Company	<b>395</b>	258	53%
Earnings per share attributable to equity holders of the Company			
Basic	<b>US3.31 cents</b>	US2.16 cents	US1.15 cents
Diluted	<b>US3.08 cents</b>	US2.07 cents	US1.01 cents

For the three months ended December 31, 2020, the Group achieved total sales of approximately US\$17,245 million. Profit attributable to equity holders for the period increased by US\$137 million to approximately US\$395 million when compared to the corresponding period of last year. In the same reporting period, gross profit margin increased by 0.1 percentage points to 16.2 percent; while basic and diluted earnings per share were US3.31 cents and US3.08 cents respectively, representing an increase of US1.15 cents and US1.01 cents.

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

Analysis of operating expenses by function for the three months ended December 31, 2020 and 2019 is as follows:

	<b>3 months ended December 31, 2020 US\$ '000</b>	3 months ended December 31, 2019 US\$ '000
Selling and distribution expenses	<b>(863,021)</b>	(816,261)
Administrative expenses	<b>(859,267)</b>	(609,157)
Research and development expenses	<b>(398,102)</b>	(341,232)
Other operating income/(expenses) – net	<b>35,492</b>	(9,863)
	<b><u>(2,084,898)</u></b>	<u>(1,776,513)</u>

Operating expenses for the period increased by 17 percent as compared with the corresponding period of last year. Employee benefit costs increased by US\$261 million mainly due to increase in bonus, sales commission, wages and salaries. On the other hand, the Group recorded a fair value gain from strategic investments amounting to US\$67 million (2019/20: US\$50 million) including a gain on deemed disposal of subsidiaries of US\$3 million (2019/20: nil), reflecting the change in value of the Group's portfolio. The increase in operating expenses also reflected an increase in advertising and promotional expenses of US\$22 million.

Key expenses by nature comprise:

	<b>3 months ended December 31, 2020 US\$'000</b>	3 months ended December 31, 2019 US\$'000
Depreciation of property, plant and equipment	<b>(39,211)</b>	(37,786)
Depreciation of right-of-use assets	<b>(21,996)</b>	(24,292)
- <i>prepaid lease payments</i>	<i>(686)</i>	<i>(646)</i>
- <i>leasehold land and buildings</i>	<i>(21,310)</i>	<i>(23,646)</i>
Amortization of intangible assets	<b>(155,063)</b>	(150,290)
Employee benefit costs, including	<b>(1,204,121)</b>	(942,865)
- <i>long-term incentive awards</i>	<i>(61,367)</i>	<i>(68,978)</i>
Rental expenses under operating leases	<b>(2,048)</b>	(2,748)
Net foreign exchange loss	<b>(4,566)</b>	(21,859)
Advertising and promotional expenses	<b>(270,052)</b>	(247,555)
Legal and professional fees	<b>(55,390)</b>	(62,510)
Information technology expenses	<b>(48,706)</b>	(31,484)
Gain/(loss) on disposal of property, plant and equipment	<b>1,092</b>	(642)
Fair value gain on financial assets at fair value through profit or loss	<b>64,359</b>	49,543
Fair value loss on a financial liability at fair value through profit or loss	<b>(5,600)</b>	(10,000)
Gain on deemed disposal of subsidiaries	<b>2,964</b>	-
Gain on disposal of interest in an associate	<b>-</b>	3,922
Others	<b>(346,560)</b>	(297,947)
	<b><u>(2,084,898)</u></b>	<u>(1,776,513)</u>

Other non-operating income/(expenses) - net for the three months ended December 31, 2020 and 2019 comprise:

	<b>3 months ended December 31, 2020 US\$'000</b>	3 months ended December 31, 2019 US\$'000
Finance income	<b>7,240</b>	13,369
Finance costs	<b>(109,923)</b>	(107,595)
Share of losses of associates and joint ventures	<b>(7,046)</b>	(3,659)
	<b><u>(109,729)</u></b>	<u>(97,885)</u>

Finance income mainly represents interest on bank deposits.

Finance costs for the period increased by 2 percent as compared with the corresponding period of last year. The change is a combined effect of the increase in interest on notes of US\$21 million, partially offset by the decrease in interest on bank loans and overdrafts of US\$11 million and factoring costs of US\$9 million.

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

The Group adopts segments by business group as the reporting format. Segments by business group comprise IDG and DCG. Segment revenue and pre-tax income/(loss) for reportable segments are as follows:

	<b>3 months ended December 31, 2020</b>		3 months ended December 31, 2019	
	<b>Revenue from external customers US\$'000</b>	<b>Pre-tax income/ (loss) US\$'000</b>	Revenue from external customers US\$'000	Pre-tax income/ (loss) US\$'000
IDG	<b>15,611,168</b>	<b>934,955</b>	12,502,275	687,050
DCG	<b>1,634,275</b>	<b>(32,710)</b>	1,600,561	(46,546)
Segment total	<b><u>17,245,443</u></b>	<b><u>902,245</u></b>	<b><u>14,102,836</u></b>	<b><u>640,504</u></b>
Unallocated:				
Headquarters and corporate income/(expenses) - net		<b>(259,905)</b>		(228,559)
Depreciation and amortization		<b>(55,765)</b>		(41,506)
Finance income		<b>3,380</b>		6,585
Finance costs		<b>(57,985)</b>		(28,369)
Share of losses of associates and joint ventures		<b>(7,046)</b>		(3,659)
Gain/(loss) on disposal of property, plant and equipment		<b>3,318</b>		(146)
Fair value gain on financial assets at fair value through profit or loss		<b>64,359</b>		49,543
Fair value loss on a financial liability at fair value through profit or loss		<b>(5,600)</b>		(10,000)
Gain on disposal of interest in an associate		<b>-</b>		3,922
Gain on deemed disposal of subsidiaries		<b>2,964</b>		-
Dividend income		<b>1,513</b>		1,913
Consolidated profit before taxation		<b><u>591,478</u></b>		<b><u>390,228</u></b>

Headquarters and corporate income/(expenses) - net for the period comprise various expenses, after appropriate allocation to business groups, of US\$260 million (2019/20: US\$229 million) such as employee benefit costs, legal and professional fees, and research and technology expenses. The increase is mainly due to employee benefit cost rising by US\$86 million as a result of an increase in bonus accrual. Also, there was a one-time charge associated with the execution of previously announced resource actions at the corporate level of US\$40 million last year.

## Capital Expenditure

The Group incurred capital expenditure of US\$564 million (2019/20: US\$701 million) during the nine months ended December 31, 2020, mainly for the acquisition of property, plant and equipment, additions to construction-in-progress and intangible assets. The higher capital expenditure incurred in the corresponding period of last year was mainly attributable to more investments in patent and technology particularly on cloud technology and internal use software.

## Liquidity and Financial Resources

At December 31, 2020, total assets of the Group amounted to US\$38,645 million (March 31, 2020: US\$32,128 million), which were financed by equity attributable to owners of the Company of US\$3,887 million (March 31, 2020: US\$3,197 million), other non-controlling interests (net of put option written on non-controlling interests) of US\$24 million (March 31, 2020: negative balance of US\$132 million), (March 31, 2020: perpetual securities of US\$994 million) and total liabilities of US\$34,734 million (March 31, 2020: US\$28,069 million). At December 31, 2020, the current ratio of the Group was 0.90 (March 31, 2020: 0.81).

At December 31, 2020, bank deposits and cash and cash equivalents totalling US\$4,091 million (March 31, 2020: US\$3,617 million) analyzed by major currency are as follows:

	December 31, 2020	March 31, 2020
	%	%
US dollar	35.9	35.3
Renminbi	34.0	25.4
Japanese Yen	6.5	10.3
Euro	3.8	7.8
Great British Pound	0.3	4.2
Other currencies	19.5	17.0
Total	100.0	100.0

The Group adopts a conservative policy to invest the surplus cash generated from operations. At December 31, 2020, 92.0 (March 31, 2020: 85.6) percent of cash are bank deposits, and 8.0 (March 31, 2020: 14.4) percent are investments in liquid money market funds of investment grade.

Although the Group has consistently maintained a very liquid position, banking facilities have nevertheless been put in place to meet inter-quarter funding requirements and the Group has entered into factoring arrangements in the ordinary course of business for liquidity.

The Group has the following banking facilities:

Type	Date of agreement	Principal amount	Term	Utilized amount at	
				December 31, 2020	March 31, 2020
		<i>US\$ million</i>		<i>US\$ million</i>	<i>US\$ million</i>
Loan facility	May 26, 2015	300	5 years	N/A	300
Revolving loan facility	March 28, 2018	1,500	5 years	445	1,500
Loan facility	May 12, 2020	300	5 years	160	N/A
Revolving loan facility	May 14, 2020	200	5 years	-	N/A

Notes, convertible bonds and convertible preferred shares issued by the Group and outstanding as at December 31, 2020 are as follows:

	<b>Issue date</b>	<b>Principal amount</b>	<b>Term</b>	<b>Interest rate / dividend per annum</b>	<b>Due date</b>	<b>Use of proceeds</b>
2022 Notes	March 16, 2017	US\$337 million	5 years	3.875%	March 2022	For repayment of the outstanding amount under the promissory notes issued to Google Inc. and general corporate purposes
2023 Notes	March 29, 2018	US\$687 million	5 years	4.75%	March 2023	For repayment of previous Notes and general corporate purposes
Convertible bonds	January 24, 2019	US\$675 million	5 years (Note)	3.375%	January 2024	For repayment of previous Notes and general corporate purposes
Convertible preferred shares	June 21, 2019	US\$280 million	N/A	4%	N/A	For general corporate funding and capital expenditure
2025 Notes	April 24, 2020 and May 12, 2020	US\$1 billion	5 years	5.875%	April 2025	For repayment of previous Notes and general corporate purposes
2030 Notes	November 2, 2020	US\$1 billion	10 years	3.421%	November 2030	For repurchase of perpetual securities and previous Notes

Note: Please refer to Note 12(c) to the Financial Information for details.

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

<b>Credit facilities</b>	<b>Total available amount at</b>		<b>Drawn down amount at</b>	
	<b>December 31, 2020</b>	<b>March 31, 2020</b>	<b>December 31, 2020</b>	<b>March 31, 2020</b>
	<i>US\$ million</i>	<i>US\$ million</i>	<i>US\$ million</i>	<i>US\$ million</i>
Trade lines	<b>2,362</b>	2,547	<b>1,841</b>	2,047
Short-term money market facilities	<b>1,020</b>	1,034	<b>45</b>	334
Forward foreign exchange contracts	<b>12,163</b>	9,278	<b>12,095</b>	9,222

Net debt position and gearing ratio of the Group as at December 31 and March 31, 2020 are as follows:

	<b>December 31, 2020</b>	<b>March 31, 2020</b>
	<i>US\$ million</i>	<i>US\$ million</i>
Bank deposits and cash and cash equivalents	<b>4,091</b>	3,617
Borrowings		
- Short-term loans	<b>639</b>	2,125
- Long-term loan	<b>2</b>	3
- Notes	<b>3,010</b>	1,807
- Convertible bonds	<b>620</b>	607
- Convertible preferred shares	<b>297</b>	318
Net debt position	<b>(477)</b>	(1,243)
Total equity	<b>3,911</b>	4,059
Gearing ratio (Borrowings divided by total equity)	<b>1.17</b>	1.20

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 December 31, 2020, the Group had commitments in respect of outstanding forward foreign exchange contracts amounting to US\$12,095 million (March 31, 2020: US\$9,222 million). The Group's forward foreign exchange contracts are either used to hedge a percentage of future transactions which are highly probable, or used as fair value hedges for identified assets and liabilities.

### **Contingent Liabilities**

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

## FINANCIAL INFORMATION

### CONSOLIDATED INCOME STATEMENT

		<b>3 months ended December 31, 2020 (unaudited) US\$ '000</b>	<b>9 months ended December 31, 2020 (unaudited) US\$ '000</b>	3 months ended December 31, 2019 (unaudited) US\$ '000	9 months ended December 31, 2019 (unaudited) US\$ '000
	<i>Note</i>				
Revenue	2	17,245,443	45,112,208	14,102,836	40,136,978
Cost of sales		<u>(14,459,338)</u>	<u>(38,032,242)</u>	<u>(11,838,210)</u>	<u>(33,641,413)</u>
Gross profit		2,786,105	7,079,966	2,264,626	6,495,565
Selling and distribution expenses		(863,021)	(2,221,362)	(816,261)	(2,357,394)
Administrative expenses		(859,267)	(2,163,584)	(609,157)	(1,804,407)
Research and development expenses		(398,102)	(1,037,203)	(341,232)	(988,575)
Other operating income/(expenses) - net		<u>35,492</u>	<u>43,772</u>	<u>(9,863)</u>	<u>(72,681)</u>
Operating profit	3	701,207	1,701,589	488,113	1,272,508
Finance income	4(a)	7,240	24,573	13,369	37,843
Finance costs	4(b)	(109,923)	(308,372)	(107,595)	(358,835)
Share of losses of associates and joint ventures		<u>(7,046)</u>	<u>(23,849)</u>	<u>(3,659)</u>	<u>(11,107)</u>
Profit before taxation		591,478	1,393,941	390,228	940,409
Taxation	5	<u>(160,043)</u>	<u>(366,145)</u>	<u>(84,729)</u>	<u>(199,329)</u>
Profit for the period		<u>431,435</u>	<u>1,027,796</u>	<u>305,499</u>	<u>741,080</u>
Profit attributable to:					
Equity holders of the Company		395,063	918,080	258,117	622,538
Perpetual securities holders		5,652	32,532	13,440	40,320
Other non-controlling interests		<u>30,720</u>	<u>77,184</u>	<u>33,942</u>	<u>78,222</u>
		<u>431,435</u>	<u>1,027,796</u>	<u>305,499</u>	<u>741,080</u>
Earnings per share attributable to equity holders of the Company					
Basic	6(a)	<u>US3.31 cents</u>	<u>US7.70 cents</u>	<u>US2.16 cents</u>	<u>US5.22 cents</u>
Diluted	6(b)	<u>US3.08 cents</u>	<u>US7.37 cents</u>	<u>US2.07 cents</u>	<u>US5.01 cents</u>
Dividend			<u>102,298</u>		<u>96,640</u>

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	<b>3 months ended</b>	<b>9 months ended</b>	3 months ended	9 months ended
	<b>December 31,</b>	<b>December 31,</b>	December 31,	December 31,
	<b>2020</b>	<b>2020</b>	2019	2019
	<b>(unaudited)</b>	<b>(unaudited)</b>	(unaudited)	(unaudited)
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
Profit for the period	431,435	1,027,796	305,499	741,080
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	14,462	14,489	(15,016)	(14,636)
Fair value change on financial assets at fair value through other comprehensive income, net of taxes	1,384	(5,722)	1,474	(1,984)
<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	(180,525)	(385,848)	(77,507)	20,104
- Reclassified to consolidated income statement	98,921	241,540	(11,741)	(76,629)
Currency translation differences	238,389	367,588	119,978	(120,541)
Other comprehensive income/(loss) for the period	172,631	232,047	17,188	(193,686)
Total comprehensive income for the period	<b>604,066</b>	<b>1,259,843</b>	322,687	547,394
Total comprehensive income attributable to:				
Equity holders of the Company	561,293	1,137,797	276,209	426,044
Perpetual securities holders	5,652	32,532	13,440	40,320
Other non-controlling interests	37,121	89,514	33,038	81,030
	<b>604,066</b>	<b>1,259,843</b>	322,687	547,394

## CONSOLIDATED BALANCE SHEET

		December 31, 2020 (unaudited) <i>US\$'000</i>	March 31, 2020 (audited) <i>US\$'000</i>
	<i>Note</i>		
Non-current assets			
Property, plant and equipment		1,530,006	1,398,440
Right-of-use assets		812,262	812,235
Construction-in-progress		223,475	304,241
Intangible assets		8,152,074	7,984,582
Interests in associates and joint ventures		73,854	60,307
Deferred income tax assets		2,279,006	2,059,582
Financial assets at fair value through profit or loss		780,060	494,807
Financial assets at fair value through other comprehensive income		85,286	56,136
Other non-current assets		258,589	224,396
		<u>14,194,612</u>	<u>13,394,726</u>
Current assets			
Inventories	7	5,785,801	4,946,914
Trade receivables	8(a)	9,279,392	6,263,012
Notes receivable		47,574	11,529
Derivative financial assets		23,021	138,813
Deposits, prepayments and other receivables	9	4,976,455	3,559,239
Income tax recoverable		247,047	196,464
Bank deposits		51,086	66,480
Cash and cash equivalents		4,040,149	3,550,990
		<u>24,450,525</u>	<u>18,733,441</u>
Total assets		<u><u>38,645,137</u></u>	<u><u>32,128,167</u></u>

## CONSOLIDATED BALANCE SHEET (CONTINUED)

	<i>Note</i>	December 31, 2020 (unaudited) <i>US\$'000</i>	March 31, 2020 (audited) <i>US\$'000</i>
Share capital	<i>13</i>	<b>3,203,913</b>	3,185,923
Reserves		<b>682,850</b>	11,619
		<hr/>	<hr/>
Equity attributable to owners of the Company		<b>3,886,763</b>	3,197,542
Perpetual securities	<i>14</i>	-	993,670
Other non-controlling interests		<b>790,466</b>	634,321
Put option written on non-controlling interests	<i>11(b)</i>	<b>(766,238)</b>	(766,238)
		<hr/>	<hr/>
Total equity		<b>3,910,991</b>	4,059,295
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
Non-current liabilities			
Borrowings	<i>12</i>	<b>3,928,492</b>	1,564,619
Warranty provision	<i>10(b)</i>	<b>274,362</b>	258,840
Deferred revenue		<b>1,156,816</b>	864,805
Retirement benefit obligations		<b>474,839</b>	458,386
Deferred income tax liabilities		<b>377,602</b>	342,805
Other non-current liabilities	<i>11</i>	<b>1,401,330</b>	1,321,296
		<hr/>	<hr/>
		<b>7,613,441</b>	4,810,751
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
Current liabilities			
Trade payables	<i>8(b)</i>	<b>9,967,953</b>	7,509,724
Notes payable		<b>1,247,610</b>	1,458,645
Derivative financial liabilities		<b>125,031</b>	73,784
Other payables and accruals	<i>10(a)</i>	<b>12,775,499</b>	9,025,643
Provisions	<i>10(b)</i>	<b>883,948</b>	718,771
Deferred revenue		<b>1,057,656</b>	819,199
Income tax payable		<b>423,922</b>	357,375
Borrowings	<i>12</i>	<b>639,086</b>	3,294,980
		<hr/>	<hr/>
		<b>27,120,705</b>	23,258,121
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
Total liabilities		<b>34,734,146</b>	28,068,872
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
Total equity and liabilities		<b>38,645,137</b>	32,128,167
		<hr style="border-top: 3px double black;"/>	<hr style="border-top: 3px double black;"/>

## CONSOLIDATED CASH FLOW STATEMENT

		9 months ended December 31, 2020 (unaudited) US\$ '000	9 months ended December 31, 2019 (unaudited) US\$ '000
	<i>Note</i>		
Cash flows from operating activities			
Net cash generated from operations	15	3,757,936	2,432,768
Interest paid		(230,493)	(353,870)
Tax paid		(476,047)	(300,611)
Net cash generated from operating activities		3,051,396	1,778,287
Cash flows from investing activities			
Purchase of property, plant and equipment		(191,476)	(178,068)
Sale of property, plant and equipment		36,883	12,291
Acquisition of subsidiaries, net of cash acquired		(5,049)	-
Disposal of subsidiaries, net of cash disposed		(6,977)	(18,155)
Interest acquired in associates and a joint venture		(3,582)	(1,616)
Payment for construction-in-progress		(269,693)	(305,674)
Payment for intangible assets		(103,057)	(217,070)
Purchase of financial assets at fair value through profit or loss		(160,522)	(47,107)
Purchase of financial assets at fair value through other comprehensive income		(29,556)	-
Loan to a joint venture		-	(72,603)
Net proceeds from sale of financial assets at fair value through profit or loss		111,753	56,843
Net proceeds from sale of a financial asset at fair value through other comprehensive income		493	2,803
Payment of contingent consideration		(117,390)	-
Decrease in bank deposits		15,394	5,131
Dividends received		1,897	6,206
Interest received		24,573	37,843
Net cash used in investing activities		(696,309)	(719,176)
Cash flows from financing activities			
Issue of warrant shares		17,990	-
Capital contribution from other non-controlling interests		70,195	61,696
Contribution to employee share trusts		(162,669)	(86,684)
Issue of convertible preferred shares		-	300,000
Issue of notes		2,003,500	-
Issuing costs of notes		(14,383)	-
Repayment of notes		(791,555)	(786,244)
Principal elements of lease payments		(93,533)	(98,590)
Dividends paid		(434,397)	(431,148)
Dividends paid to other non-controlling interests		(5,156)	(4,620)
Distribution to perpetual securities holders		(34,772)	(26,880)
Dividends paid to convertible preferred shares holders		(11,600)	-
Repurchase of convertible preferred shares		(16,575)	-
Proceeds from borrowings		2,813,016	3,046,800
Repayments of borrowings		(4,298,242)	(2,143,800)
Repurchase of perpetual securities		(1,045,320)	-
Net cash used in financing activities		(2,003,501)	(169,470)
Increase in cash and cash equivalents		351,586	889,641
Effect of foreign exchange rate changes		137,573	(31,576)
Cash and cash equivalents at the beginning of the period		3,550,990	2,662,854
Cash and cash equivalents at the end of the period		4,040,149	3,520,919

## 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 reserve	Retained earnings	Perpetual securities	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	(unaudited) US\$'000
At April 1, 2020	3,185,923	(48,716)	(101,467)	287,574	58,489	(1,799,017)	176,642	1,438,114	993,670	634,321	(766,238)	4,059,295
Profit for the period	-	-	-	-	-	-	-	918,080	32,532	77,184	-	1,027,796
Other comprehensive (loss)/income	-	(5,722)	-	-	(144,308)	355,258	-	14,489	-	12,330	-	232,047
Total comprehensive (loss)/income for the period	-	(5,722)	-	-	(144,308)	355,258	-	932,569	32,532	89,514	-	1,259,843
Transfer to statutory reserve	-	-	-	-	-	-	8,890	(8,890)	-	-	-	-
Transfer of investment revaluation reserve upon disposal of financial assets at fair value through other comprehensive income to retained earnings	-	1,728	-	-	-	-	-	(1,728)	-	-	-	-
Repurchase of perpetual securities	-	-	-	-	-	-	(53,890)	-	(991,430)	-	-	(1,045,320)
Issue of warrant shares	17,990	-	-	-	-	-	-	-	-	-	-	17,990
Vesting of shares under long-term incentive program	-	-	187,628	(247,158)	-	-	-	-	-	-	-	(59,530)
Deferred tax in relation to long-term incentive program	-	-	-	21,265	-	-	-	-	-	-	-	21,265
Acquisition of subsidiaries	-	-	-	-	-	-	-	-	-	2,113	-	2,113
Disposal and deemed disposal of subsidiaries	-	-	-	-	-	437	(1,819)	-	-	261	-	(1,121)
Settlement of bonus through long-term incentive program	-	-	-	34,444	-	-	-	-	-	-	-	34,444
Share-based compensation	-	-	-	189,119	-	-	-	-	-	-	-	189,119
Contribution to employee share trusts	-	-	(162,669)	-	-	-	-	-	-	-	-	(162,669)
Dividends paid	-	-	-	-	-	-	-	(434,397)	-	-	-	(434,397)
Dividend paid to other non-controlling interests	-	-	-	-	-	-	-	-	-	(5,156)	-	(5,156)
Capital contribution from other non-controlling interests	-	-	-	-	-	-	-	-	-	69,887	-	69,887
Change of ownership of subsidiaries without loss of control	-	-	-	-	-	-	474	-	-	(474)	-	-
Distribution to perpetual securities holders	-	-	-	-	-	-	-	-	(34,772)	-	-	(34,772)
At December 31, 2020	3,203,913	(52,710)	(76,508)	285,244	(85,819)	(1,443,322)	130,297	1,925,668	-	790,466	(766,238)	3,910,991
At April 1, 2019	3,185,923	(36,095)	(140,209)	311,540	23,240	(1,371,932)	163,241	1,260,745	993,670	473,178	(766,238)	4,097,063
Profit for the period	-	-	-	-	-	-	-	622,538	40,320	78,222	-	741,080
Other comprehensive (loss)/income	-	(1,984)	-	-	(56,525)	(123,349)	-	(14,636)	-	2,808	-	(193,686)
Total comprehensive (loss)/income for the period	-	(1,984)	-	-	(56,525)	(123,349)	-	607,902	40,320	81,030	-	547,394
Transfer to statutory reserve	-	-	-	-	-	-	11,995	(11,995)	-	-	-	-
Transfer of investment revaluation reserve upon disposal of financial assets at fair value through other comprehensive income to retained earnings	-	(1,696)	-	-	-	-	-	1,696	-	-	-	-
Vesting of shares under long-term incentive program	-	-	181,424	(242,631)	-	-	-	-	-	-	-	(61,207)
Deferred tax in relation to long-term incentive program	-	-	-	(7,048)	-	-	-	-	-	-	-	(7,048)
Disposal of subsidiaries	-	-	-	-	-	-	(267)	-	-	-	-	(267)
Share-based compensation	-	-	-	192,675	-	-	-	-	-	-	-	192,675
Contribution to employee share trusts	-	-	(86,684)	-	-	-	-	-	-	-	-	(86,684)
Dividends paid	-	-	-	-	-	-	-	(431,148)	-	-	-	(431,148)
Dividends paid to other non-controlling interests	-	-	-	-	-	-	-	-	-	(4,620)	-	(4,620)
Capital contribution from other non-controlling interests	-	-	-	-	-	-	-	-	-	76,019	-	76,019
Change of ownership of subsidiaries without loss of control	-	-	-	-	-	-	1,673	-	-	(1,673)	-	-
Distribution to perpetual securities holders	-	-	-	-	-	-	-	-	(26,880)	-	-	(26,880)
At December 31, 2019	3,185,923	(39,775)	(45,469)	254,536	(33,285)	(1,495,281)	176,642	1,427,200	1,007,110	623,934	(766,238)	4,295,297

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

The financial information relating to the year ended March 31, 2020 included in the FY2020/21 third quarter results announcement as comparative information does not constitute the Company's statutory annual consolidated financial statements for that year but is derived from those financial statements. Further information relating to these statutory 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, 2020 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 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 Group has reclassified right-of-use assets related to leasehold land and buildings, which was previously classified as "property, plant and equipment", and "prepaid lease payments" to "right-of-use assets" in the consolidated balance sheet.

The below amended 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 amended standards.

- Amendments to HKFRS 3, Definition of a business
- Amendments to HKAS 1 and HKAS 8, Definition of material
- Amendments to HKFRS 9, HKAS 39 and HKFRS 7, Interest rate benchmark reform

## New amendments to existing standards not yet effective

The following new amendments to existing standards, which are considered appropriate and relevant to the Group's operations, have been issued but are not effective for the year ending March 31, 2021 and have not been early adopted:

	Effective for annual periods beginning on or after
Amendments to HKFRS 16, COVID-19-Related rent concessions	June 1, 2020
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16, Interest Rate Benchmark Reform – Phase 2	January 1, 2021
Amendments to HKAS 37, Onerous contracts – Cost of fulfilling a contract	January 1, 2022
Annual improvements to HKFRS Standards 2018-2020 Cycle	January 1, 2022
Amendments to HKAS 16, Property, plant and equipment: Proceeds before Intended Use	January 1, 2022
Amendments to HKFRS 3, Reference to the conceptual framework	January 1, 2022
Amendments to HKAS 1, Classification of liabilities as current or non-current	January 1, 2023
Amendments to HKFRS 10 and HKAS 28, Consolidated financial statements and investments in associates	Date to be determined

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

## **2 Segment information**

Management has determined the operating segments based on the reports reviewed by the Lenovo Executive Committee (“LEC”), the chief operating decision-maker, that are used to make strategic decisions. Segments by business group comprise IDG and DCG.

The LEC assesses the performance of the operating segments based on a measure of pre-tax income/(loss). This measurement basis excludes the effects of non-recurring expenses such as restructuring costs from the operating segments. The measurement basis also excludes the effects of certain income and expenses such as fair value change of financial instruments and disposal gain/(loss) of fixed assets that are from activities driven by headquarters and centralized functions. Certain finance income and costs are not allocated to segments when these types of activities are driven by the central treasury function which manages the cash position of the Group.

Supplementary information on segment assets and liabilities presented below is primarily based on the business group of the entities or operations which carry the assets and liabilities, except for entities performing centralized functions for the Group the assets and liabilities of which are not allocated to any segment.

## (a) Segment revenue and pre-tax income/(loss) for reportable segments

	9 months ended December 31, 2020		9 months ended December 31, 2019	
	Revenue from external customers <i>US\$ '000</i>	Pre-tax income/ (loss) <i>US\$ '000</i>	Revenue from external customers <i>US\$ '000</i>	Pre-tax income/ (loss) <i>US\$ '000</i>
IDG	40,387,424	2,255,903	35,849,817	1,835,835
DCG	4,724,784	(138,340)	4,287,161	(149,716)
Segment total	<u>45,112,208</u>	<u>2,117,563</u>	<u>40,136,978</u>	<u>1,686,119</u>
Unallocated:				
Headquarters and corporate income /(expenses) - net		(640,072)		(503,272)
Depreciation and amortization		(158,385)		(118,338)
Impairment of intangible assets		(52,606)		-
Finance income		13,954		19,526
Finance costs		(159,116)		(176,453)
Share of losses of associates and joint ventures		(23,849)		(11,107)
Gain/(loss) on disposal of property, plant and equipment		70,424		(726)
Fair value gain on financial assets at fair value through profit or loss		197,279		49,435
Fair value loss on a financial liability at fair value through profit or loss		(7,373)		(13,000)
Dilution gain on interest in an associate		31,374		-
Gain on deemed disposal of subsidiaries		2,964		-
Gain on disposal of interest in an associate		-		3,922
Dividend income		1,784		4,303
Consolidated profit before taxation		<u>1,393,941</u>		<u>940,409</u>

## (b) Segment assets for reportable segments

	December 31, 2020 <i>US\$ '000</i>	March 31, 2020 <i>US\$ '000</i>
IDG	25,062,258	20,045,317
DCG	4,788,714	4,656,685
Segment assets for reportable segments	<u>29,850,972</u>	<u>24,702,002</u>
Unallocated:		
Deferred income tax assets	2,279,006	2,059,582
Financial assets at fair value through profit or loss	780,060	494,807
Financial assets at fair value through other comprehensive income	85,286	56,136
Derivative financial assets	23,021	138,813
Interests in associates and joint ventures	73,854	60,307
Bank deposits and cash and cash equivalents	4,091,235	3,617,470
Unallocated deposits, prepayments and other receivables	687,617	379,429
Income tax recoverable	247,047	196,464
Other unallocated assets	527,039	423,157
Total assets per consolidated balance sheet	<u>38,645,137</u>	<u>32,128,167</u>

(c) Segment liabilities for reportable segments

	<b>December 31, 2020</b> <i>US\$'000</i>	March 31, 2020 <i>US\$'000</i>
IDG	<b>26,462,927</b>	20,271,781
DCG	<b>1,861,861</b>	1,666,557
Segment liabilities for reportable segments	<b>28,324,788</b>	21,938,338
Unallocated:		
Deferred income tax liabilities	<b>377,602</b>	342,805
Derivative financial liabilities	<b>125,031</b>	73,784
Borrowings	<b>4,567,578</b>	4,859,599
Unallocated other payables and accruals	<b>887,707</b>	470,200
Unallocated other non-current liabilities	<b>27,518</b>	26,771
Income tax payable	<b>423,922</b>	357,375
Total liabilities per consolidated balance sheet	<b>34,734,146</b>	28,068,872

(d) Analysis of revenue by geography

	<b>9 months ended</b> <b>December 31,</b> <b>2020</b> <i>US\$'000</i>	9 months ended December 31, 2019 <i>US\$'000</i>
China	<b>10,873,643</b>	8,854,350
AP	<b>8,849,205</b>	8,965,759
EMEA	<b>11,512,931</b>	9,478,596
AG	<b>13,876,429</b>	12,838,273
	<b>45,112,208</b>	40,136,978

(e) Analysis of revenue by timing of revenue recognition

	<b>9 months ended</b> <b>December 31,</b> <b>2020</b> <i>US\$'000</i>	9 months ended December 31, 2019 <i>US\$'000</i>
Point in time	<b>43,929,146</b>	39,177,055
Over time	<b>1,183,062</b>	959,923
	<b>45,112,208</b>	40,136,978

(f) Other segment information

	IDG		DCG		Total	
	2020	2019	2020	2019	2020	2019
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
For the nine months ended December 31						
Depreciation and amortization	422,306	408,696	184,746	176,234	607,052	584,930
Finance income	9,734	15,863	885	2,454	10,619	18,317
Finance costs	114,280	168,469	34,976	13,913	149,256	182,382
Additions to non-current assets (Note)	496,279	612,731	133,540	208,929	629,819	821,660

Note: Excluding other non-current assets and including non-current assets acquired through acquisition of subsidiaries.

- (g) Included in segment assets for reportable segments are goodwill and trademarks and trade names with indefinite useful lives with an aggregate amount of US\$6,233 million (March 31, 2020: US\$5,983 million). The carrying amounts of goodwill and trademarks and trade names with indefinite useful lives are presented below:

At December 31, 2020

	China	AP	EMEA	AG	Mature Market	Emerging Market	Total
	US\$ million	US\$ million	US\$ million				
<b>Goodwill</b>							
- PCSD	1,089	726	245	302	-	-	2,362
- MBG	-	-	-	-	678	804	1,482
- DCG	499	166	104	345	-	-	1,114
<b>Trademarks and trade names</b>							
- PCSD	209	59	110	67	-	-	445
- MBG	-	-	-	-	197	263	460
- DCG	162	54	31	123	-	-	370

At March 31, 2020

	China	AP	EMEA	AG	Mature Market	Emerging Market	Total
	US\$ million	US\$ million	US\$ million				
<b>Goodwill</b>							
- PCSD	1,002	686	215	297	-	-	2,200
- MBG	-	-	-	-	666	799	1,465
- DCG	471	159	77	343	-	-	1,050
<b>Trademarks and trade names</b>							
- PCSD	209	59	103	67	-	-	438
- MBG	-	-	-	-	197	263	460
- DCG	162	54	31	123	-	-	370

The directors are of the view that there was no impairment of goodwill and trademarks and trade names based on impairment tests performed as at December 31, 2020 (March 31, 2020: Nil).

### 3 Operating profit

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

	3 months ended December 31, 2020 US\$'000	9 months ended December 31, 2020 US\$'000	3 months ended December 31, 2019 US\$'000	9 months ended December 31, 2019 US\$'000
Depreciation of property, plant and equipment	73,938	221,555	69,309	205,845
Depreciation of right-of-use assets	25,771	71,734	26,757	77,167
- prepaid lease payments	717	2,076	674	2,039
- leasehold land and buildings	25,054	69,658	26,083	75,128
Amortization of intangible assets	160,299	472,148	155,183	420,256
Impairment of intangible assets	-	52,606	-	-
Employee benefit costs, including	1,406,168	3,778,337	1,108,987	3,271,969
- long-term incentive awards	61,367	189,119	68,978	192,675
- severance and other related costs	-	75,006	-	-
Rental expenses under operating leases	3,467	10,145	3,396	11,435
(Gain)/loss on disposal of property, plant and equipment	(1,092)	(71,964)	642	1,348
Loss on disposal of intangible assets	1,091	1,541	50	1,066
Fair value gain on financial assets at fair value through profit or loss	(64,359)	(197,279)	(49,543)	(49,435)
Fair value loss on a financial liability at fair value through profit or loss	5,600	7,373	10,000	13,000
Dilution gain on interest in an associate	-	(31,374)	-	-
Gain on deemed disposal of subsidiaries	(2,964)	(2,964)	-	-
Gain on disposal of subsidiaries	-	(1,064)	-	(12,844)
Gain on disposal of interest in an associate	-	-	(3,922)	(3,922)
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>

### 4 Finance income and costs

#### (a) Finance income

	3 months ended December 31, 2020 US\$'000	9 months ended December 31, 2020 US\$'000	3 months ended December 31, 2019 US\$'000	9 months ended December 31, 2019 US\$'000
Interest on bank deposits	7,240	22,797	11,694	31,463
Interest on money market funds	-	1,776	1,675	6,380
	<u>7,240</u>	<u>24,573</u>	<u>13,369</u>	<u>37,843</u>

#### (b) Finance costs

	3 months ended December 31, 2020 US\$'000	9 months ended December 31, 2020 US\$'000	3 months ended December 31, 2019 US\$'000	9 months ended December 31, 2019 US\$'000
Interest on bank loans and overdrafts	9,704	34,216	20,321	67,933
Interest on convertible bonds	10,017	29,931	9,898	29,618
Interest on notes	42,797	101,590	21,785	68,993
Interest on lease liabilities	4,087	13,138	4,534	12,496
Factoring costs	34,828	105,653	44,202	158,353
Interest on contingent considerations and written put option liabilities	6,830	19,653	6,636	19,900
Others	1,660	4,191	219	1,542
	<u>109,923</u>	<u>308,372</u>	<u>107,595</u>	<u>358,835</u>

## 5 Taxation

The amount of taxation in the consolidated income statement represents:

	<b>3 months ended December 31, 2020 US\$'000</b>	<b>9 months ended December 31, 2020 US\$'000</b>	3 months ended December 31, 2019 US\$'000	9 months ended December 31, 2019 US\$'000
Current tax				
Hong Kong S.A.R. of China profits tax	<b>38,702</b>	<b>66,404</b>	26,351	57,335
Taxation outside Hong Kong S.A.R. of China	<b>177,519</b>	<b>430,469</b>	128,973	333,332
Deferred tax				
Credit for the period	<b>(56,178)</b>	<b>(130,728)</b>	(70,595)	(191,338)
	<b>160,043</b>	<b>366,145</b>	<b>84,729</b>	<b>199,329</b>

Hong Kong S.A.R. of China profits tax has been provided for at the rate of 16.5% (2019/20: 16.5%) on the estimated assessable profit for the period. Taxation outside Hong Kong S.A.R. of China represents income and irrecoverable withholding taxes of subsidiaries operating in the Chinese Mainland and overseas, calculated at rates applicable in the respective jurisdictions.

## 6 Earnings per share

### (a) Basic

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

	<b>3 months ended December 31, 2020</b>	<b>9 months ended December 31, 2020</b>	3 months ended December 31, 2019	9 months ended December 31, 2019
Weighted average number of ordinary shares in issue	<b>12,027,956,071</b>	<b>12,019,195,723</b>	12,014,791,614	12,014,791,614
Adjustment for shares held by employee share trusts	<b>(84,672,136)</b>	<b>(100,104,164)</b>	(57,160,242)	(90,663,388)
Weighted average number of ordinary shares in issue for calculation of basic earnings per share	<b>11,943,283,935</b>	<b>11,919,091,559</b>	<b>11,957,631,372</b>	<b>11,924,128,226</b>
	<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 to determine basic earnings per share	<b>395,063</b>	<b>918,080</b>	258,117	622,538

(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 issued by the Group, as appropriate. The weighted average number of ordinary shares used in the calculation is the weighted average number of ordinary shares in issue during the period, 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 five (2019/20: five) categories of potential ordinary shares, namely long-term incentive awards, bonus warrants, put option written on non-controlling interests, convertible bonds and convertible preferred shares. Long-term incentive awards and convertible bonds were dilutive for the respective three months and nine months ended December 31, 2020 and 2019. Bonus warrants were anti-dilutive for the three months and nine months ended December 31, 2020 and dilutive for the three months and nine months ended December 31, 2019. On November 16, 2020, 26,914,000 units of bonus warrants were exercised, the remaining units were expired during the period. Put option written on non-controlling interests and convertible preferred shares were anti-dilutive for the respective three months and nine months ended December 31, 2020 and 2019.

	3 months ended December 31, 2020	9 months ended December 31, 2020	3 months ended December 31, 2019	9 months ended December 31, 2019
Weighted average number of ordinary shares in issue for calculation of basic earnings per share	11,943,283,935	11,919,091,559	11,957,631,372	11,924,128,226
Adjustment for long-term incentive awards	397,375,752	141,358,495	193,424,497	283,411,890
Adjustment for bonus warrants	-	-	3,886,240	10,646,786
Adjustment for convertible bonds	742,452,665	742,452,665	694,709,646	694,709,646
Weighted average number of ordinary shares in issue for calculation of diluted earnings per share	<u>13,083,112,352</u>	<u>12,802,902,719</u>	<u>12,849,651,755</u>	<u>12,912,896,548</u>
	<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 to determine basic earnings per share	395,063	918,080	258,117	622,538
Adjustment for interest on convertible bonds, net of tax	8,364	24,992	8,265	24,731
Profit attributable to equity holders of the Company used to determine diluted earnings per share	<u>403,427</u>	<u>943,072</u>	<u>266,382</u>	<u>647,269</u>

7 Inventories

	December 31, 2020 <i>US\$'000</i>	March 31, 2020 <i>US\$'000</i>
Raw materials and work-in-progress	3,594,237	3,571,141
Finished goods	1,855,165	1,020,718
Service parts	336,399	355,055
	<u>5,785,801</u>	<u>4,946,914</u>

## 8 Ageing analysis

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

	<b>December 31, 2020</b> <i>US\$'000</i>	March 31, 2020 <i>US\$'000</i>
0 – 30 days	<b>6,644,603</b>	4,768,436
31 – 60 days	<b>1,790,732</b>	878,135
61 – 90 days	<b>409,495</b>	192,075
Over 90 days	<b>507,308</b>	519,822
	<hr/>	<hr/>
	<b>9,352,138</b>	6,358,468
Less: loss allowance	<b>(72,746)</b>	(95,456)
	<hr/>	<hr/>
Trade receivables – net	<b>9,279,392</b>	6,263,012
	<hr/> <hr/>	<hr/> <hr/>

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

	<b>December 31, 2020</b> <i>US\$'000</i>	March 31, 2020 <i>US\$'000</i>
0 – 30 days	<b>6,428,306</b>	4,793,837
31 – 60 days	<b>2,184,749</b>	1,699,192
61 – 90 days	<b>945,848</b>	596,027
Over 90 days	<b>409,050</b>	420,668
	<hr/>	<hr/>
	<b>9,967,953</b>	7,509,724
	<hr/> <hr/>	<hr/> <hr/>

## 9 Deposits, prepayments and other receivables

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

	<b>December 31, 2020</b> <i>US\$'000</i>	March 31, 2020 <i>US\$'000</i>
Deposits	<b>14,159</b>	14,502
Other receivables	<b>3,963,083</b>	2,379,850
Prepayments	<b>999,213</b>	1,164,887
	<hr/>	<hr/>
	<b>4,976,455</b>	3,559,239
	<hr/> <hr/>	<hr/> <hr/>

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

## 10 Provisions, other payables and accruals

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

	<b>December 31, 2020</b> <i>US\$'000</i>	March 31, 2020 <i>US\$'000</i>
Accruals	<b>3,109,548</b>	2,340,811
Allowance for billing adjustments (i)	<b>2,443,100</b>	1,618,374
Contingent consideration (Note 11(a))	-	117,387
Other payables (ii)	<b>7,122,478</b>	4,857,095
Lease liabilities	<b>100,373</b>	91,976
	<b>12,775,499</b>	9,025,643

Notes:

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

(b) The components of provisions are as follows:

	<b>Warranty</b> <i>US\$'000</i>	<b>Environmental restoration</b> <i>US\$'000</i>	<b>Restructuring</b> <i>US\$'000</i>	<b>Total</b> <i>US\$'000</i>
Year ended March 31, 2020				
At the beginning of the year	976,278	33,297	15,486	1,025,061
Exchange adjustment	(32,815)	626	(91)	(32,280)
Provisions made	824,687	20,126	-	844,813
Amounts utilized	(793,311)	(18,445)	(15,395)	(827,151)
	974,839	35,604	-	1,010,443
Long-term portion classified as non-current liabilities	(258,840)	(32,832)	-	(291,672)
At the end of the year	715,999	2,772	-	718,771
Period ended December 31, 2020				
At the beginning of the period	<b>974,839</b>	<b>35,604</b>	-	<b>1,010,443</b>
Exchange adjustment	<b>55,707</b>	<b>1,692</b>	-	<b>57,399</b>
Provisions made	<b>738,137</b>	<b>12,731</b>	-	<b>750,868</b>
Amounts utilized	<b>(614,097)</b>	<b>(15,488)</b>	-	<b>(629,585)</b>
	<b>1,154,586</b>	<b>34,539</b>	-	<b>1,189,125</b>
Long-term portion classified as non-current liabilities	<b>(274,362)</b>	<b>(30,815)</b>	-	<b>(305,177)</b>
At the end of the period	<b>880,224</b>	<b>3,724</b>	-	<b>883,948</b>

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

## 11 Other non-current liabilities

Details of other non-current liabilities are as follows:

	<b>December 31, 2020</b> <i>US\$ '000</i>	March 31, 2020 <i>US\$ '000</i>
Deferred consideration (a)	<b>25,072</b>	25,072
Written put option liabilities (b)	<b>874,861</b>	802,273
Lease liabilities	<b>317,983</b>	346,806
Environmental restoration (Note 10(b))	<b>30,815</b>	32,832
Government incentives and grants received in advance (c)	<b>64,322</b>	51,938
Others	<b>88,277</b>	62,375
	<b>1,401,330</b>	1,321,296

- (a) Pursuant to the completion of business combinations, the Group is required to pay in cash to the respective sellers contingent consideration with reference to certain performance indicators as written in the respective agreements with the sellers; and deferred consideration. Accordingly, current and non-current liabilities in respect of the fair value of contingent consideration and present value of deferred consideration have been recognized. The contingent consideration is subsequently re-measured at its fair values as a result of change in the expected performance at each balance sheet date, with any resulting gain or loss recognized in the consolidated income statement. Deferred consideration is subsequently carried at amortized cost.

The contingent consideration to Fujitsu Limited ("Fujitsu") was paid in May 2020 (Note 10(a)). As at December 31, 2020, the potential undiscounted amount of future payment in respect of the deferred consideration that the Group could be required to make to the respective seller under such arrangement is as follows:

Joint venture with NEC Corporation US\$25 million

- (b) (i) Pursuant to the joint venture agreement entered into between the Company and Fujitsu, the Company and Fujitsu are respectively granted call and put options which entitle the Company to purchase from Fujitsu and Development Bank of Japan ("DBJ"), or Fujitsu and DBJ to sell to the Company, the 49% interest in Fujitsu Client Computing Limited and its subsidiary, Shimane Fujitsu Limited (together "FCCL"). Both options will be exercisable following the fifth anniversary of the date of completion. The exercise price for the call and put options will be determined based on the fair value of the 49% interest as of the day of exercising the option. FCCL will pay to its shareholders by way of dividends in their respective shareholding proportion in a range of FCCL's profits available for distribution under applicable law in respect of each financial year during the term of the joint venture agreement, after making transfers to reserves and provisions.

- (ii) During the year ended March 31, 2019, Hefei Zhi Ju Sheng Bao Equity Investment Co., Ltd (“ZJSB”) acquired the 49% interest in a joint venture company (“JV Co”) from Compal Electronics, Inc. The Company and ZJSB respectively own 51% and 49% of the interest in the JV Co. Pursuant to the option agreement entered into between a wholly owned subsidiary of the Group and Hefei Yuan Jia Start-up Investment LLP (“Yuan Jia”), which holds 99.31% interest in ZJSB, the Group and Yuan Jia are respectively granted call and put options which entitle the Group to purchase from Yuan Jia, or Yuan Jia to sell to the Group, the 99.31% interest in ZJSB. The call and put options will be exercisable at any time after August 31, 2022 and August 31, 2021 respectively. The exercise price for the call and put options will be determined in accordance with the joint venture agreement, and up to a maximum of RMB2,300 million (approximately US\$352 million).

The financial liability that may become payable under the put option and dividend requirement 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 are mainly related 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 are credited to the consolidated income statement upon fulfillment of those conditions and on a straight line basis over the expected life of the related assets respectively.

## 12 Borrowings

	December 31, 2020 <i>US\$'000</i>	March 31, 2020 <i>US\$'000</i>
Current liabilities		
Short-term loans (a)	<b>639,086</b>	2,124,562
Notes (b)	-	563,249
Convertible bonds (c)	-	607,169
	<b>639,086</b>	<b>3,294,980</b>
Non-current liabilities		
Long-term loan (a)	<b>2,324</b>	3,079
Notes (b)	<b>3,009,607</b>	1,243,714
Convertible preferred shares (d)	<b>297,024</b>	317,826
Convertible bonds (c)	<b>619,537</b>	-
	<b>3,928,492</b>	<b>1,564,619</b>
	<b>4,567,578</b>	<b>4,859,599</b>

- (a) Majority of the short-term and long-term loans are denominated in United States dollars. As at December 31, 2020, the Group has total revolving and short-term loan facilities of US\$3,020 million (March 31, 2020: US\$2,834 million) which has been utilized to the extent of US\$650 million (March 31, 2020: US\$2,134 million).

(b)	Issue date	Principal amount	Term	Interest rate per annum	Due date	December 31, 2020 US\$'000	March 31, 2020 US\$'000
	June 10, 2015	RMB4 billion	5 years	4.95%	June 2020	-	563,249
	March 16, 2017	US\$337 million / US\$500 million	5 years	3.875%	March 2022	336,555	498,225
	March 29, 2018	US\$687 million / US\$750 million	5 years	4.75%	March 2023	683,638	745,489
	April 24, 2020 and May 12, 2020	US\$1 billion	5 years	5.875%	April 2025	999,150	-
	November 2, 2020	US\$1 billion	10 years	3.421%	November 2030	990,264	-
						<b>3,009,607</b>	<b>1,806,963</b>

On November 3, 2020, approximately US\$163 million in principal amount of the 2022 Notes and approximately US\$63 million in principal amount of the 2023 Notes were purchased by the Company. Approximately US\$337 million in principal amount of the 2022 Notes and approximately US\$687 million in principal amount of the 2023 Notes remain outstanding.

- (c) On January 24, 2019, the Company completed the issuance of 5-Year US\$675 million convertible bonds bearing annual interest at 3.375% due in January 2024 (“the Bonds”) to third party professional investors (“the bondholders”). The proceeds were used to repay previous notes and for general corporate purposes. The bondholders have the right, at any time on or after 41 days after the date of issue up to the 10th day prior to the maturity date, to convert part or all of the outstanding principal amount of the Bonds into ordinary shares of the Company at a conversion price of HK\$7.99 per share, subject to adjustments. The conversion price was adjusted to HK\$7.13 per share effective on November 28, 2020. Assuming full conversion of the Bonds at the adjusted conversion price of HK\$7.13 per share, the Bonds will be convertible into 742,452,665 shares. The Group expects that it will be able to meet its redemption obligations based on the financial position of the Group.

The initial fair value of the liability portion of the bond 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 is allocated to the conversion option and recognized in shareholders’ equity, net of income tax, and not subsequently remeasured.

The outstanding principal amount of the Bonds is repayable by the Company upon the maturity of the Bonds on January 24, 2024, if not previously redeemed, converted or purchased and cancelled. On January 24, 2021, the bondholders will have the right, at the bondholders’ option, to require the Company to redeem part or all of the Bonds on January 24, 2021 at their principal amount. To exercise such right, the bondholders must complete, sign and deposit a duly completed and signed notice of redemption not earlier than 60 days and not later than 30 days prior to January 24, 2021. The outstanding principal amount of the Bonds has been reclassified to non-current liabilities as a result of the lapse of the redemption option.

- (d) On June 21, 2019, the Group completed the issuance of 2,054,791 convertible preferred shares through its wholly owned subsidiary, Lenovo Enterprise Technology Company Limited (“LETCL”).

The convertible preferred shares are convertible to 20% of the enlarged issued ordinary share capital of LETCL on an as-converted and fully-diluted basis. The holders of the convertible preferred shares will be entitled cash dividends of 4% per annum payable semi-annually on the original subscription price until December 31, 2023. Upon the occurrence of certain specified conditions, the holders of convertible preferred shares will have the right to require LETCL to redeem or the Company to purchase all of their convertible preferred shares at the predetermined consideration. Accordingly, the convertible preferred shares are classified as a financial liability.

The aggregated subscription price of convertible preferred shares is approximately US\$300 million. The net proceeds from the issuance were used by LETCL and its subsidiaries towards general corporate funding and capital expenditure of LETCL and its subsidiaries.

The Group expects that it will be able to meet its redemption obligations based on the financial position of the Group.

The exposure of all the borrowings of the Group to interest rate changes and the contractual repricing dates as at December 31, 2020 and March 31, 2020 are as follows:

	<b>December 31, 2020</b>	March 31, 2020
	<i>US\$'000</i>	<i>US\$'000</i>
Within 1 year	<b>639,086</b>	3,294,980
Over 1 to 3 years	<b>1,319,541</b>	1,564,619
Over 3 to 5 years	<b>1,618,687</b>	-
Over 5 years	<b>990,264</b>	-
	<b>4,567,578</b>	4,859,599

### 13 Share capital

	<b>December 31, 2020</b>		March 31, 2020	
	<i>Number of Shares</i>	<i>US\$'000</i>	<i>Number of shares</i>	<i>US\$'000</i>
<i>Issued and fully paid:</i>				
Voting ordinary shares:				
At the beginning of the period/year	<b>12,014,791,614</b>	<b>3,185,923</b>	12,014,791,614	3,185,923
Issue of warrant shares	<b>26,914,000</b>	<b>17,990</b>	-	-
At the end of the period/year	<b>12,041,705,614</b>	<b>3,203,913</b>	12,014,791,614	3,185,923

On November 16, 2020, the Company completed the issuance of 26,914,000 warrant shares at exercise price of HK\$5.1445 each.

### 14 Perpetual securities

In March 2017, the Group issued a total of US\$850 million perpetual securities through its wholly owned subsidiary, Lenovo Perpetual Securities Limited (“the issuer”). The net proceeds amounted to approximately US\$842 million. The securities are perpetual, non-callable in the first 5 years and entitle the holders to receive distributions at a distribution rate of 5.375% per annum in the first 5 years, floating thereafter and with a fixed step up margin, payable semi-annually in arrears, cumulative and compounding. As the perpetual securities do not contain any contractual obligation to pay cash or other financial assets pursuant to the terms and conditions of the issue; in accordance with HKAS 32, they are classified as equity and for accounting purpose regarded as part of non-controlling interests.

In April 2017, the Group issued an additional US\$150 million perpetual securities under the same terms, which are fungible with and form a single series with the aforementioned US\$850 million perpetual securities.

On November 3, 2020, approximately US\$819 million in principal amount of the perpetual securities were purchased and cancelled by the issuer pursuant to a tender offer made by the issuer on October 22, 2020, and the remaining approximately US\$181 million in principal amount of the perpetual securities were redeemed and cancelled on December 10, 2020.

## 15 Reconciliation of profit before taxation to net cash generated from operations

	9 months ended December 31, 2020 <i>US\$'000</i>	9 months ended December 31, 2019 <i>US\$'000</i>
Profit before taxation	1,393,941	940,409
Share of losses of associates and joint ventures	23,849	11,107
Finance income	(24,573)	(37,843)
Finance costs	308,372	358,835
Depreciation of property, plant and equipment	221,555	205,845
Depreciation of right-of-use assets		
- prepaid lease payments	2,076	2,039
- leasehold land and buildings	69,658	75,128
Amortization of intangible assets	472,148	420,256
Impairment of intangible assets	52,606	-
Share-based compensation	189,119	192,675
(Gain)/loss on disposal of property, plant and equipment	(71,964)	1,348
Loss on disposal of intangible assets	1,541	1,066
Dilution gain on interest in an associate	(31,374)	-
Gain on deemed disposal of subsidiaries	(2,964)	-
Gain on disposal of subsidiaries	(1,064)	(12,844)
Gain on disposal of interest in an associate	-	(3,922)
Fair value change on bonus warrants	(1,138)	(15,869)
Fair value change on financial instruments	23,869	16,252
Fair value change on financial assets at fair value through profit or loss	(197,279)	(49,435)
Fair value change on a financial liability at fair value through profit or loss	7,373	13,000
Dividend income	(1,897)	(6,206)
Increase in inventories	(886,592)	(577,613)
Increase in trade receivables, notes receivable, deposits, prepayments and other receivables	(4,486,404)	(3,142,649)
Increase in trade payables, notes payable, provisions, other payables and accruals	6,975,941	3,967,285
Effect of foreign exchange rate changes	(278,863)	73,904
	<hr/>	<hr/>
Net cash generated from operations	<b>3,757,936</b>	<b>2,432,768</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.

	December 31, 2020 <i>US\$'000</i>	March 31, 2020 <i>US\$'000</i>
<b>Financing liabilities</b>		
Short-term loans – current	639,086	2,124,562
Long-term loan – non-current	2,324	3,079
Notes – current	-	563,249
Notes – non-current	3,009,607	1,243,714
Convertible bonds – current	-	607,169
Convertible bonds – non-current	619,537	-
Convertible preferred shares – non-current	297,024	317,826
Lease liabilities – current	100,373	91,976
Lease liabilities – non-current	317,983	346,806
	<hr/>	<hr/>
	<b>4,985,934</b>	<b>5,298,381</b>
	<hr/>	<hr/>
Short-term loans – variable interest rates	630,543	2,123,571
Short-term loan – fixed interest rates	8,543	991
Long-term loan – fixed interest rates	2,324	3,079
Notes – fixed interest rates	3,009,607	1,806,963
Convertible bonds – fixed interest rates	619,537	607,169
Convertible preferred shares – fair value	297,024	317,826
Lease liabilities – fixed interest rates	418,356	438,782
	<hr/>	<hr/>
	<b>4,985,934</b>	<b>5,298,381</b>

	Short-term loans current US\$'000	Long- term loan non- current US\$'000	Notes current US\$'000	Notes non- current US\$'000	Convertible bonds current US\$'000	Convertible bonds non- current US\$'000	Convertible preferred shares non- current US\$'000	Lease liabilities current US\$'000	Lease liabilities non- current US\$'000	Total US\$'000
Financing liabilities as at April 1, 2019	1,166,907	-	786,136	1,836,264	-	590,506	-	-	-	4,379,813
Change in accounting policy	-	-	-	-	-	-	-	77,903	331,441	409,344
Proceeds from borrowings	4,089,791	3,079	-	-	-	-	-	-	-	4,092,870
Repayments of borrowings	(3,135,800)	-	-	-	-	-	-	-	-	(3,135,800)
Repayments of notes	-	-	(786,244)	-	-	-	-	-	-	(786,244)
Transfer	-	-	581,389	(581,389)	602,983	(602,983)	-	91,422	(91,422)	-
Issue of convertible preferred shares	-	-	-	-	-	-	300,000	-	-	300,000
Principal elements of lease payments	-	-	-	-	-	-	-	(130,993)	-	(130,993)
Dividends paid	-	-	-	-	-	-	(6,000)	-	-	(6,000)
Foreign exchange adjustments	-	-	(18,770)	(13,548)	-	-	-	(370)	(863)	(33,551)
Other non-cash movements	3,664	-	738	2,387	4,186	12,477	23,826	54,014	107,650	208,942
Financing liabilities as at March 31, 2020	<u>2,124,562</u>	<u>3,079</u>	<u>563,249</u>	<u>1,243,714</u>	<u>607,169</u>	<u>-</u>	<u>317,826</u>	<u>91,976</u>	<u>346,806</u>	<u>5,298,381</u>
Financing liabilities as at April 1, 2020	2,124,562	3,079	563,249	1,243,714	607,169	-	317,826	91,976	346,806	5,298,381
Proceeds from borrowings	2,813,016	-	-	-	-	-	-	-	-	2,813,016
Repayments of borrowings	(4,298,242)	-	-	-	-	-	-	-	-	(4,298,242)
Repayment of notes	-	-	(565,643)	(225,912)	-	-	-	-	-	(791,555)
Repurchase of convertible preferred shares	-	-	-	-	-	-	(16,575)	-	-	(16,575)
Transfer	755	(755)	-	-	(619,537)	619,537	-	83,394	(83,394)	-
Issue of notes	-	-	-	2,003,500	-	-	-	-	-	2,003,500
Issuing costs of notes	-	-	-	(14,383)	-	-	-	-	-	(14,383)
Principal elements of lease payments	-	-	-	-	-	-	-	(93,533)	-	(93,533)
Acquisition of a subsidiary	1,770	-	-	-	-	-	-	-	-	1,770
Dividends paid	-	-	-	-	-	-	(11,600)	-	-	(11,600)
Foreign exchange adjustments	544	-	2,058	-	-	-	-	7,957	13,594	24,153
Other non-cash movements	(3,319)	-	336	2,688	12,368	-	7,373	10,579	40,977	71,002
Financing liabilities as at December 31, 2020	<u>639,086</u>	<u>2,324</u>	<u>-</u>	<u>3,009,607</u>	<u>-</u>	<u>619,537</u>	<u>297,024</u>	<u>100,373</u>	<u>317,983</u>	<u>4,985,934</u>

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

During the nine months ended December 31, 2020, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities, except that the respective trustee of the long-term incentive program and the employee share purchase plan of the Company purchased a total of 247,810,599 shares from the market for award to employees upon vesting. Details of these program and plan are set out in the 2020/21 interim report of the Company.

## **REVIEW BY AUDIT COMMITTEE**

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

The Audit Committee of the Company has reviewed the unaudited financial results of the Group for the nine months ended December 31, 2020. It meets regularly with the management, the external auditor and the internal audit personnel to discuss the accounting principles and practices adopted by the Group and internal control and financial reporting matters.

## **COMPLIANCE WITH CORPORATE GOVERNANCE CODE**

None of the directors of the Company is aware of any information that would reasonably indicate that the Company is not, or was not during the nine months ended December 31, 2020, in compliance with the code provisions of the Corporate Governance Code and Corporate Governance Report (the "CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, 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 A.2.1 of the CG Code.

The Board has reviewed the organization human resources planning of the Company and is of the opinion that it is appropriate and in the best interests of the Company at the present stage for Mr. Yang Yuanqing ("Mr. Yang") to continue to hold both the positions as it would help to maintain the continuity of the strategy execution and stability of the operations of the Company. The Board comprising a vast majority of independent non-executive directors meets regularly on a quarterly basis to review the operations of the Company led by Mr. Yang.

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

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

February 3, 2021

*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. Nicholas C. Allen, Mr. William O. Grabe, Mr. William Tudor Brown, Mr. Yang Chih-Yuan Jerry, Mr. Gordon Robert Halyburton Orr, Mr. Woo Chin Wan Raymond and Ms. Yang Lan.*